



2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly Highlights

for the three months ended October 31, 2025 and 2024

1. INTRODUCTION

The following Management's Discussion and Analysis - Quarterly Highlights ("MD&A") of financial position and results of operations for Cielo Waste Solutions Corp. ("Cielo" or the "Company"), dated December 18, 2025 should be read in conjunction with the cautionary statement regarding forward-looking information below, as well as the audited condensed financial statements and notes for the years ended April 30, 2025 and 2024. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All amounts in the following MD&A are stated in Canadian Dollars unless otherwise stated. This MD&A was approved and authorized for issuance by the Board of Directors of the Company on December 18, 2025

All capitalized terms not otherwise defined in this MD&A have the meaning given to them in the condensed financial statements and notes for the three months ended October 31, 2025 and 2024 and the year ended April 30, 2025.

Certain statements contained in this MD&A are forward-looking information within the meaning of applicable Canadian securities laws relating to the Company. Please refer to the sections of this MD&A regarding the risks associated with "Forward-looking Statements" and the section entitled "Risk Factors".

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 OTCQB Venture Market under the symbol "CWSFF". Cielo was incorporated under the Business Corporations Act (British Columbia) on February 2, 2011.

Additional Information

Additional information and disclosure relating to the Company, can be found on the Company's website at <https://cielows.com/> and under the Company's profile on the SEDAR+ website at www.sedarplus.ca. Information contained in or otherwise accessible through the Company's website does not form part of this MD&A.

2. CAUTIONARY STATEMENT ON FORWARD LOOKING INFORMATION

This MD&A contains forward-looking statements and forward-looking information (collectively "forward-looking information") within the meaning of applicable Canadian securities laws. Forward-looking information may relate to anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, budgets, operations, financial results, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "anticipate", "plan", "target", "continue", "estimate", "expect", "may", "will", "project", "should", "could", "believe", "predict", "potential", "scheduled", "estimates", "forecast", "projection". In addition, any statements

that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts nor assurances of future performance but instead represent management's expectations, estimates and projections regarding future events or circumstances.

Management's expectations, estimates and projections are inherently subject to significant business, economic, competitive and other uncertainties and contingencies regarding future events and as such, are subject to change. All forward-looking information in this MD&A is qualified by these cautionary statements. This MD&A contains forward-looking information that is subject to current and future economic risk, the Company's ability to fund its work through equity or financings, market conditions, and government and regulatory constraints. The forward-looking information in this MD&A includes, but is not limited to:



Forward-looking statements	Assumptions	Risk factors
<p>Cielo's ability to meet its working capital needs at the current level.</p> <p>Cielo's expectation to incur further losses in the development of its business.</p> <p>Cielo's intention and ability, upon commercialization, to expand domestically and internationally, and the requirements in order to progress to one or more full scale commercial facilities.</p> <p>The Company's strategy being based on sourcing equipment and systems from third parties under vendor arrangements, and the reasons therefor, and the Company's intention to continue to review additional technologies (in addition to the Gasification Technology).</p> <p>The Company's short term and long term objectives; the first commercial project being "Project Nexus", including but not limited to technology to be used, location, timing/phases/steps/milestones, and costs; the "Nexus Platform" being a long-term objective of the Company and Project Nexus being a flagship and foundation therefor; and the goals associated with and the impacts of Project Nexus and the Nexus Platform, including but not limited to enhanced resource efficiency, reduction of environmental impact, and the strengthening of economic fundamentals.</p> <p>The Company's foundational pillars being feedstock supply, technology selection and offtake agreements; the types of fuels to be produced at the Company's future facilities and related considerations and approaches; Gasification Technology.</p> <p>The grants and tax credit programs that may be available to the Company and the Company's intention to actively pursue the foregoing.</p> <p>The Company's pursuit of financing opportunities and strategies to mitigate going concern risks.</p>	<p>Cielo's belief that waste-to-fuel is a commercially viable and integral part of the future energy sector.</p> <p>The operating activities of Cielo for the twelve-month period ending April 30, 2026, and the costs associated therewith, will be consistent with Cielo's current expectations.</p> <p>Debt and equity markets, exchange and interest rates and other applicable economic conditions are favorable to Cielo.</p> <p>Minimizing environmental impact through technology, while meeting energy market needs is, and will continue to be, a worldwide focus, and that Cielo will be an integral part of this trend through ongoing research, and the future commercialization of its operations.</p> <p>Cielo will be eligible for tax credits and/or grants and that they will be generally available as needed.</p> <p>Ongoing worldwide desire to better the environment; that Cielo will continue investing in infrastructure to support growth, including obtaining and retaining key personnel; that funding and support will continue through strategic partnerships and funding.</p> <p>That the Company's financial condition and development plans related to the Company's projects do not change as a result of unforeseen events; that market conditions that affect the Company, generally, do not change; the regulatory climate in which the Company operates and the laws and policies applicable to Cielo, its business, do not change; the Company's ability to execute on its business plans; the availability and cost (if applicable) of feedstocks to be used in its projects; the capacity of the facilities to be constructed; the ability of future facilities to operate as and for such duration(s) as anticipated, without unplanned stoppages or shut-downs; the ability of the Company to secure financing generally for its business and proposed projects on commercially reasonable terms or at all; the ability of the Company to sell the fuels produced by the facilities in a timely manner at commercially reasonable rates; the ability of the Company to secure tipping fees related to feedstocks; existing agreements and new agreements with third parties will be reasonable and enforceable and the relationships with such parties will continue as intended, including without limitation the ability of the Company to secure appropriate technologies for its future projects as and when needed and on commercially reasonable terms.</p>	<p>There are numerous and varied risks, known and unknown, that may prevent the Company from achieving its goals. A detailed description of the risks and uncertainties pertaining to the Company's operations and proposed operations can be found in the Section of the Company's management's discussion and analysis (the "Annual MD&A") accompanying the Company's annual audited financial statements for the years ended April 30, 2025 and 2024, entitled "Risk Factors".</p>

