Cielo Announces Closing of $11 Million Mortgage Loan, Partial Repayment and Amendment of Existing Loan

written by Raj Shah | February 22, 2022

February 22, 2022 (Source) – Cielo Waste Solutions Corp. (TSXV:CMC; OTCQB:CWSFF) ("Cielo" or the "Company"), a waste-to-fuel environmental technology company, is pleased to announce:

- The closing of the $11 million mortgage loan previously announced on December 30, 2021 (the "Loan") to partially repay the $12 million mortgage loan, announced on August 24, 2021, (the "Existing Loan") and to provide general working capital to Cielo; and
- the favorable amendment of the terms of the Existing Loan, including the removal of the Market Cap Requirements (as defined below), and the refund of a proportionate portion of the Interest Reserve (as defined below).

All amounts in this press release are in Canadian dollars unless otherwise indicated.

"The settlement of the Loan represents a significant step forward in simplifying Cielo's financial structure and providing additional capital to fund the activities at Aldersyde facility and Fort Saskatchewan research and development facility", commented Gregg Gegunde, Chief Executive Officer & Chief Operating Officer of Cielo. "This quarter is an exciting time in Cielo's operational development as we prepare for the commissioning of Aldersyde facility. With the additional fund and the favorable amendment of the Existing Loan, we will

allocate additional capital to execute on our plans at both Aldersyde and Fort Saskatchewan facilities."

Cielo Secures Additional Working Capital and Favorable Amendment of the Existing Loan

As announced on December 30, 2021, the Company, as borrower, entered into an agreement with First Choice Financial ("FCF"), as lender, which was completed on February 18, 2022 (the "Closing Date"). As detailed in the December 30, 2021 press release, the Loan carries an annual interest rate of 3%, has a term of 24 months, maturing on February 18, 2024, subject to early repayment terms (as described below), and is secured by facility in Aldersyde and property in Fort Saskatchewan, Alberta. The early repayment terms are: (i) Cielo's right to repay the loan early, without penalty, and (ii) FCF's right to review Cielo's financial position and business and technological advances on the one-year anniversary of the Closing Date and demand repayment within 90 days if FCF is not satisfied with such review, acting reasonably and in good faith.

The Company has issued 50,000,000 non-transferable share purchase warrants (the "Bonus Warrants"), each Bonus Warrant entitling FCF to purchase one common share of the Company at an exercise price of $0.22 for a period of 24 months, however in the event that the Loan is repaid early in whole or in part, a pro rata number of the total Bonus Warrants will have their term reduced to the date that is the later of: i) 30 days following the date of such repayment; and ii) 12 months from the date of issuance of the Bonus Warrants.

The Company utilized $5.5 million of the net proceeds of the Loan to repay the Existing Loan, and the balance will be used for general working capital purposes. Management believes that the closing of the Loan is positive for the Company as follows:

- Further improve the Company's cash position, and provide additional capital to fund the activities at the Aldersyde facility to achieve steady-state production, and the cost related to the research and development facility in Fort Saskatchewan, Alberta;
- Allow $5.5 million partial repayment to the Existing Loan without penalty, and the favorable amendment of the terms of the Existing Loan as further described below;
- Generate interest savings on the Existing Loan.

In consideration for the partial repayment to the Existing Loan, the terms of the Existing Loan have been amended in Cielo's favour as follows:

- The Existing Loan was subject to a special covenant in relation to the Company's market capitalization, which entitled the lenders of the Existing Loan to request partial repayments of the Existing Loan when the Company's market capitalization is below certain threshold (the "Market Cap Requirements"). The Market Cap Requirements have been removed in their entirety; and
- For the initial 12 months term, total interest of $720,000 was withheld by the lenders of the Existing Loan as an interest reserve (the "Interest Reserve") and applied against the initial 12 monthly payments of interest. A proportionate portion of the Interest Reserve, approximately $175,000, will be returned to Cielo in due course.

In addition, as a result of the partial repayment to the Existing Loan, the term of 5.5 million of the 12 million bonus warrants that were issued in connection with the Existing Loan (the "Existing Bonus Warrants") has been reduced such that the 5.5 million Existing Bonus Warrants will, if not exercised, expire on May 19, 2022.

Cielo remains committed to providing updates to shareholders on a timely basis as the Company continues to meet its milestones, and as new key objectives are established.

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About Cielo Waste Solutions Corp.

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

The Company’s strategic intent is to become one of the leading waste-to-fuel environmental technology companies using its environmentally friendly, economically sustainable technology. Cielo has a patented process that can convert waste feedstocks, including plastics, rubber, organic material and wood derivative waste to fuel. Cielo’s business model is to source waste feedstocks from industrial producers and other suppliers and convert the feedstocks into fuels. Having demonstrated its ability to produce diesel and naphtha from waste, Cielo plans to

further enhance its Aldersyde facility and to construct additional facilities that will convert waste feedstocks to energy fuels, including diesel, naphtha, and kerosene. The diesel from Cielo's distillate could be used in diesel engines. Kerosene could be suitable for aviation or marine jet fuel, and naphtha could be used to assist in transporting heavy oil. Cielo's objective is to generate value from converting waste to fuel while ridding the world of unwanted and problematic waste.

Cautionary Note Regarding Forward-looking Statements

This News Release contains certain forward-looking statements and forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "achieve", "could", "believe", "plan", "intend", "objective", "continuous", "ongoing", "estimate", "outlook", "expect", "may", "will", "project", "should" or similar words, including negatives thereof, suggesting future outcomes.

Forward-looking statements are subject to both known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Company, that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward looking statements. Cielo is making forward looking statements, with respect to, but not limited to: the use of net proceeds of the Loan and the allocation of additional capital to execute on Cielo's plans at both Aldersyde and Fort Saskatchewan facilities*; the evaluation by FCF of Cielo's financial condition and business and technological advancements, and such evaluation taking place 12 months or later from the Closing Date and FCF*

acting reasonably and in good faith; the terms of the Existing Bonus Warrants and the Bonus Warrants, including but not limited to their respective expiry dates, and in particular the expiry of the Existing Bonus Warrants, if not exercised by May 19, 2022; the requirement and Cielo's ability to make the monthly interest payments of $27,500 with respect to the second year of the term of the Loan, if outstanding; the return of a proportionate portion of the Interest Reserve, approximately $175,000, to Cielo in due course; management's preparation for the commissioning of Aldersyde facility during the current quarter; *and the favorable impact and the anticipated benefits of the foregoing on the Company. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended.*

Forward-looking statements are not a guarantee of future performance and involve a number of risks and uncertainties, some of which are described herein. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause the Company's actual performance and results to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Any forward-looking statements are made as of the date hereof and, except as required by law, neither the Company assumes no obligation to publicly update or revise such statements to reflect new information, subsequent or otherwise. Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange), nor OTCQB nor WKN, have reviewed, and do not accept responsibility for the adequacy or accuracy of, the content of this Press Release.

SOURCE: Cielo Waste Solutions Corp.