Ecolomondo Corporation

MANAGEMENT'S DISCUSSION & ANALYSIS

April 30, 2025

The following management's discussion and analysis ("MD&A") of the operations, results, and financial position of Ecolomondo Corporation (the "**Company**"), dated April 30, 2025, covers the years ended December 31, 2024 and 2023 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 be 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 US tariffs and the on-going global geo-political instability.*

Overall Performance

Ecolomondo Corporation was incorporated on September 30, 2015 under the Canada Business Corporations Act. It is listed on the TSX Venture Exchange (the "**Exchange**") since October 2017 under the symbol ECM, and in the United States under the symbol (OTCQB:ECLMF). The Company is a clean tech company that is marketing its proprietary Thermal Decomposition technology ("**TDP**"), a truly Canadian endeavor, that recovers marketable resources from end-of-life tires, namely steel, oil, carbon black, syngas and fiber.

During the fiscal year 2024, the Company continued to work and made considerable progress in production efficiency and commercialization at its new TDP facility in Hawkesbury (Ontario, Canada). The Hawkesbury facility is the Company's first of its kind new turnkey thermal decomposition facility in the Town of Hawkesbury (Ontario) that processes end-of-life tires to produce re-usable resources. To find out more about the Company and its technology, visit its website at www.ecolomondo.com.

The Hawkesbury TDP facility started shredding end-of-life tires in 2022 and, as announced in a press release on October 7, 2024, it recently achieved a processing capacity of over 15 short tons of crumb rubber in an 8-hour shift, which would provide enough crumb rubber to supply TDP reactors at projected payloads of 15,000 lbs per batch for 2 batches per reactor per day. The Hawkesbury TDP facility began performing regular testing in the thermal decomposition department in January 2023 and, during its commissioning and ramp-up, it routinely performs batches at full capacity of 15,000 lbs. During 2024, it performed almost 100 TDP batches at full capacity.

During the fiscal year 2024, the Company kept improving its tire shredding and TDP output, however, while the Company was deep in its ramp-up phase and heading towards the final stage of commercialization, it became aware of a major deficiency in its recovered carbon black milling line. Unfortunately it became aware that the milling line was not capable of achieving the required throughput of 1,600 lbs per hour of recovered carbon black nor was it capable to yield a required particle size of 15 microns. Having identified this extremely serious deficiency, the Company immediately undertook the task to find a new milling line capable of producing the required throughput of rCB and capable of yielding a particle size of 10-15 microns, the particle size required by most of the Company's rCB customers. A new carbon black milling equipment has been ordered, manufactured and delivered in early January 2025. The new milling line has been received, installed and programmed during the first quarter of 2025 and commissioning is currently ongoing.

During the fiscal year 2024, the Company began to sell end-products on a more regular basis, reflecting increased activities. The Company collected tipping fees of $145/MT, shipped tanker loads of tire-derived oil, containers of recovered steel and truckloads of unprocessed recovered carbon black. It could not increase the production because of the bottleneck created by the old milling line, since rCB production could not be increased because of low throughput and quality deficiencies. During 2024, the Company kept improving and increasing its sales, $93,445 in the first quarter, $141,925 in the second quarter, $151,506 in the third quarter and $225,408 in the fourth quarter, all generated from the sales of end-products and tipping fees, representing a total increase of 211% over 2023.

During the first quarter of 2024, the Company announced that it had executed an agreement to restructure its original loan agreement (the "**Restructured Loan**") with Export Development Canada ("**EDC**"). The original loan took effect on April 3, 2019, for an amount of $32.1 million, to finance the construction of the Company's first of its kind new turnkey thermal decomposition facility in the Town of Hawkesbury. The Restructured Loan matures in May 2029 and caps the interest rate at 8.5%, based on a twenty-five-year amortization.

The Company also completed a Shares-For-Debt agreement with a company controlled by the Company's controlling shareholder, Executive Chairman and Director Elio Sorella, to convert previous loans made to the Company, totaling $3,498,853 into 25,917,430 voting Common Shares at the price of $0.1350, which was the closing price of $0.18 on January 2, 2024, discounted by 25%, in accordance with TSXV policies.