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that management considered appropriate and reasonable as of the date such statements are made, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or

achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the risks factors described under the heading entitled "Risk Factors" in this MD&A and in the Annual MD&A.

If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-

looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking information. The opinions, estimates or assumptions referred to above and the risks described in greater detail in "Risk Factors" in this MD&A and the Annual MD&A and should be considered carefully by readers. These risk factors should not be construed as exhaustive. Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Forward-looking information is provided in this

MD&A for the purpose of giving information about management's current expectations and plans and allowing investors to get a better understanding of our operating environment. Readers are cautioned that it may not be appropriate to use such forward-looking information for any other purpose.

The forward-looking information contained in this MD&A represents our expectations as of the date of this MD&A (or as the date they are otherwise stated to be made) and are subject to change after such date. Except as specifically required under applicable securities laws in Canada, Cielo assumes no obligation to publicly update or revise any forward-looking information to reflect new information, events or circumstances that may arise after December 18, 2025. All forward-looking information contained in this MD&A is expressly qualified by the foregoing cautionary statements.

3. CORE BUSINESS OVERVIEW

Formation

Cielo Waste Solutions Corp. ("Cielo" or the "Company") is a publicly traded company with its shares listed on the TSX Venture Exchange ("TSXV") under the symbol "CMC", as well as on the OTCQB® Venture Market, under the symbol "CWSFF". The registered office of the Company is located at Suite 2700, 1133 Melville Street, Vancouver, British Columbia, Canada V6E 4E5. The principal office of the Company is located at Suite 2500, 639 5th Avenue S.W. Calgary AB, T2P 0M9.

On July 29, 2021, the Company incorporated a wholly owned subsidiary, Cielo Fort Saskatchewan Corp., to acquire the land and hold the assets for a future proposed facility in Fort Saskatchewan, Alberta. Subsequent to July 29, 2021, the financial statements include the accounts of the Company and its wholly owned subsidiary. In June 2023, the Company amalgamated with its wholly owned subsidiary under the Business Corporations Act (British Columbia).

Strategic Intent

Cielo is focused on converting waste into usable fuels through economically and environmentally sustainable solutions. Its mission is to develop scalable, commercially viable projects, which are feedstock-driven, and that contribute to a more circular and lower-carbon economy.

The Company has refined its strategic approach to emphasize execution and flexibility. Rather than concentrating on the development or ownership of proprietary technologies and the related intellectual property, the Company intends to pursue sourcing and integrating proven equipment and systems from third-party vendors that are best suited to the Company's, and each project's, specific requirements.

This shift in focus is intended to allow Cielo to:

- Select and acquire through vendor arrangements technologies based on feasibility, performance and scalability;
- Implement infrastructure projects that process waste into fuel across varied feedstocks and locations;
- Apply financial innovation to support project development and long-term sustainability; and
- Diversify revenue streams, including fuel sales, tipping fees, and environmental credits.

