CIELO

2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Quarterly Highlights

for the three and six months ended October 31, 2024 and 2023

1. INTRODUCTION

The following Management's Discussion and Analysis - Quarterly Highlights ("MD&A") of financial position and results of operations for Cielo Waste Solutions Corp. ("Cielo" or the "Company"), dated December 23, 2024 should be read in conjunction with the cautionary statement regarding forward-looking information below, as well as the audited condensed financial statements and notes for the year ended April 30, 2024. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

All amounts in the following MD&A are stated in Canadian Dollars unless otherwise stated. This MD&A was approved and authorized for issuance by the Board of Directors of the Company on December 23, 2024.

All capitalized terms not otherwise defined in this MD&A have the meaning given to them in the condensed interim consolidated financial statements and notes for the three and six months ended October 31, 2024 and 2023 and the year ended April 30, 2024.

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

Cielo is a publicly traded company with its shares listed to trade on the TSX Venture Exchange ("TSXV") under the symbol "CMC", as well as on the OTCQB Pink Market, under the symbol "CWSFF". Cielo was incorporated under the Business Corporations Act (British Columbia) on February 2, 2011. In June 2023, the Company amalgamated with its then-wholly owned subsidiary under the Business Corporations Act (British Columbia).

Additional Information

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

2. CAUTIONARY STATEMENT ON FORWARD LOOKING INFORMATION

This MD&A contains forward-looking statements and forward-looking information (collectively "forward-looking information") within the meaning of applicable Canadian securities laws. Forward-looking information may relate to anticipated events or results and may include information regarding our financial position, business strategy, growth strategies, budgets, operations, financial results, plans and objectives. Particularly, information regarding our expectations of future results, performance, achievements, prospects or opportunities or the markets in which we operate is forward-looking information. In some cases, forward-looking information can be identified by the use of forward-looking terminology such as "anticipate", "plan", "target", "continue", "estimate", "expect", "may", "will", "project", "should", "could", "believe", "predict", "potential", "scheduled", "estimates", "forecast", "projection". In addition, any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts nor assurances of future performance but instead represent management's expectations, estimates and projections regarding future events or circumstances.

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

Forward-looking statements	Assumptions	Risk factors
Cielo's ability to meet its working capital needs at the current level. Cielo's expectation to incur further losses in the development of its business. Cielo's objectives and its ability, upon commercialization, to expand domestically and internationally, and the requirements in order to progress to one or more full scale commercial facilities.	Cielo's belief that waste-to-fuel is a commercially viable and integral part of the future energy sector. The operating activities of Cielo for the twelve-month period ending April 30, 2025, and the costs associated therewith, will be consistent with Cielo's current expectations. Debt and equity markets, exchange and interest rates and other applicable economic conditions are favorable to Cielo. That minimizing environmental impact through technology, while meeting energy market needs is, and will continue to be, a worldwide focus, and that Cielo will be an integral part of this trend through ongoing research, and the future commercialization of its operations. Ongoing worldwide desire to better the environment; that Cielo will continue investing in infrastructure to support growth, including obtaining and retaining key personnel; that funding and support will continue through strategic partnerships and funding.	There are numerous and varied risks, known and unknown, that may prevent the Company from achieving its goals. A detailed description of the risks and uncertainties pertaining to the Company's operations and proposed operations can be found in the section of this MD&A entitled "Risk Factors".
The timing, terms and anticipated impact of the Licensed Technologies, including but not limited to the anticipated acceleration to commercialization and revenues; the expectation that the Technology purchase transaction will result in improvement to Cielo's proprietary technology; the terms of and matters related to the License Agreement; the projects to be undertaken by the Company as a result of the completion of the Technology purchase transaction and the locations, timelines and costs associated with the projects; structure for ownership of the projects and means and method of funding; and timing of projects. The Convertible Debenture Unit Offering, including the terms of securities issued or to be issued, the expiration of hold periods, the payment of amounts owing and matters related thereto. Matters related to the royalties, including the amount and timing of payment of royalties. The Carseland LP, including the formation thereof and related terms, and the Carseland Facility, including but not limited to details related to CA0, CA1 and CA2, and the timing and costs thereof, as well as the feedstocks to be processed (including the processing of materials from CP Rail at the Carseland Facility versus the Dunmore Facility). The proposed transaction between the Carseland LP and Rocky Mountain, and the terms thereof and matters related thereto, including the timing thereof. Matters related to short-term loans and the payment thereof.	The ability of Cielo to integrate the Licensed Technologies and the assets acquired from Expander into Cielo's business; that the Company's financial condition and development plans related to the company's projects do not change as a result of unforeseen events; that market conditions that affect the Company, generally, do not change; the regulatory climate in which the Company operates and the laws and policies applicable to Cielo, its business, do not change; the Company's ability to execute on its business plans; the availability and cost of feedstocks to be used in its projects; the capacity of the facilities to be constructed; the ability of each facility to operate as and for such duration(s) as anticipated, without unplanned stoppages or shut-downs; the ability of the Company to secure financing generally for its business and proposed projects on commercially reasonable terms or at all; the ability of the Company to sell the fuels produced by the facilities in a timely manner at commercially reasonable rates; the ability of the Company to secure tipping fees related to feedstocks; existing agreements and new agreements with third parties will be reasonable and enforceable and the relationships with such parties will continue as intended; and the information provided by Expander with respect to pro forma financial model(s) related to the projects being reasonable, complete and accurate.	