During the second quarter of 2024, the Company signed an Amending Agreement to the Restructured Loan with EDC. The Amending Agreement to the Restructured Loan allows for the postponement of interest payments due in May, August, November 2024 and February 2025 and to capitalize to the Loan these postponed interest payments. Capital payments due for the same periods will be added to the amount of the Loan to become due on the final maturity date in May 2029.

On June 28, 2024, the Company held its Annual General Meeting of shareholders and during the Meeting, the shareholders of the Company unanimously adopted all resolutions presented to them and a new slate of Directors was elected.

During the third quarter of 2024, the Company concluded a loan of $3 million from EDC, extended to the Company's subsidiary, Ecolomondo Environmental (Hawkesbury) Inc., owner of the Hawkesbury TDP facility. These additional funds were destined to improve the Hawkesbury subsidiary's cash position and pay for additional equipment needed to help bring the Hawkesbury plant to commercial operation.

The Company closed a non-brokered private placement for gross proceeds of C$506,660 from the sale of 2,814,778 units of the Company at a price of C$0.18 per Unit. Each Unit consists of one common share of the Company and one common share purchase warrant. Each Warrant shall entitle the holder to purchase one common share of the Company at a price of C$0.24 at any time on or before that date which is 2 years after the closing date of the Offering.

The Company also modified the conditions of 3,076,922 common share purchase warrants that were issued pursuant to the Company's private placement offering that initially closed on September 24, 2021: the expiry date of these warrants is extended by an additional 2 years to September 24, 2026, and the exercise price is reduced from $1.00 to $0.24, which is similar to the exercise price of the Warrants issued in the most recent private placement of the Company.

During the fourth quarter of 2024, the Company focused its efforts on preparing the delivery and installation of its new milling line to process rCB to client specs.

The Company also completed during the fourth quarter of 2024 the regulatory process to replace its auditors Raymond Chabot Grant Thornton LLP ("RCGT") with Forvis Mazars LLP.

During the fiscal year 2024, the Company also refined its leadership and management. Mathieu Couillard, Hon. Christian Paradis, Michael Frankel and Lynn Côté joined the Board of Directors to replace vacancies that occurred during the year. They bring substantial experience and depth to the Board of Directors and its Committees. During the year, Eliot Sorella, formerly President & CEO, became Executive Chairman, JF Labbé was appointed Interim CEO, and more recently Aarian Hosein was appointed Director of Operations at the Hawkesbury TDP facility, Steve Rampersad, Facility Maintenance Lead, and Yash Gajjar, Site Production Engineer.

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 by the first quarter of 2026. The Company continues to promote its TDP proprietary technology to strategic partners while strategizing to select potential future sites and JV partners to build future TDP turnkey facilities, all as part of its global expansion strategy.

The Company also conducts on regular occasions promotional and investor relations activities, such as webinars and podcasts. For example, there is an upcoming interactive webinar with Executive Chairman Eliot Sorella on May 5, 2025, on Ecolomondo's "Journey to Profitability", exploring the company's progress and future direction. Also, Mr. Sorella recently participated in a podcast in the series "Stock to Watch", available on Youtube (https://youtu.be/WDhClwWslSc).

As a result of these promotional activities, for example, Ecolomondo has been nominated as finalist at the 2025 Recircle Awards for the Tire Pyrolysis Award. The Recircle Awards is a global event designed to recognise the contribution of companies and individuals within the tire manufacturing, retreading and recycling industries towards the Circular Economy. The winners of the fourth Recircle Awards will be announced in a live ceremony on May 22, 2025, at the Future of Retreading and Recycling Conference, in Italy.

The Company also signed on December 2, 2024, a letter of intent for a joint venture with Alternativas Riojanas Eolicas y Solares S.L. ("ARESOL") to build a 20,000 metric tons/year of end-of-life tires TDP facility in Spain. ARESOL is a business group that develops, executes and operates renewable energy projects in all their magnitude, from their conception to their complete installation and operation. Within the company's expansion plan, Aresol intends to develop and implement several pyrolysis projects for end-of-use tires in Spain, for this reason it chose the Canadian pyrolysis technology developed by Ecolomondo. The overall structure and purpose of the venture is to be negotiated between the parties and will need to be properly documented in the definitive agreements.