Business Model

The Company intends to launch its first commercial project, "Project Nexus" ("Project Nexus") in British Columbia, as further described in this MD&A. Project Nexus is expected to serve as the Company's flagship facility and the foundation for a scalable clean energy infrastructure model the Company plans to develop, to be referred to as "Nexus Platform" (the "Nexus Platform"). The concept of the Nexus Platform is intended to represent a strategic shift from operating a limited number of standalone assets based on a single technology to a disciplined, integrated approach capable of supporting multiple projects across diverse jurisdictions and sectors, with an initial focus on Canada. The Nexus Platform reflects a broader transformation in the Company's operating model, emphasizing disciplined execution, integrated performance, and strategic focus. Project Nexus is designed to convert waste streams - including creosote-treated railway ties, woody biomass, and agricultural residues - into low-carbon fuels such as sustainable aviation fuel (SAF), with future development targeting bio-methanol. By tailoring technology and project design to the specific feedstock and site conditions, the Company aims to enhance resource efficiency, reduce environmental impact, and strengthen the economic fundamentals of each project.

The Company's business model continues to be structured around three foundational pillars, consistent with its prior business model. The key evolution lies in the strategic shift away from proprietary technology and related intellectual property development toward the sourcing and deployment of commercially ready equipment and systems from third party-vendors:

1. **Feedstock Supply:** The Company's feedstock-to-renewable-gas strategy is anchored by long-term agreements with feedstock suppliers, under which suppliers will pay tipping fees for the disposal of waste materials. These agreements provide both a reliable input stream and a revenue-generating mechanism.
2. **Technology Selection:** Project-specific technologies will be selected based on technical feasibility, economic viability, and compatibility with the intended feedstock. The Company continues to evaluate proprietary and third-party technologies to optimize performance and scalability.
3. **Offtake Agreements:** The Company intends to secure long-term offtake agreements with purchasers of the processed renewable gas, sustainable aviation fuel (SAF) or hydrogen, ensuring predictable revenue streams and market access for its end products.

Technology

Current Approach

During the year ended April 30, 2025, and in the subsequent period, the Company made a strategic decision to relocate its first planned commercial waste-to-fuel facility for processing scrap railway ties to British Columbia. This decision was driven primarily by prevailing market conditions. In conjunction with the relocation, the Company also refined its fuel production strategy: the first project, Project Nexus, will focus on the production of sustainable aviation fuel (SAF), which is expected to deliver strong long-term economic and environmental benefits under current conditions. For future projects, the Company intends to remain flexible and will pursue the fuel product—whether Renewable Natural Gas, Green Hydrogen, Renewable Diesel, Sustainable Aviation Fuel, or others—that best aligns with the specific economic and operational conditions of each project.

In preparation for the launch of Project Nexus, the Company has engaged in discussions with a private Canadian corporation that owns proprietary waste gasification technology (the "Gasification Technology"). The Company is reviewing a vendor agreement as at the date of this MD&A to secure rights to utilize the Gasification Technology. Based on due diligence conducted to date, including an assessment by an independent third-party consultant prepared for the vendor of the Gasification Technology, the Company believes the Gasification Technology is technically suitable for processing railway ties and other biogenic material into syngas. The syngas would then be further refined using a current technology, also anticipated to be accessed through a vendor

arrangement, to produce purified hydrogen and/or renewable gas. While the economic viability of the Gasification Technology is still being evaluated, preliminary findings suggest it will be a cost-effective solution.

In support of the Company's growth and long-term strategy, the Company will continue to evaluate additional technologies that align with the specific operational and commercial requirements of future projects.

Prior Licensed Technologies

In November 2023, the Company acquired an exclusive licence from Expander Energy Inc. ("Expander") in Canada for all materials to an Enhanced Biomass to Liquids (EBTL™) (the "EBTL Technology") and Biomass Gas to Liquids (BGTL™) technology (the "BGTL Technologies", collectively the "Licensed Technologies"), as well as an exclusive license in the United States to use the Licensed Technologies for creosote and treated wood wastes (the "Expander Transactions").

In April 2025, the Company entered into a settlement agreement with Expander, which was amended and restated in July 2025, which provided for the effective unwinding, to the extent possible, of the Expander Transactions, including the relinquishing by Cielo of the Licensed Technologies. Cielo completed the settlement payment in November 2025. For additional details, see Section 10 of this MD&A (Asset Acquisitions and Dispositions).

4. OUTLOOK AND MILESTONES

Strategic Objectives and Project Milestones

The Company's long-term objective is to establish itself as a clean infrastructure developer operating under a scalable platform model to be developed and to be referred to as the Nexus Platform. Following the launch of Project Nexus, the Company intends to implement additional projects. These projects will leverage the development and refinement of the broader Nexus Platform.

Project Nexus

In the nearer term, the Company's primary focus is the execution of Project Nexus, which is intended to serve as both a commercial facility (the "Facility") and the foundation for the Nexus Platform. With legacy matters largely resolved and capital requirements under active review, the Company believes it is positioned to advance the Nexus Platform through the successful delivery of Project Nexus.

