



CIELO

CIELO WASTE SOLUTIONS CORP.

Audited Financial Statements

For the years ended April 30, 2025 and 2024

To the Shareholders of Cielo Waste Solutions Corp.:

Opinion

We have audited the financial statements of Cielo Waste Solutions Corp. (the "Company"), which comprise the statements of financial position as at April 30, 2025 and April 30, 2024, and the statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2025 and April 30, 2024, and its financial performance and its cash flows for the years then ended in accordance with IFRS[®] Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3 in the financial statements, which indicates that the Company has not yet generated revenue from its planned operations and has accumulated losses during the year ended April 30, 2025 and, as of that date, the Company had a working capital deficiency and an accumulated deficit. As stated in Note 3, these events or conditions, along with other matters as set forth in Note 3, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS® Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Elena Ruttan.

Calgary, Alberta

August 28, 2025

MNP LLP

Chartered Professional Accountants

Cielo Waste Solutions Corp.**Audited Statements of Financial Position**

(All amounts expressed in Canadian \$000s, except share and per share amounts)

As at	Note	April 30, 2025	April 30, 2024
Assets			
Current Assets			
Cash and cash equivalents		-	376
Restricted investments		155	155
Accounts receivable		35	168
Prepaid expenses and other		68	512
Inventory	5	-	126
		258	1,337
Non-Current Assets			
Right-of-use assets	6	-	48
Property, plant, and equipment	7	-	11,570
Intangible assets	8	-	41,992
		-	53,610
Total Assets		258	54,947
Liabilities			
Current Liabilities			
Bank Indebtedness		12	-
Accounts payable and accrued liabilities		1,790	1,439
Royalty payable	9	889	889
Project liability and deferred fees	15	-	1,900
Current portion of lease liability	10	-	55
Promissory note payable	11	856	-
Other liabilities	8	748	5,288
		4,295	9,571
Long-term loans	11	-	2,462
Convertible debentures	12	1,928	1,674
		1,928	4,136
Total Liabilities		6,223	13,707
Shareholders' (Deficit) Equity			
Share capital	13	156,990	149,943
Contributed surplus		13,052	12,632
Deficit		(176,007)	(121,335)
Total Shareholders' (Deficit) Equity		(5,965)	41,240
Total Liabilities and Shareholders' Equity		258	54,947

Going Concern (Note 3), and Subsequent Events (Note 18)
Approved on behalf of the Board of Directors August 28, 2025

"Ryan C. Jackson"
(Director)

"Sheila Leggett"
(Director)

(The accompanying notes are an integral part of these audited financial statements)

Cielo Waste Solutions Corp.**Audited Statements of Loss and Comprehensive Loss**

(All amounts expressed in Canadian \$000s, except share and per share amounts)

		Years Ended April 30	
	Note	2025	2024
Expenses and other income			
Financing costs	14	756	801
General and administrative		2,307	3,006
Research and development		144	925
Share based compensation	13	396	379
Depreciation and amortization	6,7,8	3,899	3,410
Impairment upon reclassification of assets held for sale	7	7,787	-
Impairment of promissory note	7	900	-
Impairment of property, plant, and equipment	7	1,852	3,826
Impairment of intangible assets	8	36,870	-
Loss on Disposal	7	260	-
Loss (gain) on settlement of debt with shares	13,15	(248)	(167)
Other Income	13	(251)	83
Net and comprehensive loss		(54,672)	(12,263)
Loss per share			
Basic	13	(0.45)	(0.14)
Diluted	13	(0.45)	(0.14)

(The accompanying notes are an integral part of these audited financial statements)

Cielo Waste Solutions Corp.
Statements of Changes in Equity
For Year Ended April 30, 2025 and 2024

(All amounts expressed in Canadian \$000s, except share and per share amounts)
(unaudited)

	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, April 30, 2023	111,980	11,890	(109,072)	14,798
Shares issued in public offering	419	-	-	419
Shares issued on IP acquisition	36,697	-	-	36,697
Fair value of warrants issued on convertible debentures	-	308	-	308
Fair value of shares issued for debt settlement	895	-	-	895
Share based compensation	-	379	-	379
Conversion feature of convertible debenture	-	55	-	55
Share issuance costs	(48)	-	-	(48)
Net and comprehensive loss	-	-	(12,263)	(12,263)
Balance, April 30, 2024	149,943	12,632	(121,335)	41,240
Balance, April 30, 2024	149,943	12,632	(121,335)	41,240
Fair value of shares issued for debt settlement (Note 13)	1,780	-	-	1,780
Shares issued for IP Acquisition (Note 13)	5,288	-	-	5,288
Share based compensation (Note 13)	-	396	-	396
Fair Value of warrants issued on convertible debenture	-	16	-	16
Conversion feature of convertible debenture (Note 13)	-	8	-	8
Conversion of debenture	27	-	-	27
Share issuance costs (Note 13)	(49)	-	-	(49)
Net and comprehensive loss	-	-	(54,672)	(54,672)
Balance, April 30, 2025	156,989	13,052	(176,007)	(5, 966)

(The accompanying notes are an integral part of these audited financial statements)

Cielo Waste Solutions Corp.

Audited Statements of Changes in Cash Flow

(All amounts expressed in Canadian \$000s, except share and per share amounts)

		Years Ended April 30	
	Note	2025	2024
Operating activities			
Net loss		(54,672)	(12,262)
Items not involving cash:			
Depreciation and amortization	6, 7, 8	3,899	3,410
Impairment of promissory note		900	-
Impairment upon reclassification of assets held for sale		7,787	-
Impairment of property, plant, and equipment		1,852	3,826
Impairment of intangible assets		36,870	-
Loss (gain) on settlement of debts with shares	13	(248)	(167)
Share based compensation	13	396	379
Loss on Disposal	7	260	-
Other Income	13	(251)	83
Financing costs	14	756	801
		(2,451)	(4,013)
Changes in non-cash working capital:			
Accounts receivable		204	(80)
Prepaid expenses		184	238
Inventory		-	6
Accounts payable and accrued liabilities		1,411	(355)
Cash (used in) operating activities		(652)	(4,204)
Financing activities			
Lease liability	10	(57)	(100)
Short-term loan advances	11	787	130
Short-term loan repayments	11	-	(130)
Long-term loan advances	11	-	2,610
Long-term loan repayment	11	-	(165)
Financing fees	14	-	(92)
Convertible debenture	12	90	2,040
Finance share issuance		-	670
Share issuance costs	13	(49)	(48)
Cash provided by financing activities		771	4,915
Investing activities			
Property plant and equipment additions	7	507	(1,769)
Restricted Investments		-	25
Deposit on revenue generating assets		-	(284)
Accounts payable and accrued liabilities		-	540
Cash provided by investing activities		507	(1,488)
Decrease in cash and cash equivalents		(388)	(777)
Cash and cash equivalents, beginning of period		376	1,153
Cash and cash equivalents, end of period		(12)	376

(The accompanying notes are an integral part of these audited financial statements)

Cielo Waste Solutions Corp.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2025 and 2024

(All amounts expressed in Canadian \$000s, except share and per share amounts)

1. REPORTING ENTITY

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 OTC Venture Market, under the symbol “CWSFF”. The registered office of the Company is located at 2800 Park Place, 666 Burrard Street, Vancouver, British Columbia, V6C 2Z7. The principal office of the Company is located at Suite 2500, 605 5th Avenue S.W. Calgary AB, T2P 3H5. Cielo Waste Solutions is a waste to fuels company with a focus on wood waste byproducts conversion to renewable fuel products.

