Ecolomondo Corporation

Consolidated Financial Statements
December 31, 2024 and 2023

215, Saint-Jacques Street, Suite 1200
Montréal, Québec H2Y 1M6 Canada
Tel.: + 1 514 845-9253 | Fax.: +1 514 845-3859
forvismazars.com/ca

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
ECOLOMONDO CORPORATION

Opinion

We have audited the consolidated financial statements of Ecolomondo Corporation (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2024, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year ended in accordance with the International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to the consolidated statement of loss and comprehensive loss, which indicates that the Company incurred a net loss of $4,006,353 during the year ended December 31, 2024, and, as of that date, the Company has an accumulated deficit of $30,749,435 and the Company's current liabilities exceeded its current assets by $8,502,526. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Impairment Assessment of Property, Plant and Equipment ("PPE")

Description of the Matter

As disclosed in Note 3, the property, plant and equipment is subject to an impairment review whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

In assessing the recoverable amount of the property, plant and equipment of $48,401,314, management prepared a value in use calculation across the Cash Generating Unit, which involves assumptions, such as future cash flows and the discount rate to apply to those. No impairment was recognized as a result of the 2024 impairment review.

Why the Matter is a Key Audit Matter

Due to the subjectivity involved in estimating the recoverable amount of property, plant and equipment and the significance of the carrying value of the assets, we identified this as a significant risk and key audit matter.

How the Matter Was Addressed in the Audit

The primary procedures we performed to address this key audit matter included the following:

We tested the reasonableness of key assumptions in the value in use calculation and the accuracy and completeness of the underlying data, including:

- the projected revenue growth;
- operating margin;
- discount rates; and
- production capacity by comparing projections to the current business plan, projected production capacity and projected revenue based on volume and actual achieved sales value.

In conjunction with Forvis Mazars' valuation experts, we:

- evaluated the appropriateness of the impairment model used by the Company's external expert;
- evaluated the reasonableness of the key input assumptions, including the discount rate; and
- performed sensitivity analysis on the key assumptions used in the impairment model.

Other Matter

The consolidated financial statements of the Company for the year ended December 31, 2023, were audited by another auditor, who expressed an unmodified opinion on these statements on April 29, 2024.

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Forvis Mazars LLP [1]

Montréal, April 30, 2025

[1] By FCPA, public accountancy permit no. A117854

Ecolomondo Corporation
Consolidated Statements of Financial Position
December 31, 2024 and 2023
(In Canadian dollars)

	December 31, 2024	December 31, 2023
	$	$
ASSETS		
Current		
Cash	**119,331**	88,272
Trade and other receivables (Note 4)	**318,071**	311,407
Prepaid expenses and deposits	**704,234**	210,520
Inventory	**137,368**	-
Total current assets	**1,279,004**	610,199
Non-current		
Property, plant and equipment (Note 6)	**48,401,314**	44,554,339
Right of use assets (Note 7)	**-**	22,129
Total non-current assets	**48,401,314**	44,576,468
Total assets	**49,680,318**	45,186,667
LIABILITIES AND EQUITY		
Current		
Bank advances (Notes 5, 17)	**32,525**	-
Trade and other payables (Note 8)	**1,196,071**	1,702,250
Deposit from a potential future partner (Note 9)	**2,733,910**	2,512,940
Advances from a company under common control (Note 20)	**1,585,274**	3,528,853
Deferred revenues (Note 10)	**1,000,000**	1,000,000
Current portion of long term debt (Note 13)	**3,233,750**	983,750
Current portion of lease liabilities (Note 7)	**-**	19,184
Total current liabilities	**9,781,530**	9,746,977
Non-current		
Long term debt (Note 13)	**39,817,264**	35,963,612
Warrant liabilities (Note 14)	**182,240**	-
Total non-current liabilities	**39,999,504**	35,963,612
Total liabilities	**49,781,034**	45,710,589
EQUITY		
Common shares (Note 14)	**25,711,719**	21,836,789
Options (Note 14)	**4,806,417**	4,382,371
Warrants (Note 14)	**130,583**	-
Accumulated deficit	**(30,749,435)**	(26,743,082)
Total equity	**(100,716)**	(523,922)
Total liabilities and equity	**49,680,318**	45,186,667

Going concern (Note 2)

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board,

/s/ Eliot Sorella
Director

/s/ Donald Prinsky
Director

Ecolomondo Corporation
Consolidated Statements of Loss and Comprehensive Loss
Years ended December 31, 2024 and 2023
(In Canadian dollars, except for number of shares)

	December 31, 2024	December 31, 2023
	$	$
Revenues (Note 11)	**612,284**	196,727
Other loss (Note 15)	**(130,637)**	(47,446)
	481,647	149,281
Expenses		
General and administrative expenses (Note 16)	**1,021,784**	1,255,200
Operating expenses (Note 16)	**2,841,694**	1,304,644
Financial expenses (Note 16)	**989,383**	(553,039)
Gain on long term debt revaluation (Note 13)	**(547,101)**	-
Loss (gain) on revaluation of warrant liability (Note 14)	**182,240**	(325,232)
Write-down of equipment (Note 6)	**-**	3,392,636
Total expenses	**4,488,000**	5,074,209
Loss before income taxes	**(4,006,353)**	(4,924,928)
Income taxes (Note 12)		
Deferred	**-**	(200,220)
	-	(200,220)
Net loss and comprehensive loss	**(4,006,353)**	(4,724,708)
Net loss per share		
Basic and diluted	**(0.02)**	(0.03)
Weighted average number of common shares outstanding, basic and diluted	**215,814,602**	188,661,644

The accompanying notes are an integral part of the consolidated financial statements.

