

Ecolomondo Corporation

MANAGEMENT'S DISCUSSION & ANALYSIS

May 26, 2025

The following management's discussion and analysis ("MD&A") of the operations, results, and financial position of Ecolomondo Corporation (the "**Company**"), dated May 26, 2025, covers the three-month periods ended March 31, 2025 and 2024 and should be read in conjunction with the amended and restated audited annual consolidated financial statements as at and for the year ended December 31, 2024 and the unaudited interim condensed consolidated financial statements of the Company including its subsidiaries Ecolomondo Environmental (Contrecoeur) Inc., Ecolomondo Environmental (Hawkesbury) Inc., 9083-5018 Québec Inc. and Ecolomondo Process Technologies Inc. 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.

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 and the global economy;*
- *incorrect assessments of the value of acquisitions;*
- *due diligence reviews;*
- *competition for suitable acquisitions; and*
- *Volatility in the global economy that may be created by US tariffs and the ongoing 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 quarter ended March 31, 2025, the Company achieved some important milestones and continued to work on its final ramp-up at its Hawkesbury TDP turnkey facility in Ontario, Canada. The Hawkesbury facility is the Company's first of its kind new turnkey thermal decomposition facility 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.

An important milestone is related to the installation and start of commissioning of the new milling equipment, in the recovered Carbon Black ("**rCB**") department. The Company made significant progress during the first quarter of 2025, which is further explained in the next section ("**Current events at the Hawkesbury TDP Facility**").

During the first quarter of 2025, the Company concluded important financial agreements with Export Development Canada ("**EDC**"), beginning with the signing of final documentation to the previously announced \$2 million credit facility with EDC, which is extended to the Company's subsidiary, Ecolomondo Environmental (Hawkesbury) Inc., owner of the Hawkesbury plant, to assist mainly with the purchase, installation and commissioning of the new milling equipment. The Company also agreed with EDC for a temporary principal and interest postponement on its 3 loan agreements (the main Amended and Restated Loan Agreement of \$37.9M signed in December 2023, the credit facility of \$3M signed in July 2024, and the credit facility of \$2M signed in January 2025), with final documentation signed in April 2025. These agreements with EDC provide the Company an improved working capital and should bring investors a higher sense of confidence, which is crucial for the Company to raise capital needed to help achieve its strategic goals.

The Company appointed Forvis Mazars LLP ("**Forvis Mazars**") as its independent auditor, effective February 10, 2025, until the next annual general meeting of the Company. The Company selected Forvis Mazars after discussions with several other potential replacements to Raymond Chabot Grant Thornton LLP ("**RCGT**"), the Company's former auditor. The selection criteria were stringent and included reputation, quality of the audit team and costs. The Company's Board thanks RCGT for their services as the Company's auditors over the past many years

The Company signed a letter of intent, announced on January 14, 2025, 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. Ecolomondo would provide the tire pyrolysis technology, and the development-financial aspect will be distributed proportionally between the parties and other possible investors.

The Company continued to promote its TDP proprietary technology to strategic partners while it is strategizing to select potential future sites and investors to build TDP turnkey facilities, all as part of its global expansion strategy. The Company is currently in advanced discussions with several strategic partners for the Shamrock project, now expected to begin in the first quarter of 2026.

The Company also conducts on regular occasions promotional and investor relations activities, such as webinars and podcasts to keep investors informed on current events. For example, an interactive webinar with Executive Chairman Eliot Sorella on May 5, 2025, explored the company’s progress and future direction on Ecolomondo’s “Journey to Profitability”. Also, Mr. Sorella participated in a podcast in the series “Stock to Watch”, available on Youtube (<https://youtu.be/WDhClwWslSc>). The Company also conducts a marketing campaign on social media, covering all platforms, performed by GlobalOne Media with a 9-month contract.



As a result of these promotional activities, for example, Ecolomondo was nominated as finalist at the 2025 Recircle Awards for the Tire Pyrolysis Award. The Recircle Awards is a global event designed to recognize the contribution of companies and individuals within the tire manufacturing, retreading and recycling industries towards the Circular Economy.

