

CIELO

2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

for the three months and years ended April 30, 2025 and 2024

1. INTRODUCTION

The following Management's Discussion and Analysis ("MD&A") of financial position and results of operations for Cielo Waste Solutions Corp. ("Cielo" or the "Company"), dated August 28, 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 August 28, 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 year ended April 30, 2025 and 2024.

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, 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 www.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 this MD&A 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".

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 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 August 28, 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, under the symbol “CWSFF”. The registered office of the Company is located at Suite 2700, 1133 Melville Street, Vancouver, British Columbia, V6E 4E5, Canada. 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. After 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 a technology-agnostic model—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 renewable natural gas and hydrogen, 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 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 Renewable Natural Gas, 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 provided for the effective unwinding, to the extent possible, of the Expander Transactions, including the relinquishing by Cielo of the Licensed Technologies. For additional details, see Section 10 (Asset Acquisition and Disposition), Section 11 (Related Party Transactions) and Section 15 (Subsequent Events) of this MD&A.

Prior Proprietary Technology

Cielo had also previously patented a process using thermal catalytic depolymerization (the "TCD Technology") to convert waste feedstocks, including organic material and wood derivative waste, to fuel, which was in the research and development stage and implemented in a research and development facility (the "R&D Facility") located in Aldersyde, Alberta (the "Aldersyde Property").

It was the intention of the Company to continue to enhance the TCD Technology concurrently with the development and commercialization of the Licensed Technologies to accelerate the timeline to revenue.

In November 2024, the Company determined it to be in the best interest of the Company to dispose of the TCD Technology and the related assets (the "TCD Assets"), as well as the R&D Facility and Aldersyde Property (together with the TCD Assets, collectively the "Aldersyde Assets"), and by doing so, also eliminate the Third Mortgage Loan (as defined in Section 9 of this MD&A [Financing Activities]) secured against the Aldersyde Property, and refrain investing additional research and development time and resources. For additional details, see Section 9 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.

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 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.

Project Nexus is anticipated to be developed, constructed, and operated at a site in British Columbia, a province selected 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 Opportunities

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. These may include:

- **Clean Fuels Fund:** 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.
- **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.

The Company intends to actively pursue eligibility and participation in these initiatives to optimize its capital structure and accelerate the development of Project Nexus.

6. GOING CONCERN

Going Concern Uncertainty

Cielo has not yet completed development nor generated revenue from its planned commercial operations and has accumulated losses of \$176 million as at April 30, 2025 and generated losses of \$55 million for the year ended April 30, 2025.

Cielo will require additional capital to fund its own costs, including the advancement of its projects 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. YEAR ENDED APRIL 30, 2025 FINANCIAL OVERVIEW

Cash decreased during the year ended April 30, 2025 by \$0.4 million due funds used in in capital and corporate activities. Cash for operating activities of \$0.7 million was utilized and cash used by investing activities utilized \$0.5 million, this was offset by cash proceeds from financing activities of \$0.8 million.

Cash provided through financing activities was \$0.8 million for the year ended April 30, 2025, primarily due to the issuance of promissory notes and was offset by share issuance costs for Securities for Debt transactions and Convertible Debenture issuances (as defined in Section 8 of this MD&A (Financing Activities)).

Total assets decreased by \$55 million as of April 30, 2025 compared to April 30, 2024, due to the disposition of assets and impairment of the intangible assets related to the Unwinding transaction with Expander and the sale of the

Aldersyde Facility and related assets. (each as defined in Section 10 of this MD&A (Asset Acquisitions and Dispositions)).

Total liabilities decreased by \$7.5 million as of April 30, 2025 compared to April 30, 2024 primarily due to issuance of the Indemnification Shares (as defined in Section 10 of this MD&A (Asset Acquisitions and Dispositions)) and the issuance of the Securities for Debt transaction to settle outstanding project liability for Renewable U.

Working capital increased by \$4.2 million in the year ended April 30, 2025 compared to April 30, 2024. The Company had a net working capital deficit of approximately \$4.0 million (April 30th, 2024 working capital deficit of \$8.2 million).

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

SELECTED ANNUAL INFORMATION

As at	April 30	
(000's of dollars)	2025	2024
Total assets	258	54,947
Total liabilities	6,223	13,707
Total non-current liabilities	1,928	4,136
Working capital deficiency	(4,037)	(8,234)

(000s of Canadian dollars, except per share)	Three months ended April 30		Year ended April 30	
	2025	2024	2025	2024
Financing costs	453	91	756	801
General and administrative	501	895	2,307	3,006
Research and development	2	97	144	925
Share based compensation	82	174	396	379
Depreciation and amortization	1055	1,434	3,899	3,410
Impairment of promissory note	900		900	
Impairment upon reclassification of assets held for sale	-	-	7,787	3,826
Impairment for property, plant equipment	1,852		1,852	
Impairment of intangible assets	8,472	-	36,870	-
Net loss per share – Basic	(0.45)	(0.03)	(0.45)	(0.14)
Net loss per share – Diluted	(0.45)	(0.03)	(0.45)	(0.14)

For the three months ended April 30, 2025, the Company's net loss position \$13 million was driven by (i) general and administrative of \$0.5 million; (ii) research & development costs of \$0.002 million; (iii) finance costs of \$0.5 million; (iv) share based compensation off \$0.08 million; (v) impairment of \$10.3 million.

Net loss for the year ended April 30, 2024 was \$55 million, compared to \$12 million in the year ended April 30, 2024, primarily due to (i) increased impairment expense of \$47

million; (ii) \$0.09 million reduction in financing costs; (iii) \$1.0 million reduction of G&A; and (iv) \$0.7 million reduction of R&D cost.

In the year ended April 30, 2025, there was an impairment loss related to property plant and equipment of \$7.8 million due to the sale of the Aldersyde Property and impairment of intangible assets of \$37 million relating to the Unwinding of the Expander Transactions (as defined in Section 10 Asset Acquisitions and Dispositions).

The tables below provide further insight into the Company's primary expenses:

Finance Costs

(000s of Canadian dollars)	Three months ended April 30		Year ended April 30	
	2025	2024	2025	2024
Interest on loans	273	(59)	438	474
Accretion of Loans	23	128	97	292
Accretion of Debentures	156	19	219	21
Accretion of lease liability	-	2	2	14
Total	452	90	756	801

During the year ended April 30, 2025, a decrease in financing costs of \$0.09 million related to decrease in the accretion of loans due to the sale of the Aldersyde Assets and related mortgage transfer of \$2.6 million to a third party. This was offset by the accretion on the convertible debenture issuances in March, April and May 2024. Finance costs were further reduced by the termination of the corporate office leases and the Red Deer lease. (see Section 10 of this MD&A Asset Acquisitions and Dispositions) for additional detail.

General and Administrative

(000s of Canadian dollars)	Three months ended April 30		Year ended April 30	
	2025	2024	2025	2024
Professional fees	630	457	1,534	1,076
Personnel	(263)	206	270	942
Property tax and insurance	128	58	271	264
Office and administrative	(16)	174	232	723
Total	479	895	2,307	3,006

General & administrative costs decreased approximately \$0.7 million in period ended April 30, 2025 due to employee turnover resulting in a reduction in salary expense of \$0.6 million. Termination of the corporate office lease resulted in a reduction of office and administrative expenses of \$0.5 million.

Depreciation and Amortization

(000s of Canadian dollars)	Three months ended April 30		Year ended April 30	
	2025	2024	2025	2024
Property, plant, and equipment	-	859	443	1,074
Intangible assets	269	549	3,408	2,233
Right-of-use assets	-	26	48	103
Total	269	1,434	3,899	3,410

Depreciation and amortization decreased by \$0.6 million for the year ended April 30, 2025, compared to the prior year due to the intangible assets amortization increase of \$1.2 million. This was offset by the decrease in property plant and equipment due to the sale of the Aldersyde Property.

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 cyclical 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:

	Apr 30, 2024	Jan 31, 2024	Oct 31, 2023	Jul 31, 2023
Revenue	-	-	-	-
Net loss	2,993	1,946	1,407	5,917
Net loss per share	-	0.02	-	0.01

	Apr 30, 2025	Jan 31, 2025	Oct 31, 2024	Jul 31, 2024
Revenue	-	-	-	-
Net loss	13,353	25,863	13,498	2,226
Net loss per share	0.08	0.20	0.13	0.02

For the three months ended April 30, 2025, the Company had a net loss of \$13 million, which consisted primarily of property plant and equipment and intangible asset impairment of \$10.5

million, depreciation and amortization of \$1.0 million, and \$0.5 million of general and administrative costs.

