Cielo

MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE COMPANY'S FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE PERIOD ENDED JULY 31, 2017

Notice to Reader

The following is management's discussion in respect of the results of operations and financial position of CIELO WASTE SOLUTIONS CORP. (formerly Cielo Gold Corp.) (the "Company" or "Cielo") for the period ended July 31,2017 and should be read in conjunction with the Company's interim financial statements for the same period ("July 31, 2017 Interim Financial Statements") and the audited financial statements for the most recent year ended April 30, 2017. The financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS"), and presented in Canadian dollars, which is the Company's functional currency. Additional information, including the above mentioned financial statements, which contain extensive disclosure of the history and properties of the Company are available on SEDAR and may be accessed at www.sedar.com.

Forward Looking Statements

The information presented in this MD&A contains statements concerning future results, future performance, intentions, objectives, plans and expectations that are, or may be deemed to be, "forward–looking statements" or "forward-looking information" (collectively "forward-looking statements") as those terms are used in securities laws applicable in Canada.

These forward-looking statements also include, but are not limited to, factors that may affect our ability to achieve our objectives and to successfully develop and commercialize our renewable diesel refineries.

Such forward–looking statements, including but not limited to those with respect to the price of renewable fuels, the timing and amount of estimated future economic and viability of refining projects, capital expenditures, costs and timing of refining projects, permitting timelines, title to refining projects, the timing and possible outcome of pending refining projects and other factors and events described in this MD&A involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward–looking statements.

The reader should verify all claims and do their own due diligence before investing in any securities mentioned or implied in this document. Investing in securities is speculative and carries a high degree of risk.

These statements are based on management's current expectations and are subject to a number of uncertainties and risks that could cause actual results to differ materially from those described in the forward-looking statements. Forward-looking statements are based on management's current plans, estimates, projections, beliefs, and opinions and we do not undertake any obligation to update forward-looking statements should the assumptions related to these plans, estimates, projections, beliefs and opinions change, except as required by law.

Date of Report

The information in this report is presented as of September 20, 2017.

ABOUT CIELO

Cielo was incorporated on February 2, 2011 as a wholly-owned subsidiary of Arris Holdings Inc. ("AHI") for the purpose of mineral property acquisition and development. The Company was an exploration stage company whose principal business was the exploration and development of mining properties.

The Company spun out from AHI and became a reporting issuer after the corporate restructuring between AHI and Cielo became effective on June 9, 2011. Commencing August 3, 2011, the Company's common shares started trading on the Canadian Securities Exchange ("CSE") under the Symbol CMC.

On August 23, 2013 Cielo Gold Corp. changed its name to Cielo Waste Solutions Corp. This was due to a change of business away from mining exploration and focusing on renewable diesel refining.

On April 15, 2014 Cielo announced that it had received approval from the CSE of its fundamental change of business, which had also been approved by a majority of the shareholders of the Company

The principal and registered office of the Company is located at #101 – 1500 Howe Street, Vancouver BC V6Z 2N1.

CORPORATE OVERVIEW AND OVERALL PERFORMANCE

Since the Company's fundamental change of business to renewable diesel refining, the Board of Directors and management of the Company has been working toward commercializing its proprietary technology to allow it to enter the fast and growing waste industry by refining landfill, municipal and commercial waste into a high quality renewable diesel. Cielo has identified opportunities throughout the world and is poised to capitalize on these and local opportunities.

Cielo is not taking purchase orders at the current time and is deflecting any further discussions on purchase orders and opportunities until after the successful start-up of the first commercial refinery. However, it continues to communicate with those who had previously submitted purchase orders, which were previously disclosed, in order to keep the purchase orders active and the opportunities available once the first commercial refinery is in production.

In the meantime, Cielo continues to focus on moving forward towards construction, including having made some of the following advancements:

1.) On March 21, 2016 Cielo announced that Cielo signed a multi-year feedstock agreement with Dipper Oil Recycling, a division of Little Dipper Holdings Ltd ("Little Dipper"). This contract allows Cielo to purchase enough used oil and plastics to supply the first unique commercial waste to renewable diesel refinery. Cielo continues to work with Little Dipper and its new owner, Terrapure Environmental.

2.) On June 14, 2016 Cielo announced that it had signed an exclusive license agreement with 1888711 Alberta Inc. ("1888711") to complete the development of the Company's renewable diesel technology, which uses landfill waste, tires, plastics, wood shavings and paper products to produce renewable Kerosene, highway diesel and naphtha. Cielo retains the exclusive right to construct and commercialize the refineries and has agreed to pay royalties and commissions to 1888711 from the commercialization of the technology. Cielo also has a right of first refusal to purchase any rights in the technology it has granted to 1888711, all intellectually property and any and all patents relating to the technology.