Forward-looking information is necessarily based on a number of opinions, estimates and assumptions that management considered appropriate and reasonable as of the date such statements are made, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information, including but not limited to the risks factors described under the heading entitled ''Risk Factors''.

If any of these risks or uncertainties materialize, or if the opinions, estimates or assumptions underlying the forward-looking information prove incorrect, actual results or future events might vary materially from those anticipated in the forward- looking information. The opinions, estimates or assumptions referred to above and the risks described in greater detail in ''Risk Factors'' in the Annual MD&A and should be considered carefully by readers. These risk factors should not be construed as exhaustive. Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Forward-looking information is provided in this MD&A for the purpose of giving information about management's current expectations and plans and allowing investors to get a better understanding of our operating environment. Readers are cautioned that it may not be appropriate to use such forward-looking information for any other purpose.

The forward-looking information contained in this MD&A represents our expectations as of the date of this MD&A (or as the date they are otherwise stated to be made) and are subject to change after such date. Except as specifically required under applicable securities laws in Canada, Cielo assumes no obligation to publicly update or revise any forward-looking information to reflect new information, events or circumstances that may arise after August 31, 2024. All forward-looking information contained in this MD&A is expressly qualified by the foregoing cautionary statements.

3. CORE BUSINESS OVERVIEW

Formation

Cielo Waste Solutions Corp. ("Cielo" or the "Company") is a publicly traded company with its shares listed on the TSX Venture Exchange ("TSXV") under the symbol "CMC", as well as on the OTC Pink 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.

On July 29, 2021, the Company incorporated a wholly owned subsidiary, Cielo Fort Saskatchewan Corp., to acquire the land and hold the assets for a future proposed facility in Fort Saskatchewan, Alberta. Subsequent to July 29, 2021, the financial statements include the accounts of the Company and its wholly owned subsidiary. In June 2023, the Company amalgamated with its wholly owned subsidiary under the Business Corporations Act (British Columbia) (the "Act"). Prior to amalgamation, Cielo was incorporated under the Act on February 2, 2011.

Strategic Intent

Cielo is focused on becoming a leading waste-to-fuel company whose economically sustainable technology minimizes environmental impacts through the conversion of waste to fuel. Cielo's business model is centered on the development, construction and operation of commercial processing facilities using its licensed and/or proprietary technology, as further described below, to generate revenues through the sale of its fuel(s) and through waste disposal client charges (tipping fees), while supporting the global sustainable energy transition.

Technology

During the year ended April 30, 2024, the Company acquired a license to use certain technologies owned by Expander Energy Inc. ("Expander"), namely the "Enhanced Biomass to Liquids" (EBTLTM) (the "EBTL Technology") and the "Biomass Gas to Liquids" (BGTLTM) 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 Technology, the "Acquired Assets"). The transaction closed on November 9, 2023.

Sale of Aldersyde

Cielo had also patented a process to convert waste feedstocks, including organic material and wood derivative waste, to fuel, which was in the research and development stage and implemented in a research and development facility (the "R&D Facility") located in Aldersyde, Alberta. The proprietary process for converting waste to fuel is referred to as thermal catalytic depolymerization ("TCD"). It was the intention of the Company to build its initial commercial facilities (initially six (6) facilities [the "Licensed Facilities"]) using the Licensed Technologies, anticipating an accelerated path to commercialization and revenues, while continuing to test and implement, or integrate, its proprietary TCD technology (the "TCD Technology") if possible. However, Cielo has opted to focus on the Licensed Technologies as a means to advance its BioSynfuels® business given the more advanced technological readiness of the Licensed Technologies as compared to the TCD Technology. Cielo is also, as at the date of this MD&A, in the process of acquiring additional assets from Rocky Mountain Clean Fuels Inc. (see Section 9 of this MD&A, entitled "Asset and Technology Acquisition - Proposed Project Entity and Acquisition"), which will operate in tandem with the

Licensed Technologies. As such, subsequent to the quarter ended October 31, 2024, Cielo determined it to be in the best interest of the Company to dispose of the TCD Assets (as defined and further described in Section 9 of this MD&A, entitled "Asset Acquisitions and Dispositions – TCD and Aldersyde Disposition"), and by doing so, also eliminate the Mortgage Loan.