Ecolomondo Corporation
Consolidated Statements of Changes in Equity
Years ended December 31, 2024 and 2023
(In Canadian dollars, except for number of shares)

2024

	Number of class "A" shares outstanding	Share capital	Share capital to be issued	Options	Warrants	Deficit	Total equity
		$	$	$	$	$	$
Balance, December 31, 2023	**188,765,150**	**21,836,789**	**-**	**4,382,371**	**-**	**(26,743,082)**	**(523,922)**
Issuance of share capital (Note 14)	**28,732,208**	**3,874,930**	**-**		**130,583**	**-**	**4,005,513**
Stock-based compensation (Notes 14, 16)	**-**	**-**	**-**	**424,046**	**-**	**-**	**424,046**
Net loss and comprehensive loss for the year ended December 31, 2024	**-**	**-**	**-**	**-**	**-**	**(4,006,353)**	**(4,006,353)**
Balance, December 31, 2024	**217,497,358**	**25,711,719**	**-**	**4,806,417**	**130,583**	**(30,749,435)**	**(100,716)**

2023

	Number of class "A" shares outstanding	Share capital	Share capital to be issued	Options	Warrants	Deficit	Total equity
		$	$	$	$	$	$
Balance, December 31, 2022	186,542,814	19,418,625	1,500,000	3,709,313	-	(22,018,374)	2,609,564
Issuance of capital shares	-	1,500,000	(1,500,000)	-	-	-	-
Issuance of units (net of issuance costs of $28,290)	2,222,336	918,164		53,608	-	-	971,772
Stock-based compensation	-	-	-	619,450	-	-	619,450
Net loss and comprehensive loss for the year ended December 31, 2023	-	-	-	-	-	(4,724,708)	(4,724,708)
Balance, December 31, 2023	188,765,150	21,836,789	-	4,382,371	-	(26,743,082)	(523,922)

The accompanying notes are an integral part of the consolidated financial statements.

Ecolomondo Corporation
Consolidated Statements of Cash Flows
Years ended December 31, 2024 and 2023
(In Canadian dollars)

	December 31, 2024	December 31, 2023
	$	$
OPERATING ACTIVITIES		
Net loss	**(4,006,353)**	(4,724,708)
Non-cash items		
Conversion of advances from a company under common control to shares (Note 14)	**3,498,853**	-
Changes in long term debt (Note 13)	**2,661,370**	-
Interest on long term debt (Notes 13, 16)	**989,383**	279,680
Depreciation of property, plant and equipment (Note 6)	**516,000**	919,006
Stock-based compensation (Notes 14, 16)	**424,046**	619,450
Loss (gain) on revaluation of warrant liability (Note 14)	**182,240**	(325,232)
Unrealized foreign exchange loss (gain)	**220,970**	(60,420)
Depreciation of right of use assets (Note 7)	**22,129**	101,324
Changes in working capital items (Note 17)	**(1,111,400)**	(282,431)
Gain on debt revaluation (Note 13)	**(547,101)**	-
Write-down of equipment (Note 6)	**-**	3,392,636
Gain on debt extinguishment (Note 13)	**-**	(887,056)
Government assistance (Note 15)	**-**	60,000
Amortization of debt transaction costs	**-**	53,400
Deferred income taxes (Note 12)	**-**	(200,220)
Net cash provided by (used for) operating activities	**2,850,137**	(1,054,571)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	**(4,362,975)**	(1,807,549)
Net cash used for investing activities	**(4,362,975)**	(1,807,549)
FINANCING ACTIVITIES		
Issuance long term debt (Note 13)	**3,000,000**	-
Advances from a company under common control (Notes 19, 20)	**(1,943,579)**	2,010,000
Private placement (Note 14)	**506,660**	971,772
Repayment of lease liabilities (Note 7)	**(19,184)**	(111,468)
Repayment of long term debt (Note 13)	**-**	(20,000)
Interest on lease liabilities (Note 7)	**-**	(5,180)
Net cash provided by financing activities	**1,543,897**	2,845,124
Net increase (decrease) in cash	**31,059**	(16,996)
Cash, beginning of period	**88,272**	105,268
Cash, end of period	**119,331**	88,272

The accompanying notes are an integral part of the consolidated financial statements.

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

Ecolomondo Corporation (the "Company") was incorporated on September 30, 2015 under the Canada Business Corporations Act.

The Company is a clean tech company focused on global deployment of TDP turnkey facilities using its proprietary Thermal Decomposition Process ("TDP") using a pyrolysis platform that converts hydrocarbon waste into marketable commodity end-products, namely carbon black substitute, oil, gas and steel.

The Company's planned principal business is the manufacture and sale of turnkey facilities based on its technology platform as well as the collection of royalties from their operation or the operation of these facilities through wholly-owned or jointly-owned companies.

The head office and the registered head office of the Company is located at 3435 Pitfield Boulevard, Saint-Laurent, Quebec, Canada.

Statement of compliance with IFRS Accounting Standards

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Standards Board (hereafter "IFRS Accounting Standards).

The consolidated financial statements for the year ended December 31, 2024 were approved and authorized for issuance by the Board of Directors on April 30, 2025.

2 - GOING CONCERN ASSUMPTION

The accompanying consolidated financial statements are prepared in accordance with IFRS Accounting Standards, 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, 2024, the Company has an accumulated deficit of $30,749,435 ($26,743,082 as at December 31, 2023) 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.

2 - GOING CONCERN ASSUMPTION (Continued)

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

3 - MATERIAL ACCOUNTING POLICIES

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., Ecolomondo Process Technologies Inc. and Ecolomondo USA Inc, 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.

Cash

The Company considers cash to include amounts held in banks and highly liquid, low risk investments with maturity of three months or less from the date of acquisition.

3 - MATERIAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Plant and equipment under construction

Plant and equipment under construction includes any cost that is directly attributable to the construction of a new plant and equipment and to bringing the plant and equipment 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.

Property and equipment

Property and equipment are 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 and equipment under construction are not amortized until construction is complete and operating in the manner intended by management.

Impairment assessment of property, plant and equipment and right of use 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.

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.

3 - MATERIAL ACCOUNTING POLICIES (Continued)

Impairment assessment of property, plant and equipment and right of use assets (Continued)

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.

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 years 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, trade and other receivables (excluding sales taxes receivables) are classified in the category of amortized cost upon initial recognition. Receivables, if any, 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.