3.) On July 26, 2016 Cielo announced that it has signed a Synthetic Diesel Purchase and Sales Agreement with Elbow River Marketing Ltd. which provides for the exclusive marketing, sale and distribution by Elbow River of all of the synthetic diesel intended to be produced by Cielo. Cielo continues to work closely with Elbow River so they will be aware when the production of high grade renewable diesel will be available for sale.

4.) On October 27, 2016 Cielo announced that it had signed an equipment lease agreement and a purchase option agreement to lease a 50 liter per hour thermo catalytic depolymerization demonstration plant from FS Enterprises Inc. ("FS"). Cielo will have a period of 5 years, which may be extended, during which it may exercise the option to purchase the equipment for a purchase price that will be calculated as $699,867.53 plus interest accrued at a rate of 18% per annum up to and including the purchase date. $280,000 of the amounts owing to FS was converted into units (the "Unit(s)" on July 17, 2017 in an offering of Units, each unit consisting of one common share and one-half of one warrant, each warrant entitling the holder to purchase common shares for a period of 12 months at $0.20 per share.

Until such time that Cielo exercises its option and purchases the Equipment, any amount owing to FS will be considered secured debt owing by Cielo to FS, in respect of which Cielo has also signed a General Security Agreement in favour of FS to a maximum of $500,000.

5.) On November 16, 2016 Cielo announced that it had signed a Commercial Purchase Agreement with XR Resources Inc. to purchase a property located in High River, Alberta, on which there is an existing bio-diesel refinery. This multi-feedstock processing plant was built in 2009 for an approximate capex cost of $10.2 million and was capable of producing 16 million liters/year of bio-diesel. The aggregate purchase price was $2,300,000, consisting of both share and cash consideration.

6.) On November 22, 2016 Cielo announced that it had awarded the construction contracts for the retrofitting and completion of its planned purchase of the above High River property.

7.) On February 17, 2017 Cielo announced that it had entered into an Asset Purchase Agreement with XR Resources Inc. The assets consist of a Case W20C front wheel loader and all of the associated complete bio-diesel analytic laboratory, equipment (gas chromatograph, Karl Fisher, automated Tiltrotor, flash point, etc.) and supplies. The acquisition was completed on March 20, 2017.

8.) On April 19, 2017 Cielo announced that it had completed the purchase of approximately 2.5 acres of land with an existing idle bio-diesel refinery located on it in High River, Alberta from XR Resources Inc., as previously announced on November 16, 2016 (item #5). The idle, multi-feedstock processing plant, built in 2009, for an approximate capex cost of $10.2 million was capable of producing about 16 million liters/year of bio-diesel utilizing animal tallow as its feedstock. Cielo is now advancing the retrofitting of the Existing Refinery with the Company's proprietary technology and thereafter place the refinery on production, making high grade renewable fuels.

9.) On July 10, 2017 Cielo announced that the Company had received its Development Permit from the MD of Foothills #31. Receipt of the Permit is a major milestone for Cielo, as it was issued subject only to standard terms and conditions, which Cielo's management are confident can easily be complied with.

10.) On July 20, 2017 Cielo announced the hiring of Kwik-Fab Energy Services to dismantle the Company's demonstration plant in Red Deer, AB and transport it 200 km south to LynCorp Manufacturing's state-of-the-art fabrication shop in High River, AB. LynCorp will then be making the necessary modifications to convert the 50 liter an hour batch process demonstration plant into a 350 liter an hour continuous flow refinery that will produce high grade renewable diesel. Once the modifications are complete, the equipment will be transported a further 5 kilometers south to Cielo's recently acquired property in High River, AB. The bio-diesel facility will be converted into one of the world's greenest high grade renewable fuel refinery that will use garbage-derived feedstocks such as sorted municipal waste, plastics, wood waste, tires, agriculture wastes and other cellulous materials. Some of these feedstocks will have negative acquisition costs.

11.) On July 27, 2017 Cielo announced the signing of a multi-year feedstock agreement with Mountain View Eco Products. This agreement will provide Cielo, at a fixed cost, an ample supply of sawdust and wood shavings to fulfill 100% of the feedstock requirements for the Company's first commercial waste to renewable diesel refinery, which is currently under construction on the Company's High River, Alberta property.

12.) On September 18, 2017, the Company announced that its demonstration plant (the "Demo Plant") in Red Deer, AB has been dismantled for the purposes of moving it to the Company's property in High River, AB to begin to retrofit the exiting refinery into Cielo's first commercial plant. With the Demo Plant dismantled, Cielo has begun identifying vendors for the larger equipment needed to complete the retrofitting. Cielo has moved its operational offices from an industrial park in Red Deer County to downtown Red Deer.