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 1.5M of scrap tires per year and produce 4,500 MT of recovered carbon black, 5,400 MT of oil, 2,250 MT lbs of steel, and 1,350 MT of process gas.

During the fiscal year ended December 31, 2024, Ecolomondo completed the commissioning of its Hawkesbury TDP department, and announced in early January 2025 that it has completed successfully its 100th TDP batch, some of them in simultaneous production cycles at optimal payloads using both reactors.

The Company achieved many milestones at its Hawkesbury TDP turnkey facility during the year 2024,

including:

- Improved efficiency of the shredding line and thermal processing TDP;
- Usage of the syngas (process gas) produced from TDP production cycles as the energy source to fire up reactors;
- Consistent cycle times of the TDP production in approximately 6 hours, which reflects the results from the Company's pilot plant located in Contrecoeur, Québec;
- The 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 Tire-Derived 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 2024, the Company has essentially completed the commissioning of 2 departments (Tire Shredding, TDP) and has received the new milling line to revamp the Carbon Black department. The installation was completed successfully during the first quarter of 2025, and the Company expects to complete the commissioning during the second quarter of 2025.

The Hawkesbury TDP facility promoted its sustainability status, it maintained 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.

The Company expects its revenues to come from the design, build and operation of TDP turnkey facilities, 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 a volatile supply of virgin products in North America that set the stage for increased local demand and higher pricing for the Company's end-products.

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 was 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, safety and product quality, all milestones needed for TDP to operate commercially, used as the foundation for the Hawkesbury TDP facility.

With the completion and start of operations of the Hawkesbury facility, the Company decided in the first quarter of 2024 to dismantle its Contrecoeur facility. Dismantling was completed in May 2024 and all usable equipment was transferred to the Hawkesbury facility. Other than the dismantling cost of approximately $220,000, this decision did not have any further financial impact to the Company because all equipment at Contrecoeur facility was already fully depreciated. This decision is expected to reduce the corporate burn rate by approximately $25,000 per month.

Hawkesbury facility
As at December 31, 2023, the Company had received a deposit on 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. 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 31, 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.

On April 3, 2019, the Company and EDC announced a loan agreement of $32.1 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. This loan agreement was replaced by a Restructured Loan agreement on December 22, 2023.

As of December 31, 2024, capital expenditures for the Hawkesbury facility totaled $48,401,314 (net of depreciation) and the term loans with EDC totalled $42,831,014. Construction was completed during the fiscal year 2022 and the facility is currently in its ramp-up phase. Please visit the Company's website at www.ecolomondo.com for updates on the Company's Hawkesbury facility.

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 serious global interest to the TDP pyrolysis technology and help drive the Company's global expansion.

Shamrock TDP Facility
In line with its expansion strategy, the Company is also focused on its next TDP 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 for the proposed plant construction. In the binding agreement with the Shamrock Economic Development Corporation, Ecolomondo will pay $10.00 in consideration for selecting Shamrock 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.

With the strong support of the local Shamrock Economic Development Corporation and the USDA, infrastructure works, budgeted at US$2.6 million for gas, water and sewage, were performed in 2023 and completed in 2024.

The total budgeted cost of the Shamrock project is estimated at approximately US$93 million. The Company expects that it will finance the project with a volume cap bond of up to US$80 million from the State of Texas. To promote the sale of the Bond and prepare formal documentation, the Company has secured the services of E.F. Hutton & Co. as investment banker for the transaction.

Processing capabilities for the Shamrock facility is projected at 5 million end-of-life tires per year, yielding approximately 15,000 metric tons of recovered carbon black, 18,000 metric tons of oil, 7,500 metric tons of steel, and to process 4,500 metric tons of syngas; roughly three times the size of the Company's Hawkesbury (Ontario) plant output that will soon commence regular commercial operations.

The Company is continuously strategizing on the Shamrock project, especially seeking feedstock, offtake agreements and JV partners. During a recent visit by the Executive Chairman to Texas, he was able to secure from local landfills at least the 21,000 metric tons of scrap tire feedstock needed for the planned facility.