The Company has identified Prince George, British Columbia for the Facility and is in the process of completing site due diligence before advancing to the pre-FEED (Front-End

Engineering Design) stage, including preliminary engineering and technology integration. The province was selected as the site of the first Facility based on strategic considerations. British Columbia offers logistical advantages for feedstock and offtake delivery, proximity to the Company's head office, as well as access to provincial and federal grants and tax credits that support project development and sustainability initiatives (see Section 5 [Prospective Financing Activities] for additional detail).

To support the execution of Project Nexus, the Company has engaged a dedicated project lead with extensive experience in the oil and gas sector. In addition, the Company plans to engage additional specialized consultants as and when required to navigate key technical, financial (including grant applications), and regulatory requirements and milestones.

The total estimated cost of Project Nexus as at the date of this MD&A is approximately CAD \$300 million, subject to further refinement as the Company advances through each milestone.

The Company has identified the following key milestones, subject to further review and refinement in consultation with its technical, financial, and regulatory advisors:

Milestone	Target Timeline (Calendar Quarters)	Description
Research & Ideation	Q3 2025	Early-stage development activities including market analysis, technology evaluation, site selection, stakeholder engagement, conceptual design, and execution of key agreements related to technology supply, offtake commitments, and feedstock supply.
Pre-FEED	Q4 2025	Preliminary front-end engineering and design, source second-step technology to convert syngas to renewable natural gas and/or hydrogen.
Full FEED	Q2 2026	Completion of detailed front-end engineering and design.
Final Investment Decision (FID)	Q3 2026	Following FID, commencement of detailed engineering and procurement of long-lead equipment.

5. PROSPECTIVE FINANCING OPPORTUNITES

To support its strategic objectives and meet increasing financial obligations associated with the advancement of Project Nexus and the Nexus Platform development, the Company must secure adequate funding. In addition to raising capital through equity and/or debt offerings, the Company intends to leverage a range of non-dilute options, including government funding initiatives and incentive programs.

The Canadian Clean Fuels fund is a federal initiative providing up to \$50 million per project to de-risk capital investments in clean fuel production, including hydrogen, renewable diesel, and sustainable aviation fuel.

The Company intends to actively pursue eligibility and participation in these initiatives to optimize its capital structure and accelerate the development of Project Nexus. If secured, these programs will provide non-dilutive opportunities for Cielo to significantly reduce capital requirements and enhance project economics as Project Nexus advances. Additional funding opportunities may include:

- Clean BC Industry Fund. A provincial program investing in industrial decarbonization and electrification projects, with recent funding rounds allocating \$35 million to support clean tech innovation across British Columbia.

- Strategic Innovation Fund: A federal program offering repayable and non-repayable contributions to transformative projects in clean technology and advanced manufacturing, covering up to 50% of eligible costs.
- BC Low Carbon Fuel Standard (LCFS) Initiative Agreement Program (formerly known as Part 3 Agreements): BC has updated its low-carbon fuel framework through the enactment of the Low Carbon Fuels Act, replacing the previous Part 3 Agreements under the Renewable and Low Carbon Fuel Requirements Regulation with the new Initiative Agreement Program. These Initiative Agreements, which are designed to support the development and deployment of low-carbon fuel projects, such as Cielo's BC hydrogen and renewable natural gas initiative in British Columbia, by awarding compliance credits that can be monetized or used to offset costs. Combined with programs such as the CleanBC Industry Fund, Initiative Agreements may provide a strong lever to reduce capital requirements and improve project returns.

6. LIQUIDITY AND FINANCIAL CONDITION

Going Concern Uncertainty

Cielo has not yet completed development nor generated revenue from its planned commercial operations and has accumulated losses of \$178 million as at October 31, 2025 and generated losses of \$2.2 million for the year ended October 31, 2025.

Cielo will require additional capital to fund its own costs, including the advancement of its projects, such as Project Nexus, and the Nexus Platform, as well as corporate activities over the next year and beyond. In addition, funding will be required to meet short-term debt obligations as they become due and otherwise to address working capital shortfalls. To meet these requirements, the Company is actively evaluating a range of financing options. These may include the issuance of equity or debt securities, the formation of strategic partnerships or other commercial arrangements, and the pursuit of available

grants and government credits, however, there is no assurance that these initiatives will be successful or sufficient to meet the Company's capital needs.

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 projects 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. Management is actively pursuing strategies to mitigate these risks, but there can be no assurance that such efforts will be successful.