4. OUTLOOK AND MILESTONES

Cielo's primary objective is to, directly or indirectly, complete the construction of its first commercial facilities, beginning initially with a Licensed Facility using the Licensed Technologies in Carseland, Alberta (the "Carseland Facility").

If the Rocky Mountain Acquisition is completed (see Section 9 of this MD&A, entitled "Asset Acquisitions and Dispositions – Proposed Rocky Mountain Asset Acquisition"), the Carseland Facility will consist of three (3) phases:

1. CA0: This phase is dependent on the completion of the Rocky Mountain Acquisition and will focus on the production of fuels using an enhanced gas to liquids technology and plant under license from Rocky Mountain (see Section 9), while CA1 and CA2 (as described below) are in progress. CA0 is anticipated to commence upon completion of the Rocky Mountain Acquisition.
2. CA1: This phase, which is not dependent on the completion of the Rocky Mountain Acquisition, will focus on the processing of wood waste products only.
3. CA2: This phase, which is also not dependent on the completion of the Rocky Mountain Acquisition, will expand on CA1 and focus on increasing production volumes and revenues and the broadening of feedstocks to include railway ties.

If the Rocky Mountain Acquisition is not completed, the Carseland Facility will consist of only two (2) phases (CA1 and CA2).

Although the Company currently owns all assets related to the Carseland Facility (the "Carseland Assets") as at the date of this MD&A, it is the Company's intention that project structures using the Licensed Technologies will be in the form of limited partnerships or similar, with third party investors participating as limited partners, or similar (the each a "Project Entity"). In each case, the Company would sublicense its rights to the Licensed Technologies to each Project Entity. It's anticipated that upon the formation of the first limited partnership intended to construct and operate the Carseland Facility (the "Carseland LP"), Cielo will transfer the Carseland Assets to the Carseland LP.

Total costs are dependent on project size, production schedule, engineering and construction costs, all of which will be determined to the extent required prior to creation of the Project Entity and subject to a bid process. Each Project Entity is anticipated to be funded through equity and debt in proportions to be determined.

The CA1 cost is anticipated to be approximately $59 million, while CA2 is anticipated to have a total development cost of $100 million. These projects are anticipated to be funded by third party lenders and/or through equity participation in the Carseland LP..

See Section 9 of this MD&A, entitled "Asset and Technology Acquisition - Proposed Project Entity and Acquisition" for additional information regarding the proposed acquisition of the RM Assets by the Carseland LP (each as defined in that section). It is anticipated that total capital costs for the Carseland LP will be approximately $300 million.

Operational Update for Quarter Ended October 31, 2024

During the quarter ending October 31, 2024, the Company focused on its Carseland Facility to complete the asset acquisition of Rocky Mountain Clean Fuels Inc and subsequently complete Final Investment Decision ("FID"). This critical step ensures the development plans and construction estimates are accurate and fulsome and minimizes cost overage risk to the best of the Cielo's ability, and to allow Cielo to obtain and review the best available information and understands its commitment before commencing development.

- Carseland Phase I: This phase will utilize the Licensed Technologies and is focused on processing wood based products to fuel. Carseland Phase I is anticipated to commence development in late 2024 with commissioning in 2026. Preliminary estimates are $59 million for construction and engineering.
- Carseland Phase II: This phase is intended to be an expansion of the Carseland Phase I, with added equipment developed to process all forms of waste, and increasing output volumes. Preliminary budgeting is underway as at the date of this MD&A, and costs for the construction and engineering of are anticipated to be approximately $ 100 million. Subject to FID approval and financing, Carseland Phase II is anticipated to be commissioned bin 2027.

For clarity, if the RM Asset Acquisition is completed through the Carseland LP, following its closing, the foregoing costs will be incurred by the Carseland LP.

In addition, in the event that the RM Asset Acquisition is completed, the period of time between closing and the completion of CA1 will be considered CA0, which will involve the use by the Carseland LP of the EGTL Technology.

5. LIQUIDITY AND FINANCIAL CONDITION

Going Concern Uncertainty

Cielo has not yet completed development, nor generated, revenue from its planned commercial operations and has accumulated losses of $137 million as at October 31, 2024 and generated losses of $16 million for the six months ended October 31, 2024.

Although it is probable that the funds required for future facilities will be obtained directly by project entities to be formed, such as the Carseland LP, Cielo will require additional capital to fund its own costs and corporate activities over the next year and beyond, and to fund payments of short-term indebtedness as they become due and otherwise fund possible working capital deficiency. The Company will continue to explore alternatives to generate additional financing, which may include raising additional equity and/or debt or entering into strategic partnerships or other agreements; however, there is no assurance that these initiatives will be successful.