The Shamrock facility will serve as the Company's flagship entry into the US market. Coupled with the production capacity of the Hawkesbury (Ontario) facility, the Company will produce over 21,000 metric tons of recovered carbon black per year. Management believes that this unprecedented production capacity of recovered carbon black will position Ecolomondo to become a leading industry player.

Because of delays in the Hawkesbury project's final commercialization, the Company thought it best to delay the Shamrock TDP turnkey facility, and now expects the construction to begin in the first quarter of 2026.

Results of Operations

Results of Operations for the Years Ended December 31, 2024 and 2023

Revenues

During the years ended December 31, 2024 and 2023, the Company has revenues of $612,284 and $196,727, respectively. Losses were recorded against these revenues due to a revenues/losses from government assistance, interest income and foreign exchange loss. Therefore, the net revenues for the years ended December 31, 2024 and 2023 were $481,647 and $149,281, respectively.

The increase of $415,557 in revenues between the years ended December 31, 2024 and 2023 is due to increased revenues from the sale of end-products of $612,284 in the year ended December 31, 2024, compared to $196,727 for the year ended on December 31, 2023, which resulted from increased activities at the Hawkesbury TDP facility.

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 expensed or capitalized in "Property, plant and equipment". Administrative expenses include also Stock-based compensation, municipal tax, office expenses, corporate and stock exchange fees, salaries and short term benefits, travel, meals and representation, marketing and advertising, foreign exchange and miscellaneous.

General and administrative expenses were $1,021,784 for the year ended December 31, 2024 compared to $1,255,200 for the year ended December 31, 2023. General and administrative expenses decreased by $233,416 mostly due to (i) a decrease of $313,591 in Corporate & Stock exchange fees between the two periods and to (ii) a stock-based compensation of $424,046 in the year ended December 31, 2024 compared to $619,450 in the year ended December 31, 2023, partially offset by (iii) a municipal tax of $234,939 in the year ended December 31, 2024 compared to nil in the year ended December 31, 2023.

Operating expenses

Operating expenses include expenses related to general operations of the Company and its subsidiaries. Operating expenses consist primarily of expenses for salaries and other short-term benefits, depreciation of building, maintenance and repairs, insurance, professional fees, utilities, freight and custom duties, depreciation of right of use asset, depreciation of equipment and other plant expenses.

The Company expenses all operating expenses as they are incurred when they do not meet the criteria for capitalization. Operating expenses for the year ended December 31, 2024 were $2,841,694, compared to $1,304,644 for the year ended December 31, 2023. The increase of $1,537,050 is mainly attributable to (i) an increase in Salaries and short-term benefits of $756,842 between the two periods, to (ii) a depreciation of building of $516,000 for the year ended December 31, 2024 compared to $129,000 for the year ended December 31, 2023, and to (iii) other operating expenses that were no longer capitalized in the fiscal year 2024, such as Maintenance and repairs, Insurance, Professional fees, Utilities, and Freight and custom duties, partially offset by (iv) a decrease of $790,006 in Depreciation of equipment, which was nil for the year ended December 31, 2024 compared to $790,006 for the year ended December 31, 2023, representing the final depreciation of the equipment at the Contrecoeur pilot facility.

Financial expenses

Financial expenses for the year ended December 31, 2024 are only interest on long-term debt. They totalled $989,383 for the fiscal year, compared to a negative amount of $553,039 for the year ended December 31, 2023.

During the year ended December 31, 2023, the terms and conditions of the long-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, which resulted in a negative amount of $553,039 for Financial expenses. 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.

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 consolidated statements of loss and comprehensive loss for the year ended December 31, 2024.

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 on December 31, 2021.

As announced by the Company in September 2024, the expiry date and exercise price of these Warrants were recently modified to the benefit of shareholders. The TSX Venture Exchange approved to extend the expiry date of the Warrants by an additional 2 years, which is now September 24, 2026, and to reduce the exercise price of the said warrants from $1.00 to $0.24.

A loss on revaluation of warrant liability is recorded in the Consolidated Statements of Loss and Comprehensive Loss for an amount of $182,240 for the year ended December 31, 2024 ($325,232 gain for the year ended December 31, 2023).