7. 2025 FINANCIAL OVERVIEW

During the three months ended October 31, 2025 cash increased by 0.1 million due to funds raised by issuing securities through a private placement for \$0.2 million.

Net cash used in investing activities was nil for the quarter ended October 31, 2025.

Cash provided through financing activities was \$0.2 million for the period ended October 31, 2025 primarily due to the closing of the second tranche of a private placement for \$0.2 million.

Total assets increased by \$0.1 million as October 31, 2025 compared to April 30, 2025, due to cash proceeds received from the closing of the private placement

Total liabilities decreased by \$1.6 million as of October 31, 2025 compared to April 30, 2025 primarily due to the securities for debt settlement of \$0.8 million of promissory notes and convertible debentures of \$0.8 million.

Working capital increased approximately \$0.2 million in the three months ended October 31, 2025, the Company had a net working capital deficit of approximately \$2.9 million (April 30th, 2025 working capital deficit of \$4.0 million).

See Section 9 of this MD&A (Financing Activities) for additional information.

Financial Overview

As at (000's of dollars)	October 31 2025	April 30 2025
Total assets	370	258
Total liabilities	4,483	6,223
Total non-current liabilities	1,238	1,928
Working capital deficiency	(2,875)	(4037)

(000s of Canadian dollars, except per share)	Three months ended October 31		Six months ended October 31	
	2025	2024	2025	2024
Financing costs	117	64	295	240
General and administrative	33	822	909	1,390
Research and development	-	44	-	130
Share based compensation	58	91	116	245
Loss (gain) on settlement of debt with shares	-	-	930	-
Net loss per share – basic & diluted	(0.001)	(0.11)	(0.01)	(0.13)

For the three months ended October 31, 2025, the Company had a net loss of \$0.2 million, which consisted of (i) general

and administrative of \$0.03 million; (ii) finance costs of \$0.1 million; (iv) share based compensation of \$0.06 million,

Finance Costs

(000s of Canadian dollars)	Three months ended October 31		Six months ended October 31	
	2025	2024	2025	2024
Interest on loans	75	64	154	438
Accretion of Loans	56	-	110	97
Accretion of Debentures	26	-	31	219
Accretion on lease	-	-	-	2
Total	137	64	295	756

Financing costs decreased approximately \$0.1 million for the three month period ended October 31, 2025, compared to prior year's costs, this change was not material as accretion in

the debentures offset the previous accretion in loans. See Section 9 of this MD&A (Financing Activities) for additional information.

Summary of Quarterly Results

Fluctuations in net loss for each quarter generally relate to the amounts of financing, impairment and share based compensation expenses the Company incurred during the respective quarter. The business of Cielo, when in commercial production, is expected to exhibit some seasonality and cyclicity due to overall consumption patterns of refined products, broad macro-economic activity, and extenuating events. Low carbon fuels act as both substitutes and measures to reduce carbon intensities of fossil fuels. Seasonal increases in demand for heating oil can increase diesel prices as refiners

may produce more heating oil to meet demand. In addition, broad economic conditions, and geopolitical instability, can impact the consumption of fuels. In some cases, consumer preferences and rates of adoption of low carbon fuels may partially or completely offset any declines as a result of broad economic declines.

The table below summarizes Cielo's financial results for the last eight fiscal quarters:

	Jul 31, 2025	Apr 30, 2025	Jan 31, 2025	Oct 31, 2024
Revenue	-	-	-	-
Net loss	2,043	12,449	25,863	13,498
Net loss per share	0.01	0.10	0.20	0.13
	Jul 31, 2024	Apr 30, 2024	Jan 31, 2023	Oct 31, 2023
Revenue	-	-	-	-
Net loss	2,226	2,993	1,946	1,406
Net loss per share	0.02	-	0.02	-

For the three months ended October 31, 2025, the Company had a net loss of \$2.0 million, which consisted primarily of (i) general and administrative of \$0.8 million; (ii) finance costs of

\$0.1 million; (iv) share based compensation credit of \$0.05 million.

Liquidity and Capital Resources

Working Capital

Cielo's primary objective in managing liquidity and capital resources is to maintain adequate funding to support the commercialization of its projects, including the prioritization of the achievement of Final Investment Decision (FID) stage for each project, which is critical to unlock additional financing opportunities specific to that project.

As the Company works to advance its strategic initiatives, it remains in the pre-commercial stage and has not yet generated sufficient operating cash flows to support its planned growth. Additional capital will be required to meet near-term obligations, including short-term and working capital needs, as well as to

sustain progress on project development and corporate priorities.