Classification and measurement of financial instruments

The Company's classification and measurement basis of its financial instruments are as follows:

Financial instruments	Classification and measurement basis
Cash	Amortized cost
Trade and other receivables	Amortized cost
Trade and other payables	Amortized cost
Bank advances	Amortized cost
Advances from company under common control	Amortized cost
Warrant liability	FVTPL
Lease liabilities	Amortized cost
Long term debt	Amortized cost

3 - MATERIAL ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

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 trade and other payables, (excluding salaries and benefits payable), advances from a company under common control, 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 is carried 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.

3 - MATERIAL ACCOUNTING POLICIES (Continued)

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.

3 - MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is recognized when control of a good or service transfers to a customer in accordance with a five-step model:

1. Identify the contracts with customers
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when the entity satisfies a performance obligation

The Company accounts for a contract with a customer when it has approval and commitment from all parties, the rights of the parties and payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

Revenue is recognized when control of the promised services or goods (the performance obligation) is transferred to customers, and in an amount that reflects the consideration the Company expects to receive in exchange for those services or goods (the transaction price). The Company measures revenue by estimating the transaction price based on the consideration specified in the customer arrangement. Revenue is recognized as the performance obligations are satisfied.

The Company derives revenues from four main sources: carbon black, TDP Oil, steel and tipping fees.

The Company's arrangements with its customers generally do not include variable consideration. The transaction price for the Company's products is usually fixed at the amount specified in the contract. When selling products or services under the same or linked contracts and those products or services represent one performance obligation, the Company allocates the total transaction price by reference to the prices it charges for those products and services when sold separately, i.e., their stand-alone selling prices.

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-monetary government grants are recorded at a nominal amount.

3 - MATERIAL ACCOUNTING POLICIES (Continued)

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 do 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 the consolidated statements of loss and 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.

3 - MATERIAL ACCOUNTING POLICIES (Continued)

Income taxes (Continued)

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 statements of financial position. 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.

3 - MATERIAL ACCOUNTING POLICIES (Continued)

Basic and diluted net loss per share (Continued)

For the years ended December 31, 2024 and 2023, 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, 2024 and 2023, the Company determined that not all recognition requirements were met. Thus, the Company did not record any development costs in the consolidated statements of financial position for the years ended December 31, 2024 and 2023.

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.

3 - MATERIAL ACCOUNTING POLICIES (Continued)

Estimation uncertainty (Continued)

Impairment of property, plant and equipment and right of use assets

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.

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.

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 share prices over the period available, the risk-free interest rate and the probable life of the options granted. 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.

New accounting standards, amendments to standards and interpretations

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended December 31, 2024.

Amendments to IFRS 9 and IFRS 7 – Financial Instruments

The amendments address matters identified during the post-implementation review of the classification and measurement requirements of IFRS 9 financial instruments.
The amendments are effective for reporting periods beginning on or after January 1, 2026.
The amendments are applied retrospectively, and an early adoption is permitted.

New standard IFRS 18 – Presentation and Disclosure in Financial Statements

IFRS 18 is effective for annual reporting periods beginning on or after January 1, 2027, with early application permitted. IFRS 18 replaces IAS 1, which sets out presentation and base disclosure requirements for financial statements. The changes, which mostly affect the income statement, include the requirement to classify income and expenses into three new categories – operating, investing and financing – and present subtotals for operating profit or loss and profit or loss before financing and income taxes.
Further, operating expenses are presented directly on the face of the income statement – classified either by nature (e.g. employee compensation), by function (e.g. cost of sales) or using a mixed presentation. Expenses presented by function require more detailed disclosures about their nature.

3 - MATERIAL ACCOUNTING POLICIES (Continued)

New accounting standards, amendments to standards and interpretations (Continued)

IFRS 18 also provides enhanced guidance for aggregation and disaggregation of information in the financial statements, introduces new disclosure requirements for management-defined performance measures (MPMs)* and eliminates classification options for interest and dividends in the statement of cash flows.

The Company has not adopted this standard and will plan implementation by the prescribed deadline.

The Company does not expect the amendment or any other amendments to standards and interpretations applicable to the Company and not yet effective for the year ended December 31, 2024 to have a significant effect on its consolidated financial statements.

(In Canadian dollars, except for number of shares)

4 - TRADE AND OTHER RECEIVABLES

The Company's trade receivables and other receivables comprised of the following:

	December 31, 2024	December 31, 2023
	$	$
Trade receivables	119,750	205,481
Tax receivables	197,121	100,166
Other receivables	1,200	5,760
	318,071	311,407

As at December 31, 2024 $9,146 or 7.6% of the trade receivables balance is over 90 days past due compared to $31,422 or 15.3% as at December 31, 2023. The Company evaluates credit losses on a regular basis based on the aging and collectibility of its receivables. On December 31, 2024, the Company had no expected credit loss ($Nil expected credit loss on December 31, 2023).

5 - Bank advances

As at December 31, 2024, the Company has a line of credit for an authorized amount of $250,000. As at December 31, 2024, $32,525 (nil in 2023) was advanced by the bank. The line of credit bears interest at prime plus 0.5% (prime plus 1.5% in 2023) (5.95%; 7.70% as at December 31, 2023) and is guaranteed by accounts receivable, inventory and EDC.