Loss before income taxes

The operating loss for the year ended December 31, 2024 was $4,006,353 compared to a loss of $4,924,928 for the year ended December 31, 2023. The decrease of $918,575 in the loss for the year ended December 31, 2024 compared to the year ended December 31, 2023 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, compared to nil in the year ended December 31, 2024, and to (ii) a gain on long-term debt revaluation of $547,101 during the year ended December 31, 2024, to reflect the revised terms from the amendment of the existing debt with EDC, compared to nil in the year ended December 31,

2023, partially offset by (ii) an increase of $1,537,050 in Operating expenses between the two periods, (ii) an increase of $1,542,422 in Financial expenses between the two periods, and to (iii) a loss of $182,240 on revaluation of warrant liability for the year ended December 31, 2024, compared to a gain of $325,232 for the year ended December 31, 2023,

Income taxes

For both the years ended December 31, 2024 and 2023, the Company had no current income tax expense. The Company had deferred income tax recovery of nil and $200,220 for the years ended December 31, 2024 and 2023, respectively.

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 are 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 comprehensive loss	December 31, 2024
	$	$	$
Deferred tax liabilities (assets)	-	-	-
Non-current assets			
Equipment	-	-	-
	-	-	-

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

Results of Operations for the Three-Month Periods Ended December 31, 2024 and 2023

Revenues

During the quarters ended December 31, 2024 and 2023, the Company had net revenues of $71,965 and negative revenues of $4,153 (due to a reversal in government assistance), respectively. Revenues from the sale of end-products, including TDP oil, tipping fees, recovered carbon black and steel, were $225,409 and $85,711, for the three-month periods ended December 31, 2024 and 2023, respectively.

The increase in revenues from the sale of end-products during the three-month period ended December 31, 2024, compared to the same period in 2023, reflects the increase of activities at the Hawkesbury TDP facility.

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 expensed or capitalized in "Property, plant and equipment".

Administrative expenses include also Stock-based compensation, municipal tax, office expenses, corporate and stock exchange fees, salaries and short term benefits, travel, meals and representation, marketing and advertising, foreign exchange and miscellaneous.

General and administrative expenses decreased by $161,426 between the two periods. They were $147,053 for the quarter ended December 31, 2024, compared to $308,479 for the quarter ended December 31, 2023. The decrease is primarily due to a stock-based compensation of $159,778 during the quarter ended December 31, 2024, compared to $619,450 during the quarter ended December 31, 2023.

Operating expenses

Operating expenses include expenses related to general operations of the Company and its subsidiaries. Operating expenses consist primarily of expenses for salaries and other short-term benefits, depreciation of building, maintenance and repairs, insurance, professional fees, utilities, freight and custom duties, depreciation of right of use asset, depreciation of equipment and other plant expenses.

The Company expenses all operating expenses as they are incurred when they do not meet the criteria for capitalization. Operating expenses for the quarter ended December 31, 2024 were $1,001,401, compared to $642,229 for the same quarter ended December 31, 2023. The increase of $359,172 between the 2 periods is mostly attributable to the capitalization of those expenses during the quarter ended December 31,2023, while the Hawkesbury facility was not yet commissioned, partially offset by a depreciation of equipment of $339,835 in the period ended December 31, 2023, compared to nil in the period ended December 31, 2024. The equipment that was depreciated in the quarter ended December 31, 2023, was the remaining depreciation of the equipment at the Company's Contrecoeur pilot plant.

Financial expenses

Financial expenses for the three-month period ended December 31, 2024 are $182,874, compared to a negative financial expense of $598,039 for the same period in 2023, which is due to a gain on debt extinguishment of $887,056 because the terms and conditions of the term loan with EDC were modified during the quarter.

The increase of $780,913 in financial expenses between the two quarters is partially offset by an decrease of $91,526 for Interest on long-term debt, which was $182,974 for the quarter ended December 31, 2024, compared to $274,500 for the three-month period ended December 31, 2023.