The Company has not reached planned commercial operations and its ability to continue as a going concern is dependent on its ability to generate revenue and positive cash flow from operating activities, and its ability to obtain additional financing to fund the cost of projects and other corporate activities. These matters create material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

6. 2025 FINANCIAL OVERVIEW

Cash decreased during the three months ended October 31, 2024 by $0.02 million.

Net cash used in investing activities was $0.03 million for the quarter ended October 31, 2024.

Cash provided through financing activities was $0.3 million for the period ended October 31, 2024, primarily due the issuance of short term loan advances of $0.4 million.

Total assets decreased by $12.4 million at October 31, 2024 compared to July 31, 2024, due to the write down of the Dunmore intangible assets and impairment of assets held for sale.

Total liabilities increased by $1.0 million as of October 31, 2024 compared to July 31, 2024 primarily due to an increase in accounts payable and accrued liabilities of $0.6 million and promissory notes of $0.4 million.

Working capital decreased approximately $1.7 million in the three months ended October 31, 2024. The Company had a net working capital deficit of approximately $10.9 million (July 31, 2024 working capital deficit of $9.2 million).

See Section 12 of this MD&A, entitled "Financing Activities" for additional information.

Financial Overview

As at	October 31	April 30
(000s of Canadian dollars)	2024	2024
Total assets	41,117	54,947
Total liabilities	13,598	13,707
Total non-current liabilities	1,783	4,136
Working capital deficiency	(11,158)	(8,234)

	Three months ended October 31		Six months ended October 31	
(000s of Canadian dollars, except per share)	2024	2023	2024	2023
Financing costs	64	60	240	638
General and administrative	822	616	1,390	1,563
Research and development	44	222	130	661
Share based compensation	91	187	245	318
Depreciation and amortization	1,376	316	2,747	660

Impairment of assets and assets held for sale	11,101	-	11,101	3,826
Net loss per share - Basic	0.11	-	0.13	0.01
Net loss per share – Diluted	0.09	-	0.10	0.01

For the three months ended October 31, 2024, the Company had a net loss of $13.5 million, which consisted primarily of impairment of assets of $11.1 million, depreciation and amortization of $1.4 million, and $0.8 million of general and administrative costs.

Net loss for the six months ended October 31, 2024 was $15.7 million, a decline of $8.4 million compared to the comparative period in 2023, primarily due to an increase in impairment of $7.3 million and $2.1 in depreciation and amortization

During the quarter ended October 31, 2024, Cielo used $0.4 million of cashflows. This is less cash used than in prior periods, and as expected in a pre-revenue business. Cielo expects cash flow from operations to be negative during the product development stages of the Company.

The tables below provide further insight into Cielo's primary expenses.

Finance Costs

	Three months ended October 31		Six months ended October 31	
(000s of Canadian dollars)	2024	2023	2024	2023
Interest on loans	64	57	199	485
Loan accretion	-	4	41	485
Total	64	61	240	638

Financing costs were consistent with the prior period. See Section 8 of this MD&A, entitled "Financing Activities" for additional information.

General and Administrative

	Three months ended October 31		Six months ended October 31	
(000s of Canadian dollars)	2024	2023	2024	2023
Professional fees	488	152	720	516
Personnel	221	250	426	502
Property tax and insurance	31	55	71	151
Office and administrative	82	159	173	395
Total	**822**	**616**	**1,390**	**1,564**

General and administrative costs increased approximately $0.2 million in the three-month period ended October 31, 2024 from the comparative 2023 period. The primary increase was from professional fees related to consulting and legal.

Research and Development

	Three months ended October 31		Six months ended October 31	
(000s of Canadian dollars)	2024	2023	2024	2023
Operating expenses	44	102	130	301
Personnel	-	120	-	360
Total	**44**	**222**	**130**	**661**

Research and development decreased approximately $0.2 million for the three months ended October 31, 2024 as the Company focuses on new project designs and EPA approvals for its projects.

Share Based Compensation

	Three months ended October 31		Six months ended October 31	
(000s of Canadian dollars)	**2024**	**2023**	**2024**	**2023**
Share based compensation	91	187	245	318
Total	**91**	**187**	**245**	**318**

Share based compensation decreased by $0.1 million for the quarter ended October 31, 2024, compared to the respective prior year period.