13.) Cielo also announced on September 18, 2017 that management has selected PanOptic Automation Solutions ("PanOptic") to handle the automation installation for the its initial refinery. PanOptic is a privately-owned Calgary based consulting firm providing automation and instrumentation. PanOptic will become a strategic partner to oversee the optimization, automation and remote monitoring of the Company's proprietary waste to renewable diesel refineries

For further details of the terms and conditions of any above-referenced agreements, the agreements can be reviewed on SEDAR.

Cielo continues to work with 1888711 and consultants on the commercialization of the first renewable diesel refinery to complete the following eight engineering steps, which work marks the completion of the development phase and allow Cielo to be then be able to commercialize the technology:

Step 1 – Feedstock Characterization Study. This step is completed, but will continue to be updated as new potential feedstocks are brought forward as possibilities for the refineries.

Step 2 – Validation of the process and proforma by third party engineers. This step has been concluded as of November 2015 but also continues to be updated as new engineering data is brought to our attention.

Step 3 – Carbon Capture Study. This is a detailed third-party review of the carbon credits that Cielo will be able to recognize as a revenue stream. At the time of this MD&A report, this study is approximately 70% complete. Cielo will be more focused on completing this study once the 1st commercial plant is in operation.

Step 4 – A full and detailed study on the catalyst development has now been completed. This is a very in-depth study of how the catalyst reacts and preforms with a varying of individual feedstock or as they are combined. This catalyst study will always be work in progress and will continue to evolve with the technology and feedstock.

Step 5 – Preparing a process design package, including development of construction drawings. Cielo has approximately 75% of the work completed on its 1800 liter per hour refinery, which will now be phase 2 of the business plan roll out, and 80% of the work for the 1st 350 liter per hour plant. Municipal permits have been received and we are now working on the retrofits to the recently purchased idle bio-diesel plant in High River, AB.

Step 6 – In August 2014 Cielo hired a patent lawyer to review patents throughout the world and found no patents were similar at that time to the process that Cielo had developed. 1888711 has now filed a USA patent on the technology process design, pursuant to the License Agreement.

Step 7 – Developing Capital Estimates. Cielo has been working with the contractors to evaluate the equipment on the High River site, to determine what can be used in the retrofitting of Cielo's and the Licensor's technology. Cielo has also been working with the contractors and engineers to find good used equipment and new equipment.

Step 8 – Filing of permits and applications. Cielo has received a Development Permit from the MD of Foothills #31. Cielo has applied for the EPEA permit from Alberta Environmental and Parks and working closely with them.

At the time of this MD&A report, Cielo's management believes that all 8 steps, with the exception of Step 3, which is anticipated to be completed in Q3 of 2018, can be completed before the end of December, 2017. In the Management's Discussion and Analysis accompanying the Company's audited financial statements for the year ended April 30, 2016, management expected to have this completed by October 2016. The Company was seeking to secure the funding required for the first commercial refinery but faced difficulty as a result of the lack in the advancement of the engineering steps above, which in turn caused delays to construction. Management believes that the engineering progress in the last several months has resulted in the greater ability to secure the remaining funds needed to construct the first refinery, on which the Company has focused in recent months. See the sections entitled "*Financial Transactions*" and "*Subsequent Events*" for details on financings.

<u>Going concern</u>

Renewable fuels are becoming big policy and big business as countries around the world look to decrease petroleum dependence and reduce greenhouse gas (GHG) emissions in the transportation sector. After more than a decade of healthy growth for conventional renewable fuels like ethanol and biodiesel, the next wave of advanced renewable fuels is currently on the cusp of commercial scale-up. Renewable fuels have already helped the world achieve a tangible reduction in emissions as global CO_2 emissions are forecast to rise by as much as 50 per cent over the next 25 years.

The success of the Company is largely dependent upon factors beyond its control. These factors raise substantial doubt about the Company's ability to continue as a going-concern.

Management is actively monitoring the operations to ensure the Company has adequate liquidity and capital to meet its obligations and long-term business objectives. The Company has a history of raising funding through equity financing when needed. However, there is no guarantee the Company can do so in the future.