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).

2. STATEMENT OF COMPLIANCE AND BASIS ACCOUNTING

These financial statements have been prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee.

These financial statements were approved and authorized for issuance by the Board of Directors of the Company on August 28 2025.

3. GOING CONCERN

The Company has significant doubt to operate on a going concern basis as the Company has not yet generated revenue from its planned commercial operations and has accumulated losses of \$176 million as at April 30, 2025 and generated a loss of \$54 million for the year ended April 30, 2025. The Company has a working capital deficit (defined as total current assets less total current liabilities) of \$4 million as at April 30, 2025.

- The Company currently has limited ability to settle its working capital deficiency including any of its debt nor finance its ongoing operating and investment activities nor meet its financing and other contractual commitments.
- The Company will require additional capital to fund costs relating to research, development and other corporate activities over the next year and beyond, and to fund payments of short-term indebtedness as they become due, fund working capital requirements, and to meet the short-term obligations and potential future financing requirements to develop future projects (Note 11).
- The Company has not reached planned commercial operations and its ability to continue as a going concern is dependent on the continued support of debtholders and lenders (Note 11) as well as other potential investors to fund the cost of research, development, and other corporate activities.
- The foregoing may include raising additional equity and/or debt; or entering into strategic partnerships and/or other agreements, in addition to grants and incentives that may be available to the Company. There is no guarantee that the Company will be successful in this regard. These matters create a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern.
- These financial statements have been prepared on a going concern basis, which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business as they become due. These financial statements do not reflect adjustments that might be necessary should the Company be unable to continue as a going concern. If the going concern assumption were not appropriate, adjustments might be necessary to the amounts and classifications of the Company’s assets and liabilities and the reported expenses. These adjustments could be material.

Cielo Waste Solutions Corp.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2025 and 2024

(All amounts expressed in Canadian \$000s, except share and per share amounts)

4. MATERIAL ACCOUNTING POLICIES AND USE OF JUDGEMENTS AND ESTIMATES

a) Use of judgements and estimates

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

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

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

Going concern

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

Fair value of certain long-term liabilities

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

Warrants and share-based payments

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

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

At each reporting date the Company assesses whether there is any indication that PP&E and intangible assets are impaired. PP&E and intangible assets may be impaired when events or changes in circumstances indicate that the carrying amount may not be recoverable. Judgement is applied in assessing whether indicators are present. Judgement is applied to the intangible assets ability to generate revenue and the existence of future market for products. If any such indication exists, then the assets' recoverable amount is estimated. The recoverable amount of an asset or cash generating unit is the greater of its value in use and fair value less costs to sell. The estimation of the recoverable amount requires the Company to make significant assumptions related to the expected future use of certain assets, and the cost to replace certain assets.

b) Cash, cash equivalents, and restricted investments

Cash equivalents are comprised of all short-term investments that are highly liquid in nature, cashable, and have an original maturity date of three months or less. Restricted investments are comprised of interest bearing and renewable Guaranteed Investment Certificates that are required to be posted as security in connection with performance obligations of the Company with maturity dates of less than one year.

c) Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Cielo Waste Solutions Corp.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2025 and 2024

(All amounts expressed in Canadian \$000s, except share and per share amounts)

d) Inventory

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

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

e) Property, plant, and equipment

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

Asset	Method	Rate
Construction in progress	No amortization until completion	None
Computers	Declining balance	50%
Plant and equipment	Declining balance	10%
Building	Straight line	4%

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

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

f) Intangible assets

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

- Patents – 20 year, straight line
- Licenses – straight line, over the term of the agreement

g) Share-based payments

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

In addition to a stock option plan, the Company has a restricted share unit ("RSU") plan (the "RSU Plan") for certain directors, officers, consultants and employees of the Company. The equity-settled share-based compensation is measured at the fair value of the Company's common shares as at the grant date using a volume weighted average share price in accordance with the terms of the RSU Plan.

The fair value determined at the grant date is charged to income on a straight-line basis over the vesting period, based on the estimate of the number of RSUs that will eventually vest and be converted to common shares by the holder or payable in cash to the holder at the Company's option, as applicable, with a corresponding increase in equity (contributed surplus). As necessary, the Company revises its estimate if subsequent information indicates that the number of RSUs expected to vest differs from previous estimates.

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

Cielo Waste Solutions Corp.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2025 and 2024

(All amounts expressed in Canadian \$000s, except share and per share amounts)

h) Deferred income taxes

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

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

i) Share issuance costs

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

j) Earnings (loss) per share

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

k) Financial instruments

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

Financial assets

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

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

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

Financial Liabilities

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

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

Cielo Waste Solutions Corp.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2025 and 2024

(All amounts expressed in Canadian \$000s, except share and per share amounts)

Offsetting Financial Instruments

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

l) Convertible debentures

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

m) Impairment

Non-financial assets

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

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

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

The intangible assets are assessed annually for impairment, as well as when there is any indication that the asset may be impaired. For the purpose of impairment testing of the intangible assets, the assets are allocated to each of the Company's cash generating units (CGU) expected to benefit from individual licenses. An impairment loss is recognized in the income statement when the carrying amount of CGU, exceeds the recoverable amount of the CGU. Recoverable amount of the CGU is the higher of the CGU's fair value less cost to sell and value in use. The total impairment loss is allocated first to reduce the carrying amount allocated to the CGU and then to the other assets of the CGU prorate on the basis of the carrying amount of each asset in the CGU.

As at April 30, 2025, Cielo has One (2024: One) CGU.

Financial assets

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

n) Provisions

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

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

Cielo Waste Solutions Corp.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2025 and 2024

(All amounts expressed in Canadian \$000s, except share and per share amounts)

o) Leases

Right-of-use assets

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

Lease liabilities

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

p) Flow through shares

Flow-through shares transfer the tax deductibility of qualifying expenditures to investors. On issuance, the Company bifurcates the flow-through shares into i) a flow-through share premium, equal to the estimate premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share-capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a flow-through share premium recovery on the income statement.

q) New accounting pronouncements

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

On January 1, 2025 the amendments clarify the requirements for classifying liabilities as either current or non-current by clarifying that:

Liabilities are classified as either current or non-current depending on the existence at the end of the reporting period of a right to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that only covenants that an entity must comply with on or before the reporting date would affect a liability's classification as current or non-current, even if compliance with the covenant is only assessed after the entity's reporting date;

- Classification is unaffected by the likelihood that an entity will settle the liability within 12 months after the reporting date; and
- How an entity classifies debt an entity may settle by converting it into equity.

New Standard: IFRS 18 – Presentation and Disclosure in Financial Statement

Issued in April 2024, IFRS 18 replaces IAS 1 and introduces significant changes to the presentation of financial statements to enhance comparability across entities. The key requirements of the standard include:

- Separate reporting of operating, investing, and financing activities in the statement of earnings, with prescribed subtotals for each category.
- Disclosure of management-defined performance measures in a dedicated note within the financial statements.

The standard is effective for annual reporting periods beginning on or after January 1, 2027, with retrospective application required. The Company intends to assess the impact of IFRS 18 on its financial statements closer to the effective date.

The adoption of these amendments did not have a material impact on the Company's financial statements for the year ended April 30, 2025.

Cielo Waste Solutions Corp.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2025 and 2024

(All amounts expressed in Canadian \$000s, except share and per share amounts)

5. INVENTORY

	April 30, 2025	April 30, 2024
Raw materials	-	126
Total Inventory	-	126

During the year ended April 30, 2025, the company impaired the full amount of inventory as part of the write down of assets held for sale to fair value less costs of disposal (Note 7).