Depreciation and Amortization

	Three months ended October 31		Six months ended October 31	
(000s of Canadian dollars)	**2024**	**2023**	**2024**	**2023**
Property, plant, and equipment	267	261	379	550
Intangible assets	1,087	29	2,320	58
Right-of-use assets	22	26	48	52
Total	**1,376**	**316**	**2,747**	**660**

Depreciation and amortization increased by $1.0 million for the three months ended October 31, 2024, compared to the respective prior year period due to an increased amortization related to Intangible assets of $1.0 million due to the Technology acquisition completed in the year ended April 30, 2024.

Summary of Quarterly Results

Fluctuations in net loss for each quarter generally relate to the amounts of financing, research, and development, and share based compensation expenses the Company incurred during the respective quarter. The business of Cielo, when in commercial production, is expected to exhibit some seasonality and cyclicality due to overall consumption patterns of refined products, broad macro-economic activity, and extenuating events. Low carbon fuels act as both substitutes and measures to reduce carbon intensities of fossil fuels. Seasonal increases in demand for heating oil can increase diesel prices as refiners may produce more heating oil to meet demand. In addition, broad economic conditions, and geopolitical instability, such as COVID-19 and the ongoing conflict between Russia and Ukraine, can impact the consumption of fuels. In some cases, consumer preferences and rates of adoption of low carbon fuels may partially or completely offset any declines as a result of broad economic declines. The table below summarizes Cielo's financial results for the last eight fiscal quarters. Figures in 000s of Canadian dollars, except for per share amounts.

	Oct 31, 2024	Jul 31, 2024	Apr 30, 2024	Jan 31, 2023
Revenue	-	-	-	-
Net loss	13,498	2,226	2,993	1,946
Net loss per share	0.13	0.02	-	0.02

	Oct 31, 2023	Jul 31, 2023	Apr 30, 2023	Jan 31, 2022
Revenue	-	-	-	-
Net loss	1,406	5,917	4,106	2,309
Net loss per share	-	0.01	-	-

For the three months ended October 31, 2024, the Company had a net loss of $13.5 million, which consisted primarily of impairment of assets of $11.1 million, depreciation and amortization of $1.4 million, and $0.8 million of general and administrative costs.

Liquidity and Capital Resources

Working Capital

Cielo's primary objective for managing liquidity and capital resources is to ensure the Company has sufficient funds available for research, development, commercialization of its technology through project entities to be formed, such as the Carseland LP, and other corporate activities. The Company has a working capital deficiency of $10.9 million at October 31, 2024 ($9.2 million as at July 31, 2024). The decrease in working capital deficiency of $1.7 million was primarily due to an increase in accounts payable and promissory notes payable.

The Company has not reached planned commercial operations or generated sufficient operational cash flows to meet the Company's planned growth or to fund research, development, commercialization of its technology, or corporate activities. The Company will require additional capital to fund costs relating to, commercialization of its technology and other corporate activities over the next year and beyond, and to fund payments of short-term indebtedness as they become due and otherwise fund the working capital deficiency. The Company continues to explore alternatives to generate additional financing, which may include raising additional equity and debt or entering into strategic partnerships; however, there is no assurance that these initiatives will be successful, and they may depend on prevailing commodity prices, general economic conditions and the Company's success in its research and development activities.

Cash Flow Summary

The following table summarizes the Company's sources and uses of funds for the three months ended October 31, 2024, and 2023:

	Three months ended October 31		Six months ended October 31	
(000s of Canadian dollars)	**2024**	2023	**2024**	2023
Operating activities	(283)	(985)	(777)	(2,408)
Financing activities	297	(74)	553	1,589
Investing activities	(31)	(50)	(145)	(334)

Operating Activities

Net cash used in operating activities was $0.53 million for the three months ended October 31, 2024. The cash used in operating activities was used to fund general and administrative and research and development expenditures.

Investing Activities

Net cash used in investing activities was $0.03 million for the three month period. These costs primarily relate to accounts payable.

Financing Activities

Net financing proceeds of $0.3 million for the quarter ended were primarily from short-term loan advances of $0.4 million. They were offset by convertible debenture and share issuance costs combined to $0.1 million.

Off-Balance Sheet Arrangements

As at October 31, 2024, Cielo did not have any off-balance sheet arrangements in place that would materially impact its financial position or results of operations.

