Ecolomondo Corporation

MANAGEMENT'S DISCUSSION & ANALYSIS

April 29, 2024

The following management's discussion and analysis ("MD&A") of the operations, results, and financial position of Ecolomondo Corporation (the "**Company**"), dated April 29, 2024, covers the years ended December 31, 2023 and 2022 and should be read in conjunction with the audited annual consolidated financial statements of the Company including its subsidiaries Ecolomondo Environmental (Contrecoeur) Inc., Ecolomondo Environmental (Hawkesbury) Inc., 9083-5018 Quebec Inc. and Ecolomondo Process Technologies for the same periods, which were prepared in accordance with International Financial Reporting Standards **("IFRS").** Additional information on the Company is also available on SEDAR at www.sedar.com.

This document should read in conjunction with the risk factors enumerated in the section hereunder "Risk Factors".

Where we say "we", "us", "our", or the "Company", we mean Ecolomondo Corporation (formerly Cortina Capital Corp.) unless otherwise indicated. All amounts are presented in Canadian dollars unless otherwise indicated.

Forward-looking statements

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe, and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

With respect to forward-looking statements above and otherwise contained in this MD&A, the Company has made assumptions regarding, among other things:

- *the legislative and regulatory environment;*
- *the impact of increasing competition;*
- *the ability to obtain regulatory and shareholder approvals; and*
- *the ability to obtain additional financing on satisfactory terms.*

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below:

- *volatility in the market conditions;*
- *incorrect assessments of the value of acquisitions;*
- *due diligence reviews;*
- *competition for suitable acquisitions; and*
- *volatility in the global economy created by the remnants of COVID-19 Pandemic and the geo-political instability throughout the planet.*

Overall Performance

Ecolomondo Corporation was incorporated on September 30, 2015 under the Canada Business Corporations Act and is listed on the TSX Venture Exchange (the "**Exchange**") since October 2017 under the symbol ECM. The Company is a clean tech company that is marketing its proprietary Thermal Decomposition technology ("**TDP**"), that recovers valuable resources from end-of-life tires, namely steel, oil, carbon black, syngas and fiber. During the fiscal year 2023, the Company continued to work on process optimization, efficiency, safety, end-product processing and commissioning of its new TDP facility in Hawkesbury (Ontario, Canada), including preparing for its ramp-up to commercial production. To know more about the Company and its technology, visit its website at www.ecolomondo.com.

During the fiscal year ended December 31, 2023, the Company continued to make important strides at its state-of-the art Hawkesbury TDP turnkey facility. Because of delays in the Hawkesbury commercialization, the Company decided to delay the beginning of construction at its Shamrock, Texas, TDP turnkey facility, now expected to begin only by the second quarter of 2025. The Company continued to promote its TDP proprietary technology to strategic partners while it is strategizing to select potential future sites and investors to build TDP turnkey facilities, all as part of its global expansion strategy.

Current events at the Hawkesbury TDP Facility

The Hawkesbury facility building is 46,200 sq.ft and has an impressive indoor clearance of 28 feet. It is state-of-the-art and houses tire shredding, thermal decomposition, and recovered carbon black processing lines. Once fully operational, this facility is expected to process 1.3M of scrap tires per year and produce 8.7M lbs of recovered carbon black, 34,608 barrels of oil, 2.9M lbs of steel, and 2.6M lbs of process gas.

During the fiscal year ended December 31, 2023, Ecolomondo achieved a major milestone and performed the simultaneous production cycles at optimal payloads using both of reactors at its Hawkesbury TDP facility. The facility initially began testing its reactors in January 2023 with an initial payload of 1,600 lbs and payloads were gradually increased and reached the optimal payload goal of 15,000 lbs per production cycle of each reactor. During the period, the company had revenues of $196,727 from the sale of end-products produced at the Hawkesbury facility.

During the year, the Company entered into several amending agreements to the original loan agreement with Export Development Canada (**"EDC"**) on May 31, July 26, September 28, October 31, November 29, and subsequently on December 22, 2023, the parties reached a final amended agreement to restructure the loan (the "**Restructured Loan**"). The Original loan Agreement was executed on April 3, 2019, to finance the construction

of the Company's first-of-its-kind new turnkey thermal decomposition facility in the Town of Hawkesbury, Ontario (the **"Hawkesbury facility"**) to process end-of-life tires to produce renewable resources. The Restructured Loan allowed for the postponement of principal and interest payments to May 2024 with interest capped at 8.5% per year. The agreement calls for the Restructured Loan to be repaid in quarterly settlements of principal and interest starting in May 2024 based on a 25-year amortization, and the final balance and all capitalized interest to be repaid when the Loan matures in May 2029.

The Company achieved many milestones at its Hawkesbury TDP turnkey facility during the year 2023, including:

- Improved efficiency of the shredding line and thermal processing TDP;
- Final certifications from TSSA (Technical Standards and Safety Authority) needed to operate the thermal department, in particular for the use of the syngas (process gas) produced from TDP production cycles as the energy source to fire up reactors;
- The beginning of execution of a supply agreement for scrap tires with a PRO (Producer Responsibility Organization), which contracts with tire producers to provide collection, management and administrative services to recover used tires;
- Sales to steel recyclers for the steel recovered from used tires;
- Sales of pyrolysis oil to multinational corporations for the pyrolysis oil recovered from used tires;
- Sales for the Recovered Carbon Black (rCB) resulting from used tires;

Throughout the year, the company continued to expand its personnel at the Hawkesbury facility, adding professionals, mechanics, operators, burner specialists, and maintenance personnel. These additional personnel will lead to improved efficiency and ensure that the Hawkesbury facility has the personnel in place to fully ramp-up the facility.

In late 2023, as the Company began to ramp-up its production, while doing so, it became aware that its recovered carbon black milling machine did not have the capacity of producing the required throughput of 1,600 lbs per hour of recovered carbon black and to produce the needed particle size of 15 microns. The Company identified the deficiency immediately and took the necessary corrective measures.

