

Ecolomondo Corporation

MANAGEMENT'S DISCUSSION & ANALYSIS

August 26, 2024

The following management's discussion and analysis ("MD&A") of the operations, results, and financial position of Ecolomondo Corporation (the "**Company**"), dated August 26, 2024, covers the three-month periods ended June 30, 2024 and 2023 and should be read in conjunction with the audited annual consolidated financial statements as at and for the year ended December 31, 2023 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; and*
- *competition for suitable acquisitions.*

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 second quarter ended June 30, 2024, the Company continued to work on process optimization, efficiency, safety, end-product processing, commissioning and ramp-up at its new TDP facility in Hawkesbury (Ontario, Canada). To find out more about the Company and its technology, visit its website at www.ecolomondo.com.

During the second quarter of 2024, the Company undertook several important goals in corporate governance and financing. On May 1, 2024, the Company appointed Mr. Gary Economo as its new CEO, replacing Mr. Eliot Sorella who would take on the role of Executive Chairman and retain the role of Chairman of the Board of Directors of the Company. Mr. Economo is an accomplished senior executive with demonstrated year-after-year success achieving revenue, profit and business-growth objectives within startup, turnaround and changing markets. Mr. Economo has raised substantial capital for companies and brings more than four decades' experience in international finance, mergers, and acquisitions and also served on several boards of TSX, TSXV and CSE-listed companies.

On May 31, 2024, the Company finalized an Amending Agreement to the Restructured Loan with Export Development Canada ("**EDC**"). The Restructured Loan (the "**Restructured Loan**") was an agreement to restructure its original loan agreement with EDC, which 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, Ontario (the "**Hawkesbury facility**") to process end-of-life tires to produce re-usable resources. In the Restructured Loan, the maturity date of the loan was changed to May 2029 and the interest rate was capped at 8.5% per annum. Capital and interest payments were to begin in May 2024 with quarterly installments, capital payments to be calculated based on a 25-year amortization. The Amending Agreement to the Restructured Loan, executed on May 31, 2024, 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.

The Company announced on June 13, 2024, a non-brokered private placement for gross proceeds of up to C\$1,500,000 from the sale of up to 8,333,333 units 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. On July 26, 2024, the Company announced that it closed the private placement for gross proceeds of C\$506,660.04 from the sale of 2,814,778 units.

The Company also announced on June 28, 2024, the conclusion of a loan of \$3 million from EDC extended to the Company's subsidiary, Ecolomondo Environmental (Hawkesbury) Inc., owner of the Hawkesbury facility. These additional funds are destined to improve the Hawkesbury subsidiary's cash position and pay for additional equipment needed to bring the Hawkesbury plant to full commercial operation. The Loan conditions call for a \$1 million cash injection from the controlling shareholder starting March 1, 2024. The controlling shareholder had to continue to fund the operations of the Hawkesbury subsidiary until such time that the EDC Loan is disbursed, at which time he will be entitled to be reimbursed for all expenditures that exceeded \$1 million. The Loan calls for a 2-year term, with a floating interest rate of prime plus 8%. Interest payments will be capitalized until February 28, 2025 and payable thereafter on a monthly basis. Principal along with the interest will be repaid in monthly installments over a period of 12 months starting April 2025.

These strategic financing activities are critical to the Company’s ongoing development and the commercialization and commercial success of the Hawkesbury TDP facility, pivotal to the Company’s global expansion. During the quarter, the Company aggressively marketed its TDP proprietary technology to potential partners and is negotiating with authorities for potential future sites to build TDP turnkey facilities, all part of its global expansion strategy. The Company expects that once the Hawkesbury facility is commercially online, it will aggressively pursue to secure letters of interest for 5 tentative new sites for TDP turnkey facilities in the USA.

The Company held virtually its Annual General Meeting of shareholders on June 28, 2024. The shareholders of the Company unanimously adopted all resolutions presented to them, namely: (i) setting the number of the board of directors to eight and the election of the directors of the Company for the ensuing year (for further information on the elected directors, please refer to the Information Circular), (ii) the re-appointment of Raymond Chabot Grant Thornton LLP as auditors for the ensuing year; and (iii) the Company’s “rolling” stock option plan. Shareholders also elected two new members to the Board of Directors in replacement of Mrs. Suzane Desrosiers and Mr. Joseph Sorella, who had completed their term. New Directors are the Honourable Christian Paradis, president of Paradis Solutions & Associates, a business development consulting firm, and formerly a Member of Parliament of Canada from 2006 to 2015 and served as Minister of Industry and Natural Resources, and Michael Frankel, an experienced business advisor and consultant, a former partner with Richter LLP, a large business and family office advisory firm, and involved on numerous local, national, and international not-for-profit boards, including the Federation CJA, the Royal Victoria Hospital Foundation and the Jewish Community Foundation of Montreal.