Loss before income taxes

Loss before income taxes were $727,722 for the three-month period ended December 31, 2024, compared to a loss of $3,736,075 during the same period ended December 31, 2023. The decrease of $3,008,353 between the two periods is attributable to (i) a write-down of equipment of $3,392,636 in the quarter ended December 31, 2023, to reflect the removal of equipment and related costs that have been replaced or discarded, compared to nil in the quarter ended December 31, 2024, and to (ii) a gain on long-term debt revaluation of $547,101 in the quarter ended December 31, 2024, compared to nil in the quarter ended December 31, 2023, partially offset by (iii) an increase in financial expenses between the two periods of $780,913.

Income taxes

For both the three-month periods ended December 31, 2024 and 2023, the Company had no current income

tax expense. The Company had deferred income tax recovery of nil and $91,791 for the quarters ended December 31, 2024 and 2023, respectively. The variation in deferred income tax expense 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, 2024 and 2023

Cash Flows

	Year ended	
	December 31, 2024	**December 31, 2023**
	$	$
Operating Activities	2,850,137	(1,054,571)
Investing Activities	(4,362,975)	(1,807,549)
Financing Activities	1,543,897	2,845,124
Net Increase (Decrease) in Cash	**31,059**	**(16,996)**

Operating Activities: Net cash provided by the Company's operating activities during the year ended December 31, 2024 increased by $3,904,708 compared to the year ended December 31, 2023, primarily due to (i) the conversion of advances from a company under common control to shares, in a Shares-For-Debt agreement, for $3,498,853 in the year ended December 31, 2024, 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, 2024 and to (iii) a decrease of $718,355 in the Net loss between the two periods, 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, 2024 and by (iv) a negative variance in changes in working capital items of $828,969 between the two periods.

Investing Activities: Net cash used for investing activities during the year ended December 31, 2024 increased by $2,555,426 compared to the year ended December 31, 2023, which is due to Acquisition of property, plant and equipment, which totaled $4,362,975 for the year ended December 31, 2024 and $1,807,549 in the year ended December 31, 2023.

Financing Activities: During the year ended December 31, 2024, cash flows provided by financing activities decreased by $1,301,227, which was $1,543,897 for the year ended December 31, 2024, compared to $2,845,124 in the year ended December 31, 2023. This decrease came mostly from (i) a positive advance of $2,010,000 from a company under common control in the year ended December 31, 2023, compared to a reduction in advances of $1,943,579 during the year ended December 31,2024, and to (ii) a private placement with gross proceeds of $506,660 in the year ended December 31, 2024, compared to $971,772 in the year ended December 31, 2023, partially offset by (iii) the issuance of long-term debt of $3,000,000 in the year ended December 31, 2024, 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, 2024 and 2023

	Three-Month Periods ended	
	Dec 31, 2024	**Dec 31, 2023**
	$	$
Operating Activities	5,169,295	(341,098)
Investing Activities	(2,884,138)	(394,280)
Financing Activities	(3,191,828)	785,930
Net Increase (decrease) in Cash	**906,671**	**50,552**

Operating Activities: Net cash provided by the Company's operating activities during the quarter ended December 31, 2024 increased by $5,510,393 compared to the same period ended December 31, 2023, mostly due to (i) a conversion of advances from a company under common control to shares, in a Shares-For-Debt agreement, for an amount of $3,498,853, compared to nil in the same period in 2023, (ii) a change in long-term debt of $2,661,370, compared to nil in the 3-month period ended December 31, 2023, partially offset by (iii) an increase of $727,722 in the net loss during the fourth quarter of 2024 compared to the same quarter in 2023, and (iv) a gain on debt revaluation of $547,101 in the fourth quarter of 2024, compared to nil in 2023 and to (v) a negative variance of $372,317 during the fourth quarter of 2024 in Changes in working capital items, compared to the same period in 2023.

Investing Activities: Net cash used for the Company's investing activities during the quarter ended December 31, 2024 increased by $2,489,858 compared to the same period ended December 31, 2023. The increase in cash used for the Company's investing activities is due to an increase in "Acquisition of property, plant and equipment" of that same amount between the two periods.

Financing Activities: Net cash used by the Company's financing activities during the quarter ended December 31, 2024 decreased by $3,977,758 compared to the same period ended December 31, 2023 mostly due to an decrease of $3,211,828 in Advances from a company under common control.