While these corrective measures will cause some delay to Hawkesbury's full commercialization, which are mostly due to delays in receiving and installing new equipment, management believes that all should be completed in the third quarter of 2024. During this period, the Company plans to keep shredding scrap tires, selling the steel and the pyrolysis oil, and producing recovered carbon black. The Company plans to ship the rCB produced to a third party for final processing, at which time the Company expects to sell the processed recovered carbon black to its customers.

A private placement that was initiated in late 2022 closed on January 16, 2023 for aggregate gross proceeds of $1,000,051.60. This Private Placement is comprised of 2,222,336 units (the "Units") at the price of $0.45 per Unit. Each Unit consisted of one common share (the "Common Shares") and one common share purchase warrant (the "Warrants"), each Warrant entitling the holder to acquire an additional Common Share of the Company for $0.55 for a period of six months from the closing date, being July 16, 2023. 3212521 Canada Inc., a company controlled by Mr. Eliot Sorella, Chairman, CEO and significant shareholder of the Company has acquired 852,225 Units in the Private Placement.

Additional financing was also provided by the Company's controlling shareholder in 2023, President, CEO and Director Elio Sorella. As a subsequent event to the period ended December 31, 2023, 3212521 Canada Inc., a company under common control, converted previous loans made to the Company, totalling $3,498,853 as at January 2, 2024, into voting Common Shares at the price of 13.50 cents, which is the closing price of 18 cents on January 2, 2024, discounted by 25%, in accordance with TSXV policies, for a total of 25,917,430 common

shares of the Company. In the press release reporting the transaction, the Company also informed that the controlling shareholder intended to advance a further amount of up to $1 million, with a term of one year having an interest rate of 8.5% per annum, to fund the Company well into the commercialization of the Hawkesbury facility. The Shares-For-Debt transaction between the Company and 3212521 Canada Inc. was approved by TSXV later in January 2024.

During the year, the Hawkesbury TDP facility has successfully obtained the ISO 9001:2015, ISO 14001:2015 & ISO 45001:2018 certification of its Integrated Management System (IMS). ISO standards are regularly reviewed to ensure its requirements reflect best practices for organizations, as well as the needs of customers, in the evolving marketplace. The IMS certification demonstrates and acknowledges Ecolomondo's commitment for quality, environmental impact and health and safety at work.

The Hawkesbury TDP facility also received the International Sustainability and Carbon Certification ("ISCC"). ISCC is a Global Sustainability Certification System and offers chain-of-custody certification systems to ensure traceability and feedstock identity. It is an independent multi-stakeholder initiative and leading certification system supporting sustainable, fully traceable, deforestation-free and climate-friendly supply chains. Certifications by ISCC cover sustainable agricultural biomass, biogenic waste and residues, non-biological renewable materials and recycled carbon-based materials. With currently over 7,000 valid certificates in more than 100 countries, ISCC is among the world's largest certification systems. With an ISCC certification, Ecolomondo contributes to environmentally, socially and economically sustainable production. It can also add commercial value to the Company's end-products as they remain traceable in the supply chain.

During the year, the Company retained Independent Trading Group (ITG), Inc. ("ITG") to provide market making services to the Company, in compliance with the policies and guidelines of the TSX Venture Exchange ("TSXV") and other applicable legislation.

The Company filed in October 2023 an application for listing on the OTCQB Markets under the symbol "ECLMF" in the United States operated by OTC Markets Group Inc. This significant step further solidifies ECM's commitment to expanding its global footprint and accessibility for investors. The OTCQB market is renowned for providing a transparent and efficient trading platform for early-stage and established companies. Trading in the US is a logical step, considering the Company's US objectives starting with its next project, a six-reactor TDP facility slated to be built in Shamrock, Texas. The application was approved and since January 2024 the Company is listed on the OTCQB; its common shares are traded under the symbol "ECLMF" in the United States. Ecolomondo's common shares continue to be traded on the TSX Venture Exchange as usual, under the symbol "ECM".

The Company expects its revenues to come from the design, build and operation of TDP turnkey facilities, royalties from their operation, including the sale of after-market parts and services. Revenues for TDP turnkey facilities will come from selling of the end-products they produce, namely recovered carbon black, oil, gas and steel. During the period, the Company continued to work with offtake customers for its recovered carbon black, known as "Mondo Black", for its oil, known as "Mondo Crude", its steel and fiber, both domestically and internationally. For more information on the TDP recovered products, please visit the Company's website at www.ecolomondo.com.

Recovered carbon black is the end-product that has the highest commercial value. Ecolomondo's process and its optimization ensures a high percentage of recovered carbon black production of between 38% and 40% of reactor payloads that should result into higher revenues for TDP turnkey facilities. Carbon black is black powder normally manufactured using a highly polluting process, notably the direct combustion of hydrocarbons. Today, restrictions on emissions are causing the global supply of carbon black to plateau while global demand keeps spiraling. Any supply shortages could be easily filled by waste-to-resources companies like Ecolomondo and with a much greener environmental footprint. Management believes that strengthening demand and a tightening supply for virgin carbon black should set the stage for higher

demand and prices in the future for recovered carbon black, ensuring a sustainable supply.

Production of TDP's rCB reduces CO_2 emissions by approximately 90% compared to production of virgin carbon black. The strengthening demand and a tightening supply for virgin carbon black, caused by the geo-political events such as the Ukraine war and strong consumer demand, have set the stage for greater demand and higher prices for Ecolomondo's rCB, 'Mondo Black'.

The other end-products of the Company's TDP facilities are also commodities that have strong global markets. The oil is comparable to a refined quality synthetic oil being high in carbon could be used to produce green virgin carbon black, solvents and polymers.

The steel extracted from waste tires is a high-grade product that is in strong demand by steel foundries and mills. TDP also produces hydrocarbon gas, high-BTU with a calorific value approaching propane gas. This gas is used as the energy source for the thermal process, making Ecolomondo's thermal technology almost completely energy self-sufficient.

The Company further advises that the current global market conditions and the current geo-political global instability have created tight supply of virgin products that set the stage for higher pricing which should eventually translate into higher revenues for the Company.

Supported by increasing global consumption, the Company expects that there should be an abundant supply of scrap tire feedstock for the foreseeable future. The Company expects that the continued global expansion of tire manufacturing should generate an increasing and stable supply of scrap tire feedstock that should help drive Ecolomondo's future growth.