Management is actively pursuing financing alternatives, which may include equity or debt issuance, strategic partnerships, and access to government programs. The availability and success of these efforts are subject to various external factors, including commodity price volatility, macroeconomic conditions, and the Company's ability to demonstrate technical and commercial viability through its ongoing development activities.

Cash Flow Summary

The following table summarizes the Company's sources and uses of funds for the three months ended October 31, 2025, and 2024:

	Three months ended October 31		Six months ended October 31	
(000s of Canadian dollars)	2025	2024	2025	2024
Operating activities	(137)	(283)	(1025)	(777)
Financing activities	232	(297)	1088	5553
Investing activities	-	(31)	-	(145)

Operating Activities

Net cash used in operating activities was \$0.1 million for the three months ended October 31, 2025. The cash used in operating activities was used to fund general and administrative.

Investing Activities

Net cash used in investing activities was nil for the three month period ended October 31, 2025. The Company is in the process of completing analysis of planned British Columbia strategy.

Financing Activities

Net financing proceeds of \$0.2 million for the quarter ended October 31, 2025 were comprised of a unit offering through private placement for \$0.2 million.

Off-Balance Sheet Arrangements

As at October 31, 2025, Cielo did not have any off-balance sheet arrangements in place that would materially impact its financial position or results of operations.

8. OUTSTANDING SECURITIES SUMMARY

The number of securities issued and outstanding are:

As at	December 18, 2025
Issued & Outstanding	180,120,670
Options Outstanding - Vested & exercisable	1,580,779 ¹
Broker Warrants	534,889 ²
Warrants outstanding (exercisable) (issued prior to 2025)	19,395,127 ³
Warrants issued (July, August and November private placements)	85,775,000 ³
Warrants issued (July 2025 securities for debt)	33,353,323 ³
Convertible Debentures	3,250,000 ⁴
Total Outstanding (Diluted)	265,319,788
Options Outstanding – unvested	512,825 ¹
DSU's outstanding – unvested	140,000
Total Securities outstanding (Fully diluted)	265,972,613

1. Exercisable between \$0.30- \$3.00 per share, expiring between December 31, 2026 and April 11, 2029.
2. Exercisable between \$0.07 and \$1.05 per share expiring between July 8, 2027 and November 7, 2027;
3. Exercisable at between \$0.09 and \$0.15 per share, expiring between July 8, 2027 and November 7, 2027;
4. Convertible at \$0.40 per share for 24 months, expiring on April 4, 2026.

9. FINANCING ACTIVITIES

The following financing activities occurred in the three months ended October 31, 2025

a) Private Placement Unit Offering

On May 13, 2025, the Company announced a non-brokered private placement financing for gross proceeds of up to C \$3,000,000 through the issuance of up to 60,000,000 units (each a "Unit, collectively the "Units") at a price of \$0.05 per Unit (the "Unit Offering"). Each Unit is comprised of one common share of the Company (each, a "Common Share") and one whole Common Share purchase warrant (each, a "Warrant") of the Company, each Warrant entitling the holder thereof to purchase one Common Share at a price of \$0.07 per Common Share for a period of two (2) years from the date of issuance. Net proceeds of the Unit Offering are anticipated to be used for the development and early-stage engineering of Project Nexus, including regulatory and incentive application work, as well as general working capital purposes.

The first tranche of the Unit Offering closed on July 25, 2025. 17,725,000 Units were issued for gross proceeds of C \$886,250. The Units issued under the first Tranche are subject to a statutory hold period expiring on November 26, 2025. No finder fees were paid in connection with the First Tranche.

The second tranche of the Unit Offering closed on August 15, 2025 (the "Second Tranche"). 4,700,000 Units were issued for gross proceeds of \$235,000. The Units issued under the Second Tranche are subject to a statutory hold period expiring

on December 16, 2025. No finder fees were paid in connection with the Second Tranche.

b) Share Issuances and Cancellations

On September 12, 2025, 200,000 shares related to the settlement with Expander (, see Section 10 (Asset Acquisitions and Dispositions).

During the period, 1,866 warrants were exercised resulting in \$2,519 and the issuance of 1,866 common shares.

c) Royalty Repayment Extension

Pursuant to an early warrant exercise incentive program in 2018 (the "Program"), 451,666 warrants were exercised early in exchange for a \$19.6825 per warrant fixed rate royalty.

Royalty certificates were issued to the participants dated July 3, 2018, indicating a payment deadline of July 3, 2020. The Company obtained the requisite approval of the royalty holders to delay the payment deadline as a result of delayed operations, production, and revenues, initially until July 3, 2022, a second time to January 3, 2024, a third time 2024 to July 3, 2024. As no further extensions have been obtained, the Company is in default of its payment of obligation, however an Event of Default (as defined by the terms of the royalty certificates) has not occurred, which requires a formal notice from royalty holders holding at least 66.67% of the royalties. An Event of Default must occur in order for royalty holders to enforce their rights under the royalty certificates.