Assets, Liabilities and Shareholders' Equity

As of December 31, 2024, total assets were $49,680,318, compared to $45,186,667 as of December 31, 2023. The primary reason for the increase of $4,493,651 in total assets between December 31, 2024 and December 31, 2023 was an increase of $3,846,975 in "Property, plant and equipment".

As of December 31, 2024, total liabilities were $49,781,034, compared to $45,710,589 as of December 31, 2023. The increase of $4,070,445 in total liabilities between the two periods is mostly due to (i) an increase of $2,986,411 in the term loan from EDC, which was $39,653,773 as of December 31, 2024, compared to $36,667,362 as of December 31, 2023 and to (ii) a $3,000,000 term loan from EDC, maturing in 2026, partially offset by (iii) a decrease of $1,943,579 in advances from a company under common control on December 31, 2024 compared to December 31, 2023.

The Company had a working capital deficit of $8,502,526 as of December 31, 2024 compared to a working capital deficit of $9,136,778 as of December 31, 2023. This decrease of $634,252 in working capital deficit between the two periods is mostly attributable to (i) Advances from a company under common control of $1,585,274 as of December 31, 2024, compared to $3,528,853 as of December 31, 2023, to (ii) a decrease of $506,179 in Trade and other payables as of December 31, 2024 compared to December 31, 2023, partially offset by (iii) an increase of $2,250,000 in Current portion of long term debt.

As of December 31, 2024, the Company had an accumulated deficit of $30,749,435 compared to an accumulated deficit of $26,743,082 as of December 31, 2023. The $4,006,353 increase in the accumulated

deficit between the two periods is attributable to the net loss recorded for the year ended December 31, 2024.

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, 2024, the Company had cash on hand of $119,331. However on February 3, 2025, it announced in a press release that it has secured an additional credit facility of $2 million from EDC, bolstering its cash on hand.

The Company expects to use a further $3,000,000 during the next fiscal year, mostly for working capital, commissioning, ramp-up and maintenance of equipment at its Hawkesbury facility. 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. Besides the $2M loan from EDC received in January and March 2025, the Company expects to raise an additional $1,000,000 for the balance of 2025 by completing a capital raise.

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, 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.

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.

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, 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 $120,000 as of December 31, 2024, 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, 2024, which is payable in 10 equal annual installments of $20,000, bearing interest at 3% per annum, (ii) the amount of $39,653,773 on a term loan from EDC as of December 31, 2024, and (iii) a term loan from EDC for an amount of $3,000,000 bearing interest at prime rate + 8% per year, payable in 12 consecutive equal installments, maturing in March 2026.

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 recovered carbon black, 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.

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.

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.

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 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 and other 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
Short term loans	Amortized cost
Advances from company under common control	Amortized cost
Warrant liabilty	FVTPL
Lease liability	Amortized cost
Long term debt	Amortized cost

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), 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

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.

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.

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.

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.

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 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.

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.

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 2024 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, 2024, the Company had a history of losses and negative cash flows. The Company has a net loss of $4,006,353, net increase in cash flows of $31,059, and an accumulated deficit of $30,749,435 at December 31, 2024, 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 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.

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.

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 to 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.

Related Party Transactions

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

Due to related party

	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

Subsequent Events

The Company and EDC agreed on January 22, 2025 on a $2,000,000 loan in 3 separate tranches, payable on the 28th day of each calendar month until the maturity date, which is 32 months after the date of each tranche, bearing interest at prime rate plus 8%.

On April 21, 2025, EDC agreed to amend the three loans that were extended to the Company. For the Restructured loan of $37.9M that was used to finance the construction of the Company's facility in the Town of Hawkesbury, Ontario, EDC agreed to a principal and interest payment holiday of 24 months. 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. For the two other loans that were extended to Company's subsidiary, Ecolomondo Environmental (Hawkesbury) Inc., owner of the Hawkesbury facility, one for $3M in July 2024, and the second for $2M in January 2025, EDC has also agreed to a 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 have been reduced to 8.5% per annum fixed.

Additional Information

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