Significant Projects That Have Generated Limited or No Revenues

Contrecoeur pilot facility
The Contrecoeur facility is an industrial-scale TDP facility based in Contrecoeur, Quebec, that was built in 1998. Since then, this facility was mostly used to develop the Company's proprietary TDP technology. It was instrumental in achieving many of the proprietary milestones such as efficient process parameters, automation, emission controls, water recycling and safety, all needed for TDP to operate commercially, while ensuring quality and consistency of its end-products so that they achieve market acceptance to maximize value.

With the completion and start of operations of the Hawkesbury facility, the Company has decided to dismantle the Contrecoeur facility and transfer some of its equipment to the Hawkesbury TDP facility. This decision is not expected to have any major financial impact to the Company since all equipment in Contrecoeur is fully depreciated.

Hawkesbury facility
In March 2019, the Company agreed on definitive terms with Mr. Gregory Matzel, a New Jersey and Pennsylvania-based real estate developer to be Ecolomondo's future partner in the new Hawkesbury 2-reactor TDP turnkey facility. Mr. Matzel contributed US$1,900,000 (valued at $2,512,940 as at December 31, 2023) as his share of the capital required to purchase 45% equity stake in the joint venture entity, Ecolomondo Environmental (Hawkesbury) Inc., the corporate entity that is the owner of the Hawkesbury TDP turnkey facility.

Ecolomondo Environmental (Hawkesbury) Inc. purchased the land for the TDP turnkey facility in 2018 and the Town of Hawkesbury built the access road to the plant location on Tessier street. On April 3, 2019, the Company and EDC announced a loan agreement of $32.125 million in project financing for the construction of the Hawkesbury facility while a groundbreaking ceremony was held on August 21, 2019, and financial closing of the agreement was successfully executed on December 23, 2019.

Construction took place mostly during the COVID years between 2020-2022 and was completed during 2023. Process commissioning mostly began in January 2023 and the Company is currently working towards its ramp-up phase. Please visit the Company's website at www.ecolomondo.com for updates on the Company's Hawkesbury facility.

As of December 31, 2023, capital expenditures for the Hawkesbury facility totaled $44,554,339 and the term loan with EDC reached $37,903,920. The Company contributed equity of $11,828,295 to fulfill the covenants of its loan and amending agreements.

A write-down of $3,392,636 of the Hawkesbury assets is reflected in the consolidated financial statements of the Company for the year ended December 31, 2023, to reflect the removal of equipment and related costs that have been replaced or discarded.

The Company believes that the successful commercial operation of the Hawkesbury facility as a TDP turnkey facility is an important step in the Company's growth strategy and management expects that by achieving this milestone, it should help bring global attention and help drive the Company's global expansion.

Shamrock TDP Facility
In line with its expansion strategy, the Company has continued during 2023 to prepare its next project, a six-reactor TDP facility to be located in Shamrock, Texas. Working in close consultation with the Shamrock Economic Development Corporation, Ecolomondo entered into a binding land purchase agreement for a 136.76 acre parcel of land on I-40 in Shamrock, Texas for the proposed plant construction. In the binding agreement with the Shamrock Economic Development Corporation, Ecolomondo has paid $10.00 in consideration for selecting Shamrock, TX, as the location for its US launch. Strategically situated in Wheeler County and close to major hubs such as Dallas and Oklahoma City, the land is conveniently located on Interstate 40, a major east–west Interstate Highway running through the south-central portion of the United States.

Processing capabilities for the Shamrock facility, when built and commissioned, is projected at 50,000 metric tons per year of end-of-life tires, yielding approximately 15,900 metric tons of recovered carbon black, 128,100 barrels of oil, 5,400 metric tons of steel, 2,550 metric tons of fiber and 4,800 metric tons of syngas; roughly three times the size of the Company's Hawkesbury (Ontario) plant output that will soon commence commercial operations. Facility construction is expected to begin by the end of the second quarter of 2025 with completion expected by the end of 2026. Projected cost to build is projected at approximately US $93 million. The Company is working to secure the required project financing, mostly through a volume cap State bond of approximately US$73 million. The balance is expected to come from a combination of private investors, JV partners and capital from the Company.

Because of delays in the Hawkesbury commercialization, the Company thought it best to delay the beginning of construction at its Shamrock, Texas, TDP turnkey facility, now expected to begin only by the second quarter of 2025.

Results of Operations

Results of Operations for the Years Ended December 31, 2023 and 2022

Revenues

During the years ended December 31, 2023 and 2022, the Company has revenues of $149,281 and $81,632, respectively.

The increase of $67,649 in revenues between the years ended December 31, 2023 and 2022 is due to revenues from end-products sold of $196,727 in the year ended December 31, 2023, compared to nil for the year ended on December 31, 2022, partially offset by a reversal in government assistance of $60,000 in the year ended December 31, 2023 compared to a government assistance of $10,000 in the year ended December 31, 2022.

General and administrative expenses

The Company's general and administrative expenses reflect all expenses that management considers overhead and administrative salaries and excludes expenses related to the construction and commissioning of the Hawkesbury TDP facility, which are capitalized in the Plant Under Construction. In addition to the administrative expenses, overhead expenses include advertising and marketing, travel, utilities, insurance, communications and professional fees.

General and administrative expenses were $1,255,200 for the year ended December 31, 2023 compared to $653,587 for the year ended December 31, 2022. General and administrative expenses increased by $601,613 mostly due to a stock-based compensation of $619,450 in the year ended December 31, 2023 compared to nil in the year ended December 31, 2022.

Operating expenses

Operating expenses include expenses related to general operations of the Company and its subsidiaries and research and development expenses. Operating expenses consist primarily of expenses for personnel and operating costs, including those focused on finding and developing improved processes and operations. These expenses also consist of facility costs, lab materials and related overhead. The Company's research and development expenses are associated with its Contrecoeur facility are incurred as a direct result of the efforts to keep improving and developing the TDP technology platform. Accordingly, the Company expects to incur ongoing research and development expenses.