Contractual Liabilities and Commitments

As at October 31, 2024, the Company is committed to expenditures under various contracts with service providers for general and administrative services. In April 2023, the Company negotiated a change in its lease, reducing the obligation from $0.69 million over three-year period to $0.12 million over a one-year period. As at October 31, 2024, the Company had contractual obligations as follows:

(000s of Canadian dollars)	2025	2026	2027 +
Lease obligations	-	-	-

7. OUTSTANDING SECURITIES SUMMARY AND SHARE CONSOLIDATION

Effective January 29, 2024, the Company completed a share consolidation (the "Consolidation") on the basis of one post-consolidation common share for every fifteen pre-consolidation common shares of the Company. All references to share and per share amounts in this MD&A have been retroactively restated to reflect the Consolidation. On a post-Consolidation basis, the number of common shares issued and outstanding are:

As at	October 31, 2024
Issued and outstanding common shares	119,743,248
Options outstanding - Vested and exercisable	1,402,699
Broker warrants	494,889
Warrants outstanding (exercisable)	18,900,238
Total securities issued and outstanding	140,541,074
Options outstanding - Unvested	991,288
DSUs outstanding - Unvested	140,000
IP acquisition indemnification shares (not issued as at October 31, 2024)	9,064,757
Convertible debenture	5,325,000
Total securities outstanding (diluted)	**156,062,119**

As at	December 23, 2024
Issued and outstanding common shares	128,883,004
Options outstanding - Vested and exercisable	1,402,699
Broker warrants	494,889
Warrants outstanding (exercisable)	18,900,238
Total outstanding	149,680,830
Options outstanding - Unvested	991,288
DSUs outstanding - Unvested	140,000
Shares to be issued for trade payables shares for debt	81,237
Convertible debenture	5,325,000
Total securities outstanding (diluted)	**156,218,355**

8. FINANCING ACTIVITIES AND SHARE ISSUANCES

The following financing activities occurred during and subsequent to the three months ended October 31, 2024:

a) Convertible Debenture Units – Conversion and In

During the year ended April 30, 2024, the Company completed a non-brokered private placement offering (the "Offering") of unsecured convertible debenture units of the Company (collectively, the "Convertible Debenture Units") at a price of $1,000 per Convertible Debenture Unit.

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

The Principal Amount of the Debentures, together with any accrued and unpaid interest, will mature and become due and payable in cash on the date that is 24 months from the date of issue (the "Maturity Date"), subject to earlier conversion or redemption. The Principal Amount owing under the

Debentures will accrue interest from the date of issuance at 12.0% per annum, payable every six (6) months in cash, except the first payment will be paid in November 2024 for the period from issue date to October 31, 2024. As the Convertible Debentures will be an unsecured debt obligation of the Company, each Convertible Debenture is fully subordinated to all secured debt obligations.

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

The Company anticipated, and used, the net proceeds of the Offering for the continued advancement of the Carseland Facility (Carseland Phase I) as well as for general working capital and corporate growth purposes. It was intended that the funds also be used toward the proposed Dunmore Facility, however no funds have been or will be allocated to the

During the quarter ended October 31, 2024, 75,000 Conversion Shares were issued as a result of the conversion of a Convertible Debenture.

The Company was required to pay interest of $148,000 (the "Oct 31 Interest") on the issued and outstanding Convertible Debentures on November 30, 2024 for the period from issuance up to October 31, 2024. As at the date of this MD&A, the Company has not paid the Oct 31 Interest which, under the terms of the Convertible Debentures, constitutes an Event of Default. However, enforcement of the rights of holders of Convertible Debentures (the "Debentureholders") requires formal notice from the Debentureholders, which has not as at the date of this MD&A been received by the Company, and is not expected to be received as the Company is currently in the process of resolving the matter with the Debentureholders.

For additional information on the Offering, please refer to the Company's profile on www.SEDAR+.ca, including

b) Royalty Repayment Extension

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

Royalty certificates were issued to the participants dated July 3, 2018, indicating a payment deadline of July 3, 2020. The Company obtained the requisite approval of the royalty holders to delay the payment deadline as a result of delayed operations, production, and revenues, initially until July 3, 2022, a second time to January 3, 2024, a third time 2024 to July 3, 2024. The Company has made a request to the royalty holders to extend the payment deadline for another 12 months, to July 3, 2025. Approval of royalty holders holding at least 66.67% of the royalties is required to extend the deadline, which has been obtained as at the date of this MD&A. During the quarter ended October 31, 2024, the Company was in default of its payment obligation, however an Event of Default (as defined by the terms of the royalty certificates, which must occur in order for royalty holders to enforce their rights) had not occurred, which requires a formal notice from royalty holders holding at least 66.67% of the royalties.

Once production and sales begin, the Company is required under the royalty terms to allocate 10% of gross sales to the payment of the royalties.

c) Elimination of Mortgage Loan

Subsequent to the quarter ended October 31, 2024, the Company disposed of the TCD Assets, resulting in elimination of the Mortgage Loan secured against the Aldersyde Property (see Section 9 of this MD&A, entitled "Asset Acquisitions and Dispositions – TCD and Aldersyde Disposition").