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 and year ended April 30, 2024, and 2025

<u>(000s of Canadian dollars)</u>	<u>Three months ended April 30</u>		<u>Year ended April 30</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Operating activities	<u>(75)</u>	<u>(324)</u>	<u>(652)</u>	<u>(4,204)</u>
Financing activities	<u>208</u>	<u>1,842</u>	<u>771</u>	<u>4,915</u>
Investing activities	<u>362</u>	<u>(806)</u>	<u>507</u>	<u>(1,488)</u>

Operating Activities

Net cash used in operating activities the year ended April 30, 2025 is \$0.7 million. The cash used in operating activities was used to fund general and administrative costs and additional expenditures for the settlement of the Expander transaction.

Investing Activities

Net cash used in investing activities was \$0.5 million for the year ended April 30, 2025 related to capital expenditures for the work in progress for the Carseland facility.

Financing Activities

Net financing proceeds of \$0.8 million were received for the year ended April 30, 2025. These proceeds were comprised of \$0.8 million promissory notes and convertible debenture issuance of

\$0.09 million and issuance of the Repayment Shares to Renewable U (see Section 9 of this MD&A Financing Activities).

Off-Balance Sheet Arrangements

As at April 30, 2025, Cielo did not have any off-balance sheet arrangements in place that would materially impact its financial position or results of operations.

Contractual Liabilities and Commitments

As at April 30, 2025, the Company has no material expenditure commitments other than the outstanding payable of \$0.7 million to Expander (see Section 10 (Asset Acquisitions and Dispositions)).

8. OUTSTANDING SECURITIES SUMMARY AND SHARE CONSOLIDATION

Effective January 29, 2024, the Company completed a share consolidation (the "Consolidation") on the basis of one post-consolidation common share for every fifteen pre-consolidation common shares of the Company. Special majority approval of the Company's shareholders was obtained at Cielo's annual general and special shareholder meeting held on October 26th, 2023, and the Company's board of directors authorized management to proceed at such time as was advantageous to

the Company, which was set by management as January 29, 2024. All share based financial instruments issued prior to the effective date of the share consolidation are subject to the consolidation. All references to share and per share amounts in this MD&A have been retroactively restated to reflect the Consolidation. On a post-Consolidation basis, the number of common shares issued and outstanding are:

As at	April 30, 2025	August 25, 2025
Issued & Outstanding	128,964,242	150,993,804
Options Outstanding - Vested & exercisable	1,740,779	1,740,779
Broker Warrants	494,889	494,889
Warrants outstanding (exercisable)	19,395,127	19,395,127
Warrants issued Private Placement	-	22,425,000
Warrants issued Securities for Debt	-	33,353,323
Convertible Debentures	5,100,000	3,250,000
Total Outstanding (Diluted)	155,695,031	231,652,922
Options Outstanding – unvested	1,301,957	1,301,957
DSU's outstanding – unvested	140,000	140,000
Total Securities outstanding (Fully diluted)	157,136,988	233,094,879

9. FINANCING ACTIVITIES

a) Convertible Debenture Unit Offering

On February 22, 2024, the Company announced a proposed non-brokered private placement offering (the "Offering") of unsecured convertible debenture units of the Company (collectively, the "Convertible Debenture Units") at a price of \$1,000 per Convertible Debenture Unit for targeted gross proceeds of up to \$5 million through a private placement.

Each Convertible Debenture Unit is comprised of: (a) one unsecured convertible debenture (each a "Convertible Debenture", collectively the "Convertible Debentures") in the principal amount of \$1,000 (the "Principal Amount"); and (b) 2,500 detachable share purchase warrants (each a "Warrant", collectively the "Warrants"), each exercisable into common shares of the Company (each such Common Share, a "Warrant Share").

The Principal Amount of the Debentures, together with any accrued and unpaid interest, mature and become due and payable in cash on the date that is 24 months from the date of issue (the "Maturity Date"), subject to earlier conversion or redemption. The Principal Amount owing under the Debentures will accrue interest from the date of issuance at 12.0% per annum, payable every six (6) months in cash, the first payment due to be paid in November 2024 for the period from issue date to October 31, 2024. As the Convertible Debentures are an unsecured debt obligation of the Company, each Convertible Debenture is fully subordinated to all secured debt obligations.

The Principal Amount may be converted, for no additional consideration, into common shares of the Company (the "Conversion Shares") at the option of the debenture holder at any time after the issue date at a conversion price of \$0.40 per Conversion Share (the "Conversion Price").

Forced Conversion of Convertible Debentures: The Company may force the conversion of the Convertible Debentures, at the Conversion Price, in the event that the volume weighted

average price of the Common Shares on the TSX Venture Exchange (the "TSXV") is greater than \$1.00 for any ten (10) consecutive trading days. In the event of a forced conversion, the Company will provide notice to debenture holders by issuing a news release announcing the details of the forced conversion, including the date upon which the forced conversion will occur. In addition, the principal amount of the Convertible Debentures may be redeemed by the Company at any time without penalty.

Warrants/Warrant Term Acceleration: Each Warrant entitles the holder to purchase one Warrant Share at a price of \$0.70 per Warrant Share for a period of 24 months. However, the Company may accelerate the expiry of the Warrants in the event that the volume weighted average price of the Common Shares on the TSXV is greater than 1.00 for any ten (10) consecutive trading days. In the event of such an acceleration of the expiry of the Warrants, the Company will provide notice to holders of the Warrants by issuing a news release announcing the details, including the accelerated expiry date of the Warrants.

The Company issued an aggregate 2,130 Convertible Debenture Units (1,480 during the year ended April 30, 2024 and 90 during the year ended April 30, 2025) for gross proceeds of \$2.13 million, consisting of 2,130 Convertible Debentures and 5,325,000 Warrants under the Offering prior to and during the year ended April 30, 2025. The Company also issued 5,250 broker warrants and made a \$2,900 cash payment in relation to the Offering.

b) Private Placement of Flow-Through Shares

On December 29, 2023, the Company closed a non-brokered private placement offering (the "FT Offering") of flow through shares (common shares) (the "FT Shares") for gross proceeds of \$670,000 by issuing 1,116,666 FT Shares at \$0.60 per share. Each FT Share is a common share of the Company issued as a "flow-through share" (as defined in Subsection

66(15) of the Income Tax Act (Canada). Certain officers and directors of the Company participated in the Private Placement for a total of \$410,000.

The net proceeds of the FT Offering impaired as the project terminated due to the Expander settlement. The required capital expenditures were incurred by December 31, 2024

c) *Securities for Debt*

- On April 30, 2025, the Company executed settlement agreements (each a "Credit Settlement Agreement", collectively the "Creditor Settlement Agreements") with certain creditors of the Company (the "Creditors") to settle an aggregate \$1,967,766 in outstanding indebtedness (the "Debt") through the issuance of securities of the Company (the "Securities for Debt Transactions"). Under the terms of the Creditor Settlement Agreements, the Company agreed to issue one unit (each a "Repayment Unit", collectively the "Repayment Units") for every \$0.15 of indebtedness. Each Repayment Unit is comprised of one Common Share and one whole Common Share purchase warrant (each, a "Repayment Warrant") of the Company, each Repayment Warrant entitling the holder thereof to purchase one Common Share at a price of \$0.15 per Common Share for a period of two (2) years from the date of issuance, expiring on July 25, 2027. For additional details see Section 15 (Subsequent Events).
- On December 1, 2023, the Company executed a debt conversion agreement to issue 138,462 common shares (the "Repayment Shares") for full and final repayment of an outstanding liability of \$62,307 due to a former officer of the Company at a price of \$0.45 per Repayment Share. Upon receiving requisite approvals, the Repayment Shares were issued on January 12, 2024 and were subject to a hold period of 4 months, which expired on May 13, 2024.
- In May 2024 for full and final repayment of outstanding liabilities of \$25,184, the Company agreed to issue a total of 81,237 common shares at \$0.31 per share, (the "Repayment Shares"). The Repayment Shares were issued in January 2025.

d) *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. The Company received final from royalty holders to extend the payment deadline for another 12 months, to July 3, 2025. Approval of royalty holders holding at least 66.67% of the royalties was provided to extend the deadline. The Company is in default of its payment obligation at the date of

this MD&A, 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.

e) *5 Million Financing Secured*

In July 2023 Cielo secured a third mortgage facility (the "Third Mortgage Loan") in the amount of \$5 million. Proceeds of the loan were expected to be drawn in increments, and subject to the discretion of the lender, to a maximum of \$5 million. After the initial 12-month loan period (July 24, 2024), the lender had sole discretion to evaluate the Company's financial position and business and technological advances and if not satisfied with such, demand repayment of all amounts outstanding (principal and interest) within 90 days of such notice being provided to the Company. In July 2023, the first draw was finalized in the amount of \$2 million. Additional amounts of \$0.5 million were advanced in the three months ended January 31, 2024. Subsequent to January 31, 2024, an additional and final drawdown of \$0.1 million was advanced. The Third Mortgage Loan was secured by the Company's property in Aldersyde, Alberta, with interest at 7.5% per annum. Interest was only payable monthly and was due 24 months following the date of each advance. This mortgage was transferred with the sale of the Aldersyde property. The \$2.6 million was assigned to a third party.