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2024 and 2023
(In Canadian dollars)

6 - PROPERTY, PLANT AND EQUIPMENT

	Plant under construction	Equipment under construction	Building	Land	Reactor	Total
		$	$	$	$	$
Cost as at December 31, 2023	-	33,842,454	10,227,487	613,398	8,700,968	53,384,307
Construction costs capitalized	-	4,362,975	-	-	-	4,362,975
Disposal	-	-	-	-	(8,700,968)	(8,700,968)
Cost as at December 31, 2024	-	38,205,429	10,227,487	613,398	-	49,046,314
Accumulated depreciation as at December 31, 2023	-	-	129,000	-	8,700,968	8,829,968
Disposal	-	-	-	-	(8,700,968)	(8,700,968)
Depreciation	-	-	516,000	-	-	516,000
Accumulated depreciation as at December 31, 2024	-	-	645,000	-	-	645,000
Balance as at December 31, 2024	-	38,205,429	9,582,487	613,398	-	48,401,314
Cost as at December 31, 2022	42,451,275	-	-	-	8,700,968	51,152,243
Transfer	(42,451,275)	31,610,390	10,227,487	613,398	-	-
Construction costs capitalized	-	5,624,700	-	-	-	5,624,700
Write-down of equipment	-	(3,392,636)	-	-	-	(3,392,636)
Cost at December 31, 2023	-	33,842,454	10,227,487	613,398	8,700,968	53,384,307
Accumulated depreciation as at December 31, 2022	-	-	-	-	7,910,962	7,910,962
Depreciation	-	-	129,000	-	790,006	919,006
Accumulated depreciation as at December 31, 2023	-	-	129,000	-	8,700,968	8,829,968
Balance as at December 31, 2023	-	33,842,454	10,098,487	613,398	-	44,554,339

During the year ended December 31, 2022, the Company received a parcel of land from a municipal authority in Shamrock, Texas for $10. The Company was required to build a plant on that parcel of land beginning in October 2023. As there are delays in the start of construction, the Company has obtained an extension to the start of the project.

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2024 and 2023
(In Canadian dollars, except for number of shares)

6 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Capitalized borrowing costs

The Company started the construction of the new carbon black equipment line in July 2024. This project is expected to be completed in May 2025. The carrying amount of equipment under construction at December 31, 2024 was at $38,205,429 (December 31, 2023 at $33,842,454). The carbon black equipment is financed by Economic Development Canada (EDC).

The amount of borrowing costs capitalized during the year-ended December 31, 2024 was $2,544,129 ($3,706,150 in 2023). The rate used to determine the amount of borrowing costs eligible for capitalization was 13.34%, which is the EIR of the specific borrowing (Note13).

7 - LEASES

The Company leases a manufacturing facility and some equipment from companies under common control. The leases had an initial term of two years.

The right-of-use assets and lease liabilities recognized by the Company:

Right-of-use assets

	Manufacturing Facility	Loader	Total
	$	$	$
Balance as at January 1, 2023	113,985	9,468	123,453
Depreciation	(91,856)	(9,468)	(101,324)
Balance as at December 31, 2023	22,129	-	22,129
Balance as at January 1, 2024	22,129	-	22,129
Depreciation	(22,129)	-	(22,129)
Balance as at December 31, 2024	-	-	-

Lease liabilities

	$
Balance as at January 1, 2023	130,652
Lease payments	(111,468)
Balance as at December 31, 2023	19,184
Current portion	19,184
Non-current portion	-
Balance as at January 1, 2024	19,184
Lease payments	(19,184)
Balance as at December 31, 2024	-
Current portion	-
Non-current portion	-

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2024 and 2023
(In Canadian dollars, except for number of shares)

8 - TRADE AND OTHER PAYABLES

The Company's trade and other payables comprised of the following:

	December 31, 2024	December 31, 2023
	$	$
Accounts payables	880,050	1,695,248
Property tax payable	258,344	-
Salaries payable	44,454	-
Taxes payable	11,341	6,134
Other accrued liabilities	1,882	868
	1,196,071	1,702,250

9 - DEPOSIT FROM A POTENTIAL FUTURE PARTNER

As at December 31, 2023, the Company had received a deposit in 2019 for an amount of U.S. $1,900,000 ($2,733,910 in 2024; $2,512,940 in 2023) from a potential future partner. The agreement was that when the plant under construction will be completed, the Company and the potential future partner will negotiate the sale of a participation of up to 45% of the subsidiary that owns the plant.
As at December 30, 2024, the individual and the Company mutually agreed to annul their agreement for the share purchase of the Ecolomondo Environmental (Hawkesbury) Inc., the Hawkesbury facility and transferred the individual's deposit of U.S. $1,900,000 in return for 8% share participation of Ecolomondo Environmental (Shamrock) Inc., the Shamrock Texas facility.

10 - DEFERRED REVENUES

As at December 31, 2024 and 2023, the deferred revenues are composed of one customer deposit on the signing of a letter of intent for the purchase of a facility. The deposit is for an amount of $1,000,000 ($1,000,000 as at December 31, 2023). Of this amount, $100,000 represents a non-refundable commitment fee. This commitment fee together with an amount of $600,000 will be credited against the contract price. The balance of $300,000 will be held until such time as a facility that has received final completion has been delivered to the potential buyer. If a contract for the sale of a facility is not signed, then the Company will retain $500,000 and the remaining $500,000 will be returned to the potential buyer.

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2024 and 2023
(In Canadian dollars, except for number of shares)

11 - REVENUES

The Company's revenues comprised of the following:

	December 31, 2024	December 31, 2023
	$	$
TDP Oil	235,228	68,636
End of life tires tipping fees	167,673	9,188
Carbon black	60,077	47,478
Steel	52,886	26,883
Others	96,420	44,542
	612,284	196,727

12 - INCOME TAXES

As at December 31, 2024, the Company has net operating loss carry-forwards of approximately $11,484,000 ($8,082,000 as of December 31, 2023) that may be available to reduce taxable income in future years in various amounts through 2044. 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, 2024	Recognized in loss and comprehensive loss	December 31, 2024
	$	$	$
Deferred tax liabilities (assets)	-	-	-
Non-current assets			
Equipment	-	-	-
	-	-	-

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

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2024 and 2023
(In Canadian dollars, except for number of shares)

12 - INCOME TAXES (Continued)

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, 2024	December 31, 2023
	$	$
Tax losses	11,484,000	8,082,000
Deductible temporary differences	904,724	613,000
	12,388,724	8,695,000

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, 2024:

	$
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	1,370,000
2044	3,182,000
	11,484,000

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, 2024	December 31, 2023
	%	%
Combined federal and provincial income tax rate	26.50	26.50
Non-deductible expenses	(22.97)	(20.63)
Deferred tax assets not recognized	(2.47)	(3.33)
Non-taxable revenues	(1.06)	1.75
Other		(0.22)
	-	4.07

The Company has investment tax credits related to research and development amounting to $163,000 ($163,000 in 2023) 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.