9. ASSET ACQUISITIONS AND DISPOSITIONS

Proposed Rocky Mountain Acquisition

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

The purpose of the RM Asset Acquisition is primarily to accelerate the timeline to revenues as well as to minimize costs, as described below:

A. As a result of the Technology purchase transaction with Expander that was completed in November 2023, the Company acquired a project development agreement with Rocky Mountain (the "PDA"). Prior to the execution of the LOI, it was the intention of the Company to construct the Carseland Facility adjacent to an existing synthetic fuel facility owned and operated by Rocky Mountain, which deploys patented technology developed by Expander. The PDA provides for the terms upon which Rocky Mountain has been engaged to provide its services and use the RM Facility to convert the bio-syngas produced by the Cielo's Licensed Technologies to produce Bio-SynDiesel® If the RM Asset Acquisition is completed, one of the results will be the termination of the PDA as the Carseland LP will own and operate the RM Facility.

B. In addition, if the RM Asset Acquisition is completed, as a condition of the Transaction closing, Cielo or the GP on behalf of the LP (the "Licensee") will enter into a license agreement (the "EGTL License Agreement") with Rocky Mountain for the use of the Rocky Mountain's proprietary Enhanced Gas to Liquids technology (the "EGTL Technology") at the

RM Facility, allowing for near term revenue generation by the Carseland LP until a gasifier can be built on-site using the Licensed Technologies.

If the RM Asset Acquisition is not completed, the PDA will remain in place and Cielo will continue toward the construction of the Carseland Facility as initially planned.

The LOI provides for the following terms, to be incorporated into a definitive asset purchase agreement between Rocky Mountain and the Carseland LP, once formed:

A. The Assets to be purchased for $125 million (the "Base Price"), subject to adjustments (the "Purchase Price"). On the closing date of the proposed transaction, the Base Price will be increased by an amount up to $3.2 million in capital improvement costs to be incurred by Rocky Mountain prior to closing, which will be paid on closing, and reduced by an amount equal to the Assumed Liabilities.

B. The balance of the Purchase Price will be paid through a non-negotiable, secured promissory note or vendor take back note (the "VTB Note") to be issued by the Carseland LP to Rocky Mountain, along with a site-specific general security agreement against the Assets in favour of RMCFI as security for the VTB Note (the "VTB Security Agreement"). The VTB Note contemplates monthly interest-only payments at a simple rate of interest of six percent (6%) per annum, with an initial term of five (5) years and the principal payable in full on maturity, subject to earlier repayment, which will be permitted, in whole or in part from time to time, throughout the term of the loan without penalty.

C. Rocky Mountain has received notice of qualification from the Government of Alberta for a grant under the Alberta Petrochemicals Incentive Program ("APIP") having a total amount of $20.8 million (the "APIP Grant"), such that if the APIP Grant is delivered, the Carseland LP will be entitled to receive 100% of it, however it is not guaranteed as at the date of this MD&A.

D. The EGTL License Agreement will have a term of five years from closing or the date upon which the Carseland Facility is complete, whichever is sooner, however Licensee will be entitled to extend the term for an additional five-year period. In consideration of the EGTL Licence, the Licensee will pay to Rocky Mountain a royalty of 2% on gross revenues arising from the sale of products from the RM Facility using the EGTL Licence during the term of the EGTL Licence Agreement.

E. Cielo will be obligated to transfer those assets it acquired from Expander to the Carseland LP, and enter into a sub-license agreement with the Carseland LP to allow the Carseland LP to utilize the Licensed Technologies.

The Company had previously announced an intended closing date of September 6, 2024, however Cielo and Rocky Mountain executed an amendment to the LOI dated September 6, 2024 to provide for additional time to complete the due diligence process, to be followed by the execution of the definitive agreements and the closing of the proposed RM Asset Acquisition. As at the date of this MD&A, the Company and Rocky Mountain are continuing their respective efforts to complete due diligence procedures and determine the material terms of the RM Asset Acquisition.

TCD and Aldersyde Disposition (subsequent to quarter end)

Subsequent to the quarter ended October 31, 2024, the Company executed an asset purchase agreement (the "Aldersyde Sale Agreement") dated November 28th, 2024 with a private, arm's length, Alberta corporation (the "Purchaser") setting out the terms upon which the Company agreed to sell to the Purchaser its entire right, title and interest in its property in Aldersyde, Alberta (the "Aldersyde Property"), including the R&D Facility, together with the equipment located on the Aldersyde Property (the "Equipment") and the entire right, title and interest in the invention and improvements of the Company in its Canadian and U.S. patents for "Enhanced Distillate Oil Recovery From Thermal Processing And Catalytic Cracking Of Biomass Slurry" (the "IP", together with the Aldersyde Property and Equipment, collectively the "Aldersyde Assets").