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.

The Company is exploring its options with respect to the timing and method of repayment of the outstanding amounts.

10. ASSET ACQUISITIONS AND DISPOSITIONS

Licensed Technology Acquisition

On September 15, 2023, the Company executed a technology purchase agreement, which was amended and restated on November 8, 2023 (the "Technology Acquisition Agreement"), whereby it agreed to pay a purchase price of \$45,323,785 by issuing 60,431,714 common shares of the Company (the "Consideration Shares") at an agreed price of \$0.75 per Consideration Share in exchange for the Licensed Technologies and related assets (the "Acquired Assets"), as well as certain obligations.

Also upon closing, Cielo and Expander executed a license agreement (the "License Agreement") setting out the terms of the licenses granted by Expander to Cielo for the use of the Licensed Technologies.

On closing, the Company issued 85% of the Consideration Shares to Expander, Expander's directors and officers (the "Expander Insiders") and Expander's other shareholders. 25% of the Consideration Shares that were issued on closing, which are held by Expander and the Expander Insiders, were deposited into escrow for periodic release, the last of which was completed on November 9, 2024.

The remaining 15% of the Consideration Shares were held back for issuance upon the expiration of an indemnification period (the "Indemnification Period") and subject to certain conditions, each as set out in the Technology Acquisition Agreement. The Indemnification Period expired and the remaining Consideration Shares were issued on December 10, 2024.

Disposition of Licensed Technologies and Legal Proceedings

In April 2025, the Company entered into a settlement agreement (the "Settlement Agreement") with Expander and certain other parties, including directors, officers, affiliates and shareholders of Expander (collectively the "Settlement Parties"), which provided for the effective unwinding, to the extent possible, of the Expander Transactions (the "Unwinding").

In April 2025, prior to the execution of the Settlement Agreement, Expander and certain of the Settlement Parties had initiated legal proceedings against the Company in relation to the License Agreement and the Service Agreements (as defined below) (the "Claims"). During the same period, the Company received a shareholder meeting requisition notice pursuant to Section 167(1) of the *Business Corporations Act* (British Columbia) (the "Requisition") from Expander following Cielo's announcement of April 1, 2025 of its intention to hold

an annual general meeting in June 2025 in accordance with applicable corporate laws.

The Company engaged in a resolution process with Expander and certain of the Settlement Parties and reached a settlement.

Under the terms of the Settlement Agreement:

- Expander and the other parties to the Settlement Agreement other than Cielo (the "Settlement Parties") agreed to surrender for cancellation a minimum of approximately 40 million and a maximum of approximately 60 million common shares of Cielo ("Common Shares" and such shares, the "Settlement Shares") issued in connection with the Expander Transactions.
- All agreements between Cielo and the applicable Settlement Parties, including Expander, including the License Agreement and several service agreements ("Service Agreements") between the Company and the applicable Settlement Parties, including Expander, were to be terminated and the Company agreed to relinquish its interest in the Licensed Technologies and related assets.
- The applicable Settlement Parties, including Expander, agreed to dismiss and/or discontinue all legal proceedings against Cielo.
- Cielo agreed to pay an aggregate amount of C\$748,208.79 (the "Payment") to the applicable Settlement Parties, including Expander, in full and final satisfaction of all and any outstanding fees owing by the Company.

In addition, effective April 29, 2025, Expander withdrew the Requisition and the Settlement Parties, including Expander, agreed to a customary 18-month standstill related to, among other things, soliciting proxies and voting of securities of Cielo.

On July 16, 2025, the Company and the Settlement Parties, including Expander, executed an amended and restated settlement agreement (the "Amended Settlement Agreement") following the Company's inability to make the Payment within the time set out in the Settlement Agreement, and closed the Unwinding.

Under the terms of the Amended Settlement Agreement:

- On closing, 39,950,761 Settlement Shares were surrendered and cancelled. The Settlement Parties may, but will not be obligated to, surrender an additional approximately 20 million Settlement Shares on or before December 31, 2025 for cancellation.

- All agreements between Cielo and the applicable Settlement Parties, including the License Agreement and the Service Agreement were terminated and the Company relinquished its interest in the Licensed Technologies and related assets.
- Cielo issued a promissory note and general security agreement in favour of certain of the Settlement Parties, including Expander, in an aggregate amount of C\$748,208.79 (the "Payment"), in full and

final satisfaction of all and any outstanding fees owing by the Company.