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2024 and 2023
(In Canadian dollars, except for number of shares)

13 - LONG TERM DEBT

	December 31, 2024	December 31, 2023
	$	$
Balance of purchase price, payable in 10 equal annual instalments of $20,000, bearing interest at 3%	100,000	100,000
Government loans, 5% , due December 2025	120,000	180,000
Term loan by EDC for an authorized amount of $37,903,920, secured by a movable hypothec on all present and future assets of the Company, bearing interest at the Canadian Overnight Rep Rate Average rate plus 6.5% total not to exceed 8.5%, payable in quarterly instalments starting in May 2025, maturing in May 2029	39,653,773	36,667,362
Term loan by EDC for an authorized amount of $3,000,000 bearing interest at Prime Rate Plus 8% per year, payable in 12 consecutive equal instalments starting April 2025, maturing March 2026	3,000,000	-
Other loan by EDC due May 2029	177,241	-
	43,051,014	36,947,362
Current portion	3,233,750	983,750
	39,817,264	35,963,612

Amendments to term loan agreement dated May 31, 2024:

a. Notwithstanding anything else contained in the Loan Agreement, the principal payments that were scheduled to be paid on or before May 31, 2024, August 31, 2024, November 30, 2024, and February 28, 2025 shall, subject to certain terms of this agreement, not be paid by the Company on the dates provided for such payments in the loan agreement and shall instead be paid on the maturity date.

b. Notwithstanding anything else contained in the loan agreement, the interest payments that were scheduled to be paid on or before May 31, 2024, August 31, 2024, November 30, 2024, and February 28, 2025 shall, subject to the terms of this agreement, not be paid by the Company on the dates provided for such payments in the loan agreement and shall instead be added to the principal amount outstanding under the loan to be paid on the maturity date.

During the year ended December 31, 2024, the Company amended the terms of its long term-debt. The amendment resulted in a change in the present value of the remaining cash flows under the new terms of 1.66% less compared to the original terms. In accordance with applicable accounting guidance, the change did not result in a substantial modification, and therefore, the debt was not extinguished.

The Company accounted for the amendment as a modification of the existing debt. As a result, the carrying amount of the debt was adjusted to reflect the revised contractual cash flows, discounted at the original effective interest rate. The resulting modification gain of $547,101 has been recognized in the statement of profit and loss for the year ended December 31, 2024.

During the year ended December 31, 2023, the terms and conditions of the term loan were modified resulting in a debt extinguishment. As a result the unamortized transaction costs were written off. In addition, the fair value of the new debt was calculated resulting in a gain on debt extinguishment of $887,056. Previously, the financing fees for the term loan totalled $642,500 and were amortized on a straight-line basis over the term of the debt.

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2024 and 2023

(In Canadian dollars, except for number of shares)

13 - LONG TERM DEBT (Continued)

The changes in the Company's liabilities arising from long-term debt are as follows:

	Balance of purchase price	Government loan	Term loan	Total
Balance as of January 1, 2023	120,000	120,000	34,002,693	34,242,693
Cash flows				
Repayments	(20,000)	-	-	(20,000)
Non-cash				
Interest capitalized to loan	-	-	3,980,650	3,980,650
Gain on extinguishment of debt	-	-	(1,315,981)	(1,315,981)
Reversal of revenue government assistance	-	60,000	-	60,000
Balance as of December 31, 2023	100,000	180,000	36,667,362	36,947,362
Cash flows				
Proceeds	-	-	3,000,000	3,000,000
Repayments	-	-		
Non-cash				
Interest capitalized to loan	-	-	3,533,512	3,533,512
Gain on debt revaluation	-	-	(547,101)	(547,101)
Reversal of revenue government assistance	-	(60,000)	-	(60,000)
Other	-	-	177,241	177,241
Balance as of December 31, 2024	100,000	120,000	42,831,014	43,051,014

For the year ended December 31, 2024, the Company capitalized interest of $3,533,512 ($3,980,650 in 2023) to the long term debt.

14 - SHARE CAPITAL

a) Share capital

The Company is authorized to issue an unlimited number of class "A", "B", "C", "D", "E" and "F" shares of no par value with the following restrictions and privileges:

Class "A" shares, voting, participating, dividend as declared by the Board of Directors;

Class "B" shares, non-voting, participating, dividend as declared by the Board of Directors;

Class "C" shares, voting (100 voting rights per share), non-participating, redeemable at the option of the Company or their holders at the redemption value;

Class "D" shares, non-voting, non-participating, redeemable at the option of the Company or their holders at the redemption value, non-cumulative monthly dividend equal to one percent (1%) of the redemption value as voted by the Board of Directors;

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2024 and 2023
(In Canadian dollars, except for number of shares)

14 - SHARE CAPITAL (Continued)

a) Share capital (Continued)

Class "E" shares, non-voting, non-participating, redeemable at the option of the Company or their holders at the redemption value, preferred non-cumulative monthly dividend equal to three quarters of one percent (0.75%) of the redemption value as voted by the Board of Directors;

Class "F" shares, non-voting, non-participating, redeemable at the option of the Company or their holders at the redemption value, preferred cumulative monthly dividend equal to one-twelfth (1/12) of the prime rate of the Company's bank in effect on the first day of each month; such dividend is declared calculated on the redemption value as voted by the Board of Directors.

On July 29, 2024, the Company issued 2,814,778 units for gross proceeds of $506,660. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company for $0.24 and will expire on July 29, 2026. $376,077 of the issue price was allocated to the share capital and $130,583 of the issue price was allocated to the warrants. Issue cost of $8,077 were recorded against the share capital. 1,111,112 of the units were acquired by a company under common control.

On January 2, 2024, $3,498,853 of advances from a company under common control were converted into 25,917,430 common shares at $0.135 per share. The market price of the shares on January 2, 2024 was $0.18.