The Company also entered into an agreement with Integral Wealth Securities Inc. (“**Integral**”) to trade shares of Ecolomondo Corporation on the TSXV for the purposes of maintaining an active and orderly trading in the market for the Corporation’s securities, in compliance with the policies and guidelines of the TSXV and other applicable legislation. Integral is a national independent CIRO-licensed investment dealer, headquartered in Toronto, with nine offices across Canada. Founded in 2003, the firm has established capabilities in market making, wealth management and investment banking.

Current events at the Hawkesbury TDP Facility

During the first quarter of 2025, Ecolomondo continued to improve efficiencies in all areas, including TDP, tire shredding and automation, at its Hawkesbury TDP facility, and announced in early January 2025 that it completed successfully its 100th TDP batch, some of them in simultaneous production cycles at optimal payload using both reactors, and took delivery of its new milling machine and completed its installation.

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 3 main production departments, tire shredding, thermal decomposition, and recovered Carbon Black refining (“**rCB**”). Once fully operational, this facility is expected to process 1.3 to 1.5M scrap tires per year and an average of approximately 4,000 MT of recovered carbon black, 5,000 MT of pyrolysis oil, 2,000 MT of steel, and 1,200 MT of process gas.



It is important to note that the Company's investments in the automation have led to unprecedented process efficiencies and ensures output optimization and safety. The control system allows for the least amount of human machine interface (“HMI”) and the total supervision of the entire TDP process. It further ensures all process parameters are repeatedly followed for each batch to produce high quality and consistent end-products using the same residency time of 8 hours for each batch of 15,000 lbs, which ensures quality and consistency of end-products.

In 2024, as the Company began to ramp-up its production, it became aware that its rCB milling line did not have the capacity of producing the required throughput of 1,600 lbs per hour of rCB and to produce the needed particle size of D90 at 15 microns. The Company identified the deficiency and immediately took action to resolve the deficiency in August 2024. The Company purchased a new milling machine and prepared for its installation until it was delivered, in early 2025.

The new milling line is fully automated, using HMI technology, and has the capacity to process 3,000 lbs per hour of rCB with a particle size distribution of at least 97% between 10-15 microns, specifications required by most of the Hawkesbury plant's rCB off-take customers, and enough capacity to allow both TDP reactors and shredding line to operate at full capacity. The installation of the new equipment has been completed and the commissioning is currently ongoing. Management expects to complete the commissioning in the second quarter of 2025.

The final commissioning the new milling machine is very important to reaching full commercialization of the Hawkesbury plant because rCB generates a very significant revenue. The rCB milling bottleneck at the end of the production cycle, preventing the ramp-up of production of the tire shredding and TDP departments.

During the first quarter of 2025, the company continued to expand its personnel, adding professionals, mechanics, operators, burner specialists, and maintenance personnel. This new personnel will lead to improved efficiency and ensure that the Hawkesbury facility has the personnel in place fully trained to ensure a seamless ramp-up.

Even if it was limited by the rCB milling line, the Company continued shredding more scrap tires, collecting more tipping fees, selling more steel and more pyrolysis oil, and a limited amount of rCB, that generated higher revenues every quarter since early 2024. During the first quarter of 2025, revenues were \$193,681, compared to \$104,995 for the same period of 2024, representing an increase of 84%.

The Company expects its future revenues to come from the design, build and operation of TDP turnkey facilities, royalties from their operation, including the sale of after-market parts and services. Revenues for TDP turnkey facilities will come from selling of the end-products they produce, namely recovered carbon black, oil, gas, fiber and steel. During the period, the Company has made considerable inroads in securing 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 percentage of recovered carbon black production of between 36% and 38% of reactor payloads. 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.

Production of rCB using TDP reduces CO₂ 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 geopolitical 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'. Current value of rCB is estimated at approximately US\$ 1,050 – 1,200 per metric ton.

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. Current value of Mondo oil is estimated at approximately US\$ 90 – 100 per barrel, and the steel, at US\$ 300 – 350 per metric ton, respectively.

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 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.

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.