The Company expenses all operating, research and development costs as they are incurred when they do not meet the criteria for capitalization. Operating expenses for the year ended December 31, 2023 were $1,304,644, compared to $918,138 for the year ended December 31, 2022. The increase of $386,506 is mainly attributable to an increase in depreciation of equipment of $189,978, which were $790,006 for the year ended December 31, 2023 compared to $600,028 for the year ended December 31, 2022, and to a depreciation of building of $129,000 for the year ended December 31, 2023 compared to nil for the year ended December 31, 2022.

Financial expenses

Financial expenses were classified as an income of $553,039 for the year ended December 31, 2023, due to a gain on debt extinguishment of $887,056 following the Restructured Loan with EDC, and $66,698 for the year ended December 31, 2022, respectively.

Gain on revaluation of warrant liability

In September 2021, the Company raised capital with a non-brokered private placement, consisting of 6,153,845 units at a price of $0.65 per Unit for gross proceeds to the Company of $4,000,000. Each Unit is comprised of one common share and one-half of one share purchase Warrant. Each whole Warrant entitles the holder to acquire one additional common share in the capital of the Company at a price of $1.00 per Warrant

Share, for a period of three years from the date the Units are issued. However, considering the Corporation may reduce the Exercise Price of the Warrants, the warrants were recorded at fair value on the day of issue as a liability and then revalued at each balance sheet date. A gain on revaluation of warrant liability is recorded in the Consolidated Statements of Loss and Comprehensive Loss for an amount of $325,232 for the year ended December 31, 2023 ($427,043 gain for the year ended December 31, 2022).

Loss before income taxes

The operating loss for the year ended December 31, 2023 was $4,924,928 compared to a loss of $1,129,748 for the year ended December 31, 2022. The increase of $3,795,180 in the loss for the year ended December 31, 2023 compared to the year ended December 31, 2022 is mostly attributable to (i) a write-down of equipment of $3,392,636 in the year ended December 31, 2023, to reflect the removal of equipment and related costs that have been replaced or discarded, (ii) an increase of $601,613 in general and administrative expenses between the two periods, and (iii) an increase of $386,506 in operating expenses between the two periods, partially offset by (iv) a decrease of $619,737 in financial expenses between the two periods and (v) a gain on revaluation of warrant liability of $325,232 during the year ended December 31, 2023 compared to a gain of $427,043 in the year ended December 31, 20222.

Income taxes

For both the years ended December 31, 2023 and 2022, the Company had no current income tax expense. The Company had deferred income tax recovery of $200,220 and $93,147 for the years ended December 31, 2023 and 2022, respectively.

As at December 31, 2023, the Company has net operating loss carry-forwards of approximately $8,082,000 ($6,723,000 as of December 31, 2022) that are available to reduce taxable income in future years in various amounts through 2043. The Company has determined that the realization of the future tax benefits arising from the net operating loss carry-forwards is not likely to occur and, therefore, deferred tax assets have been recognized in the consolidated financial statements to the extent that taxable temporary differences exist to offset them.

Deferred taxes arising from temporary differences and unused tax losses are summarized as follows:

	January 1, 2023	Recognized in comprehensive loss	December 31, 2023
	$	$	$
Deferred tax liabilities (assets)			
Non-current assets			
Equipment	200,220	(200,220)	
Unused tax losses			
	200.220	(200,220)	

	January 1, 2022	Recognized in comprehensive loss	December 31, 2022
	$	$	$
Deferred tax liabilities (assets)			
Non-current assets			
Equipment	293,367	(93,147)	200,220
	293,367	(93,147)	200,220

Unused tax losses and deductible temporary differences for which no deferred tax assets have been recognized on the consolidated financial statements are as follows:

	December 31, 2023	December 31, 2022
	$	$
Tax losses	8,082,000	6,723,000
Deductible temporary differences	613,000	
	8,695,000	6,723,000

The following table presents the year of expiration of the Company's unused tax losses carried forward for which no deferred tax assets have been recognized as at December 31, 2022:

	$
2032	585,000
2033	216,000
2034	1,007,000
2035	500,000
2036	1,076,000
2037	414,000
2038	446,000
2039	707,000
2040	281,000
2041	813,000
2042	887,000
2043	1,150,000
	8,082,000

The reconciliation of the combined Canadian federal and provincial statutory income tax rate to the Company's effective income tax rate is detailed as follows:

	December 31, 2023	December 31, 2022
	%	%
Combined federal and provincial income tax rate	26.50	26.50
Non-deductible expenses	(20.63)	(20.76)
Deferred tax assets not recognized	(3.33)	(2.83)
Non-taxable revenues	1.75	10.02
Other	(0.22)	(4.70)
	4.07	8.24

The Company has investment tax credits related to research and development amounting to $163,000 ($163,000 in 2022) that have not been recognized in the consolidated financial statements as such credits are not reimbursable, rather they are available to reduce future taxable income. These credits expire at various dates from 2037 to 2039.

Results of Operations for the Three-Month Periods Ended December 31, 2023 and 2022

Revenues

During the quarters ended December 31, 2023 and 2022, the Company had negative revenues of $4,153 (due to a reversal in government assistance) and positive revenues of $12,138, respectively. Notwithstanding the reversal in government assistance, the revenue would be an increase of $55,847 due to initial sales of end-products. Revenue for both periods includes interest income in relation to cash and cash equivalents.

General and administrative expenses

The Company's general and administrative expenses reflect all expenses that management considers overhead and administrative salaries and excludes expenses related to the construction and commissioning of the Hawkesbury TDP facility, which are capitalized in the Plant Under Construction. In addition to the administrative expenses, overhead expenses include advertising and marketing, travel, utilities, insurance, communications and professional fees.

General and administrative expenses increased by $297,165 between the two periods. They were $308,479 for the quarter ended December 31, 2023, compared to $11,314 for the quarter ended December 31, 2022. The increase is primarily due to a stock-based compensation of $82,950 during the quarter ended December 31, 2023 compared to nil in the same period ended December 31, 2022.

Operating expenses

Operating expenses include expenses related to general operations of the Company and its subsidiaries and research and development expenses. Operating expenses consist primarily of expenses for personnel and operating costs, including those focused on finding and developing improved processes and operations. These expenses also consist of facility costs, lab materials and related overhead. The Company's research and development expenses are associated with its Contrecoeur facility are incurred as a direct result of the efforts to keep improving and developing the TDP technology platform. Accordingly, the Company expects to incur ongoing research and development expenses.