f) *Short term loans (unsecured)*

- In January 31, 2024, a short-term loan in the amount of \$0.125 million was advanced by the Third Mortgage lender (separate from the Third Mortgage Loan). The loan was unsecured, and subject to finance fees of 3% and interest of 7.5% per annum. The loan was repaid in full in January 2024.
- In addition, during the same period, a short-term loan in the amount of \$0.13 million was advanced by a third-party lender. The loan was unsecured, and subject to finance fees of \$0.005 million and interest of 12% per annum. The loan was repaid in full in March 2024.
- In July 2024 \$0.2 million was advanced by Creditor. The loan was unsecured, and subject to interest of 12% per annum, maturing on July 31, 2025 (subsequently amended to October 31, 2024, and again to November 30, 2024). The Company did not repay the loan when due however executed a Creditor Settlement Agreement with the Creditor following the year ended April 30, 2025. See Section 15 (Subsequent Events) for details regarding the repayment of the loan by way of issuance of Repayment Units.

- In August 2024 \$0.25 million was advanced by a Creditor. The loan was unsecured, and subject to interest of 12% per annum, maturing on August 31, 2025 (subsequently amended to October 31, 2024, and again to November 30, 2024). The Company did not repay the loan when due however executed a Creditor Settlement Agreement with the Creditor following the year ended April 30, 2025. See Section 15 (Subsequent Events) for details regarding the repayment of the loan by way of issuance of Repayment Units.
- In September 2024 \$0.1 million was advanced by a Creditor. The loan was unsecured, and subject to interest of 12% per annum, maturing on October 31, 2025 (subsequently amended to November 30, 2024). The Company did not repay the loan when due however executed a Creditor Settlement Agreement with the Creditor following the year ended April 30, 2025. See Section 15 (Subsequent Events) for details regarding the repayment of the loan by way of issuance of Repayment Units.
- In October 2024 \$0.025 million was advanced by a Creditor and a director and officer of the Company. The loan was unsecured, and subject to interest of 12% per annum, maturing on November 30, 2024. In March 2025, the Creditor advanced another \$0.01 million to the Company on the same terms. (The Creditor advanced another \$0.015 million to the Company following the year ended April 30, 2025.) The Company did not repay the loan when due. See Section 15 (Subsequent Events) for details regarding the repayment of the loan by way of issuance of Repayment Shares (as defined in that section).
- In January 2025, the Company executed a short-term promissory note in the amount of \$0.192 million in favour of a service provider in respect of long-outstanding payables. The note was unsecured, subject to interest at a rate of 20% per annum, consistent with terms offered to other prospective lenders at such time, and matured on February 15, 2025. As at April 30, 2025, the amount remained outstanding. Subsequent to April 30, 2025, the Company repaid the note in full.
- In January 2025 \$0.01 million was advanced by a Creditor and a director of the Company. The loan was unsecured, and subject to interest of 12% per annum, maturing on June 2025. In March 2025, the Creditor advanced another \$0.01 million to the Company on the same terms. (The Creditor advanced another \$0.015 to the Company following the year ended April 30, 2025.) The Company did not repay the loan when due however. See Section 15 (Subsequent Events) for details regarding the repayment of the loan by way of issuance of Repayment Shares.

g) Renewable U (“Renewable U”) Restructuring

In May 2023, Cielo executed agreements with Renewable U whereby Cielo and Renewable U agreed to:

1. *Terminate four of nine MOUs* effective May 23, 2023, with 16,666,667 common shares of Cielo issued at \$.06/share. The shares were valued at the price of Cielo common shares at the date of closing of the transaction I, at approximately \$0.8 million, resulting in a gain on settlement of debt in the amount of \$0.2 million in the period.
2. *Terminate remaining five of nine MOUs* as and when follows:
 - a. If Renewable U agreed to accept a proposal to be delivered by Cielo to Renewable U by March 29, 2024 (amended from October 28, 2023) setting out the terms on which the liabilities associated with the remaining MOUs owing to Renewable U would be exchanged for a participation (equity) interest in the entity to be formed to own and operate the proposed facility in Dunmore, Alberta (the “Dunmore Entity”), termination to be effective as of the date the participation (equity) interest is issued; or
 - b. If Renewable U didn’t agree to accept the proposal, termination to be effective upon the issuance of common shares of Cielo on the terms of repayment set out in the MOUs, plus cash consideration for \$0.6 million in incurred costs; or
 - c. If Cielo failed to make the proposal to Renewable U by March 29, 2024 (unless extended), termination to be effective upon the repayment of \$2 million in cash within 60 days of March 29, 2024 (or any extended date).
3. In total, Renewable U would be entitled to participate for up to \$2 million in equity in the Company’s proposed project in Dunmore, Alberta, if Renewable U agreed to accept the proposal.

As the Company determined that it would no longer proceed with the project in Dunmore, it also determined that it would not continue with the purchase of the property in Dunmore, Alberta from Renewable U (the “Dunmore Land”). As a \$100,000 deposit had been paid and released to Renewable U, the \$2 million owing for the termination of the five remaining MOUs was reduced by \$100,000. Following discussions between the Company and Renewable U, the parties entered into a debt conversion agreement under which Cielo agreed to issue 6,440,677 common shares of Cielo (the “Repayment Shares”) at \$0.295 per share in lieu of the repayment of the \$1.9 million. The Repayment Shares were issued on June 11, 2024.

For further detail, refer to Note 15 in the accompanying financial statements for the year ended April 30, 2025 and Section 11 of this MD&A (Related Party Transactions).

h) Sale of Fort Saskatchewan Property

In July 2023, the Company entered into a purchase and sale agreement to sell its property in Fort Saskatchewan, Alberta

(the "FS Property") to the lender of the mortgage on the FS Property (the "Purchaser") in exchange for:

- i. retirement of the principal amount of an \$11 million mortgage loan (the "Second Mortgage Loan"); and
- ii. a \$2 million promissory note (the "2mm Note"), which is payable to the Company contingent on the Purchaser's re-sale of the Property for proceeds in excess of \$13.5 million prior to September 30, 2024. The Purchaser was required to make a best effort to sell the Property; however, in the event the Property was not re-sold, the \$2mm Note would be terminated, and the Company would not be entitled to further proceeds on this disposition.

On August 2, 2023, the transaction closed, resulting in the disposition of the FS Property, extinguishment of the Second Mortgage Loan and related accrued interest, and the

assignment of the related lessor arrangement to the Purchaser.

As the sale of the FS Property met the criteria of Assets Held for Sale at July 31, 2023, the Company reclassified the assets and related liabilities to Assets and Liabilities Held for Sale on the statement of financial position. Assets Held for Sale are recognized at the lower of their carrying value and fair value less cost to sell.

The \$2 million note was a contingent asset and, therefore, will not be recognized until the realization of the economic benefit is virtually certain. Accordingly, the difference between the \$12.9 million carrying value of Property and the \$10.2 million of the liabilities extinguished on this transaction has been recognized as an impairment in the consolidated Statement of Loss and Comprehensive Loss.

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"). The transaction closed on November 9, 2023. Upon closing, the Company assumed obligations related to the Acquired Assets, including:

- certain short-term liabilities of Expander totaling \$0.18 million;
- a 25-year term land lease commitment for \$0.02 million per annum, and
- up to \$1.5 million to be immediately available for engineering and related costs for the first facility to be constructed in Carseland, Alberta (the "Carseland Project").

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. The terms of the License Agreement were as follows:

- An exclusive license to use the Licensed Technologies in Canada for all feedstock materials and in the USA for creosote and treated wood;
- A gross royalty payable ("GOR") to Expander of 3% of the gross revenues earned from the sale of products from facilities that are developed and use the Licensed Technologies (each a "Licensed Facility", collectively the "Licensed Facilities").
- Upfront fees paid to Expander for each Licensed Facility to a maximum of \$3.5 million per Licensed

Facility based in part on capacity, the majority of the upfront fee to be applied as an advance against the GOR. The upfront fees are comprised of:

- Non-refundable technology fee of \$0.75 million per Licensed Facility, of which \$0.25 million will be applied as a prepayment of the process licence fee (below) when the project proceeds. Subsequent to closing the transaction, the Company was invoiced \$0.75 million for the technology fee for the Carseland Project;
- A one-time, non-refundable process licence fee, payable upon achieving final investment decision ("FID") for the Licensed Facility, of \$0.005 million per barrel per day ("BPD") to a maximum of \$3.0 million per Licensed Facility. The process licence fee will be applied to the GOR.
- The right held by Expander to construct facilities using the Licensed Technologies in the event that opportunities arise that Cielo does not wish to pursue.
- The requirement that Cielo achieve FID stage for a total of six Licensed Facilities in Canada and the United States within five years of closing (November 2028), otherwise losing exclusivity of the Licensed Technologies.
- Expiry of the License Agreement in connection with the expiration of the patents on the respective Licensed Technologies, anticipated to be a period of a minimum of 10 years.
- In the event of material breach of the License Agreement by Cielo, including if amounts payable under the license agreement are not paid within 60 days of receipt of written notice from Expander providing details of such failure, the ability of Expander to terminate the License Agreement.