<u>Asset and Land Purchases</u>

On October 27, 2016 Cielo announced that it had signed an equipment lease agreement and a purchase option agreement for a 50 liter per hour thermo catalytic depolymerization demonstration plant from FS Enterprises Inc. Cielo will have a period of 5 years, which may be extended, during which it may exercise the option to purchase the Equipment for a purchase price that will be calculated as $699,867.53 plus interest accrued at a rate of 18% per annum up to and including the purchase date. Until such time that Cielo exercises its option and purchases the Equipment, this amount will be considered secured debt owing by Cielo to FS, in respect of which Cielo has also signed a General Security Agreement in favour of FS to a maximum of $500,000. $280,000 of the amounts owing to FS was converted into units (the "Unit(s)" on July 17, 2017 in an offering of Units, each unit consisting of one common share and one-half of one warrant, each warrant entitling the holder to purchase common shares for a period of 12 months at $0.20 per share.

On March 20, 2017 Cielo announced that it had purchased a Case W20C front wheel loader and all the associated complete bio-diesel analytic laboratory, equipment (gas chromatograph, Karl Fisher, automated Tiltrotor, flash point, etc.) and supplies.

On April 19, 2017 Cielo announced that it had completed the purchase of approximately 2.5 acres of land with an existing idle bio-diesel refinery located on it in High River, Alberta from XR Resources Inc. The idle, multi-feedstock processing plant, built in 2009, for an approximate capex cost of $10.2 million was capable of producing about 16 million liters/year of bio-diesel utilizing animal tallow as its feedstock. Cielo is now advancing the retrofitting of the existing refinery with the Company's proprietary technology and thereafter place the refinery on production, making high grade renewable fuels.

In the three-month period ended July 31, 2017 the Company capitalized charges of $87,263 incurred in the development of the plant in High River, AB.

Contracts

On June 14, 2016 Cielo announced it has signed an exclusive license agreement with 1888711 Alberta Inc. ("1888711") to complete the development of the Company's renewable diesel technology, which uses landfill waste, tires, plastics, wood shavings and paper products to produce renewable kerosene, highway diesel and naphtha. Cielo retains the exclusive right to construct and commercialize the refineries and has agreed to pay royalties and commissions to 1888711 from the commercialization of the technology. Cielo also has a right of first refusal to purchase the technology, all intellectually property and any and all patents relating to this technology.

On July 26, 2016 Cielo announced that it has signed a Synthetic Diesel Purchase and Sales Agreement with Elbow River Marketing Ltd. which provides for the exclusive marketing, sale and distribution by Elbow River of all of the synthetic diesel intended to be produced by Cielo. Cielo continues to work closely with Elbow River so they are aware when the production of high grade renewable diesel will be available for sale.

On November 22, 2016, the Company announced that it has awarded the construction contracts for the retrofitting and completion of its planned purchase of the above High River property. These contractors are now been engaged and are working on the retrofit of the technology into the recently purchase idle bio-diesel plant in High River, AB.

On March 20, 2017 Cielo announced that the Company had entered into exclusive negotiations with an arm's length third party pursuant to which the Strategic Funder would fund 100% of the costs associated with the construction of the first 6 refineries producing high grade renewable diesel fuel in Alberta, including the purchase of the property and development of the existing bio-diesel refinery on the property in High River, Alberta. Pending finalization of definitive terms with the Strategic Funder, Cielo agreed to suspend securing participation into the private placement offering of $7 million announced on November 29th, 2016. On April 13, 2017 Cielo announced that it had entered into a Memorandum of Understanding with NxGen Global Inc. Further to the Company's press release on March 20, 2017 relating to working with strategic partner(s) to move forward on the construction of the first six refineries. The MOU set out the initial terms pursuant to which NxGEN proposes to subscribe, on a best efforts basis, for up to 100,000,000 common shares of the Company at a price of $0.10 per common share for gross maximum proceeds of $10,000,000. All of the Shares would be subject to a voting trust agreement, whereby all of the voting rights attached to the Shares will be irrevocably granted to Don Allan, President and CEO of Cielo, such that the Financing will not result in a change of control of Cielo. The Company has not moved to any definitive agreement(s) due to delays in securing the funding that Cielo would require as a condition of such agreement(s) but continues to work with NxGEN and related parties to facilitate the completion of this financing. At the time of this MD&A Report there is no binding contract in place between the parties.

On July 20, 2017 Cielo announced the hiring of Kwik-Fab Energy Services to dismantle the Company's demonstration plant in Red Deer, AB. and transport it 200 km south to LynCorp Manufacturing's state-of-the-art fabrication shop in High River, AB. LynCorp will then be making the necessary modifications to convert the 50 liter an hour batch process demonstration plant into a 350 liter an hour continuous flow refinery that will produce high grade renewable diesel. Once the modifications are complete, the equipment will be transported a further 5 kilometers south to Cielo's recently acquired property in High River, AB, where the idle bio-diesel facility will be converted into one of the world's greenest high grade renewable fuel refinery that will use garbage-derived feedstocks such as sorted municipal waste, plastics, wood waste, tires, agriculture wastes and other cellulous materials. Some feedstocks will have negative acquisition costs.