The Company expenses all operating, research and development costs as they are incurred when they do not meet the criteria for capitalization. Operating expenses for the quarter ended December 31, 2023 were $642,229, compared to $239,773 for the same quarter ended December 31, 2022. The increase of $402,456 is attributable to (i) an increase in depreciation of equipment of $189,978 between the two periods and to (ii) a depreciation of building of $129,000 in the period ended December 31, 2023, compared to nil in the period ended December 31, 2022.

Loss before income taxes

Loss before income taxes went from earnings of $14,538 for the three-month period ended December 31, 2022 to a loss of $3,736,075 during the same period ended December 31, 2022. The negative variation of $3,750,613 between the two periods is attributable to (i) a write-down of equipment of $3,392,636 in the year ended December 31, 2023, to reflect the removal of equipment and related costs that have been replaced or discarded, compared to nil in the year ended December 31, 2022, and to (ii) a decrease of $615,209 in financial expenses between the two periods, due to a gain on debt extinguishment of $887,056 following the Restructured Loan with EDC.

Income taxes

For both the three-month periods ended December 31, 2023 and 2022, the Company had no current income tax expense. The Company had deferred income tax recovery of $91,791 and expense of $15,282 for the quarters ended December 31, 2023 and 2022, respectively. The decrease in deferred income tax expense of $107,073 is mainly attributable to the reduction in the taxable temporary differences of the equipment and intangible assets from the depreciation and amortization being taken.

Cash Flows

Cash Flows for the Years Ended December 31, 2023 and 2022

Cash Flows

	Year ended	
	December 31, 2023	**December 31, 2022**
	$	$
Operating Activities	(1,054,571)	(45,113)
Investing Activities	(1,807,549)	(5,119,115)
Financing Activities	2,845,124	864,533
Net Decrease in Cash	**(16,996)**	**(4,299,695)**

Operating Activities: Net cash used by the Company's operating activities during the year ended December 31, 2023 increased by $1,054,571 compared to the year ended December 31, 2022, primarily due to (i) an increase of $3,668,107 in net loss between the two periods, and to (ii) a gain on debt extinguishment of $887,056 in the year ended December 31, 2023, compared to nil in the year ended December 31, 2022, partially offset by (iii) a write-down of equipment of $3,392,636 in the year ended December 31, 2023, compared to nil in the year ended December 31, 2022 and by (iv) a negative variance in changes in working capital items of $847,983.

Investing Activities: Net cash used for investing activities during the year ended December 31, 2023 decreased by $3,311,566 compared to the year ended December 31, 2022, which is due to acquisition of property, plant and equipment, which totaled $1,807,549 for the year ended December 31, 2023 and $5,119,115 in the year ended December 31, 2022.

Financing Activities: During the year ended December 31, 2023, cash flows provided by financing activities increased by $1,980,591, from $864,533 in the year ended December 31, 2022, compared to $2,845,124 in the year ended December 31, 2023. This increase came from (i) an advance of $2,010,000 from a company under common control in the year ended December 31, 2023, compared to nil in the year ended December 31,2022, and to (ii) a private placement with net proceeds of $971,772 in the year ended December 31, 2023 compared to nil in the year ended December 31, 2022, partially offset by (iii) proceeds from exercise of options of $1,000,000 in the year ended December 31, 2022, compared to nil in the year ended December 31, 2023.

The Company anticipates its material liquidity needs in the near and intermediate term to consist of the following:

- Working capital needs, including operating expenses and costs associated with research and development and future developments and the commercialization of the TDP technology;
- Funding the commissioning and production of the Hawkesbury TDP facility.

The Company does not anticipate paying any cash dividends on its capital stock in the foreseeable future as it currently expects to retain all future earnings, if any, in the operation and expansion of its business.

Cash Flows for the Three-Month Periods Ended December 31, 2023 and 2022

	Three-Month Periods ended	
	Dec 31, 2023	Dec 31, 2022
	$	$
Operating Activities	(341,098)	384,681
Investing Activities	(394,280)	(5,427)
Financing Activities	785,930	(1,045,700)
Net Increase (decrease) in Cash	**50,552**	**(666,446)**

Operating Activities: Net cash used by the Company's operating activities during the quarter ended December 31, 2023 increased by $725,779 compared to the same period ended December 31, 2022, mostly due to an increase of $3,643,540 in the net loss during the third quarter of 2023 compared to the same quarter in 2022, and (ii) a gain on debt extinguishment of $887,056 in the third quarter of 2023, compared to nil in 2022, partially offset by (iii) a write-down of equipment of $3,392,636 in the third quarter of 2023, compared to nil in 2022.

Investing Activities: Net cash used for the Company's investing activities during the quarter ended December 31, 2023 increased by $388,853 compared to the same period ended December 31, 2022. The increase in cash used for the Company's investing activities is due to an increase in "Acquisition of property, plant and equipment" of $388,853 between the two periods.

Financing Activities: Net cash provided by the Company's financing activities during the quarter ended December 31, 2023 increased by $1,831,630 compared to the same period ended December 31, 2022 mostly due to an increase of $834,700 in advances from a company under common control.

Assets, Liabilities and Shareholders' Equity

As of December 31, 2023, total assets were $45,186,667, compared to $43,958,075 as of December 31, 2022. The primary reason for the increase of $1,228,592 in total assets between December 31, 2023 and December 31, 2022 was an increase of $1,368,246 in "Property, plant and equipment".

As of December 31, 2023, total liabilities were $45,710,589, compared to $41,348,511 as of December 31, 2022. The increase of $4,362,078 in total liabilities between the two periods is mostly due to (i) advances from a company under common control, without interest and without repayment terms until January 2024, in a total of $3,528,853 as of December 31, 2023, compared to nil as of December 31, 2022, and to (ii) an increase of $2,664,669 in the term loan from EDC, which was $36,667,362 as of December 31, 2023, compared to $33,760,368 as of December 31, 2022.