On January 16, 2023, the Company issued 2,222,336 units for gross proceeds of $1,000,051. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company for $0.55. The warrants expired on July 16, 2023. $918,164 of the issue price was allocated to the share capital and $53,608 of the issue price was allocated to the warrants. Issue costs of $28,279 were recorded against the share capital. 852,225 of the units were acquired by a company under common control.

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2024 and 2023
(In Canadian dollars, except for number of shares)

14 - SHARE CAPITAL (Continued)

b) Warrants - Liability

A continuity of warrants presented as a liability and their related recorded values is set out as follows:

	Number of warrants	Amount	Weighted average exercise price
		$	$
Balance as at December 31, 2022	3,076,922	325,232	1.00
Gain on revaluation of warrant liability	-	(325,232)	-
Balance as at December 31, 2023	3,076,922	-	1.00
Loss on revaluation of warrant liability	-	182,240	-
Balance as at December 31, 2024	3,076,922	182,240	1.00

The fair value of the 3,076,922 share purchase warrants on December 31, 2024 and 2023, has been estimated at $182,240 and $nil, respectively, using the Black-Scholes option pricing model with the following assumptions:

	December 31, 2024	December 31, 2023
Risk-free interest rate	2.92%	3.91%
Expected dividend yield	Nil	Nil
Expected volatility	93.64%	53%
Expected life	1.75 years	.75 years
Share price	$0.16	$0.19

The volatility has been estimated based on the historical share prices of the Company over the period available.

The warrants expiration was extended until September 24, 2026.

c) Warrants - Equity

There were 2,814,778 warrants as at December 31, 2024 compared to nil as at December 31, 2023. The following table summarized the continuity of warrants:

	Number of warrants	Weighted average exercise price
Balance as at December 31, 2022	-	-
Private placement	-	-
Balance as at December 31, 2023	-	-
Private placement	2,814,778	0.24
Balance as at December 31, 2024	2,814,778	0.24

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2024 and 2023
(In Canadian dollars, except for number of shares)

14 - SHARE CAPITAL (Continued)

d) Options

The Company adopted a stock option plan pursuant to which the Board of Directors of the Company may, from time to time, at its discretion and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants stock options of the Company. The total number of shares issuable pursuant to options granted under the plan is limited to 10% of the number of shares issued and outstanding of the Company. The exercise price of each option is the price set at the time of grant by the Board of Directors. Stock options have a maturity of ten years from the date of grant and vesting is determined at the time of issuance of stock options.

A continuity of options and their related recorded values is set out as follows:

	Number of options	Weighted average exercise price
		$
Balance as at December 31, 2022	11,182,429	0.34
Exercise of options	2,400,000	0.38
Balance as at December 31, 2023	13,582,429	0.35
Options exercisable	11,907,429	0.35

	Number of options	Weighted average exercise price
		$
Balance as at December 31, 2023	13,582,429	0.35
Issue of stock options	1,350,000	0.18
Expired stock options	(3,170,000)	0.34
Balance as at December 31, 2024	11,762,429	0.33
Options exercisable	11,285,339	0.33

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2024 and 2023
(In Canadian dollars, except for number of shares)

14 - SHARE CAPITAL (Continued)

d) Options (Continued)

During the year ended December 31, 2023, the Company granted 2,400,000 options to its directors, officers and employees. 1,450,000 options entitle the holder to purchase an equivalent number of the Company's class "A" shares at an average price of $0.3525 per share and 950,000 options entitle the holder to purchase the Company's class "A" shares at a price of $0.41 per share. The options expire 10 years after the grant date. The options vest over periods ranging from six months from the grant date to three years from the grant date. The total fair value has been estimated at $1,016,518 using the Black-Scholes option pricing model with the following assumptions:

Number of options granted	1,450,000	950,000
Risk-free interest rate	3.70%	4.70%
Expected dividend yield	Nil	Nil
Expected volatility	108%	109%
Expected life	120 months	120 months
Share price	$0.48	$0.41
Exercise price	$0.3525	$0.41
Fair value of each option using the Black & Scholes pricing model	$0.45	$0.38

During the year ended December 31, 2024, the Company granted 1,350,000 options to its directors, officers and employees. 250,000 options have expired and the remaining 1,100,000 options entitle the holder to purchase an equivalent number of the Company's class "A" shares at an average price of $0.165 per share. The options expire 2 years after the grant date. The total fair value has been estimated at $72,131 using the Black-Scholes option pricing model with the following assumptions:

Number of options granted	1,100,000
Risk-free interest rate	4.40%
Expected dividend yield	Nil
Expected volatility	93%
Expected life	2 years
Share price	$0.14
Exercise price	$0.165
Fair value of each option using the Black & Scholes pricing model	$0.07

The volatility has been estimated based on the historical share prices of comparable companies over the period available.

The stock-based compensation expense for the year ended December 31, 2024 is $424,046 ($619,450 in 2023).

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2024 and 2023
(In Canadian dollars, except for number of shares)

14 - SHARE CAPITAL (Continued)

d) Options (Continued)

The following table summarizes information about options outstanding for the year ended December 31, 2023:

	Exercise price	Number of options	Weighted average remaining contractual life
	$		Years
	0.10	75,000	2.14
	0.30	1,700,000	6.12
	0.35	8,787,429	5.05
	0.37	2,070,000	7.98
	0.41	950,000	9.56
		13,582,429	5.92
Options exercisable	11,907,429		5.44

The following table summarizes information about options outstanding for the year ended December 31, 2024:

	Exercise price	Number of options	Weighted average remaining contractual life
	$		Years
	0.10	75,000	0.87
	0.17	1,100,000	1.33
	0.30	1,350,000	5.12
	0.35	5,437,429	2.80
	0.3525	1,450,000	8.22
	0.37	1,400,000	5.12
	0.41	950,000	8.56
		11,762,429	4.33
Options exercisable	11,285,339		4.51

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2024 and 2023
(In Canadian dollars, except for number of shares)

15 - OTHER INCOME (LOSS)

	December 31, 2024	December 31, 2023
	$	$
Government assistance (reversal)	60,000	(60,000)
Interest income	32,722	12,554
Foreign exchange loss	(223,359)	-
	(130,637)	(47,446)