6. RIGHT-OF-USE ASSETS

As at	April 30, 2025	April 30, 2024
Cost		
Balance, beginning of year	454	454
Additions	-	-
Termination	(454)	-
Balance end of period	-	454
Accumulated Amortization		
Balance, beginning of year	406	303
Additions	48	103
Termination	(454)	-
Balance, end of period	-	406
Net book value	-	48

In September 2021, the Company entered into a lease agreement for office space through 2027. The lease agreement includes a rent-free period of 14 months from September 2021 to October 2022 inclusive (the "2021 Lease"). The lease payments commenced November 1, 2022, for five years. The annual base rent increased from \$100 to \$150 during the lease term. In April 2023, the Company entered into an Assignment and Novation agreement, whereby it wholly assigned the 2021 Lease, terminating its asset and related obligation, in April 2023.

In April 2023, the Company entered into a new lease agreement, through the Assignment and Novation agreement of the 2021 Lease, for office space to September 20, 2024 (the "2023 Lease"). Lower base rent of \$70 per annum, payable monthly for the duration of the lease, is reflective of reduced office space under the new lease. The change in leases has been accounted for as a lease modification resulting in a reduction of the associated lease asset and liability

During the year ended April 30, 2025, all right-of-use asset agreements were terminated. The Company does not have any leases that would be considered right-of-use assets at April 30, 2025. As at April 30, 2025 this balance was nil. At April 30, 2024 this balance was 0.48 million

Cielo Waste Solutions Corp.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2025 and 2024
(All amounts expressed in Canadian \$000s, except share and per share amounts)

7. PROPERTY, PLANT, AND EQUIPMENT

Cost	Construction in Progress	Land	Building	Equipment	Computers	Total
Balance, April 30, 2023	25,548	11,584	4,557	10,442	86	52,217
Additions	1,427	-	-	44	-	1,471
Dispositions	-	(10,761)	(2,978)	(568)	-	(14,307)
Balance, April 30, 2024	26,975	823	1,579	9,918	86	39,381
Additions	507	-	-	-	-	507
Transferred to Held for Sale	(25,548)	(823)	(1,579)	(9,918)	(23)	(39,825)
Balance, April 30, 2025	1,934	-	-	-	63	63
Accumulated Depreciation						
Balance, April 30, 2023	25,548	-	421	884	56	26,909
Additions	-	-	100	959	15	1,074
Dispositions	-	-	(114)	(58)	-	(172)
Balance, April 30, 2024	25,548	-	407	1,785	71	27,811
Additions	-	-	32	407	4	443
Transferred to Held for Sale	(25,466)	-	(439)	(2,192)	(12)	(28,109)
Impairment	1,852	-	-	-	-	1,852
Balance, April 30, 2025	1,934	-	-	-	63	1,997
Net Book Value						
Balance, April 30, 2024	1,427	823	1,172	8,133	15	11,570
Balance, April 30, 2025	-	-	-	-	-	-

Impairment of Property Plant & Equipment

On April 29, 2025, the Company entered into a settlement agreement (the "Settlement Agreement") with Expander (Note 8) 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 (Note 8) (the "Unwinding"). As a result, the Company was no longer able to attain future economic benefit from the developmental work completed for the anticipated facility in Carseland, Alberta. Therefore, all capitalized costs in relation to the Carseland facility were impaired.

The Unwinding, which took effect subsequent to the year end, resulted in the impairment resulted in impairment of \$1.9 million of capital expenditures included in Construction in Process (CIP) incurred as at April 30, 2025.

In November 2024, the Company closed the sale of its property (the "Aldersyde Property") in Aldersyde, Alberta on which its facility (the "Aldersyde Facility") was located, along with all related assets and intellectual property in and to the Company's proprietary Thermal Catalytic Depolymerization (TCD) technology (the "TCD Technology", together with the Aldersyde Property, Aldersyde Facility and all related assets collectively the "Aldersyde Assets"). All capitalized assets and accumulated amortization relating to the sale were removed from property, plant, and equipment at April 30, 2025. The sale included the land, building and equipment and related operational assets valued at \$14.5 million and related amortization of \$3 million. A sale price of \$3.9 million resulting in impairment upon reclassification of assets held for sale \$7.8 million and a loss on disposal of \$0.2 million of other assets. The TCD Technology patents were also disposed of as a part of this transaction (Note 8).

The Aldersyde Assets were sold for an aggregate purchase price of \$3.9 million, to be paid: a) \$0.3 million on closing; b) assumption on closing by the purchaser of the Aldersyde Assets (the "Purchaser") of the Company's obligation to pay the Mortgage Loan (Note 11); and c) a promissory note issued by the Purchaser in favour of the Company on closing for \$1.0 million (the "Note"). The Note was secured against the Aldersyde Property (second position behind the mortgagor), bearing an interest rate of 7.5% per annum payable monthly, the principal to be paid \$0.2 million on each of February 15, 2025 and May 15, 2025 and \$0.2 million on each of August 15, 2025, November 15, 2025, February 15, 2026 and May 15, 2026, provided that in the event that the Purchaser paid \$0.7 million on or before May 15, 2025, the balance of the principal would be forgiven. The promissory note was impaired in the amount of \$0.9 million due to the purchaser's liquidity issues.

Cielo Waste Solutions Corp.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2025 and 2024

(All amounts expressed in Canadian \$000s, except share and per share amounts)

In March 2024, the Company entered into a purchase and sale agreement for equipment in the amount of 0.2 million. A gain on disposition was realized upon disposition of \$0.05 million and recorded in Other income.

In July 2023, the Company entered into definitive agreements to sell its Fort Saskatchewan property (the "FS Property") to the lender of the Second Mortgage Loan (Note 11) (the "FS Purchaser") in exchange for:

- 1) Retirement of the principal amount of the \$11 million Second Mortgage Loan; and
- 2) A promissory note for \$2.0 million (the "FS Note"), which was payable to the Company contingent on the FS Purchaser's resale of the FS Property for no less than \$13.5 million prior to September 30, 2024. The FS Purchaser was required to make commercially reasonable best efforts to sell the FS Property; however, in the event the FS Property is not re-sold upon the FS Purchaser making commercially reasonable best efforts, the FS Note was terminated, and the Company was not be entitled to further proceeds on this disposition, which was subsequently forgiven (Note 11).

On August 2, 2023, the sale of the FS Property closed, resulting in the disposition of the FS Property, extinguishment of the Second Mortgage Loan and related accrued interest, and the assignment of the lessor arrangement (Note 11) to the FS Purchaser.

The promissory note was a contingent asset and, therefore, it was not to be recognized until the realization of the economic benefit is virtually certain. Accordingly, the difference between the \$14 million carrying value of Property and the \$10.2 million of the liabilities extinguished on this transaction has been recognized as an impairment expense in the Statement of Loss and Comprehensive Loss, based on the measurement of the difference in the carrying amount and the fair value less costs to sell upon classification of the assets as held for sale.

8. INTANGIBLE ASSETS

Intangible assets were the Company's patents and licensed technologies in Canada and the United States, to utilize waste to produce fuel through its technology. Intangible assets are amortized using straight-line method, with no residual value, over their anticipated life.