Subsequent Events to the Quarter Ended March 31, 2025

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.
- On April 30, 2025, the Company announced a non-brokered private placement for gross proceeds of up to \$1,000,000 by issuing 6,201,550 units of the Company (each, a "Unit") at a price of \$0.16125 per Unit, which closed on May 20, 2025. Each Unit will consist of one common share (a "Common Share") and one common share purchase warrant (a "Warrant"). Each Warrant shall entitle the holder to purchase one Common Share of the Company (each, a "Warrant Share") 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, provided that if the closing price of the Common Shares on the TSX Venture Exchange is equal to or greater than \$0.35 for a period of 15 consecutive trading days, the Company may accelerate the expiry date of the Warrants by disseminating a press release within 7 calendar days after the 15th trading day, and in such case the Warrants will expire on the 30th day after the date on which such press release is disseminated.

- During the first quarter of 2025, the Company received and installed its new milling machine and other equipment for the milling line. The new milling machine is fully automated, using HMI technology. It was tested and the results produced an output of 3,000 lbs per hour of rCB, with a particle size distribution of at least 97% below 15 microns. The rCB throughput achieved more than satisfies the rCB requirements of the total Hawkesbury plant output and the particle size achieved at D97 below 15 microns should more than satisfy the most stringent demands of the Company's off-take customers. The particle size achieved was also independently tested by a third party, Polytechnique de Montréal. The installation of the new equipment has been completed and the commissioning is currently ongoing; management expects to complete the commissioning in the second quarter of 2025.

Significant Projects That Have Not Yet Generated 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:

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 at March 31, 2025, the Company had received a deposit on 2019 for an amount of U.S. \$1,900,000 (CAD 2,731,410; CAD 2,574,500 as of March 31, 2024) from a potential future partner. When the plant under construction will be completed, the Company and the potential future partner were to negotiate the sale of a participation of up to 45% of the subsidiary that owns the plant, however, 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.

As of March 31, 2025, capital expenditures for the Hawkesbury facility totaled \$49,856,991 (net of depreciation) and the term loans with EDC totalled \$45,660,829. Construction was completed during the fiscal year 2022 and the facility is currently heavily involved 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 rCB, 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 rCB 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.

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.

TDP is Environmentally Friendly – CO₂ Reduction

By producing rCB, TDP reduces GHG emissions by 90% versus the production of virgin carbon black. The production of rCB at the Hawkesbury and Shamrock facilities will reduce CO₂ emissions by 22,400 and 67,200



tons per year, respectively.

Results of Operations

Results of Operations for the Quarters Ended March 31, 2025 and 2024

Revenues

During the quarters ended March 31, 2025 and 2024, the Company has revenues of \$197,674 and \$109,215, respectively. Revenue for both periods include sales from the Hawkesbury TDP facility and some interest income in relation to cash and cash equivalents. The increase of \$88,459 is due to increased sales of end-products produced in the period ended March 31, 2025 compared to the period ended March 31, 2024, reflecting an overall increase in revenues of 84% for the quarter.

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.

It is to note that as of January 1, 2025, some expenses were re-classified from General and administrative expenses to Operating expenses: Municipal/Property tax, Professional fees, and Insurance.

General and administrative expenses were \$151,666 for the quarter ended March 31, 2025 compared to \$411,217 for the quarter ended March 31, 2024. General and administrative expenses decreased by \$259,551 mostly due to (i) a stock-based compensation of \$226,910 during the period ended March 31, 2024, compared to nil in the same period in 2025, partially offset by (ii) a decrease of \$53,871 in Corporate & Stock exchange fees between the two periods.

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.

Operating expenses for the quarter ended March 31, 2025 were \$1,000,454, compared to \$872,864 for the quarter ended March 31, 2024. Operating expenses increased by \$127,590 mostly due to (i) Professional fees of \$197,906 for the period ended March 31, 2025, compared to nil for the same period in 2024, and to (ii) salaries and other short-term benefits, which were \$334,611 in the period ended March 31, 2025, compared to \$202,360 in the same period in 2024, partially offset by (iii) a decrease of \$211,742 in the Maintenance and repairs, which were \$235,550 in the first quarter of 2024, compared to \$23,808 in the first quarter of 2025.

Financial expenses

Financial expenses are interest on long-term debt for the Hawkesbury TDP facility. They totalled \$374,311 for the period ended March 31, 2025, compared to \$356,847 for the period ended March 31, 2024. A financing fee for the long term debt, for an amount of \$41,120, is included in the period ended March 31, 2025.