Current events at the Hawkesbury TDP Facility

During the first half of 2024, the Company gained ramp-up momentum and aggressively worked towards the commercialization of its Hawkesbury TDP facility. The Company had sales of \$235,845 in 2024, including \$126,630 in the second quarter, all generated from the sales of end-products and tipping fees, an average increase over 2023 of 492% compared to last similar periods.



Tanker load of Mondo Oil – sold



Truckload of Mondo Black (rCB) – sold

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 4 main production departments, tire shredding, thermal decomposition, recycled carbon black refining and oil fractionation. Once fully operational, this facility is expected to process 1.3M of scrap tires per year and produce 8.7M lbs of recovered carbon black, 34,608 barrels of oil, 2.9M lbs of steel, and 2.6M lbs of process gas.

The Company started performing tests in the thermal decomposition department in January 2023. Since then, the Company continued to make extensive improvements at its Hawkesbury facility, all leading to greater efficiency. During this time, the Company focused on improving output of the tire shredding line, reactor

evacuation, reactor loading and recovered carbon black post-processing systems, with the goal of achieving the coveted output and efficiency.



Hawkesbury Facility



Hawkesbury Facility

During the period, 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.

Early in the year, as the Company was deep in its ramp-up phase and gearing for its commercialization, it shockingly became aware that its recovered carbon black milling line that it secured from a large experienced vendor, was not capable to achieve the required throughput of 1,600 lbs per hour of recovered carbon black and to produce the required particle size of 15 microns, with Hawkesbury having commitments for 100% of its end-products (oil, recovered carbon black and steel). This non-performance caught the Company by complete surprise and its final stage of commercialization had to be delayed. Having identified the deficiency, the Company immediately took action to purchase a new milling line capable of producing 2,200 lbs per hour and achieving a particle size of 10 microns, well within the requirements of all of its clients. New carbon black milling equipment has already been ordered and is expected to be delivered in mid-October 2024.

While these corrective measures are expected to cause some delay to Hawkesbury's full commercialization, management believes that installation and commissioning of the new milling line should be completed in the fourth quarter of 2024. In the meantime, the Company expects to keep shredding scrap tires, selling the steel, selling the pyrolysis oil, and producing and selling its unmilled recovered carbon black. In recent weeks, the Company secured offtake orders with two major international companies that purchased large quantities of its unmilled recovered carbon black, setting the stage for other offtake markets for the Company's rCB.

Other Corporate Activities

The Company expects its revenues to come from the designing, building and operating corporately owned TDP turnkey facilities. 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.

Production of TDP's rCB 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

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'. Current value of rCB is estimated at approximately US\$ 1,200 – 1,400 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\$ 70 – 90 per barrel, and the steel, at US\$ 340-360 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 current global market conditions and the current geo-political global instability have created tight supply of virgin products setting the stage for higher pricing which should eventually translate into higher revenues for the Company.

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

Significant Projects That Have Not Yet Generated Revenues

Contrecoeur facility:

The Contrecoeur facility is an industrial-scale TDP facility based in Contrecoeur, Quebec, that was built in 1998. Since then, this facility was mostly used to develop the Company's proprietary TDP technology. It was instrumental in achieving many of the proprietary milestones such as efficient process parameters, automation, emission controls, water recycling, safety and product quality, all milestones needed for TDP to operate commercially.

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:

In March 2019, the Company agreed on definitive terms with Mr. Gregory Matzel, a New Jersey and Pennsylvania-based real estate developer to be Ecolomondo's future partner in the new Hawkesbury 2-reactor TDP turnkey facility, owned by Ecolomondo Environmental (Hawkesbury) Inc., the corporate entity that is the owner of the Hawkesbury TDP turnkey 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. As mentioned above, this loan agreement was replaced by a Restructured Loan agreement on December 22, 2023.

As of June 30, 2024, the property, plant and equipment for the Hawkesbury facility totaled \$46,927,307, net of depreciation. Because of the restructuring, the term loan with EDC now stands at \$37,773,738. The Company contributed equity of \$13,667,458 as of June 30, 2024, mostly used to build, ramp-up and commission the Hawkesbury facility.

Construction was completed during the fiscal year 2022 and the facility is currently deep 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 global attention 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, Texas 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, TX, as the location for its US launch. Strategically situated in Wheeler County and close to major hubs such as Dallas and Oklahoma City, the land is conveniently located on Interstate 40, a major east-west Interstate Highway running through the south-central portion of the United States.