In July 2025, the Company cancelled 39,750,761 of the Settlement Shares as a result of the Unwinding. The stated capital associated with the cancelled Settlement Shares was reduced accordingly. An additional 200,000 shares were cancelled subsequently in September 2025.

On November 7, 2025, the Company completed the payment of \$784,474.61, which included the settlement amount and related interest.

11. RELATED PARTY TRANSACTIONS

Management Fees

As at October 31, 2025, management fees of approximately \$0.5 million remained outstanding and payable in respect of CEO and CFO contractor services provided during the period.

As the Company remains in a pre-revenue stage, management has elected from time to time to defer their consulting fees in whole or in part. These fees have been previously, and may continue to be, settled over time through a combination of cash payments and securities issuances (securities for debt). The purpose of the deferral is for the preservation of cash resources for research and development initiatives and general working capital.

12. SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The preparation of the unaudited condensed consolidated interim financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting, using accounting policies consistent with IFRS requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, income, and expenses. Estimates and judgments are evaluated each reporting period and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and assumptions are subject to inherent risk of uncertainty and actual results may differ from these estimates and assumptions, please refer to Note 4 in the audited consolidated financial statements for the years ended April 30, 2024 and

2023; and Note 4 in the unaudited condensed consolidated financial statements for the periods ended October 31, 2024 and 2023. Significant estimates are used for, but not limited to, the measurement of the fair value less costs of disposal for the impairment valuation.

New Accounting Standards and Interpretations

There have been no new accounting standards and interpretations issued by the IASB that have a material impact on the Company's condensed consolidated interim financial statements for the three-month periods ended October 31, 2024.

13. RISK FACTORS

Investment in the securities of Cielo involves numerous and significant risks. Investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk Factors" in the Company's annual audited financial statements and

management's discussion and analysis for the years ended April 30, 2025 and 2024, available on SEDAR+ at www.sedarplus.ca for a description of these risk factors. There have been no material changes to the Company's risk factors since the date thereof.

14. DISCLOSURE OF INTERNAL CONTROLS

Management has established processes to provide them with sufficient knowledge to support representations that they have exercised reasonable diligence to ensure that (i) the unaudited interim condensed consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited interim condensed consolidated financial statements, and (ii) the unaudited interim condensed consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Company uses the Venture Issuer Basic Certificate, which does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual

filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS). The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

15. SUBSEQUENT EVENTS

Expander Settlement Debt

On November 7, 2025, the Company completed the Payment to Expander pursuant to the Amended Settlement Agreement. For additional details, see Section 10 of this MD&A (Asset Acquisitions and Dispositions).

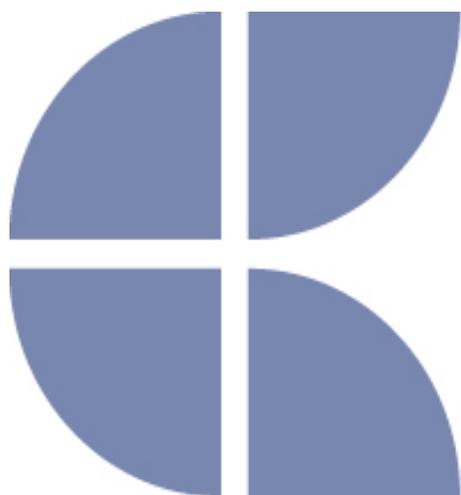
Private Placement of Units

On October 9, 2025, the Company announced a non-brokered private placement financing for gross proceeds of up to \$2,000,000 through the issuance of up to 40,000,000 units at a price of \$0.05 per unit. Each unit is comprised of one common share of the Company and one whole Common Share purchase warrant of the Company, each Warrant entitling the holder thereof to purchase one Common Share at a price of \$0.07 per Common Share for a period of two (2) years from the date of issuance. Net proceeds of the Unit Offering are anticipated to be used for the development and early-stage engineering of Project Nexus, including regulatory and incentive application work, as well as general working capital purposes.

The Unit Offering closed on November 7, 2025. 29,325,000 units were issued for gross proceeds of \$1,466,250. The Units are subject to a statutory hold period expiring on March 8, 2026.

In connection with the Offering, the Company paid aggregate cash finder's fees of \$5,500.00 and issued 40,000 finder's

options. Each Finder's Option entitles the holder to purchase one Common Share at an exercise price of \$0.05 per share for a period of 24 months from the closing date of the Offering.



CIELO

EMAIL: investors@cielows.com

PHONE: (403) 348-2972

2500, 639 – 5 AVE SW

CALGARY, ALBERTA

T2P 0M9

TSXV: CMC

OTCQB: CWSFF