The Company had a working capital deficit of $9,136,778 as of December 31, 2023 compared to a working capital deficit of $5,713,699 as of December 31, 2022. This increase of $3,423,079 in working capital is mostly attributable to advances from a company under common control of $3,528,853 as of December 31, 2023, compared to nil as of December 31, 2022.

As of December 31, 2023, the Company had an accumulated deficit of $26,743,082 compared to an accumulated deficit of $22,018,374 as of December 31, 2022. The $4,724,708 increase in the accumulated deficit between the two periods is attributable to the net loss recorded for the year ended December 31, 2023.

Liquidity

The Company manages its capital to ensure the Company's ability to meet strategic objectives, including the

construction and completion of the Hawkesbury TDP facility and the commercialization of the TDP technology. The capital structure of the Company consists of cash, term deposits, advances from a company under common control, long-term debt and equity.

As of December 31, 2023, the Company had cash on hand of $88,272 however on January 3, 2024, it announced in a press release that it has secured additional funding of $1 million from 3212521 Canada Inc., a company controlled by the Company's controlling shareholder, bolstering its cash on hand.

The Company expects to use a further $4,500,000 during the next fiscal year, mostly for working capital, commissioning, ramp-up and purchase of equipment at its Hawkesbury facility, of which as indicated above on January 3, 2024, $1 million has already been injected. The Company continues to re-assess its working capital needs regularly and amounts that it may need for its working capital, operations and global expansion. The Company is expecting to raise the remaining cash requirements of $3,500,000 for the balance of 2024 by securing a bridge loan of $3,000,000, with the balance of $500,000 coming from a company controlled by its controlling shareholder. The Company further advises that on March 27, 2024, it benefited from another advance of $500,000 from a company under common control.

Going Concern Assumption

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), in particular on the assumption that the Company will continue as a going concern, meaning it will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations.

Since inception, the Company has incurred operating losses. As at December 31, 2023, the Company has an accumulated deficit of $26,743,082 ($22,018,374 as at December 31, 2022) as well as negative working capital. The Company has not yet completed the construction of its Hawkesbury plant to enable the Company to establish a stabilized source of revenue sufficient to cover operating expenses. Based on the current level of expenditures and available liquidity, management estimates that the Company will require additional financing within the next twelve months.

The Company is actively seeking to secure additional funding through: equity-based financing, debt-financing or other arrangements; however, there is no assurance that the Company will be successful in this or any of its endeavours or become financially viable and continue as a going concern. Consequently, these material uncertainties raise significant doubt regarding the Company's ability to continue as a going concern.

The carrying amounts of assets, liabilities, revenues and expenses presented in the consolidated financial statements and the consolidated balance sheets classification have not been adjusted as would be required if the going concern assumption were not appropriate.

Off-Balance Sheet Arrangements

The Company is not currently a party to, or otherwise involved with, any off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on its financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Additional Financing Requirements

The Company manages its capital to ensure the Company's ability to meet strategic objectives, including the construction and completion of the Hawkesbury TDP facility and the commercialization of the TDP technology. The capital structure of the Company consists of cash, term deposits, advances from a company under common control, long-term debt and equity.

The Company continues to re-assess its working capital needs regularly and amounts that it may need for its operations and global expansion and, if needed, may decide to borrow or raise capital.

Long-Term Debt

The Company has government loans, for an amount of $180,000 as of December 31, 2023, which is governmental support to Canadian companies for the COVID-19 crisis, with 5% interest per annum starting in 2023 and due in December 2025. The Company also committed to long-term debts related to the Hawkesbury TDP facility: (i) the balance of purchase price of the land, for an amount of $100,000 as of December 31, 2023, which is payable in 10 equal annual installments of $20,000, bearing interest at 3% per annum, and (ii) the amount of $36,667,362 on a term loan from EDC as of December 31, 2023.

The are no restrictive covenants and ratios in the Company's long-term debt.

Seasonality

The Company expects neither its sales nor commercial production of TDP turnkey facilities to be subject to seasonality. The Company also does not anticipate that its clients' production and sales of carbon black substitute, oil and steel, to be subject to seasonality either. However, selling and construction of TDP facilities may take longer than expected because the size and extent of the potential project may force clients to scrutinize or even delay their decision and, for these reasons, there may be volatility in the Company's sales of such facilities.

Standards, amendments and interpretation to existing standards that are not yet effective

At the date of authorization of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board but are not yet effective, and have not been early adopted by the Company.

Any other new standards and interpretations that have been issued are not expected to have a material impact on the Company's consolidated financial statements.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, as explained in the accounting policies below.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and those of Ecolomondo Environmental (Contrecœur) Inc, Ecolomondo Environmental (Hawkesbury) Inc., 9083-5018 Quebec Inc. and

Ecolomondo Process Technologies Inc. (incorporated in 2021), directly or indirectly, wholly-owned subsidiaries. The Company controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of December 31. All intercompany balances and transactions have been eliminated upon consolidation.

Foreign currency translation

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company and all of the subsidiaries. Accordingly, monetary assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the end of each reporting period. Non-monetary assets and liabilities are translated at historical exchange rates. Revenues and expenses are translated at average exchange rates during the reporting period. The related gains or losses are accounted for in the consolidated statements of loss and comprehensive loss. The Company has not utilized any foreign currency hedging strategies to mitigate the effect of its foreign currency exposure.

Plant under construction

Plant under construction includes any cost that is directly attributable to the construction of a new plant and to bringing the plant to the condition necessary for it to be capable of operating in the manner intended by management. Such costs include the cost of the land, as well as borrowing costs that are directly attributable to the construction and any deposit made on the construction.

Equipment

Equipment is accounted for at cost less accumulated depreciation. Depreciation is based on estimated useful life using the straight-line method, and the following periods:

	Periods
Building	20 years
Reactor	15 years

Estimates of useful lives and material residual values are updated as required and are reviewed at least annually. Maintenance and repairs are expensed as incurred.

The plant under construction is not amortized until construction is complete and operating in the manner intended by management.

Impairment testing of plant under construction, equipment and intangible assets

For impairment assessment purposes, assets are grouped at the lowest level for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level. Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Non-amortizable assets are tested for impairment annually.