	Patents	Technology License	Total
Asset Cost			
Balance, April 30, 2023	2,050	-	2,050
Additions	-	42,338	42,338
Balance, April 30, 2024	2,050	42,338	44,388
Transferred to Held for Sale	(2,050)		(44,388)
Balance, April 30, 2025	-	-	
Accumulated Amortization			
Balance, April 30, 2023	163	-	163
Additions	115	2,118	2,233
Balance, April 30, 2024	278	2,118	2,396
Additions	58	3,350	3,408
Transferred to Held for Sale	(336)	-	(336)
Impairment		36,870	36,870
Balance, April 30, 2025	-	42,338	42,338
Net Book Value			
April 30, 2024	1,772	40,220	41,992
April 30, 2025	-	-	-

Intangible assets included a Technology and Asset Acquisition (Notes 13, and 15). In November 2023, the Company acquired a license under a license agreement (the "License Agreement") to use certain technologies owned by Expander Energy Inc. ("Expander"), namely the "Enhanced Biomass to Liquids" (EBTL™) (the "EBTL Technology") and the "Biomass Gas to Liquids"

Cielo Waste Solutions Corp.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2025 and 2024

(All amounts expressed in Canadian \$000s, except share and per share amounts)

(BGTL™) technology (the “BGTL Technology”, together with the EBTL Technology, collectively the “Licensed Technology”) as well as contractual arrangements associated with certain development stage projects (together with the Licensed Technologies, the “Acquired Assets”). The transactions (the “Expander Transactions”) closed on November 9, 2023.

The consideration shares issued pursuant to the acquisition of the Licensed Technology (Note 13) were valued under IFRS 2, after considering a discount related to the lack of marketability using a Finnerty option pricing model with the inputs noted below.

At April 30, 2025 the Company recognized impairment of \$36 million as Expander and certain of the Settlement Parties (as defined below) had initiated legal proceedings against the Company in relation to the License Agreement and the Service Agreements (as defined below), following which The Company engaged in a resolution process with Expander and certain of the Settlement Parties and reached a settlement on April 29, 2025.

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. On July 17, 2025, 40 million shares were cancelled.
- 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 \$0.7 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.

As the Company agreed under the terms of the Settlement to terminate the License Agreement on closing, the licenses were fully impaired at April 30, 2025. 40 million Settlement Shares were cancelled subsequent to year end. As a result of the ongoing legal proceeding and pending termination agreement, the License Technology was fully impaired at April 30, 2025.

In November 2024, the Company sold the Aldersyde Assets, which included the right, title and interest in and to related intellectual property in the TCD Technology, to a private third party under an asset purchase agreement (Note 7). The Company disposed of the intangible asset under the terms of the transaction and recognized a loss of \$1.7 million .

Cielo Waste Solutions Corp.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2025 and 2024

(All amounts expressed in Canadian \$000s, except share and per share amounts)

	Escrow shares released on:				Indemnification
	January 3, 2024	April 1, 2024	August 28, 2024	November 9, 2024	shares: December 9, 2024
% released	25%	25%	25%	25%	100%
Spot price	0.05	0.05	0.05	0.05	0.05
Expected volatility	100.7%	107.8%	93.6%	108.0%	107.7%
Term (years)	0.15	0.39	0.80	1.00	1.08
Expected dividends	Nil	Nil	Nil	Nil	Nil

9. ROYALTY PAYABLE

	April 30, 2025	April 30, 2024
Royalty payable – Current	889	889

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 because of delayed operations, production, and revenues, initially until July 3, 2022, a second time to January 3, 2024, and a third time in January 2024 to July 3, 2024. A fourth extension request to July 3, 2025 was approved by the required, 66.67% of royalty holders.

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. As at April 30, 2025, the Company is not in production and no allocation is required.

The Company did not pay the outstanding amount owing to the holders and was in default as of July 4, 2025. The Company is in discussions with the holders with respect to a resolution.

10. LEASE LIABILITY

The Company recognizes a lease liability on leases of office premises, warehouses and office and operational equipment. The present value of the lease and the accretion expenses are calculated using an incremental borrowing discount rate of 15%. The Company's lease obligations are as follows:

	April 30, 2025	April 30, 2024
Balance, beginning of year	55	174
Lease payments	(57)	(133)
Finance costs	2	14
Balance	-	55

Cielo Waste Solutions Corp.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2025 and 2024
(All amounts expressed in Canadian \$000s, except share and per share amounts)

11. LOANS

	April 30, 2025	April 30, 2024
Current portion, loans		
Promissory note payable	856	-
Third Mortgage Loan, 7.5% due July 25, 2025	-	-
Deferred finance fees	-	-
Total current loans	-	-
Long term portion, loans		
Third Mortgage Loan, 7.5%	-	2,610
Deferred finance fees	-	(148)
Total long-term portion, loans	856	2,462
Total Loans	856	2,462

The Company had \$0.9 million short term promissory notes outstanding and payable at April 30th, 2025. This balance consisted of three loans from related parties (with a director of the Company, and with a corporation owned and/or controlled by a director and officer of the Company) the remaining loans being arms length. These loans were subsequently part of the securities for debt transaction on July 22, 2025. , (Notes 13 and 17).

On January 31, 2024, a short-term loan in the amount of \$0.125 million (April 30, 2024 \$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 and interest of 12% per annum. The loan was repaid in full in March 2024.

In July 2024, \$0.2 million was advanced by a creditor. The loan was unsecured, and subject to interest of 12% per annum, maturing on July 31, 2024 (subsequently amended to October 31, 2024, and again to November 30, 2024). The Company did not repay the loan when due however executed a settlement agreement with the creditor following the year ended April 30, 2025 (Note 18).

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, 2024 (subsequently amended to October 31, 2024, and again to November 30, 2024). The Company did not repay the loan when due however executed a settlement agreement with the Creditor following the year ended April 30, 2025 (Note 18).

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, 2024 (subsequently amended to November 30, 2024). The Company did not repay the loan when due however executed a settlement agreement with the creditor following the year ended April 30, 2025 (Note 18).

In October 2024, the Company executed a short-term promissory note in the amount of \$0.03 million in favour of a vendor with respect an outstanding payable amount. The note was unsecured, subject to interest at a rate of 12% per annum, consistent with terms offered to other prospective lenders at such time with a maturity date of November 1, 2024. The note was paid in full up maturity.

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 June 30th, 2025. The Company did not repay the loan when due however executed a settlement agreement with the creditor following the year ended April 30, 2025 (Note 18)).

In January 2025, the Company executed a short-term promissory note in the amount of \$0.2 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.

Cielo Waste Solutions Corp.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2025 and 2024

(All amounts expressed in Canadian \$000s, except share and per share amounts)

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 executed a creditor Settlement Agreement with the Creditor following the year ended April 30, 2025 (Note 18).

The Third Mortgage Loan (as defined below) of \$3.0 million was assumed by the purchaser in the sale of the Aldersyde Assets (Note 7).

In January 2024, the CEBA loan was repaid. Per the CEBA program, repayment constitutes \$0.04 million cash repayment, and \$0.02 million debt forgiveness, which is reflected in Other Income.

In July 2023, Cielo secured a third mortgage facility (the "Third Mortgage Loan") in the amount of \$5.0 million. Proceeds of the loan were expected to be drawn in increments, and subject to the discretion of the lender, to a maximum of \$5.0 million. After the initial 12-month loan period (ending on 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. During the year ended April 30, 2024, \$2.6 million was advanced. The Third Mortgage Loan was secured by the Company's property in Aldersyde, Alberta, bearing interest at 7.5% per annum with interest only payable monthly and is due 24 months following the date of each advance. The initial draw of \$2 million was due in July 2025 and the subsequent draws of \$0.5 million were due in November 2025 and February 2026, respectively. Prepaid interest of \$0.2 million and financing cost of \$0.09 million were paid on the proceeds and are amortized over the life of the loan utilizing an effective interest rate of 9.9%. The Third Mortgage Loan was assumed by the purchaser of the Aldersyde Assets (Note 7).