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.

Proposed Acquisition and Termination

On June 11, 2024, the Company announced the execution of a binding letter of intent (the "LOI") with Rocky Mountain Clean Fuels Inc. ("Rocky Mountain") with respect to the proposed acquisition (the "RM Asset Acquisition") by a limited partnership to be formed (the "Carseland LP") of certain assets of Rocky Mountain including an enhanced gas to liquids plant located in Carseland, Alberta (the "RM Facility") as well as related assets such as material contracts (the "RM Assets") and the assumption of certain related liabilities (the "Assumed Liabilities").

In April 2025, the Company announced that it would not continue with the RM Asset Acquisition. The Company had previously announced its intention to complete a proposed transaction with Rocky Mountain with a view to enhancing the process deployed at the RM Facility and diversifying the inputs used to process synthetic diesel and jet fuel. Cielo had intended to build a gasifier on the land adjacent to the RM Facility.

Due to ongoing market uncertainty and after careful evaluation, Cielo determined that the uncertainty around the regulatory landscape and shifting market conditions presented significant challenges to advancing the RM Asset Acquisition in a manner that aligns with the Company's long-term strategic goals.

Disposition of Aldersyde Assets

In November 2024, the Company sold Aldersyde Assets, which included the right, title and interest in and to related intellectual property in the TCD Technology, to a private third party (the "Purchaser") under an asset purchase agreement (the "Aldersyde APA").

Under the terms of the Aldersyde APA, the Company sold the Aldersyde Assets to the Purchaser for an aggregate purchase price of \$3.9 million (the "Purchase Price"), subject to a \$15,000 reduction for outstanding fees owed by Cielo associated with the Aldersyde Property, and adjustments, paid/to be paid as follows:

1. \$300,000 paid on or prior to closing;
2. The assumption, by the Purchaser, of the Mortgage Loan (eliminating the Company's obligation to pay the Mortgage Loan); and

If all of the Consideration Shares were issued on closing, this would represent 49.9% of the issued and outstanding common shares of the Company as at the time of closing, the pre-closing shareholders of the Company retaining 50.1% of the issued and outstanding common shares of the Company. As 85% of the Consideration Shares were issued as of closing, Expander, its shareholders and the Expander Insiders held approximately 46% of the issued and outstanding shares of the Company as at closing.

As required by IFRS 13, the value of the purchase was determined using a discount for lack of marketability calculation, resulting in a value of \$41.9 million, which is appropriately reflected in Intangible Assets, and subsequently amortized over the life of the asset.

3. A promissory note (the "Note") in favour of the Company on the following terms:

- a. A principal amount of \$1 million (the "Loan");
- b. Secured against the Aldersyde Property (second place behind the existing mortgagor);
- c. Bearing an interest rate of 7.5% per annum, payable monthly;

d. To be paid as to \$200,000 on each of February 15, 2025 and May 15, 2025, and as to \$150,000 on each of August 15, 2025, November 15, 2025, February 15, 2026, and May 15, 2026, provided that in the event that the Purchaser pays \$700,000 of the Loan on or before May 15, 2025, the balance of the Loan will be forgiven.

Given the Company's intention to prioritize the advancement of its Licensed Technologies at the time and avoid near-term expenditures related to the development of the TCD Technology, the decision to eliminate the Company's \$2.6 million Third Mortgage Loan maturing in July 2026 was deemed the most prudent strategic course of action.

In April 2025, the Company assigned the Note at a discount.

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 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 \$0.8 million (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.

See Section 18 of this MD&A (Subsequent Events) for details regarding the closing of the Settlement Agreement.

11. RELATED PARTY TRANSACTIONS

Short Term Loans

Certain officers and directors of the Company made short-term loans for an aggregate \$0.045 million to the Company during the year ended April 30, 2025. See Section 9 of this MD&A (Financing Activities) for additional details.

Expander Group of Companies (“Expander”)

A former director of the Company (resigned in March 2025) was also a director, officer and shareholder of Expander for portion of the year ended April 30, 2025. Expander has multiple wholly or partly owned subsidiaries, including Expander Services Inc., and Expander Engineering Services Inc. (Expander Energy together with all wholly or partly owned subsidiaries, collectively the “Expander Group” or “Expander”). Expander and its principals acquired common shares of the Company under the transaction completed in November 2023 between the Company and Expander. See Section 9 of this MD&A (Asset Acquisitions and Dispositions) for additional information on the transaction completed on November 9, 2023 with Expander.

In addition to the License Agreement, Expander was engaged through a series of agreements, including an agency agreement to

act on the Company’s behalf to contract with sub-contractors, to provide management advisory services, engineering services, and project/construction management services.

During the period since closing on November 9, 2023, Expander provided services related to: engineering and project estimates to reach FID for a proposed facility in Carseland, Alberta; project planning and preliminary evaluation of project needs for the Company’s proposed facility in Dunmore, Alberta;; and technical assistance on an ad hoc basis, as required, to ensure accurate communication with key stakeholders.

See Section 3 (Core Business Overview), Section 10 (Asset Acquisitions and Dispositions) and Section 15 (Subsequent Events) of this MD&A for details regarding the unwinding of the transactions between the Company and Expander.

The table below outlines contracts underway during the year ended April 30, 2025. Invoiced and outstanding amounts include GST, estimated and contract remaining amounts are excluding GST.

Year ended April 30, 2025 (000s of Canadian dollars, except per share)	Carseland Technology Fee	Carseland Gasifier Equipment	Carseland Gasifier Engineering services	Dunmore Scoping	Aldersyde Scoping	Advisory Services	Total
<i>Total Estimated Contract</i>	750	1,500	480	-	49	-	\$2,779
Deposit invoice	-	393	240	-	25	-	658
Work completed	788	-	364	16	36	51	1,255
Amount Paid	(405)	(393)	(364)	(16)	(46)	21	1,245
Amount (prepaid) outstanding	383	(393)	-	-	(10)	30	10

Private placement of flow through shares

Certain officers and directors of the Company participated for a total of \$410,000 in the FT Offering. See Section 9 of this MD&A (Financing Activities) for additional details.

Renewable U Energy Inc. (“Renewable U”)

Ryan Jackson (the CEO and a director of the Company) was the CEO, director and a beneficial shareholder of Renewable U at the same time as being a director of the Company. In June 2022, Mr. Jackson was appointed CEO of the Company and resigned from his positions as CEO and director of Renewable U. Common shares of Renewable U held by Mr. Jackson indirectly through a holding company, were deposited into an irrevocable blind trust managed by a trustee.

Cielo had entered into nine (9) memorandums of understanding (“MOUs”) in total with Renewable U and its affiliates to build and commission waste to fuel facilities, at no cost to Cielo other than internal costs, one each in Grand Prairie, Alberta; Calgary, Alberta; Medicine Hat, Alberta; Lethbridge, Alberta; Halifax, Nova Scotia; Winnipeg, Manitoba; Kamloops, British Columbia; Toronto, Ontario, and a location

to be determined in the United States. Pursuant to the MOUs, in consideration for the opportunity to enter into joint arrangement agreements, Renewable U and its affiliates paid a fee of \$250,000, to the Company for the execution of each MOU. The fees are non-refundable unless a joint arrangement agreement is not executed by March, 2024 (or such other date as agreed by Cielo and Renewable U), and the deferred fees have been recognized as a current liability.

In May 2023, agreements were executed by Cielo and Renewable U to terminate the MOUs. See Section 9 (Financing Activities) for additional information.

In addition to the termination of the MOUs, Cielo concurrently entered into an agreement of purchase and sale (the “Offer to Purchase”), pursuant to which Cielo (or its assignee) agreed to purchase land located near Dunmore, Alberta (the “Land”) from Renewable U for a purchase price of \$5.2 million, subject to successful completion of the Company’s due diligence to determine the land’s viability for its intended use and certain other conditions. The intended use of the land is for the development and operation of a full-scale facility, through a business entity to be formed (the “Dunmore Entity”). The Company has received a copy of an appraisal prepared by an

independent third party for Renewable U in July 2022, with a value for the Land of \$5.2 million.