16 - INFORMATION INCLUDED IN CONSOLIDATED LOSS AND COMPREHENSIVE LOSS

Information included in consolidated loss and comprehensive loss for the years ended December 31, 2024 and 2023 is detailed as follows:

	December 31, 2024	December 31, 2023
	$	$
General and administrative expenses		
Stock based compensation	424,046	619,450
Municipal tax	234,939	-
Office	113,115	8,175
Corporate & stock exchange fees	93,712	407,303
Salaries and short term benefits	92,097	140,579
Travel, meals and representation	27,692	26,891
Marketing expenses	26,068	18,936
Foreign exchange loss	-	25,976
Miscellaneous	10,115	7,890
	1,021,784	1,255,200
Operating expenses		
Salaries and other short-term benefits	927,011	170,169
Depreciation of building	516,000	129,000
Maintenance and repairs	324,474	276
Insurance	289,462	-
Professional fees	284,071	-
Utilities	272,322	15,996
Freight and custom duties	133,468	-
Depreciation of right of use asset	22,129	101,324
Depreciation of equipment	-	790,006
Other plant expenses	72,757	97,873
	2,841,694	1,304,644
Financial expenses		
Interest on long-term debt	989,383	274,500
Interest on lease liabilities	-	5,180
Amortization of financing costs	-	53,400
Gain on debt extinguishment	-	(887,056)
Other	-	937
	989,383	(553,039)

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2024 and 2023
(In Canadian dollars, except for number of shares)

17 - INFORMATION INCLUDED IN CONSOLIDATED CASH FLOWS

The changes in working capital items for the years ended December 31, 2024 and 2023 are detailed as follows:

	December 31, 2024	December 31, 2023
	$	$
Trade and other receivables	(6,664)	(102,645)
Prepaid expenses	(493,714)	68,791
Inventory	(137,368)	-
Trade and other payables (a)	(506,179)	(248,577)
Bank advances (Note 5)	32,525	-
	(1,111,400)	(282,431)

(a) During the year, the Company capitalized costs to plant under construction, $434,712 ($1,370,587 as at December 31, 2023) of which is included in trade and other payables.

18 - FINANCIAL INSTRUMENTS

Fair value

The Company’s financial instruments include cash, trade and other receivables, trade and other payables, advances from a company under common control, warrant liability, and long-term debt whose carrying amounts approximates their fair value due either to length of maturity or interest rates that approximate prevailing market rates unless otherwise disclosed in these consolidated financial statements.

The fair value of the advances from a company under common control is approximately $1,585,274 ($3,528,853 as at December 31, 2023). This advance as well as the long-term debt has been categorized within level 2 of the fair value hierarchy. The fair value has been determined by discounting contractual cash flows using a discount rate derived from observable market interest rates of similar financial instruments with similar risks.

The fair value of the share purchase warrants has been estimated using the Black-Scholes option pricing model (Note 14) and has been categorized within level 2 of the fair valuer hierarchy.

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2024 and 2023
(In Canadian dollars, except for number of shares)

18 - FINANCIAL INSTRUMENTS (Continued)

Financial risks

Management and monitoring of financial risks are performed by the Company's management, which manages all financial exposures. The Company is exposed to various financial risks through its financial instruments: credit risk, liquidty risk and market risk (including currency risk, interest rate risk, and other price risk). The following analysis enables users to evaluate the nature and extent of the risk at the end of each reporting period.

Foreign currency risk

Most of the Company’s transactions are carried out in Canadian dollars. Exposure to currency risk arises from the Company’s signing of a letter of intent for the sale of TDP facilities and obtaining deposits in U.S. dollars as well as incurring certain expenses in U.S. dollars. The Company does not enter into forward exchange contracts to mitigate the exposure to foreign currency risk.

Foreign currency denominated financial assets and liabilities which expose the Company to currency risk are disclosed below. The amounts shown are translated into Canadian dollars at the closing rate:

	December 31, 2024	December 31, 2023
	$	$
Financial assets	81,979	42,487
Financial liabilities	(2,988,824)	(2,514,999)
Total exposure	3,070,803	2,557,486

Assuming that all other variables remain constant, a 5% (5% in 2023) increase or decrease in the exchange rate of the Canadian dollar, compared to the U.S. dollar, would have an impact of $145,342 on the Company's net loss and equity for the year ended December 31, 2024 ($134,000 impact for the year ended December 31, 2023).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The portion of Company's long-term debt is fixed, thus the Company is not subject to significant interest rate risk. Interest rate on Company's cash deposits held at the supplier is nominal.

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2024 and 2023
(In Canadian dollars, except for number of shares)

18 - FINANCIAL INSTRUMENTS (Continued)

Financial risks (Continued)

Interest rate sensitivity analysis

The table below shows the Company's sensitivity to interest rates on floating rate borrowings (i.e. the remaining portion of long-term debt) if interest rates were to change by +/- 1%. The impact on the income statement would be:

	December 31, 2024	December 31, 2023
+ 1% movement in interest rates	(12,500)	-
- 1% movement in interest rates	12,500	-

Credit risk

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Generally, the carrying amount reported on the Company's consolidated statements of financial position for its financial assets exposed to credit risk, net of any applicable provisions for expected losses, represents the maximum amount exposed to credit risk.

Financial assets that potentially subject the Company to credit risk consist primarily of cash, and trade and other receivables for a total amount of $239,081 ($297,539 as at December 31, 2023).

Credit risk associated with cash is substantially mitigated by ensuring that these financial assets are primarily placed with major financial institutions. Other receivables in an amount of $198,321 do not bear a significant credit risk ($209,000 in 2023).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial liabilities and obligations as they become due. The Company is exposed to this risk mainly through trade and other payables, the advances from a company under common control, interest payable on the term long-term debt and long-term debt.

Liquidity risk management serves to maintain a sufficient amount of cash. The Company establishes budgets and cash estimates to ensure it has the necessary funds to fulfill its obligations for the foreseeable future. The cash and trade and other receivables balance of $437,402 as at December 31, 2024 are not sufficient to cover liquidity needs for the next twelve months (see Note 2).