In the year ended April 30, 2024, a short-term loan in the amount of \$0.13 million was advanced by the Third Mortgage Loan lender. The loan was unsecured, and subject to finance fees of 3% and interest of 7.5% per annum. The loan was repaid in January 2024 in full.

Prior to the Third Mortgage Loan, the Company had entered into a prior mortgage loan for \$11.0 (the "Second Mortgage Loan"). In July 2023, Cielo entered into an agreement with the lender to sell its Fort Saskatchewan property to the lender for consideration including retirement of the Second Mortgage Loan. The balance outstanding under the Second Mortgage Loan extinguished upon the close of the transaction on August 2, 2023.

12. CONVERTIBLE DEBENTURES

	Convertible Debenture	Equity Conversion Feature	Warrant Reserve	Total
Balance April 30, 2023	-	-	-	-
Convertible debentures issued	1,678	55	307	2,040
Debt issuance costs	(25)	-	-	(25)
Accretion and interest	21	-	-	21
Balance, April 30, 2024	1,674	55	307	2,036
Convertible debentures issued	67	10	13	90
Debt Issuance Costs	(5)	-	-	(5)
Accretion and interest	217	-	-	217
Equity Conversion	(25)	(3)	-	(28)
Balance, April 30, 2025	1,928	62	320	2,310

In February, 2024 the Company announced a public placement of convertible debenture units (each a "Convertible Debenture Unit", collectively the "Convertible Debenture Units") issued at \$1,000 each, to a maximum of \$5.0 million. Each Convertible Debenture Unit is comprised of:

Cielo Waste Solutions Corp.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2025 and 2024

(All amounts expressed in Canadian \$000s, except share and per share amounts)

- one unsecured convertible debenture (each, a "Convertible Debenture") in the principal amount of \$1,000.00 (the "Principal Amount") convertible into common shares of the Company (the "Common Shares" and each such Common Share, a "Conversion Share"); and
- 2,500 detachable share purchase warrants (each, a "Warrant") exercisable into Common Shares (each such Common Share, a "Warrant Share").

On May 31, 2024, the Company closed on \$90 of Convertible Debenture Units, bringing the total gross proceeds to \$2,130 or 2,130 Convertible Debentures, 5,325,000 warrants and 5,250 broker warrants. Finders' fees comprised of 5,250 broker warrants and \$3 cash payment were remitted in relation to the offering of the Convertible Debenture Units.

Principal and interest

The Principal Amount of the Debentures, together with any accrued and unpaid interest, were to mature and become due and payable in cash on the date that is 24 months from the date of issue of the Convertible Debenture Units ("Issue Date"), subject to earlier conversion or redemption (the "Maturity Date"). The Principal Amount owing under the Convertible Debentures will accrue interest from the date of issuance at 12.0% per annum, payable every six months in cash, except the first payment was to be made in November 2024 and will consist of interest accrued from and including the Issue Date. As the Convertible Debentures are unsecured debt obligations of the Company, each Convertible Debenture ranks subordinate to all secured debt obligations of the Company.

Conversion

The Principal Amount may be converted, for no additional consideration, into Conversion Shares at the option of the holder of a Convertible Debenture at any time after the Issue Date at a conversion price (the "Conversion Price") of \$0.40 per Conversion Share.

On September 18, 2024, a holder of the debentures completed an early conversion of \$0.03 million of convertible debentures to 70,000 shares.

Forced Conversion

The Company was entitled to force the conversion of the Convertible Debentures at the Conversion Price, if the volume weighted average price of the Common Shares on the Exchange is greater than \$1.00 for any ten consecutive trading days. In the event of a forced conversion, the Company would have provided notice to 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 have been redeemed by the Company at any time without penalty.

Company executed agreements with all of the holders of the Convertible Debentures to issue securities of the Company Subsequent to year end. The Company agreed to issue 21,467,465 units at \$0.05 per unit to debenture holders. Each unit consisted of one common share and one share purchase warrant exercisable for 24 months at a price of \$0.15 per share. This conversion settled \$0.8 million in principal and \$0.3 million in interest. The transaction closed July 22, 2025 (Note 18).

Warrants

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 from the Issue Date. However, the Company may accelerate the expiry of the Warrants (the "Warrant Term Acceleration") should the volume weighted average price of the Common Shares on the TSX-V Exchange reached greater than \$1.00 for any ten consecutive trading days. In the event of a Warrant Term Acceleration, the Company will provide notice to holders of the Warrants by issuing a news release announcing the details of the Warrant Term Acceleration, including the accelerated expiry date of the Warrants.

Each tranche of warrants issued were valued using GBM with the following inputs:

	March 8, 2024	April 4, 2024	May 31, 2024
Risk-free interest rate	4.03%	4.27%	4.17%
Expected life (years)	2.0	2.0	2.0
Expected volatility	85%	85%	85%
Share price at issuance date	\$0.33	\$0.22	\$0.28
Exercise price of warrants	\$0.70	\$0.70	\$0.70
Expected dividends	Nil	Nil	Nil
Fair value of Broker Warrants granted (\$/warrant)	\$0.06	\$0.06	\$0.06

Cielo Waste Solutions Corp.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2025 and 2024

(All amounts expressed in Canadian \$000s, except share and per share amounts)

13. SHARE CAPITAL

The aggregate number of Class A common shares and Class B preferred shares which are authorized and may be issued is unlimited. As at April 30, 2025 and 2024, there were no Class B preferred shares issued or outstanding.

Share consolidation

Effective January 29, 2024, the Company completed a share consolidation (the "Consolidation") based on 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 26, 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 these financial statements have been retroactively restated to reflect the Consolidation.

On a post-consolidation basis, the number of common shares issued and outstanding are:

Common Shares	2025		2024	
	Number of Shares	\$ Amount	Number of Shares	\$ Amount
Balance, beginning of year	113,302,571	149,943,103	59,569,374	111,980,093
Issued in settlement of debt	6,521,914	1,779,716	1,249,573	895,641
Share issuance cost		(48,550)	-	(48,187)
Issued on licensed technology	9,064,757	5,288,124	51,366,957	36,696,806
Debenture Conversion	75,000	27,298	1,116,667	418,750
Balance as at April 30	128,964,242	156,989,691	113,302,571	149,943,103

Shares 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") (Note 18). 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.

On January 28, 2025, the Company issued 81,237 common shares of the Company at \$0.31 per share to settle \$26 in trade payables. The Company had entered into agreements setting out the shares for debt terms on April 26, 2024 resulting in a gain of \$0.02 million

On June 11, 2024, the Company entered into a shares for debt agreements resulting in the issuance of 6,440,677 common shares of the Company at \$0.295 per shares in exchange for the settlement of \$1,900 outstanding regarding Project Liabilities due to Renewable U (Note 15). The transaction was recorded at \$0.275 per share (trading value on date of issue). Gain on settlement of debt was recorded in the period ended July 31, 2024 of \$0.1 million.

On December 1, 2023, the Company executed a debt settlement agreement to issue 138,462 common shares (the "Repayment Shares") for full and final repayment of an outstanding liability of \$0.06 million 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 are subject to a hold period of 4 months, which expired on May 13, 2024.