On July 27, 2017 Cielo announced the signing of a multi-year feedstock agreement with Mountain View Eco Products. This agreement will provide Cielo, at a fixed cost, with an ample supply of sawdust and wood shavings to fulfill 100% of the feedstock requirements for the Company's first commercial waste to renewable diesel refinery, which is currently under construction on the Company's High River, Alberta property. This new agreement replaces the earlier disclosed agreement with Parkland Chips.

On September 18, 2017, the Company announced that it had agreed on a non-binding term sheet with a private Alberta based lender (the "Lender") for a $3.5 million line of credit (the "Credit Facility") for the conversion of the its pilot plant in High River, Alberta (the "Pilot Plant") into a commercial process and to refinance its existing mortgages. A firm agreement is expected upon the completion of due diligence by the Lender and the finalization of terms. The Credit Facility would be structured as a demand based, non-revolving line of credit and would bearsimpleinterestat12%annually. Payments of interest only would be required until September 30th, 2018 and Cielo would be able to repay the loan without penalty any time after September 30th, 2018. The Lender would receive security in the assets of the Company as well as bonus warrants, exercisable at $0.20 per share, on additional terms to be determined. The Credit Facility would be used to repay the current mortgage on the property in High River, Alberta where the Pilot Plant is located as well as the full indebtedness owed on Cielo's demonstration plan (the "Demo Plant"), which is being converted into the Pilot Plant. The balance would be used to fully construct Cielo's first commercial plant and allow Cielo to begin commercial operations

RESULTS OF OPERATIONS

Three-Month Period Ended July 31, 2017 ("July 31, 2017 Interim Financial Statements")

The loss of ($259,900) for the three months ended July 31, 2017, compared to the loss for the three months ended July 31, 2016 ($123,961) consisted of $24,000 for consulting fees (2016 - $Nil), $25,991 for office administration expenses (2016 - $22,374), $98,755 for interest and accretion expense (2016-$Nil), $12,316 for professional fees (2016 - $94,225), $4,811 for trust and filing fees (2016 - $7,362), $43,017 of amortization on property, plant and equipment (2016-nil), loss on settlement of debt of $33,619 (2016-$Nil) and $17,391 for other expenses (2016 - $195), including advertising, amortization of deferred finance charges, bank fees, salaries and benefits and travel. It is the Company's intention to continue to curtail expenses to preserve cash until the Company can obtain further financing to finance its long-term business objectives.

Revenue for the three months ended July 31, 2017 was $NIL, compared to $NIL for the twelve months ended July 31, 2016.

On July 31, 2017, the Company's main assets and liabilities were:

Cash - $45,908 (2016 - $6,590);
Prepaid expenses - $16,598 (2016 - $5,633);
Property plant and equipment -$3,107,839 (2016-Nil)
Accounts payable and accrued liabilities - $385,868 (2016 - $434,977);
Due to Shareholder - $493,817 (2016 $489,078)
Short-term loans payable -$106,189 (2016 - $41,311)
Long-term loans payable, including convertible debts -$2,331,007 (2016 - $327,961)
Due to Affiliated companies -$254,257 (2016 -$462,279)

QUARTERLY FINANCIAL INFORMATION

The following is a summary of selected quarterly information that has been derived from the audited financial statements of Cielo. This summary should be read in conjunction with audited financial statements of Cielo as contained in the public record.

Quarterly Financial Information	**31-Jul 2017**	**30-Apr 2017**	**31-Jan 2017**	**31-Oct 2016**	**31-Jul 2016**	**30-Apr 2016**	**31-Jan 2016**	**31-Oct 2015**	**31-Jul 2015**
Operating data:	$	$	$	$	$	$	$	$	$
Total revenue	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Operating Expenses	226,281	224,235	62,137	38,317	123,961	42,363	105,510	314,606	155,390
Net Earnings (loss)	-259,900	-535,087	-62,137	-38,317	-123,961	-383,761	-105,510	-314,606	-155,390
Balance sheet data:									
Total assets	3,174,832	3,192,667	1,079,725	759,209	18,958	24,063	22,111	22,111	41,775
Total current liabilities	1,568,829	2,029,928	2,396,706	2,331,838	1,496,661	1,448,593	1,523,469	3,455,654	3,128,252

Explanation of Quarterly Variances.