The Offer of Purchase, as amended since the original agreement, provides for:

- the waiver of remaining conditions (i.e. financing), by March 29, 2024 and closing on May 30, 2024; and
- a total deposit of \$0.6 million, comprised of a cash deposit paid in May 2023 of \$0.1 million plus issuance of \$0.5 million of common shares at \$0.45 per share, subject to the approval of the TSX Venture Exchange, the total amount of which will be applied against the purchase price upon closing or, in the event that the transaction doesn't close, will be set off against any other amounts owing by

the Company to Renewable U related to the termination of the MOUs.

The \$0.1 million deposit was paid, however the \$0.5 million deposit was not paid. As the Company determined that it would no longer proceed with the Dunmore Facility, it also determined that it would not continue with the purchase of the Land. The \$2 million owing for the termination of the five remaining MOUs (see Section 9 [Financing Activities]) was reduced by \$0.1 million. Following discussions between the Company and Renewable U, the parties entered into a debt conversion agreement under which Cielo agreed to issue 6,440,677 common shares of Cielo (the "Repayment Shares") at \$0.295 per share in lieu of the repayment of the \$1.9 million. The Repayment Shares were issued on June 11, 2024.

12. SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

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,

2025 and 2024; 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 financial statements for the year ended April 30, 2025.

13. RISK FACTORS

An investment in the securities of the Company 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. The following are certain factors relating to the Company's business which investors should carefully consider. These risks and uncertainties are not the only ones the Company is facing. Additional risk and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our operations. If any such risks actually occur, the business, financial condition, liquidity, and results of our operations could be materially adversely affected.

Early-Stage Technology Research, Development and Manufacturing Capability

The Company continues to be in the research and development stage. The Company's development activities and the undertaking of Project Nexus and development of the Nexus Platform and processes may require significant spending which may negatively impact our operating results. The Company has earned limited revenues to date and has supported its operations through cash flow from product sales and various debt and equity financings. The Company's operations continue to be subject to all of the risks inherent in a company developing a new technology to market. The likelihood of success of the Company must be considered in light of the problems, expenses and delays frequently

encountered in connection with an early-stage development business and the research, development and introduction of new products and new technology.

The Company faces operational risks, and its facilities may fail performance expectations

Waste to fuel refining operations generally involve a high degree of risk including hazards and risks normally encountered in obtaining feedstock, process design, the fluctuation of fuel prices and possible damage to, or destruction of the producing facilities, damage to life or property, environmental damage, and possible legal liability. Certain operational risks include fire, explosion, and spills. The costs of any of these incidents could have a material adverse effect on the Company's business, financial condition, results of operations, legal liability, cash flows or prospects.

The performance of the Company's facilities, once constructed, may encounter problems including but not limited due to the failure of technology, the failure to combine technologies properly, operator error or the failure to maintain and service the facilities properly. There is no certainty that the facilities will, or will continue to, result in production of commercial quantities of low carbon fuels. Refining operations are subject to hazards such as equipment failure and fuel storage areas, which may result in environmental pollution and consequent liability. Many potential problems and delays are

beyond the Company's control, which may result in closures and supply chain disruptions. Any problem with the Company's facilities, whether originating from its technology, design, installation, or otherwise could have a material adverse effect on the Company's business, financial condition, results of operations, legal liability, cash flows or prospects.

- A number of factors related to the development and operation of individual facilities could adversely affect the Company's business, including:
- Regulatory changes that affect the demand for or supply of low carbon fuels and the prices thereof, which could have a significant effect on the Company's cash flows and financial condition;
- Regulatory changes to waste management policies or changes to the waste collection industry that could reduce the amount of waste available to be used at our facilities;
- Changes in the regulatory in the regions where the Company operates or is developing new facilities;
- Ability to obtain regulatory permits on acceptable terms;
- Changes in energy commodity prices;
- A decrease in the availability, pricing, and timeliness of delivery of raw materials and components necessary for the facilities to function;
- The competitive landscape if an increased number of waste to energy facilities become operational; and
- Unexpected delays in the development and completion of facilities as well as unforeseen events giving rise to force majeure or unexpected delays once such facilities are operational.

Any of these factors could prevent the Company from completing or operating its projects, or otherwise adversely affect its business, financial condition, and results of operations.

The final amount of future capital expenditures relating to the development of our facilities may be significantly greater than expected at this time, in which case we may be required to curtail or delay construction and development of our facilities, which would reduce our planned production capacity and adversely affect our growth plans, cash flows and financial condition. We will likely need to raise capital directly, or indirectly, for the construction and development of our facilities, which may not be available on acceptable terms, or at all.

We will rely on certain intellectual property to operate our facilities

Cielo relies or may rely on any one or a combination of patents, trademarks, trade names, trade secrets, confidentiality agreements and other contractual restrictions on disclosure to protect its intellectual property rights. Cielo also enters into confidentiality agreements with employees, consultants and

other third parties, and controls access to and distribution of Cielo's confidential information. Cielo's success will depend in part on its ability to maintain or obtain and enforce patent and other intellectual property protection for Cielo's process and technologies and to preserve trade secrets, and to operate without infringing upon the proprietary rights of third parties. Setbacks or failures in these areas could negatively affect Cielo's ability to compete and materially and adversely affect Cielo's business, financial condition, and results of operations.

If Cielo is unable to protect intellectual property or if a competitor develops or obtains exclusive rights to a breakthrough technology, the impact on our business and financial performance may be significant. Developments in technology could trigger a fundamental change in waste processing and the renewable energy industries, which may adversely impact volumes at our facilities and ultimately the Company's financial performance.

There can be no assurance that Cielo will be successful in obtaining patents it applies for in the future, if it opts to do so. Third parties may infringe on such patents. To counter infringement or unauthorized use, we may need to file infringement claims, and in an infringement claim, there is risk that a court will decide that a patent of ours is invalid or unenforceable, in whole or in part, and that we have the right to stop the other party from using the invention at issue. Additionally, there can be no assurance that the scope of any claims granted in any patent will provide Cielo with adequate protection for the processes used by Cielo currently or in the future. Cielo cannot be certain that the creators of our technology were the first inventors of inventions and processes covered by the patents and patent applications or that they were the first to file. Accordingly, there can be no assurance that Cielo's patents will be valid or will afford Cielo with protection against competitors with similar technology or processes.

Reliance on Third Party Technology

Given the change in the Company's approach, the Company's operations and product development will depend significantly on third-party technologies, platforms, and proprietary systems. These external providers are responsible for conducting independent testing, validation studies, and performance assessments that underpin the functionality, safety, and efficacy of the Company's offerings.

While the Company does and intends to continue to exercise due diligence in selecting and monitoring these third-party providers, it has limited control over the methodologies, timelines, and accuracy of their testing and reporting. Any deficiencies, delays, or inaccuracies in third-party studies or technology performance could materially impact the Company's ability to meet regulatory requirements, maintain product integrity, or deliver consistent customer outcomes.

Furthermore, changes in third-party technology, discontinuation of support, or failure to meet evolving industry standards may require the Company to incur additional costs, seek alternative solutions, or experience disruptions in service delivery. These risks could adversely affect the Company's reputation, financial performance, and strategic objectives

Transition of Key Management Positions

Any significant leadership change or senior management transition involves inherent risks, and any future changes to our management that may occur during the transition could cause significant disruption to the Company and its operations. The failure to adequately manage succession of senior management and other key personnel or the failure of key employees to successfully transition into new roles could cause further disruption to our business. In addition, changes in senior management may create uncertainty among investors, employees, business partners and others concerning the Company's future direction and performance. Any disruption in our operations or adverse impacts from such uncertainty could have a material adverse effect on our business, financial condition, cash flows and results of operations.

Additionally, there can be no assurance that further changes to management will not occur. It is important to note that the Company may not be successful in its search or may not meet its objective on a timely basis. The failure to meet its objective at all or on a timely basis, as well as undergoing other changes to management, could have an adverse effect on the Company's business, financial condition, cash flows and results of operations.

We rely on certain key personnel and may be subject to labour disruptions

Cielo's success will depend on its directors and officers to develop its business and manage its operations and on its ability to attract and retain key personnel. The loss of any key person, or the inability to find and retain new key persons, could have a material adverse effect on Cielo's business. No assurance can be provided that Cielo will be able to attract or retain key personnel in the future, which may adversely impact its operations.

Cielo is also exposed to the risk of labour disruption in its operations. While Cielo does not anticipate any material labour disruptions in the near future, any prolonged work stoppages or other labour disputes could have an adverse impact on Cielo's financial results.