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

1. $300,000 paid on or prior to closing;
2. The assumption, by the Purchaser, of the Mortgage Loan (eliminating the Company's obligation to pay the Mortgage Loan); and
3. A promissory note in favour of the Company on the following terms:
    a. A principal amount of $1 million (the "Loan");
    b. Secured against the Aldersyde Property (second place behind the existing mortgagor);
    c. Bearing an interest rate of 7.5% per annum, payable monthly;
    d. To be paid as to $200,000 on each of February 15, 2025 and May 15, 2025, and as to $150,000 on each of August 15, 2025, November 15, 2025, February 15, 2026, and May 15, 2026, provided that in the event that the Purchaser pays $700,000 of the Loan on or before May 15, 2025, the balance of the Loan will be forgiven.

The Aldersyde Transaction closed effective on November 29, 2024.

Sale of Fort Saskatchewan Property (year ended April 30, 2024)

In July 2023, the Company entered into a purchase and sale agreement to sell the its property in Fort Saskatchewan, Alberta (the "FS Property") to the lender of the Second Mortgage Loan (as defined below) (the "Purchaser") in exchange for:

i. retirement of the principal amount of an $11 million mortgage loan (the "Second Mortgage Loan"); and

ii. a $2 million promissory note, payable to the Company contingent on the Purchaser's re-sale of the Property for proceeds in excess of $13.5 million prior to September 30, 2024. The Purchaser is required to make a best effort to sell the Property; however, in the event the Property is not re-sold upon the Purchaser making commercially reasonable best efforts, the $2 million Promissory note will be terminated, and the Company will not be entitled to further proceeds on this disposition.

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

The promissory note is a contingent asset and, therefore, will not be recognized until the realization of the economic benefit is virtually certain. Accordingly, the difference between the $14.0 million carrying value of Property and the $10.2 million of the liabilities extinguished on this transaction has been recognized as an impairment in the consolidated Statement of Loss and Comprehensive Loss, , 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.

As at the date of this MD&A, the Company is in the process of making a determination as to whether or not the contingency has been satisfied.

10. RELATED PARTY TRANSACTIONS

Expander Group of Companies (“Expander”)

A director of the Company was, during the three months ended October 31, 2024, also a director, former officer and shareholder of Expander, which has multiple wholly or partly owned subsidiaries, including Expander Services Inc., and Expander Engineering Services Inc. (Expander Energy together with all wholly or partly owned subsidiaries, collectively the “Expander Group” or “Expander”). Expander and its principals acquired common shares of the Company under the transaction completed in November 2023 between the Company and Expander. See Section 4 of this MD&A entitled “Core Business Overview – Technology” for additional information.

In addition to the License Agreement, Expander has been 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 advisors services, engineering services, and project/construction management services.

	Carseland Technology Fee	Carseland Gasifier Equipment	Carseland Gasifier Engineering services	Dunmore Scoping	Aldersyde Scoping	Advisory Services	Total
Total Estimated Contract	750	1,500	480	-	49	246	2,890
Deposit invoice	-	393	240	-	25	117	775
Work completed	788	-	364	16	55	246	1,469
Amount Paid	(405)	(393)	(364)	(16)	(46)	(137)	(1,361)
Amount (prepaid) outstanding	383	(393)	-	-	9	109	108
Contract remaining	-	1,500	134	Ended	-	Ongoing	1,634

Short Term Loan

In October 2024, a corporation owned and/or controlled by an executive officer of the Company loaned $25,000 to the Company in consideration for an unsecured, short-term promissory note, bearing simple interest of 12.0% per annum, maturing on November 30, 2024. The amount remains unpaid as at the date of this MD&A, however the Company is currently in the process of resolving the matter with the note holder.

11. SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

The preparation of the unaudited condensed consolidated interim financial statements in accordance with International Accounting Standard 34 – Interim Financial Reporting, using accounting policies consistent with IFRS requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, income, and expenses. Estimates and judgments are evaluated each reporting period and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and assumptions are subject to inherent risk of uncertainty and actual results may differ from these estimates and assumptions, please refer to Note 4 in the audited consolidated financial statements for the years ended April 30, 2024 and 2023 and Note 4 in the condensed interim consolidated financial statements for the three and six months ended October 31, 2024 and 2023. Significant estimates are used for, but not limited to, the measurement of the fair value less costs of disposal for the impairment valuation.

New Accounting Standards and Interpretations

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

12. RISK FACTORS

An investment in the securities of Cielo involves numerous and significant risks. Investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk Factors" in the Company's annual audited financial statement and MD&A for the year ended April 30, 2024, available on SEDAR+ at www.sedarplus.ca for a description of these risk factors. There have been no material changes to the Company's risk factors since the date thereof.

13. DISCLOSURE OF INTERNAL CONTROLS

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

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Company uses the Venture Issuer Basic Certificate, which does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS). The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

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

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