An impairment loss is recognized for the amount by which the asset’s (or cash-generating unit’s) carrying

amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

Any impairment loss is charged to the individual asset or on a pro rata basis to the assets in a cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

As at December 31, 2023 and 2022, the Company determined that there was no impairment of equipment, plant under construction and right of use assets, except for the write-down of equipment applied as of December 31, 2023 to reflect the removal of equipment and related costs that have been replaced or discarded, in the amount of $3,392,636.

Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Financial assets, other than those designated and effective as hedging instruments, are classified into one of the following categories: amortized cost, fair value through profit or loss, and fair value through other comprehensive income. In periods presented, the Company only has financial instruments classified at amortized cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company's cash, receivables (excluding sales taxes receivable) and term deposits are classified in the category of amortized cost upon initial recognition. Receivables from the sale of by-products that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Subsequent measurement

In subsequent periods, the measurement of financial instruments depends on their classification.

The Company measures financial assets at amortized cost if the assets meet the following conditions:

a) They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;

b) The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

The Company recognizes a loss allowance for expected credit losses arising from financial assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial information.

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include accounts payable and accrued liabilities, excluding salaries and benefits payable, certain deferred revenues, advances from a company under common control, deposit from a future partner, long-term debt and the warrant liability.

Financial liabilities, other than the warrant liability, are measured subsequently at amortized cost using the effective interest method and all revenues and expenses relating to financial liabilities are recognized in consolidated loss. The warrant liability carries at fair value through profit or loss.

Fair Value

The Company must classify the fair value measurements of financial instruments according to a three-level hierarchy, based on the type of inputs used in making these measurements. These tiers include:

- Level 1: observable inputs such as quoted prices in active markets;
- Level 2: inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- Level 3: unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Leases

The Company recognises a right-of-use asset and a lease liability with respect to a lease on the date the underlying asset is available for use by the Company (hereafter, the "commencement date").

The right-of-use asset is initially measured at cost, which includes the initial lease liabilities adjusted for lease payments on or before the commencement date, plus initial direct costs incurred and an estimate of all of the costs for dismantling and removing the underlying asset, less any lease incentives received.

The right-of-use asset is amortised over the shorter of the estimated useful life of the underlying asset or the lease term on a straight-line basis. Additionally, the cost of a right-of-use asset is reduced by any accumulated impairment losses and, as appropriate, adjusted for any remeasurement of the related lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, calculated using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as its discount rate. The lease payments included in the lease liability include the following, in particular:

- Fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- Variable payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Lease payments relating to extension options that the Company is reasonably certain it will exercise.

The interest expense relating to lease liabilities is recognised in profit or loss using the effective interest method.

The lease liability is remeasured when there is a change in future lease payments resulting from a change in an index or when the Company changes its measurement with respect to the exercise of a purchase, extension or termination option.

The lease liability adjustment is adjusted against the related right-of-use asset or recorded in profit or loss if the right-of-use asset is reduced to zero.

Revenue recognition

Sale of facilities

When a letter of intent is signed for the potential sale of a facility, a deposit representing a commitment fee is received in anticipation of signing a contract for the sale of the facility. Such deposits are presented as deferred revenues. If the contract is signed, the commitment fee is credited against the contract price. If the potential buyer chooses not to proceed with the project, the commitment fee is retained by the Company and recognized in revenue upon the termination of the letter of intent.

As at December 31, 2023 and 2022, there were no contracts signed for the sale of facilities.

Sale of products

The sale of products contains a single performance obligation to transfer such goods. Revenue is recognized when control of goods has transferred to customers. Control is considered transferred in accordance with the terms of sale, generally when goods are shipped to external customers as that is generally when legal title, physical possession and risks and rewards of goods/services transfers to the customers.

Research and development costs and investment tax credits

Research expenses and development costs that do not meet the criteria for capitalization are expensed as they are incurred. Such costs consist primarily of materials and employee related expenses including salaries and benefits.

Investment tax credits are accounted for during the year in which the research and development costs are incurred, provided that the Company is reasonably assured that the credits will be received. The investment tax credits must be examined and approved by the tax authorities and it is possible that the amounts granted will differ from the amounts recorded.

Government assistance

Government assistance is recognized when there is reasonable assurance that the Company has met the

requirements of the government program, provided that the Company has reasonable assurance that the amount will be received.

Non-nominal government grants are recorded at a nominal amount.

Provisions

Provisions for legal disputes, onerous contracts or other claims are recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

Share capital, warrants and options

Class "A" shares, warrants not meeting the definition of a liability and options are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from the proceeds in equity in the period where the transaction occurs.

Balances from cancelled or expired warrants not meeting the definition of a liability and options are transferred to deficit.

Units

Proceeds from the issuance of units are allocated between share capital and warrants according to their relative fair values when the warrants to not meet the definition of a liability. The Company uses the share price at the date of issuance for the fair value of the shares and the Black-Scholes pricing model to determine the fair value of the warrants.

When the warrants issued as part of a unit meet the definition of a liability, the warrants are measured at fair value and the residual value is allocated to the share capital.

Income taxes

Tax expense recognized in consolidated comprehensive loss comprises the sum of current and deferred taxes that are not recognized directly in equity.

Current tax is based on the results for the period as adjusted for items that are not taxable or deductible. Current tax is calculated using tax rates and laws enacted or substantially enacted at the reporting date.

Deferred income taxes are calculated using the liability method. Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheets. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax is calculated using tax rates and laws enacted or substantially enacted at the reporting date, and which are expected to apply when the related deferred income tax asset is realized or the deferred tax liability is settled.

The carrying amounts of deferred tax assets are reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Share-based compensation and other share-based payments

The Company has a stock option plan under which directors, executives, employees and consultants can be granted stock options of the Company.

The fair value is measured at the grant date and recognized as an expense in profit or loss with a corresponding amount to options in equity over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. Any consideration paid by the employees on exercise or purchase of stock options is credited to share capital. The value attributed to stock options is transferred to share capital at the issuance of common shares.

In the normal course of operations, the Company grants shares in exchange for goods or services to parties other than staff members. For these transactions, the Company evaluates the goods or services received and the increase in equity, which is the counterpart, directly to the fair value of goods or services received, unless that fair value cannot be reliably estimated. In this case, the fair value is the value of shares issued on the market at the date the goods or services are received.