We rely on a small number of service providers for a majority of our service needs

Cielo does or expects to rely on a small number of service providers in relation to its current operational requirements, a concentration risk. For example, Cielo has focused on one initial vendor for the use of its gasification technology. A breakdown of the relationship between Cielo and the supplier, including the breach or termination of service agreements, or any inability of the provider to continue to provide services to Cielo, could result in delays or other material adverse effects on Cielo and its projects.

The Company's ability to operate as a going concern is in doubt.

The audit opinion and notes that accompany the Company's Financial Statements disclose a going concern qualification to its ability to continue in business. The Financial Statements have been prepared under the assumption that the Company will continue as a going concern. The Company is a research and development stage company and has incurred losses since its inception. The Company has incurred losses resulting in an accumulated deficit of \$176 million as at April 30, 2025 and further losses are anticipated in the development of its business. The Company's ability to continue as a going concern is dependent on its ability to raise capital to fund its future the design of a full-scale commercial waste-to-fuel facility and working capital requirements or its ability to profitably execute its business plan. The Company's plans for the long-term return to and continuation as a going concern include financing its future operations through sales of its Common Shares and/or debt and the eventual profitable full-scale commercial waste-to-fuel facility. Additionally, the volatility in capital markets and general economic conditions in Canada, the U.S. and elsewhere can pose significant challenges to raising the required funds. These factors raise substantial doubt about the Company's ability to continue as a going concern. The Company's Financial Statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the Financial Statements.

Need for Financing

The development of the Company's business is likely to require additional financing or refinancings. There are no assurances that such financing or refinancings will be available, or if available, available upon terms acceptable to the Company. If sufficient capital is not available, the Company may be required to delay the expansion of its business and operations, which could have a material adverse effect on the Company's business, financial condition, prospects, or results of operations.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company's ability to continue as a going concern is dependent on management's ability to raise the required capital through future equity or debt issuances but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities.

Dividend Risk

The Company currently intends to reinvest all future earnings in order to finance the development and growth of its business. Therefore, the Company does not anticipate paying dividends on the Common Shares in the foreseeable future. The Company's dividend policy will be reviewed from time to time by the Board in the context of the Company's earnings, financial condition, and other relevant factors. Until the time

that the Company does pay dividends, which the Company may never do, the Company's shareholders will not be able to receive a return on their common shares unless they sell them.

Forward-Looking Statements may prove to be inaccurate

Investors are cautioned not to place undue reliance on forward-looking statements. By its nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, which could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Additional information on the risks, assumptions and uncertainties are found in this Prospectus under the heading "Special Note Regarding Forward-Looking Statements".

The market price of the Common Shares may be volatile and is subject to wide fluctuations

The market price of the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company's control. This volatility may affect the ability of holders of Common Shares to sell their securities at an advantageous price. Market price fluctuations in the Common Shares may be due to the Company's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by government and regulatory authorities, the Company, or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the Common Shares. Financial markets have at times historically experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the Common Shares may be materially and adversely affected.

Future sales or issuances of securities and dilution of Common Shares

The Company may issue additional securities to finance future activities. The Company cannot predict the size of future issuances of securities or the effect, if any, that future issuances and sales of securities will have on the market price of the Common Shares. Sales or issuances of a substantial number of Common Shares, or the perception that such sales could occur, may adversely affect the prevailing market price

of the Common Shares. With any additional sale or issuance of Common Shares, investors will suffer dilution to their voting power and the Company may experience dilution in its earnings per Common Share.

The Company may be unable to obtain additional financing on acceptable terms or at all

The continued development of the Company may require additional financing, extensions or re-financing of existing financings. The failure to raise or procure such additional funds or modified terms may result in the delay or postponement of the Company's business objectives. There can be no assurance that additional capital or other types of financing will be available if and as needed or that, if available, will be on terms acceptable to the Company. If additional funds are raised by offering equity securities, existing shareholders could suffer significant dilution. Aside from other immediate financial requirements, the Company is currently in default of its royalty obligations, as disclosed in this MD&A. In the event that an extension is not obtained and a formal notice provided to the Company, \$0.9 million would require immediate payment or the Company may be subject to related litigation..

The Company has a history of Negative Cash Flow

The Company has a history of negative cash flow from operating activities. To the extent that the Company has negative cash flow in future periods, the Company may need to allocate a portion of the net proceeds received from the sale of Offered Shares hereunder or other financings to fund such negative cash flow. There can be no assurance that additional capital or other types of financing will be available when needed, or that these financings will be on terms at least as favourable to the Company as those previously obtained, or available to the Company at all.

We intend to conduct some of our operations through joint arrangement and our joint arrangement partners' interests may not always align with our own.

Cielo may conduct some of its operations through joint arrangements, in which we may share control over certain economic and business interests. There will be a variety of risks associated with our interest in the joint arrangements, including:

- Potential disagreements with our joint arrangement partners about how to construct, operate or finance a facility;
- Joint arrangement partners may have economic, business, or legal interests, or goals that are inconsistent with our goals and interests;
- Joint arrangement partners may be unable to meet their, or may not meet their, obligations under our arrangements with them; and
- Disagreements with joint arrangement partners over the exercise of their rights under the agreements that will govern their relationship with us. Failure by Cielo, or an entity

in which we have a joint arrangement interest, to adequately manage the risks associated with joint arrangements, and any differences in views among us and our joint arrangement partners, which could prevent or delay actions that are in the best interest of us or the joint arrangement, could have a material adverse effect on our, or our joint arrangements', financial performance, results of operations, and liquidity.

We are dependent on third parties for our feedstock and significant interruptions in our access to certain key inputs may impair operations at our facilities.

As feedstocks comprise the primary input in converting waste to fuels, changes in the price, if applicable, or availability of feedstocks can significantly affect Cielo's business. Cielo is dependent on third parties for feedstock. The Company relies on obtaining long-term agreements for the supply of feedstock materials. There can be no assurance that the Company will be able to contract for feedstock or re-contract with any given party upon expiry of a given contract, nor is there any assurance that the Company would be able to replace lost feedstock as a result of a failure to renew an existing contract.

The price or availability of feedstock is influenced by many factors, including market demand, policies with respect to collection or management of waste and general economic and regulatory factors. The significance and relative effect of these factors on the price or availability of feedstock is difficult to predict. Any event that tends to negatively affect the supply of feedstock, could increase feedstock prices and potentially harm Cielo's business. In addition, Cielo may also have difficulty, from time to time, in physically sourcing feedstock on economic terms due to supply shortages. Such a shortage could require Cielo to suspend operations until feedstock is available at economical terms, which would have a material adverse effect on our business, results of operations and financial position.

In addition to feedstock, our business is dependent on a number of other key inputs and their related costs, including raw materials, supplies and equipment related to our operations, as well as electricity, water, and other utilities. Any significant interruption, price increase or negative change in the availability or economics of the supply chain for key inputs could curtail or preclude our ability to develop our facilities or continue production and may have a material adverse impact on our business and results of operations.

Environmental regulations could have a significant impact on the energy industry

All phases of operating low carbon fuel production facilities present environmental risks and hazards. Cielo is subject to environmental regulation implemented or imposed by a variety of federal, provincial, and municipal laws and regulations as well as international conventions. Among other things, environmental legislation provides for restrictions and prohibitions on spills and discharges, as well as emissions of various substances produced in association with low carbon

fuel operations. Legislation also requires that facility sites be operated, maintained, abandoned, and reclaimed in such a way that would satisfy applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner we expect may result in stricter standards and enforcement, larger fines, penalties, and liability, as well as potentially increased capital expenditures and operating costs. The discharge of pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require us to incur costs to remedy such discharge.

Cielo intends to work toward achieving these standards with the goal of allowing its fuel products to warrant a premium. Renewable energy regulations are evolving, which could require the Company to incur substantial costs associated with compliance or alter certain aspects of its business plan. It is also possible that regulations may be enacted in the future that will be directly applicable to certain aspects of the Company's operations. The Company cannot predict the nature of any future laws, regulations, interpretations, or applications towards renewable energy policies, nor can it determine what effect additional governmental regulations or administrative policies and procedures, when and if promulgated, could have on the Company's business. The Company's business may suffer if environmental policies change to no longer encourage the development and growth of low carbon fuels. Public opinion can also exert a significant influence over the regulation of the renewable energy industry. A negative shift in the public's perception in the feasibility of renewable energy could affect future legislation or regulations in Canada and abroad which may have an adverse effect on our business.