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2024 and 2023
(In Canadian dollars, except for number of shares)

18 - FINANCIAL INSTRUMENTS (Continued)

Financial risks (Continued)

Liquidity risk (Continued)

As at December 31, 2024, the carrying amount and undiscounted contractual cash flows for the Company's liabilities are as follows:

	Carrying amount	Contractual cash flow	1 year or less	1 to 5 years	Later than 5 years
	$	$	$	$	$
Bank advances	32,525	32,525	32,525	-	-
Trade and other payables	1,140,276	1,140,276	1,140,276	-	-
Advances from a company under common control	1,585,274	1,585,274	1,585,274	-	-
Long term debt	43,051,014	51,439,695	3,292,671	48,147,024	-
	45,809,089	54,197,770	6,050,746	48,147,024	-

As at December 31, 2023, the carrying amount and undiscounted contractual cash flows for the Company's liabilities are as follows:

	Carrying amount	Contractual cash flow	1 year or less	1 to 5 years	Later than 5 years
	$	$	$	$	$
Trade and other payables	1,702,250	1,702,250	1,702,250	-	-
Advances from a company under common control	3,528,853	3,528,853	3,528,853	-	-
Long term debt	36,947,362	51,349,455	3,027,007	19,062,944	29,259,504
	42,178,465	56,580,558	8,258,110	19,062,944	29,259,504

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2024 and 2023
(In Canadian dollars, except for number of shares)

19 - CAPITAL MANAGEMENT

The Company manages its capital to ensure the Company's ability to continue as a going concern and to meet strategic objectives including the commercialization of the TDP technology, while taking into consideration financial risks.

The capital structure of the Company consists of cash, bank advances, advances from a company under common control, long-term debt, and equity.

A summary of the Company's capital structure is as follows as at:

	December 31, 2024	December 31, 2023
	$	$
Cash	(119,331)	(88,272)
Bank advances	32,525	-
Advances from a company under common control	1,585,274	3,528,853
Long term debt	43,051,014	36,947,362
Total equity (deficiency)	(100,716)	(523,922)
	44,448,766	39,864,021

20 - RELATED PARTY TRANSACTIONS

Related party transactions consist of the advances from a company under common control and lease agreements (Note 7).

	December 31, 2024	December 31, 2023
	$	$
321521 Canada Inc. - company under common control	1,585,274	3,528,853

Amounts due to 321521 Canada Inc. are interest bearing at 8.5% per annum, (2023- Nil) without repayment terms.

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 is as follows as at:

	December 31, 2024	December 31, 2023
	$	$
Short-term employee benefits	170,178	57,576
Stock based compensation	284,353	619,450
	454,531	677,026

21 - CLAIMS

In the normal course of operations, the Company is contingently liable with respect to litigations and claims that arise from time to time. In the opinion of management, any liability, which may arise from such contingencies, would not have a material adverse effect on the Company's consolidated financial statements. The evaluation of litigations and claims is subject to uncertainties and the ultimate future resolution of the litigations and claims which cannot be predicted.

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2024 and 2023
(In Canadian dollars, except for number of shares)

22 - SEGMENT INFORMATION

The Company's operating segments are organized according to similar economic characteristics by the markets and types of products it serves and are reported in a consistent manner. The CEO and CFO are considered the chief operating decision-makers ("CODMs") and have the authority for resource allocation and are responsible for assessing the Company's performance.

It was concluded that Ecolomondo only has one operating segment.

a. Revenue from major products and services for year ended are as follows:

	December 31, 2024	December 31, 2023
	$	$
TDP Oil	235,228	68,636
End of life tires tipping fees	167,673	9,188
Carbon black	60,077	47,478
Steel	52,886	26,883
Other	96,420	44,542
	612,284	196,727

b. Revenue and property, plant and equipment by geographic locations.

	December 31, 2024	December 31, 2023
	$	$
Revenue		
United States	278,073	109,226
Canada	334,211	87,501
	612,284	196,727

	December 31, 2024	December 31, 2023
	$	$
Property, plant and equipment		
Canada	48,401,314	44,576,468
United States	-	-
	48,401,314	44,576,468

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2024 and 2023
(In Canadian dollars, except for number of shares)

23 - COMMITMENTS AND CONTINGENCIES

Commitments
At December 31, 2024, the Company had commitments of $153,781 ($125,520 in 2023) relating to the completion of the carbon black equipment line.

24 - SUBSEQUENT EVENTS

1. EDC loan of $2,000,000 closed on January 22, 2025

Facility amount:	$2,000,000 in 3 separate tranches (1st: $750,000; 2nd: $750,000; 3rd: $500,000)
Facility type:	Term
Interest rate:	Prime rate plus 8%, floating
Interest payment date:	For each tranche, payable monthly on the 28th day of each calendar month until the Maturity Date.
Principal installments:	In respect of each Tranche, 24 consecutive equal monthly installments beginning 8 months after the disbursement of such Tranche on the first Interest Payment date following 8-month period and on each Interest Payment Date thereafter.
Maturity date	In respect of each Tranche, 32 months after the date of such Tranche

2. On April 21, 2025, EDC agreed to amend the three loans that were extended to the Company:

   The original loan of $32.5M was used to finance the construction of the Company's first of its kind new turnkey thermal decomposition facility in the Town of Hawkesbury, Ontario that will process end-of-life tires to produce re-usable resources. In the revised terms, EDC agreed to a temporary principal and interest payment holiday of 24 months to be paid upon maturity. The first payment of principal and interest will become due on May 31, 2029. The interest is variable with a cap of 8.5% per annum.

   The two other loans were extended to the Company's subsidiary, Ecolomondo Environmental (Hawkesbury) Inc., one for $3M in July 2024, and the second for $2M in January 2025. EDC has also agreed to a temporary principal and interest payment holiday of 12 months until January 31, 2026, at which time principal and interest payments will resume. Interest on both loans has been reduced to 8.5% per annum fixed.