Licensed Technology Acquisition

On November 9, 2023, the Company completed the Acquisition of the Acquired Assets (Note 8) under an asset purchase agreement with Expander (the "Expander APA") and agreed to issue an aggregate 60,431,714 common shares of the Company (the "Consideration Shares") to Expander, Expander's directors and officers (the "Expander Insiders") and Expander's other shareholders. 51,366,956 of the Consideration Shares (85%) were issued on closing (the "Closing Shares"). 25% of the Closing Shares (the "Escrowed Shares"), which were issued to Expander and Expander Insiders, were deposited into escrow to be released on a schedule. 100% of the Escrowed Shares were released from escrow as at April 30, 2025. Under the terms of the Expander APA, 15% of the

Cielo Waste Solutions Corp.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2025 and 2024

(All amounts expressed in Canadian \$000s, except share and per share amounts)

Consideration Shares were to be issued upon the expiration of an indemnification period (the "Indemnification Period"), subject to certain conditions.

On December 10, 2024, the Company issued 9,064,757 common shares (the remaining 15% of the Consideration Shares) to Expander, upon the expiration of the Indemnification Period. They were recorded as Other liabilities in these financial statements, until the date of issuance.

The Consideration Shares that were issued on closing were subject to a statutory hold period of four months and one day, which expired on March 10, 2024. The Consideration Shares that were issued on December 10, 2024 were subject to a statutory hold period of four months and one day, which expired on April 11, 2025.

On April 29, 2025, the Company executed the Settlement Agreement (Note 7). Under the terms of the Settlement Agreement, Expander and certain of the Settlement Parties agreed to surrender 39,950,761 common shares for cancellation (subsequent to the year ended April 30, 2025) (Note 18).

Private placement of flow-through shares

On December 29, 2023, the Company closed a non-brokered private placement offering of Flow Through Shares (common shares) (the "FT Shares") for gross proceeds of \$670 by issuing 1,116,666 FT Shares at \$0.60 per share and recorded a flow-through share premium liability of \$0.3 million. 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). The Company must expend the full amount no later than December 31, 2024. As at April 30, 2025, expenses in relation to the qualifying project were incurred. As a result the obligation has been fulfilled, and the Company has recognized other income of \$0.25M.

Due to the agreement to terminate the License Agreement (Note 7), the construction in progress (CIP) assets related to the FT Shares were impaired at April 30, 2025.

Warrants

	Number of Warrants	Weighted average exercise price	Reserve amount
Balance April 30, 2023	14,064,877	1.29	7,633,631
Broker warrants issued in connection with Convertible Debentures	5,250	0.70	1,219
Issued in connection with Convertible Debenture	5,100,000	0.70	306,829
Balance April 30, 2024	19,170,127	1.14	\$ 7,941,679
Issued in connection with Convertible Debenture	225,000	0.70	\$15,825
Balance April 30, 2025	19,395,127	1.14	\$ 7,957,504

The following share purchase warrants were issued and outstanding on April 30, 2025 and 2024:

Exercise Price	Number of Outstanding and Exercisable	Weighted Remaining life (Years)	Weighted average exercise price
\$1.875	4,285,714	0.82	\$1.875
\$1.350	9,289,524	2.19	\$1.350
\$1.050	489,639	2.19	\$1.050
\$0.700	1,405,250	0.85	\$0.700
\$0.700	3,700,000	0.93	\$0.700
\$0.700	225,000	1.08	\$0.700

Cielo Waste Solutions Corp.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2025 and 2024

(All amounts expressed in Canadian \$000s, except share and per share amounts)

Stock Options

The Company amended its stock option plan (the "Stock Option Plan") effective June 18, 2021. Shareholders voted in favour of the plan at the Annual General and Special Meeting held on October 21, 2021. Under the Stock Option Plan, a maximum of 10% of the Company's issued and outstanding shares as at the date of grant may be granted (excluding any outstanding options). Under the Stock Option Plan, the Company may grant options to its directors, officers, employees, and consultants. The Stock Option Plan replaced the Company's previous stock option plan (the "Predecessor Stock Option Plan").

The Company's Board of Directors approved the further amendment of the Company's stock option plan (the "2022 Amended Stock Option Plan") on September 15, 2022, subject to the approval of the TSXV and the Company's shareholders. Shareholders voted in favour of the plan at the Annual General Meeting held on October 27, 2022 and in December 2022 the Plan was approved by the TSX Venture Exchange (the "TSXV"). The amendment was primarily made to provide for certain changes made to the policies of the Exchange, including the ability to exercise options via "net exercise" or "cashless exercise" methods. As with the previous plan, under the 2022 Amended Stock Option Plan, a maximum of 10% of the Company's issued and outstanding shares as at the date of grant may be granted (excluding any outstanding options). Under the 2022 Amended Stock Option Plan, the Company may grant options to its directors, officers, employees, and consultants.

As a "rolling" stock option plan under the policies of the TSXV, the 2022 Amended Stock Option Plan is subject to the approval of the Company's shareholders every year. In addition, because the number of common shares reserved for issuance under the 2022 Amended Stock Option Plan and the Non-Option Plan (Note 13 - Restricted Share Units and Deferred Share Units), "disinterested shareholder approval" must be obtained each year. Disinterested shareholder approval has been obtained at each meeting of the Company's shareholders since the implementation of the 2022 Amended Stock Option Plan, most recently at the Annual General and Special Meeting of the shareholders held on June 24, 2025.

Continuity of the Company's option plan is as follows:

	Number	Weighted Average exercise Price
Balance April 30, 2023	1,788,380	1.81
Issued	875,332	0.32
Forfeited	(120,953)	1.75
Expired	(32,008)	2.15
Balance April 30, 2024	2,510,751	1.27
Issued	-	2.10
Forfeited	(27,353)	0.98
Expired	(229,794)	1.18
Balance April 30, 2025	2,253,604	2.21

The following table summarizes the options outstanding and exercisable at April 30, 2025:

Exercise Price	Number Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price	Number Exercisable
\$ 0.98	512,821	2.92	\$ 0.98	0.00
1.50	492,000	2.92	1.50	492,000
3.00	385,451	1.92	3.00	385,000
0.30	613,332	3.83	0.30	613,332
0.31	250,000	3.95	0.31	613,
	2,253,604	2.83	\$ 1.18	1,740,779

Cielo Waste Solutions Corp.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2025 and 2024

(All amounts expressed in Canadian \$000s, except share and per share amounts)

Restricted Share Units and Deferred Share Units

The Company amended and replaced its restricted share unit plan with a non-option incentive plan (the "Non-Option Plan") effective June 18, 2021. Shareholders voted in favour of the plan at the Annual General and Special Meeting on October 21, 2021. The Non-Option Plan provides for a fixed maximum of 1,720,480 common shares to be reserved for issuance under the Non-Option Plan, being 4% of the issued and outstanding common shares of the Company as at the date the Non-Option Plan became effective. No restricted share units that had been issued under the predecessor restricted share unit plan (the "Predecessor RSU Plan") were outstanding at the time that the Non-Option Plan became effective. Under the Non-Option Plan, the Company may grant restricted share units, performance share units, deferred share units and share appreciation rights to directors, officers, employees and consultants. While the Company intends to settle RSUs by issuance of common shares upon vesting, there is a cash settlement option at the discretion of the Company.

In the year ended April 30, 2023, all outstanding RSU's were forfeited.