Failure to comply with government regulations could subject Cielo to civil and criminal penalties, require Cielo to forfeit property rights and may affect the value of Cielo's assets or Cielo's ability to conduct its business. Cielo may also be required to take corrective actions, including, but not limited to, installing additional equipment, which could require Cielo to make substantial capital expenditures. Cielo could also be required to indemnify its employees in connection with any expenses or liabilities that they may incur individually in connection with regulatory action against them. These could result in a material adverse effect on our business, financial condition, and results of operations.

We have a limited operating history and a history of net losses, and we may not achieve or maintain profitability in the future

The Company has no history of significant or consistent earnings and there is no assurance that any future facility will generate earnings, operate profitably, or provide a return on investment in the future.

Cielo has not generated sufficient positive cash flow on a consistent basis to cover corporate overhead costs and interest and principal payments on loan obligations. Cielo's ability to do so going forward will depend in part on factors over

which management has no control. It may be a significant period of time before Cielo achieves consistent revenues while, concurrently, Cielo expects to incur significant costs in connection with ongoing research and development activities.

Few low carbon fuel facilities are developed into profitable businesses without significant help from government subsidies. Major expenses may be required to establish the facility business. It is impossible to ensure that the current business plan by the Company will result in a profitable commercial refining operation.

In addition, Cielo's prospects must be considered in light of the risks and uncertainties encountered by an early-stage company in the rapidly evolving low carbon fuel market, where supply and demand may change significantly in a short period of time.

Our efforts to grow our business may be more costly than we expect, and we may not generate enough revenue to offset our operating expenses. We may incur significant losses in the future for a number of reasons, including as a result of unforeseen expenses, difficulties, complications, and delays in obtaining governmental licenses and the other risks described in this MD&A. The amount of any future losses will depend, in part, on our ability to generate revenue on the one hand and any increases in our expenses on the other hand. If we continue to incur losses in the future, the net losses and negative cash flows incurred to date, together with any such future losses, will have an adverse effect on our shareholders' equity and working capital. Because of the numerous risks and uncertainties associated with our business and industry, we are unable to accurately predict when, or if, we will be able to achieve profitability. Even if we achieve profitability at some point in the future, we may not be able to sustain profitability in subsequent periods. If we are unable to achieve and sustain profitability, the market price of our common shares may significantly decrease and our ability to raise capital, expand our business or continue our operations may be impaired.

The results of our operations will depend on commodity prices

The profitability of the Company's operations will be significantly affected by changes in the market price of various fuels derived from waste. The level of interest rates, the rate of inflation, world supply and stability of exchange rates can all cause significant fluctuations in fuel prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The price of diesel fuel has fluctuated widely in recent years, and future serious price declines could cause continued commercial production to be impracticable. Depending on the price of fuels, cash flow from operations may not be sufficient to fund growth or pay our obligations. Market fluctuations and the price of fuels derived from waste, may render refining uneconomical. Short-term operating factors relating to the production of fuels from waste, such as the increased feedstock costs or drop in low carbon fuel prices, could cause the refining operation to be unprofitable in any accounting period.

We require permits and authorizations to conduct our operations

Cielo's proposed operations will require licenses, permits and in some cases renewals of these licenses and permits from various governmental authorities both domestically and abroad. Cielo's ability to obtain, amend, comply with, sustain, or renew such licenses and permits on acceptable, commercially viable terms are subject to change, as, among other things, the regulations and policies of applicable governmental authorities may change. Cielo's inability to obtain, amend to conform to our operations, or extend a license or a loss of any of these licenses or permits may have a material adverse effect on our business, financial condition, and results of operations.

Improvements in or new discoveries of alternative energy technologies could have a material adverse effect on our financial condition and results of operations

Any improvement in or new discoveries of alternative energy technologies, government mandated use of such technologies or government restrictions or quotas on the use of oil that increase the use of alternative forms of energy and/or reduce the demand or market for oil, and related products could have a material adverse impact on our business, financial condition and results of operations.

New or changing technologies may be developed, consumers may shift to alternative fuels or alternative fuel vehicles (such as electric or hybrid vehicles) other than the fuels from waste we produce, and there may be new entrants into the low carbon fuels production industry that could meet demand for lower-carbon transportation fuels and modes of transportation in a more efficient or less costly manner than our technologies and products, which could also have a material adverse effect on our business.

In the event our competitors or future competitors design or implement new methodologies or new technology relating to the refining or re-refining of waste it could reduce demand for diesel or make our facilities uneconomic.

Developments with respect to low-carbon fuel policies and the market for alternative fuels may affect demand for our fuels and could adversely affect our financial performance

Low-carbon fuel policies, blending credits, and stricter fuel efficiency standards to help reach GHG emissions reduction targets help drive demand for our fuels derived from waste. Any changes to, a failure to enforce, or a discontinuation of any of these policies, goals, and initiatives could have a material adverse effect on our businesses.

Our operations face risks of interruption and casualty losses

Cielo may be subject to unexpected events and natural hazards, including severe weather events, interruption of utilities and infrastructure or occurrence of pandemics, which could cause sudden or complete cessation of its day-to-day

operations. Severe weather events that could affect operations at our facilities, including wildfires, may become more frequent as a result of climate change. Any failure to respond effectively or appropriately to such events could adversely affect our operations, reputation, and financial results.

Our facilities will be our principal operating assets. As a result, our operations could be subject to significant interruption if one or more of our facilities were to experience a major accident or mechanical failure, be damaged by severe weather or other natural or man-made disaster, such as an act of terrorism, or otherwise be forced to shut down. If any facility were to experience an interruption in operations, earnings from the facility could be materially adversely affected (to the extent not recoverable through insurance) because of lost production and repair costs.

Insurance may not be adequate or provided for losses we may incur

The Company may carry insurance to protect against certain risks in such amounts as it considers adequate. Risks not insured against include environmental pollution or other hazards against which such corporations cannot insure or against which they may elect not to insure.

Although Cielo obtains, or may obtain, insurance to protect against certain risks, there are limitations on insurance coverage that may not be sufficient to cover the full extent of such costs, or a particular risk may not be insurable in all circumstances, or the Company may elect not to obtain insurance in certain circumstances. A significant event that is not fully insured against could have a material adverse effect on Cielo's financial position, results of operations and cash flows.

Certain of our directors and officers serve as director and/or officers of other companies

Certain of the directors and officers of the Company also serve, or may serve, as directors and/or officers of other companies. Consequently, there exists the possibility for such directors and/or officers to be in a position of conflict with respect to the Company. Situations may arise where these directors and officers will be in competition with the Company or be subject to conflicting interests, as a result of their positions with such other entities. Conflicts of interest, if any, which arise will be subject to and be governed by procedures prescribed by the BCBCA which require a director or officer of a corporation who is a party, has a material interest in, or is a director or an officer of or has a material interest in any person who is a party to, a contract or transaction with the Company, to disclose his interest and to refrain from voting on any matter in respect of such contract unless otherwise permitted under the BCBCA. Certain directors or officer may determine that they are unable to continue in their positions with the Company as a result of a conflict of interest, which could have a material adverse effect on the Company's business.

We are vulnerable to the potential difficulties associated with rapid growth

We believe that our future success depends on our ability to manage the rapid growth that we have experienced, and the continued growth that we expect to experience. The Company's expected growth depends on its ability to leverage its industry experience and relationships with its partners, customers, and vendors to ensure the economic viability of pursued opportunities. While the Company intends to focus on managing its costs and expenses over the long term, it expects to invest to support its growth and may have additional unexpected costs. It may not be able to expand quickly enough to exploit potential market opportunities.

The waste to energy market is a relatively new industry

Because the waste to energy industry is in a nascent stage in Canada, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in us and, few, if any, established companies whose business model we can follow or upon whose success we can build.

Accordingly, investors should rely on their own estimates regarding the potential size, economics, and risks of the waste-to-energy market in deciding whether to invest in our common shares.

There is no assurance that the industry and market will continue to exist and grow as currently estimated or anticipated or function and evolve in the manner consistent with management's expectations and assumptions. We could also be subject to other events or circumstances that that adversely affect the waste-to-energy industry, such as reductions in fuel consumption.

We may not be able to secure adequate or reliable sources of funding required to operate our business

Cielo's business is dependent on having access to sufficient capital and financial resources to fund its growth and investment in operations. Any failure to maintain adequate financial resources could impair Cielo's growth or ability to satisfy financial obligations as they come due. There can be no assurance that adequate capital resources will be available in the future on acceptable terms or at all.

In the future, Cielo may need additional financing to operate or grow its business. Cielo's ability to obtain additional financing, if and when required, will depend on investor and lender demand, success of Cielo's research and development activities, operating performance, the condition of the capital markets and other factors. Cielo cannot guarantee that additional financing will be available on favourable terms when required, or at all. If Cielo raises additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences, or privileges senior to the rights of Cielo's existing securityholders. Cielo's existing securityholders will experience dilution, perhaps to a substantial level, if Cielo raises the additional financing through the sale of shares of common stock. If Cielo is unable to obtain adequate financing or financing on terms satisfactory to management when required, Cielo's ability to continue to

support the operation or growth of our business could be significantly impaired and our operating results will likely be harmed.