The increase in the loss for the period ended July 31, 2017 ($259,900) (2016 – ($123,961)) can be attributed to two main factors. Firstly, there is an increase in interest and accretion expense at $98,755 (2016-$Nil), which was due to increases in short term loans, long term loans and convertible debentures. Finally, a charge for amortization on property, plant and equipment at $43,017 (2016-$Nil) was posted as the Company purchased several assets in the last quarter of the year ended April 30, 2017 needed to further develop Cielo's technology.

LIQUIDITY AND CAPITAL RESOURCES

As at July 31, 2017, the Company had $45,908 cash, and working capital deficit of $1,501,837. The Company is not subject to external working capital requirements.

During the three-month period ended July 31, 2017, the Company used $88,355 (2016-$123,961) in operating activities mainly for professional and consulting expenses related to engineering work and the Company also received $115,415 (2016-$52,127) inflow from its financing activities through convertible debentures and long-term loans (see "Financial Transactions" for more detail).

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

CONTINGENCIES / LEGAL PROCEEDINGS

The Company does not have any legal proceedings.

FINANCIAL TRANSACTIONS

The following financial transactions occurred in the three-month period ended July 31, 2017 and years ended April 30, 2016 and 2017:

A. On April 9, 2015 Cielo announced a non-brokered private placement offering of up to CAD $250,000 in secured convertible debentures, with a minimum subscription of $25,000 per subscriber. The Convertible Debentures will mature two (2) years from the date of issuance, carry an interest rate of 12.5% per annum, and be convertible at the option of the holder at a price of $0.10 per common share of Cielo. Cielo closed the Private Placement in three (3) tranches, on March 30, 2015, July 16, 2015 and September 29, 2015 for total proceeds of $250,000. In contemplation of a non-binding letter of intent (May 19, 2015) and finally a License Agreement entered into with 1888711 Alberta Inc. on June 14, 2016 ("1888711"), 1888, a private Alberta corporation, concurrently offered royalty and commission interests to subscribers for aggregate consideration of $250,000.

B. On each of November 4 and 27th and on December 18th, 2015 Cielo announced the settlement of debt in an aggregate amount equal to $2,113,740.27 through the issuance of 42,274,809 common shares in aggregate, each at $.05 per share.

C. On March 2, 2016, the President and CEO of Cielo acquired 7,875,212 common shares at a value of $.05 pursuant to a private agreement as a settlement of debt owing from such third party to Mr. Allan.

D. On April 14, 2016 Cielo announced the settlement of debt in the amount of $25,000.00 through the issuance of 500,000 common shares at $.05 per share.

E. On April 28, 2016 Cielo announced a non-brokered private placement offering of up to CAD $1,000,000 in secured convertible debentures, with a minimum subscription of $10,000 per subscriber. The Convertible Debentures will mature three (3) years from the date of issuance, carry an interest rate of 15% per annum, and be convertible at the option of the holder at a price of $0.10 per common share of Cielo. This offering was completed in three (3) tranches, closing on June 20, 2016, February 17, 2017 and March 31, 2017, raising aggregate gross proceeds of $610,000.00

F. On June 17, 2016, the Company issued 1,550,000 common shares at a fair value of $62,000 using the closing trade price on the same date, to settle debt of $77,500 which resulted in a gain of $15,500.

G. On July 4, 2016, Cielo issued 140,000 common shares at a fair value of $4,200 using the closing trade price on the same date, to settle debt of $7,000 which resulted in a gain of $2,800.

H. On October 27, 2016, Cielo issued 830,000 common shares at a fair value of $33,200 using the closing trade price on the same date, to settle debt of $41,500 which resulted in a gain of $8,300.

I. On November 17, 2016, Cielo issued 5,000,000 common shares at a fair value of $200,000 using the closing trade price on the same date. These shares were issued as partial payment for the purchase of the property in High River, Alberta.

J. On March 17, 2017, Cielo purchased a Case W20C front wheel loader and all of the associated complete bio-diesel analytic laboratory, equipment (gas chromatograph, Karl Fisher, automated Tiltrotor, flash point, etc.) and supplies, by issuing 2,036,364 common shares at a fair value of $142,545.

K. On April 5, 2017, Cielo issued 1,250,000 common shares for convertible debt of $125,000.

L. On April 13, 2017, Cielo received a $250,000 loan from a related party in exchange for a demand promissory note for the purposes of contributing to the purchase of the High River refinery.

M. On July 17, 2017, Cielo issued 8,500,000 common shares, $270,000 for cash and $580,000 for reduction of loans. Each common share was issued together with one-half of one warrant under a private placement offering of units (the "Unit Offering"). Each warrant is exercisable at a price of $0.20 for 12 months from the date of issuance. This was the first tranche closing of the Unit Offering.