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 gain on revaluation of warrant liability is recorded in the Consolidated Statements of Loss and Comprehensive Loss for an amount of \$33,314 for the period ended March 31, 2025 (nil for the period ended March 31, 2024).

Loss before income taxes

The loss before income tax for the quarter ended March 31, 2025 was \$1,295,443 compared to a loss of \$1,531,713 for the quarter ended March 31, 2024. The decrease of \$236,270 in the loss for the quarter ended March 31, 2025 compared to the quarter ended March 31, 2024 is mostly attributable to (i) a decrease in general and administrative expenses of \$218,431 during the quarter ended March 31, 2025 compared to the quarter ended March 31, 2024, and to (ii) an increase of \$88,459 in revenues between the two periods, partially offset by (iii) an increase in operating expenses of \$127,590 in the quarter ended March 31, 2025 compared to the quarter ended March 31, 2024.

Income taxes

For both the quarters ended March 31, 2025 and 2024, the Company had no current income tax expense. The Company had no deferred income tax either.

Cash Flows for the Three Months Ended March 31, 2025 and 2024

	Cash Flows	
	Three-Month Periods ended	
	March 31, 2025	March 31, 2024
	\$	\$
Operating Activities	(562,259)	(746,273)
Investing Activities	(1,088,053)	(446,334)
Financing Activities	1,980,000	1,108,850



Net Increase (Decrease) in Cash**329,688****(83,757)**

Operating Activities: Net cash used by the Company's operating activities during the quarter ended March 31, 2025 was \$562,259, compared to \$746,273 during the same period ended March 31, 2024. The decrease of \$184,014 in cash flow used by operating activities is mostly due to (i) an increase of \$236,270 in the net loss for the quarter ended March 31, 2025 compared to the quarter ended March 31, 2024 and to (ii) a Stock-based compensation of \$226,910 in the period ended March 31, 2024, compared to nil in the same period in 2025, partially offset by (iii) a positive variance in changes in working capital items of \$306,777 for the quarter ended March 31, 2025 compared to a negative variation of \$5,441 for the quarter ended March 31, 2024.

Investing Activities: Net cash used for the Company's investing activities during the quarter ended March 31, 2025 increased by \$641,719 compared to the same period ended March 31, 2024, due to higher investments in Acquisition of property, plant and equipment during the quarter ended March 31, 2025.

Financing Activities: During the three-month period ended March 31, 2025, net cash provided by the Company's financing activities increased by \$871,150 compared to the same period ended March 31, 2024, due to (i) the issuance of long-term debt, a term loan by Export Development Canada, in the amount of \$2,000,000, partially offset by (ii) the decrease in advances from a company under common control of \$1,148,034 during the period ended March 31, 2025 compared to the same period ended March 31, 2024.

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.

Assets, Liabilities and Shareholders' Equity

As of March 31, 2025, total assets were \$50,936,592, compared to \$49,680,318 as of December 31, 2024. The increase of \$1,256,274 in total assets between March 31, 2025 and December 31, 2024 is mostly due to (i) an increase of \$1,455,677 for Property, plant and equipment and to (ii) an increase of \$444,504 in Cash, partially offset by (iii) a decrease of \$601,654 in Prepaid expenses and deposits between the two periods.

As of March 31, 2025, total liabilities were \$52,332,751, compared to \$49,781,034 as of December 31, 2024. The increase of \$2,551,717 in total liabilities between the two periods is mostly due to (i) an increase of \$1,518,148 in long term debt between the two periods and to (ii) an increase of \$1,291,667 in the current portion of long-term debt, partially offset by (iii) a decrease of \$189,789 in Trade and other payables between the two periods.

The Company had a working capital deficit of \$8,183,538 as of March 31, 2025 compared to a working capital deficit of \$8,5025,526 as of December 31, 2024. This decrease of \$318,988 in working capital deficit between the two periods is mostly due to (i) a decrease of \$1,585,274 in advances from a company under common control between the two periods, partially offset by (ii) an increase of \$1,291,667 in the current portion of long-term debt between the two periods. During the three-month period ended March 31, 2025, the Company invested most of its funds in the Hawkesbury project. Management expects to return to positive working capital once the Hawkesbury facility ramps up its production.