The outstanding DSUs are payable in cash or common shares, at the discretion of the Company, upon the later of:

- (i) the holder ceasing to be a director of the Company (except for Cause, as defined in the Plans, in which case the DSUs will not vest); and
- (ii) 12 months after the holder becomes a director of the Company.

The fair value of the DSU granted during the year ended April 30, 2021 is \$0.20 per unit. The number of DSU outstanding is detailed below.

	DSU
Outstanding April 30, 2025 and 2024 and 2023	140,000

Share-based compensation

Year ended April 30	2025	2024
Stock options	396	379
Total share-based compensation	396	379

The effect of any potential exercise of warrants and stock options is excluded from the calculation of diluted loss per share for years ended April 30, 2025 and 2024 as the effect would be anti-dilutive.

14. FINANCING COSTS

Period ended April 30	2025	2024
Interest on loans	438	474
Loan accretion	97	292
Accretion of debenture liability	219	21
Accretion of lease liability	2	14
Total	756	801

15. RELATED PARTY TRANSACTIONS

Key Management Personnel

Key management personnel are comprised of Cielo's executive officers and the Board of Directors. Compensation of key management personnel is reviewed annually by the Board of Directors.

Compensation for key management personnel are summarized below:

Cielo Waste Solutions Corp.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2025 and 2024

(All amounts expressed in Canadian \$000s, except share and per share amounts)

Year ended April 30	2024	2023
Salary and cash bonus	591	500
Share based compensation	351	246
Total	942	746

Short-Term Loans

Certain officers and directors of the Company made short-term loans to the Company for an aggregate \$0.05 million during the year ended April 30, 2025.

Expander Group of Companies (“Expander”)

A former director of the Company (resigned March 2025) was also a director, officer, and shareholder of Expander during the year ended April 30, 2025, (together with Expander Services Inc., and Expander Engineering Services Inc. and any partially or wholly owned subsidiary, collectively the “Expander Group” or “Expander”). Expander and the Expander Insiders also owned common shares of the Company during the year ended and as at April 30, 2025.

In addition to the License Agreement (Notes 7 and 13), 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 the closing of the Expander Transactions (Notes 7 and 13) on November 9, 2023, Expander has provided services related to: engineering and project estimates to reach Final Investment Decision (“FID”) for a proposed facility in Carseland, Alberta; project planning and preliminary evaluation of project needs for the Company’s proposed Licensed Facility in Dunmore, Alberta; project planning and engineered modelling to test TCD utilizing various catalyst and prove up economic viability at the Company’s facility in Aldersyde, Alberta; and technical assistance on an ad hoc basis, as required, to ensure accurate communication with key stakeholders. In May 2024, Expander Services Inc. was engaged to provide advisory services with respect to the evaluation of the economic benefit of a potential acquisition. For the period ended April 30, 2025 the amount paid to Expander was nil. For the period ending April 30, 2024 the amount was \$1.3 million.

In April 2025, the Company entered into the Settlement Agreement with Expander and the Settlement Parties, setting out the terms of the Unwinding (Note 7). This transaction closed subsequent to the year end (Note 18).

Renewable U Energy Inc. (“Renewable U”)

Ryan C. 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.

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

Pursuant to the MOUs, in consideration for the opportunity to enter into joint arrangement agreements, Renewable U and its affiliates paid \$0.25 million to the Company for the execution of each MOU. The fees are non-refundable unless a joint arrangement agreement is not executed by the end of August, 2023 (or such other date as agreed by Cielo and Renewable U), other than as a result of the apparent inability of Renewable U to fund the joint venture projects. For the years ended April 2025 and 2024, fees received were \$Nil. As at April 30, 2024, the Company received total deferred fees of \$2.25 million.

Pursuant to the MOUs, the Company would also be responsible for overseeing the planning, construction, commissioning, and operation of each facility and would receive a management fee for the planning and construction of each facility equal to 7% of the project costs for such facility subject to certain exclusions and would continue to receive management fees once operations begin based on industry standards.

In the year ended April 30, 2024, a series of transactions, as described below, were entered into with Renewable U:

Cielo Waste Solutions Corp.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2025 and 2024

(All amounts expressed in Canadian \$000s, except share and per share amounts)

a) Offer to purchase Dunmore Land

Cielo executed an agreement of purchase and sale (the "Offer to Purchase"), pursuant to which Cielo (or its assignee) agreed to purchase the 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 was for the development and operation of a full-scale facility, through a business entity to be formed (the "Dunmore Entity"). The Company 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, provided 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 TSXV, the total amount be applied against the purchase price upon closing or, in the event that the transaction doesn't close, to be set off against any other amounts owing by the Company to Renewable U (see (b) below).

Cielo, or its assignee, would also be entitled but not obligated to assume the outstanding mortgage on the Land of approximately \$1,6 million..

b) Termination of Memorandums of Understanding ("MOU")

(i) 2021 MOUs - Termination and Debt Conversion Agreement

Regarding the MOUs for four (4) of nine (9) territories Cielo and Renewable U entered into a "Termination and Debt Conversion Agreement" that provided for the repayment of \$1.0 million in fees corresponding to the 2021 Memorandums of Understanding (the "2021 MOUs") by issuing 16,666,667 common shares of Cielo (the "2021 MOUs Repayment Shares") at an agreed price of \$0.06 per share, as approved by the TSXV.

The four (4) 2021 MOUs terminated upon the issuance of the 2021 MOUs Repayment Shares. The Repayment Shares were issued in the year ended April 30, 2024, and recognized at fair market value of \$0.8 million, and realized a gain on settlement of debt in the amount of \$0.2 million..

(ii) 2018 - 2020 MOUs and Medicine Hat MOU - Termination Agreement

Regarding the MOUs for the remaining five (5) of nine (9) territories, Cielo and Renewable U have entered into a separate termination agreement, as amended (the "Termination Agreement", together with the Termination and Debt Conversion Agreement each an "Agreement" and collectively the "Agreements").

Under the Termination Agreement, on or before March 29, 2024 (the "Proposal Deadline"), Cielo was required to submit a proposal (the "Proposal") to Renewable U setting out the terms upon which \$2 million owing by Cielo to Renewable U would be exchanged for a participation (equity) interest in the Dunmore Entity. Failure to submit the Proposal by the Proposal Deadline, Cielo was required to repay the \$2,000 within 60 days. The \$2 million is reflective of the \$1.3 million in fees previously advanced to Cielo under the MOUs plus \$0.8 million in relation to costs incurred and steps taken by Renewable U in connection with one of the MOUs. Cielo expects that the Proposal will be submitted by the Proposal Deadline and that a \$2.0 million cash payment will not be required.

In the event that Cielo submitted the Proposal to Renewable U, Renewable U could have: a) accept the terms of the Proposal, in which case an agreed upon \$2.0 million will be exchanged for a participation interest (securities of the Dunmore Entity) on the terms to be proposed; or b) reject the terms of the Proposal, in which case the Company will issue 5,000,000 common shares, as originally agreed in the MOUs at \$0.25 per share, and \$0.6 million in cash.

The 2018 – 2020 MOUs and the Medicine Hat MOU terminates at the time that the participation interest is issued to Renewable U or the funds otherwise repaid as described above. As the Company anticipates submitting a proposal to Renewable U in advance of the Proposal.

c) Final Termination of 2018 – 2020 and Medicine Hat MOU

As the Company did not deliver the Proposal within the agreed upon time, a total of \$2 million (less land deposit of \$0.1 million) was payable to Renewable U, comprised of the MOU fees as well as incurred costs as previously agreed in the amount of \$0.8 million, and are reported in these financial statements as Project Liability and Deferred Fees.