N. On July 17, 2017 Cielo issued 1,250,000 common shares for convertible debt of $125,000.

The proceeds of all of the financial transactions above were used as intended and disclosed, without variance. All funds were used to pay professional fees (including legal, accounting, engineering, research and investor relations and administration.

TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties have been recorded at their exchange amounts, being the amounts agreed to and by the related parties.

Accounts payable and accrued liabilities balances at July 31, 2017 outstanding to officers and directors of the Company in the amount of $Nil (2016 - $Nil).

In the three-month period ended July 31, 2017, the Company accrued or paid professional fees of $3,300 (2016 - $Nil) to a CFO or a company owned by a CFO of the Company.

Office expense of $1,059 (2016 - $219), salaries and benefits of $6,412 (2016 - $6,435), rent expense of $7,500 (2016 - $7,493) and telephone expense of $1,076 (2016 - $941) were charged back to 1888711 Alberta Inc., a company related by Don Allan (officer and director), Robin Ray (director) and Mel Angeltvedt (director), pursuant to a License Agreement between the parties announced on June 14, 2016.

Further details are available in the Note 7, Note 9 and Note 12 to the July 31, 2017 notice to reader Financial Statements.

OUSTANDING SHARE DATA

As at July 31, 2017, the Company had 112,405,588 common shares, 4,250,000 warrants, 232,000 broker warrants and 5,500,000 stock options issued and outstanding.

As of the date of this MD&A, the Company has 118,010,713 common shares, 7,000,000 warrants, 656,000 broker warrants and 5,500,000 stock options issued and outstanding.

CRITICAL ACCOUNTING ESTIMATES

This item does not apply as the Company is a venture issuer.

CHANGE IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

Details are available in the July 31, 2017 notice to reader financial statements, which are available at www.sedar.com.

FINANCIAL INSTRUMENTS

Refer to Note 14 to the Company's financial statements for the three-month period ended July 31, 2017.

RISK FACTORS

Risks of the Company's business include the following:

No History of Revenues or Dividends

Cielo has no history of earnings and there is no assurance that the property, or any other future property that may be acquired by Cielo, will generate earnings, operate profitably, or provide a return on investment in the future. Cielo has no plans to pay dividends in the foreseeable future.

Reliance on Management's Expertise

Cielo strongly depends on the business acumen of its management team and there is little possibility that this dependence will decrease in the near term. The loss of the services of any member of such team could have a material adverse effect on the Issuer. Cielo does not have any key person insurance in place for management.

Renewable Diesel Fuel Industry

As a result of extensive research, management understands that US, Canadian and most European governments require a minimum of 2% - 10% of diesel fuels to be comprised of renewable diesel. In Canada, it is 2% minimum by the federal government and in most provinces and an additional 2% has been added to the federal mandate, with some provinces increasing their requirement to 5% minimum blend, making a total blend of 7%. In USA it is 2-5% depending on State, with California seeking to increase to 10%. In Europe it is 5% for automotive and 10% for airlines.

- 2011 bio-diesel requirements for Western Canada were 196 million litres.
- 2011 bio-diesel production in Western Canada was reported to be 42-Million litres
- The remaining 89.9% had to be imported from abroad

The development of a renewable fuel refinery involves significant risks, which even a combination of careful evaluation, experience and knowledge may not eliminate. While the renewable fuel production may result in substantial rewards, few renewable fuel refineries are developed into profitable businesses without significant help from government subsidies. Major expenses may be required to establish the refinery business. It is impossible to ensure that the current business plan by the Company will result in a profitable commercial refining operation.

The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital. Renewable fuel refining operations generally involve a high degree of risk. The Company's operations are subject to all the hazards and risks normally encountered in the feedstock, process design, the fluctuation of fuel prices and possible damage to, or destruction of the producing facilities, damage to life or property, environmental damage and possible legal liability. Although adequate precautions to minimize risk will be taken, refining operations are subject to hazards such as equipment failure and fuel storage areas, which may result in environmental pollution and consequent liability.

The Company's refining activities are directed towards the search, evaluation and development of feedstock and its ability to convert it into renewable fuel. There is no certainty that the refineries will result in production of commercial quantities of renewable fuel. There is competition within the renewable fuel industry which is considered to have commercial potential. The Company will compete with other interests, many of which have greater financial resources than it will have for the opportunity to participate in promising projects. Significant capital investment is required to achieve commercial production.