Basic and diluted net loss per share

The Company presents basic and diluted loss per share data for its common shares calculated by dividing the loss by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the loss and the weighted average number of common shares outstanding for the effects of all warrants and stock options that may add to the total number of common shares in the case where they would not have an anti-dilutive impact.

For the years ended December 31, 2023 and 2022, the diluted loss per share was the same as the basic loss per share since the options and warrants had an anti-dilutive effect. Accordingly, the basic and diluted loss per share for those years were calculated using the basic weighted average number of shares outstanding.

Significant management judgment in applying accounting policies and estimation uncertainty

When preparing the consolidated financial statements, management makes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, revenues and expenses.

Significant management judgment

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the consolidated financial statements.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilized.

Capitalization of development costs

Determining whether the recognition requirements for the capitalization of development costs of the TDP are met requires judgment. As at December 31, 2023 and 2022, the Company determined that not all recognition requirements were met. Thus, the Company did not record any development costs in the consolidated balance sheets for the years ended December 31, 2023 and 2022.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenses and meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. See Note 2 for more information.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, revenues and expenses is provided below. Actual results may be substantially different.

Impairment of plant under construction and equipment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. As at December 31, 2023 and 2022, the Company determined that there was no impairment of plant under construction, equipment and right of use assets.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain equipment.

A write-down of $3,392,636 of the Hawkesbury assets is reflected in the consolidated financial statements of the Company for the year ended December 31, 2023, to reflect the removal of equipment and related costs that have been replaced or discarded.

Share-based compensation

The estimation of share-based compensation requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility determined by reference to historical data of comparable entities, the probable life of options and warrants granted and the time of exercise of those options and warrants. The model used by the Company is the Black-Scholes valuation model.

Warrant liability

The Company used the Black-Scholes method to determine the fair value of the warrant liability. The Company has made estimates as to the volatility determined by reference to its historical share data, the risk-free interest rate and the probable life of the warrants granted.

Risk Factors

The Company has identified certain significant risks relating to the business of the Company and the industry in which it operates. The following information is only a summary of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this MD&A. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently considers immaterial, may also impair the operations of the Company. If any such risks materialize into actual events or circumstances, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. There is no assurance that risk management steps taken will avoid future loss due to the uncertainties described below or other unforeseen risks. An investment in Common Shares or other securities of the Company is highly speculative and involves a high degree of risk. Before making any investment decision, prospective investors should carefully consider all the information contained in this document including, in particular, the risk factors described below.

Certain factors may have a material adverse effect on the Company's business, financial condition and results of operations. Current and prospective investors should carefully consider the risks and uncertainties and other information contained in this MD&A, the 2023 consolidated Financial Statements, and in other filings that the Company has made and may make in the future with applicable securities authorities, and the Company's website at www.ecolomodo.com.

The risks and uncertainties described herein and therein are not the only ones the Company may face. Additional risks and uncertainties that the Company is unaware of, or that the Company currently believes are not material, may also become important factors that could adversely affect the Company's business. If any of such risks actually occur, the Company's business, financial condition, results of operations, and future prospects could be materially and adversely affected. In that event, the trading price of the Common Shares could decline, and the Company's securityholders could lose part or all of their investment.

Risks Related to the Company's Business and Industry

Operating income (Loss), negative Operating cash flow and high level of indebtedness.
Prior to December 31, 2023, the Company had a history of losses and negative cash flows. The Company has a net loss of $4,724,708, cash flows used in operations of $1,054,571, and an accumulated deficit of $26,743,082 at December 31, 2023, and in addition the Company has a high level of indebtedness. To the extent that the Company has net losses and negative operating cash flow in future periods, it may need to raise additional funds through the issuance of equity or debt securities. There can be no assurance that the Company

will be able to generate a positive cash flow from its operations, that additional capital or other types of financing will be available when needed or that these financings will be on terms favourable to the Company.

Risks Related to the Repayment of the Restructured Loan

The Company's ability to commence the repayment of the Restructured Loan in May 2024 is subject to its ability to successfully refinance and amend the Restructured Loan, which are currently the subject of discussions with its lender.

The Company's ability to continue as a going concern is dependent upon its ability in the future to grow its revenue, achieve profitable operations, successfully developing and introducing new products and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. While the Company has been successful in securing financing in the past, raising additional funds is dependent on a number of factors outside the Company's control, and as such there is no assurance that it will be able to do so in the future. External financing, predominantly by the issuance of equity and debt, might be, sought to finance the operations of the Company; however, there can be no certainty that such funds will be available at terms acceptable to the Company, or at all. If the Company is unable to obtain sufficient additional financing, it may have to curtail operations and development activities, any of which could harm the business, financial condition and results of operations.

Revenue Risks

The Company may experience delays in achieving revenues, based on past delays with ramp-up of production. Revenues may be delayed or negatively impacted by issues encountered by the Company or its clients including unforeseen engineering and/or environmental problems, delays or inability to obtain required financing, supply interruptions and/or labour disputes, foreign exchange fluctuations and/or collection risk, and competition from other suppliers.

There is no assurance that the business will perform as expected or that returns from the business will support the expenditures needed to develop it, however Management considers these risks as moderate for reasons explained throughout this document and because issues encountered during initial ramp-up have mostly been addressed already.

Litigation and Administrative Proceedings

The Company may from time to time become party to litigation in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for the Common Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources. Litigation may also create a negative perception of the Company's brand.

Related Party Transactions

Related party transactions consist of the advance from a company under common control and lease agreements.

Transactions with key management personnel

Key management of the Company are the members of the Board of Directors, as well as officers of the Company. Key management personnel remuneration for the year ended December 31, 2023 amounts to $677,026 ($109,344 in 2022), including stock options.

Subsequent Events

On January 2, 2024, $3,498,853 of the advances from a company under common control were converted into 25,917,430 common shares.

A company under common control has injected $1 million on January 3, 2024 and another $500,000 on March 27, 2024.

Additional Information

Additional information relating to the Company can be found on SEDAR at www.sedar.com.