Cielo Waste Solutions Corp.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2025 and 2024

(All amounts expressed in Canadian \$000s, except share and per share amounts)

d) Final Payment – Debt for Shares

On June 11, 2024, the Company and Renewable U 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 (Note 13).

Project Liability and Deferred Fees

As at	April 30, 2025	April 30, 2024
Opening Balance	1,900	2,250
Incurring project costs	-	750
Termination of 2021 MOU	-	(1,000)
Land deposit applied	-	(100)
Debt for shares (Note 13)	(1,900)	-
Total	-	1,900

16. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

Fair Value Measurement

Financial instruments of the Company consist of cash and cash equivalents, restricted investments, accounts receivables, accounts payable and accrued liabilities, royalty payable, project liability and deferred fees, convertible debentures, other liabilities and long term loans.

There are no significant differences between the carrying amounts of the items reported on the statements of financial position and their estimated fair values. The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. Where quoted market values are not readily available, the Company may use considerable judgment to develop estimates of fair value. Accordingly, any estimated values are not necessarily indicative of the amounts the Company could realize in a current market exchange and could be materially affected by the use of different assumptions or methodologies.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. In determining the fair value measurement of the Company's financial instruments, the related inputs used in measuring fair value are prioritized according to the following hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable.

Level 3 – Unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

As at April 30, 2025 and 2024, the Company has no financial instruments recorded at fair value on a recurring balance.

Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework, including the development and monitoring of the Company's risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Management performs ongoing assessments so that all significant risks related to financial instruments are reviewed and addressed in light of changes to market conditions and the Company's operating activities.

The Company is exposed to the following risks associated with its use of financial instruments:

- Liquidity risk
- Market risk
- Credit risk

Cielo Waste Solutions Corp.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2025 and 2024

(All amounts expressed in Canadian \$000s, except share and per share amounts)

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's objective in managing liquidity is to ensure, to the greatest extent possible, that it will have sufficient liquidity to meet its liabilities when due.

The future cash requirements of the Company are estimated by preparing a budget annually. The budget establishes the approved activities for the upcoming year and estimates the costs associated with these activities. Actual spending relative to budgeted expenditures is monitored regularly by management.

The Company's exposure to liquidity risk is dependent on its research and development activities and associated commitments and obligations, and the raising of capital. The Company relies on external financing to support its operations. To date, the research and development activities have been funded primarily through debt, convertible debentures, and the exercise of common share purchase warrants. Management constantly monitors capital markets. There are no assurances that funds will be available to the Company when required. As at April 30, 2025, the Company's cash is not subject to any external restrictions. The Company also continuously monitors actual and projected expenditures and cash flows.

The table below presents a maturity analysis of the Company's financial liabilities on the expected cash flows from April 30, 2025, to the contractual maturity date. The amounts are equivalent to the following contractual undiscounted cashflows.

Year ending April 30	2026	2027	After 2027
Accounts payable and accrued liabilities	1,790	-	-
Other Liabilities	748	-	-
Royalty payable	889	-	-
Convertible debenture	-	1,928	-
Loans	-	-	-
Total	3,427	1,928	-

As at April 30, 2025, the Company had cash deficit of \$0.012 million.

\$0.012 million cash on hand and a working capital deficit of approximately \$0.003. Management continues to monitor and consider different alternatives to secure adequate financing to meet the Company's longer term cash requirement for commercializing its operations and developing new facilities. See Note 3 for additional information relating to the risk of Company's ability to continue as a going concern.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's expenses or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures.

Interest Rate Risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company was not exposed to fluctuating market interest rates on its debt instruments.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to currency risk on transactions that are denominated in a currency other than the functional currency. As at April 30, 2025, the Company had US dollar denominated accounts payable of approximately \$nil. The Company's exposure to currency risk is not significant.

Credit Risk

Credit risk is the risk of financial loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk consist primarily of cash. The Company manages its exposure to credit loss by holding cash on deposit with major financial institutions.

Cielo Waste Solutions Corp.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2025 and 2024

(All amounts expressed in Canadian \$000s, except share and per share amounts)

In connection with the sale of the Fort Saskatchewan Property (Note 7), the Lease on the FS Property was assigned by Cielo to the purchaser of the FS Property.

Rental income for the year ended April 30, 2025 was \$nil, (2024 \$218) and is included in Other income.

17. INCOME TAX

The tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate income tax rate of 23% (2024 – 23%) to net loss. The major components of these differences are as follows:

Year ended April 30	2025	2024
Loss before tax	(54,672)	(12,262)
Expected income tax recovery at statutory rates	23%	23%
Expected income tax recovery	(12,575)	(2,820)
Non deductible expenses (non-taxable income)	91	38
Change in unrecognized deferred tax assets	12,484	2,782
Total	-	-

Summary of deferred tax assets and liabilities is provided below:

Deferred tax assets result from temporary differences that arise due to the differences between the income tax values and the carrying amount of the assets and liabilities. Deferred tax assets are recognized to the extent that it is probable that there will be future taxable profits against which the deductible temporary differences and the carry forward of the unused tax credits and unused tax losses can be utilized. At April 30, 2025, there was insufficient expectations of future taxable profits and the deferred tax asset is unrecognized. The components of the unrecognized deductible temporary differences are as follows:

Year ended April 30	2025	2024
Convertible Debentures	(40)	(84)
Non-capital losses	40	84
Deferred tax asset (liability)	-	-

Unrecognized deductible temporary differences

Year ended April 30	2025	2024
Property, plant, equipment and other	44,458	7,166
SRED	3,339	1,277
Non-capital losses and capital losses carried forward	84,402	42,817

At April 30, 2025, the Company has non-capital losses carried forward for Canadian income tax purposes totaling

approximately \$79.9 million (2024 – 39.2 million) which will expire from 2035 to 2045 and may be applied against future taxable income. The Company also has approximately \$4.68 million (2023 - \$3.78 million) of capital losses that may be carried forward and applied against future capital gains.

18. SUBSEQUENT EVENTS

Short-Term Loan

In June 2025 \$0.015 million was advanced by a Creditor and a director of the Company maturing June 30, 2025. The loan was unsecured, and subject to interest of 12% per annum. The Company executed a Creditor Settlement Agreement with the Creditor

Cielo Waste Solutions Corp.
Notes to the Audited Financial Statements
For the Years Ended April 30, 2025 and 2024

(All amounts expressed in Canadian \$000s, except share and per share amounts)

following the year ended April 30, 2025. See Note 18 (Subsequent Events) for details regarding the repayment of the loan by way of issuance of Repayment Shares.

Private Placement

On May 13, 2025, the Company announced a non-brokered private placement financing for gross proceeds of up to \$3,000 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 \$886. 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 \$235. 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 (Note 13). 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").

In addition, the Company executed debt settlement agreements with one director, and one director and officer, of the Company, to settle \$0.3 million. 5,832,178 common shares (the "Repayment Shares") to settle the amounts owing at a price of \$0.05 per share.

The Repayment Units and the Repayment Shares are subject to a statutory hold period expiring November 26, 2025.

Expander Settlement

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, among others:

- On closing, 39,750,761 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. 200,000 Settlement Shares are pending cancellation. The holder of these shares is a former director of the Company.
- 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 \$0.7 million (the "Payment"), in full and final satisfaction of all and any outstanding fees owing by the Company.