We face competition from other producers of low carbon fuel

There is competition within the low carbon fuel industry which is considered to have commercial potential. The Company will compete with other interests, many of which have greater financial resources than it will have for the opportunity to participate in promising projects. Significant capital investment is required to achieve commercial production.

Cielo faces competition from other producers of fuels from waste with respect to the procurement of feedstock and selling of such fuels. Such competition could be intense, thus driving up the cost of feedstock and driving down the price for Cielo's products. Competition will likely increase if profit margins available to low carbon fuels producers rise. Additionally, new companies may enter the market, thus increasing the competition.

Other companies may have greater success in the recruitment and retention of qualified employees, as well as in conducting their own production and fuel marketing operations, and may have greater access to feedstocks, market presence, economies of scale, financial resources, and engineering, technical and marketing capabilities, which may give them a competitive advantage.

The loss of one or more of our larger customers could have a material adverse effect on our business

Once we begin commercial operations, the loss of one or more of our larger offtake customers could have a material adverse effect on our business, financial condition, results of operations and cash flow. In addition, financial difficulties experienced by customers could adversely impact their demand for our services and cause them to request amendments to our contracts with them.

Cyberattacks may cause disruptions to the Company's operations and could have a material effect on its business

Cielo is dependent on technology in our operations and if the technology fails, it could adversely impact the financial and operational performance of the Company. A cybersecurity incident including a breach of secure and private information could negatively impact our financial performance, subject us to criticism or affect our relationships with customers, employees, investors, and other stakeholders. Cyber incidents including theft, alteration or destruction could lead to litigation, fines, other remedial action, heightened regulatory scrutiny and damage to its reputation. A breach of the Company's cyber/data security measures could have a material adverse effect on the Company's business, operations, financial condition, and operating results.

The Company's operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, information technology systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the Company's reputation, results of operations, cash flows and financial condition.

Although to date the Company has not experienced any material losses relating to cyberattacks or other information security breaches, there can be no assurance that it will not incur such losses in the future. The Company's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Any of these factors could have a material adverse effect on the Company's results of operations, cash flows and financial position.

The market value of our shares may fluctuate

The market price of Cielo Shares, as a publicly traded stock, can be affected by many variables not directly related to the corporate performance of the Cielo, including the market in which it is traded, the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock. The effect of these and other factors on the market price of Cielo Shares in the future cannot be predicted.

Outbreaks may further disrupt our operations

Pandemics such as COVID-19 may have adverse impacts on the Company, including, among others:

- Volatility in the global capital markets, which may increase cost of capital and adversely impact access to capital;
- Continued impacts on workforces throughout the regions in which the pandemic is present, which may result in the company's workforce being unable to work effectively;
- Supply chain disruptions.

Future local, regional, national, or international outbreaks of contagious diseases could have an adverse effect on local economies and potentially the global economy, which may adversely impact the price of and demand for oil, (and correspondingly, decrease the demand for our fuels which could have a material adverse effect on our business, financial condition, results of operations and cash flows). Additionally, such an outbreak, if uncontrolled, may result in temporary

shortages of staff to the extent our work force is impacted, which may have a material adverse effect on our business.

Litigation and legal claims could have an adverse impact on our business

We may be subject to legal proceedings and governmental investigations from time to time related to our business and operations. Lawsuits or claims against us could have a material adverse effect on our business, financial condition, results of operations and cash flow. For example, the Company is currently in default of its royalty obligations, as disclosed in this MD&A. In the event that an extension is not obtained and a formal notice provided to the Company, \$0.9 million would require immediate payment or the Company may be subject to related litigation.

Acquisitions entail numerous risks and may disrupt our business or distract management

We may consider and evaluate acquisitions of, or significant investments in, complementary assets or entities as part of our business strategy. Acquisitions involve numerous risks, including unanticipated costs and liabilities, and difficulty in integrating the operations and assets of the acquired assets. Any acquisition could have a material adverse effect on our business, financial condition, results of operations and cash flow.

It is possible we may incur substantial debt to finance future acquisitions and also may issue equity securities or convertible securities for acquisitions. Debt service requirements could be a burden on our results of operations and financial condition. We would also be required to meet certain conditions to borrow money to fund future acquisitions. Acquisitions could also divert the attention of management and other employees from our day-to-day operations and the development of new business opportunities. Even if we are successful in integrating future acquisitions into our operations, we may not derive the benefits such as operational or administrative synergies we expect from acquisitions, which may result in us committing

capital resources and not receiving the expected returns. In addition, we may not be able to continue to identify attractive acquisition opportunities or successfully acquire identified targets.

The Russia/Ukraine crisis, including the impact of sanctions or retributions thereto, could adversely affect the Company's business

The Company's operations could be adversely affected by the effects of the escalating Russia/Ukraine crisis and the effects of sanctions imposed against Russia or that country's retributions against those sanctions, embargos, or further-reaching impacts thirty upon energy prices, food prices and market disruptions. The Company cannot accurately predict the impact the crisis will have on its operations and the ability of contractors to meet their obligations with the Company, including uncertainties relating the severity of its effects, the duration of the conflict, and the length and magnitude of energy bans, embargos and restrictions imposed by governments. In addition, the crisis could adversely affect the economies and financial markets of Canada and in general, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations. Additionally, the Company cannot predict changes in commodities pricing which may alternately affect the Company either positively or negatively.

Risks related to politics and the economy

Cielo may be affected by possible political or economic instability. The risks include, but are not limited to, terrorism, military repression, extreme fluctuations in currency exchange rates and high rates of inflation. Changes or shifts in political attitude in certain countries may adversely affect Cielo's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on price controls, export controls, income taxes and maintenance of assets. The effect of these factors cannot be accurately predicted.

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

Private Placement of Units

In June 2025 \$0.01 million was advanced by a Creditor and a director of the Company. The loan was unsecured, and subject to interest of 12% per annum. The Company did not repay the loan when due however executed a Creditor Settlement Agreement with the Creditor following the year ended April 30, 2025.

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 (the "First Tranche") 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.

The second and final tranche of the Unit Offering (the "Final Tranche") closed on August, 15, 2025. 4,700,000 Units were issued for gross proceeds of C \$235,000. The Units issued under the Final Tranche are subject to a statutory hold period expiring on December 16, 2025. No finder fees were paid in connection with the Unit Offering.

Securities for Debt

On July 25, 2025, the Company closed the Securities for Debt Transactions (see Section 9 [Financing Activities]), settling an aggregate \$1,967,766 in outstanding Debt through the issuance of securities of the Company (the "Securities for Debt Transactions").

Under the terms of the Creditor Settlement Agreements, the Company issued:

- 33,523,323 Repayment Units" in aggregate to the Creditors at a price of \$0.05 per Unit, to settle \$1,676,156 of the Debt (the "Units for Debt Transactions"); and

- 5,832,178 Common Shares of the Company (the "Repayment Shares", together with the Repayment Units, collectively the "Repayment Securities") at a price of \$0.05 per Repayment Share (the "Shares for Debt Transactions") to two (2) Insiders of the Company (as that term is defined in the policies of the TSX Venture Exchange) to settle \$291,609 of the Debt owing to the Insiders. No warrants were issued to the Insiders.

The Repayment Securities are subject to a statutory hold period expiring November 26, 2025.

Expander Settlement

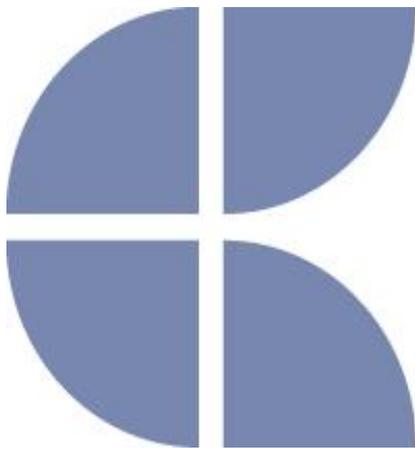
See Section 10 of this MD&A (Asset Acquisitions and Dispositions) for details of the Settlement Agreement (as defined in that Section).

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.
- The Settlement Parties, including Expander, agreed to continue to be bound by a customary 18-month standstill related to, among other things, soliciting proxies and voting of securities of Cielo.

- The applicable Settlement Parties, including Expander, agreed to dismiss and/or discontinue all legal proceedings against Cielo. As at the date of this MD&A, the Claims were discontinued.



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