As of March 31, 2025, the Company had an accumulated deficit totaling \$32,044,878 compared to an accumulated deficit of \$30,749,435 as of December 31, 2024. The \$1,295,443 increase in the accumulated deficit is attributable to the net loss of \$1,295,443 recorded for the three-month period ended March 31, 2025.

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 March 31, 2025, the Company had cash on hand of \$449,019. The Company expects to use a total of \$3,000,000 during the 2025 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 has completed a capital raise via a LIFE private placement in May 2025 for an additional \$1,000,000. Going forward, the Company may consider to raise additional funds to ensure it has the funds needed to take advantage of projects or deals that may arise.

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. The Company has an accumulated deficit of \$32,044,878 as of March 31, 2025 (\$30,749,435 as of December 31, 2024), as well as negative working capital. The Company has completed the construction of its Hawkesbury plant, however it has not been able to complete its ramp-up 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 endeavors or become financially viable and continue as a going concern. Consequently, these material uncertainties raise significant doubt regarding the Company's ability to continue as a going concern.

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

Off-Balance Sheet Arrangements

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

Additional Financing Requirements

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

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

Long-Term Debt

As of March 31, 2025, the Company's long-term debt includes (i) government loans, totaling \$120,000, having an annual interest of 5%, maturing in December 2026, (ii) the balance of purchase price of the land in Hawkesbury, for an amount of \$80,000 as of March 31, 2025, payable in equal annual installments of \$20,000, bearing interest at 3% per annum, (iii) advances in the amount of \$40,483,588 on a term loan from EDC as of March 31, 2025, (iv) a term loan from EDC of \$3 million, maturing March 2026, (v) a term loan from EDC of \$2 million, maturing September 2027, and (vi) long term advances in the amount of \$1,585,274 from a company under common control, 3212527 Canada Inc.

Seasonality

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

Basis of presentation

The unaudited interim condensed consolidated financial statements present the Company's consolidated balance sheet as of March 31, 2025, as well as its consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the three-month periods ended March 31, 2025 and 2024.

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting and are expressed in Canadian dollars. Accordingly, certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), have been omitted or condensed. These interim condensed consolidated financial statements use the same accounting policies, except for the adoption of the new accounting standard discussed below, and use the same methods of computation as compared with the Company's most recent annual audited consolidated financial statements. Since the date of such financial statements, there have been no changes to the Company's significant accounting policies, except for the adoption of the new accounting standard described below. There are no new accounting pronouncements issued during the period which might have a material impact on the Company's interim condensed consolidated financial statements.

These interim condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary to present a fair statement of the results for these interim periods. These adjustments are of a normal recurring nature.

These interim condensed consolidated financial statements were authorized for issuance by the Company's Board of Directors on May 26, 2025.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and those of Ecolomondo Environmental (Contreccœur) Inc, Ecolomondo Environmental (Hawkesbury) Inc. (incorporated in 2018) and 9083-5018 Quebec 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.

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

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

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

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 the MD&A related to the consolidated financial statements for the fiscal year ended December 31, 2024, and in the MD&A related to the unaudited financial statements for the quarter ended March 31, 2025, 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 March 31, 2025, the Company had a history of losses and negative cash flows. During the quarter ended March 31, 2025, the Company has a net loss of \$1,295,443, cash flows used in operations of \$562,259, and an accumulated deficit of \$32,044,878 at March 31, 2025, 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 favorable 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 labor 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, liquidity 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	<u>(2,988,824)</u>	<u>(2,514,999)</u>
Total exposure	3,070,803	2,557,486

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 \$835,833 (\$437,402 as at December 31, 2024). Credit risk associated with cash is substantially mitigated by ensuring that these financial assets are primarily placed with major

financial institutions.

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 \$835,833 as at March 31, 2025 are not sufficient to cover liquidity needs for the next twelve months.

Related Party Transactions

Related party transactions consist of advances from a company under common control, in the amount of \$1,585,274 as of March 31, 2025.

Transactions with key management personnel

Key management of the Company are the members of the Board of Directors, as well as officers of the Company. Key management personnel remuneration for the three-month periods ended March 31, 2025 includes salary compensation amounting to \$72,805 (\$244,544 for the three-month period ended March 31, 2024).

Additional Information

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