Commodity Prices

The profitability of the Company's operations is significantly affected by changes in the market price of various renewable fuels. The level of interest rates, the rate of inflation, world supply of these minerals and stability of exchange rates can all cause significant fluctuations in renewable fuel prices. Such external economic factors are in turn influenced by changes in international investment patterns and monetary systems and political developments. The price of diesel fuel has fluctuated widely in recent years, and future serious price declines could cause continued commercial production to be impracticable. Depending on the price of diesel fuels, cash flow from operations may not be sufficient. Any figures for reserves presented by the Company will be estimates and no assurance can be given that the anticipated production of fuel will be achieved or that the indicated level of recovery will be realized. Market fluctuations and the price of renewable fuels, may render refining uneconomical. Short-term operating factors relating to the production of renewable fuels, such as the increased feed stock costs or drop in renewable fuel prices, could cause the refining operation to be unprofitable in any particular accounting period.

Uninsured Risks

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

Conflicts of Interest

Certain of the directors of the Company also serve as directors and/or officers of other companies. Consequently, there exists the possibility for such directors to be in a position of conflict. Don Allan, Mel Angeltvedt and Robin Ray are each a director and/or officer of 1888711 Alberta Inc., the Company's licensee/licensor, as described in this MD&A. Any decision made by such directors involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with the Company and such other companies. In addition, such directors will declare, and refrain from voting on, any matter in which such directors may have a conflict of interest.

FINANCIAL AND DISCLOSURE CONTROLS AND PROCEDURES

During the three-month period ended July 31, 2017, there has been no significant change in the Company's internal control over financial reporting since last year.

On October 27, 2016 Cielo had a change in Chief Financial Officers, with the resigning of Jason Christian. Shannon Wyzykoski has taken on this role. Ms. Wyzykoski is a Chartered Professional Accountant with over 20 years' experience.

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 make. Investors should be aware that inherent limitations on the ability of the Company's certifying officers 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.

In connection with Exemption Orders issued in November 2007 and revised in December 2008 by each of the securities commissions across Canada, the Chief Executive Officer and Chief Financial Officer of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the unaudited interim financial statements and the audited annual financial statements and respective accompanying Management's Discussion and Analysis.

In contrast to the certificate under National Instrument ("NI 52-109") (Certification of Disclosure in Issuer's Annual and Interim Filings), the Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109.

DIRECTORS AND OFFICERS

Don Allan	Director, CEO, President
Robin Ray	Director
Doug MacKenzie	Director
Chris Dovbniak	Director
Mel Angeltvedt	Director
Shannon Wyzykoski	CFO

SUBSEQUENT EVENTS

A. On August 3, 2017, one holder of convertible debentures (the "Debentures") elected to convert an aggregate amount equal to $10,513 due and payable to them into 105,125 common shares of the Company at $0.10 per Common Share in accordance with the terms of the Debentures.

B. On August 31, 2017, the Company completed the second tranche of a private placement of 5,500,000 units ("Units) at $0.10 per Unit. Each Unit is comprised of one common share and one ½ of one warrant, with each full warrant ("Warrant") having an exercise price of $0.20 and an expiration date of twelve months from the date of issuance of the Units. In connection with the second tranche of the Private Placement, Cielo paid $42,400 in cash commissions and issued 424,000 finder's warrants (the "Finders' Warrants"). The Finders' Warrants will be exercisable into common shares for a period of twelve months at an exercise price of $0.10 per common share. All securities issued pursuant to the Private Placement will be subject to a statutory four-month hold period.

C. On September 18, 2017, the Company announced that it had agreed on a non-binding term sheet with a private Alberta based lender (the "Lender") for a $3.5 million line of credit (the "Credit Facility") for the conversion of the its pilot plant in High River, Alberta (the "Pilot Plant") into a commercial process and to refinance its existing mortgages. A firm agreement is expected upon the completion of due diligence by the Lender and the finalization of terms. The Credit Facility would be structured as a demand based, non-revolving line of credit and would bearsimpleinterestat12%annually. Payments of interest only would be required until September 30th, 2018 and Cielo would be able to repay the loan without penalty any time after September 30th, 2018. The Lender would receive security in the assets of the Company as well as bonus warrants, exercisable at $0.20 per share, on additional terms to be determined. The Credit Facility would be used to repay the current mortgage on the property in High River, Alberta where the Pilot Plant is located as well as the full indebtedness owed on Cielo's demonstration plan (the "Demo Plant"), which is being converted into the Pilot Plant. The balance would be used to fully construct Cielo's first commercial plant and allow Cielo to begin commercial operations.

D. Also on September 18, 2017, the Company announced that management had selected PanOptic Automation Solutions to handle the automation installation for the Pilot Plant.

ADDITIONAL INFORMATION

Additional information regarding the Company may be found on SEDAR, www.sedar.com.