Processing capabilities for the Shamrock facility is projected at 50,000 metric tons per year of end-of-life tires, yielding approximately 15,900 metric tons of recovered carbon black, 128,100 barrels of oil, 5,400 metric tons of steel, 2,550 metric tons of fiber and 4,800 metric tons of syngas; roughly three times the size of the Company's Hawkesbury (Ontario) plant output that will soon commence commercial operations.

The Company made considerable headway on its Shamrock, Texas project, especially in the areas of financing, feedstock supply, offtake agreements and JV partner. 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.

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 projected facility.

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, started last year and have now been completed.

The total budgeted cost of the Shamrock project is approximately US\$93 million. The Company announced in February 2024 that it has received a volume cap for an US\$80 million bond from the State of Texas. To promote the sale of the Bond and prepare formal documentation, the Company has secured the services of Ziegler Investment Banking (investment banker), Raftelis Financial Consultants Inc. (financial consultant), Butler Snow LLP (law firm representing the Shamrock EDC), and Parker Poe LLP (law firm representing the Company).

Because of delays in the Hawkesbury commercialization due to the milling line, the Company thought it best to delay the groundbreaking of its Shamrock, Texas, TDP turnkey facility, and now the construction is expected

to begin only by the second quarter of 2025.

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 June 30, 2024 and 2023

Ancillary Revenues

During the quarters ended June 30, 2024 and 2023, the Company had revenues of \$126,630 and \$17,219, respectively, an increase of 645%. Revenue for both periods includes initial sales from the Hawkesbury TDP facility and some interest income in relation to cash and cash equivalents. The increase of \$109,411 is due to increased sales of end-products produced and tipping fees collected in the period ended June 30, 2024 compared to the period ended June 30, 2023.

General and administrative expenses

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

General and administrative expenses were \$155,037 for the quarter ended June 30, 2024 compared to \$343,448 for the quarter ended June 30, 2023. General and administrative expenses decreased by \$188,411 mostly due to (i) a stock-based compensation of \$37,358 during the period ended June 30, 2024, compared to \$226,910 in the same period in 2023, partially offset by (ii) an increase of \$144,222 in foreign exchange gain between the two periods and (iii) an increase of \$26,340 in salaries and other short-term benefits. General and administrative expenses in the quarter ended June 30, 2024, include an insurance cost of \$66,452 for the building coverage. In the past, the insurance premium was capitalized.

Operating expenses

Operating expenses include expenses related to general operations of the Company and its subsidiaries and research and development expenses. Research and development expenses consist primarily of expenses for personnel focused on finding and developing improved processes and operations, facility costs, lab materials and related overhead, incurred as a direct result of the efforts to keep improving and developing the TDP technology platform. Accordingly, the Company expects to incur ongoing research and development expenses. The Company expenses all operating expenses, including research and development costs, as they are incurred and if they do not meet the criteria for capitalization.

Operating expenses for the quarter ended June 30, 2024 were \$234,185, compared to \$233,875 for the quarter ended June 30, 2023. Operating expenses remained consistent between the two periods, however it is to note

that (i) the period ended June 30, 2024 includes a depreciation for the building in Hawkesbury of \$129,000, which started to be depreciated in January 2024 and that (ii) the period ended June 30, 2023 includes a depreciation of equipment of \$150,060 for the Contrecoeur facility, which was dismantled during the second quarter of 2024 and already fully depreciated. The equipment of the Hawkesbury facility is not yet depreciated.

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. A gain on revaluation of warrant liability is recorded in the Consolidated Statements of Loss and Comprehensive Loss for an amount of nil for the quarter ended June 31, 2024 (loss of \$194,736 for the quarter ended June 30, 2023).

Financial Expenses

Financial expenses are essentially related to the EDC loan for the Hawkesbury facility. They were previously capitalized because the facility was not yet operational. Since January 2024, the building is being depreciated and the interest is expensed for the portion of the EDC loan applicable to the building (28%).

Financial expenses for the quarter ended June 30, 2024 are \$180,826, compared to \$14,529 for the quarter ended June 30, 2023. The increase of \$165,297 is due to the expense of the interest for the EDC loan on the Hawkesbury building that started in January 2024. The amount is lower than the interest expensed in the first quarter ended March 31, 2024, to adjust and reflect the cumulative interest expense of \$537,673 incurred during the six-month period ended June 30, 2024.

Loss before income taxes

The loss before income tax for the quarter ended June 30, 2024 was \$443,418 compared to a loss of \$379,897 for the quarter ended June 30, 2023. The increase of \$63,521 in the loss for the quarter ended June 30, 2024 compared to the quarter ended June 30, 2023 is mostly attributable to (i) an increase in general and administrative expenses of \$188,411 during the quarter ended June 30, 2024 compared to the quarter ended June 30, 2023, (ii) an increase in financial expenses of \$166,297 during the quarter ended June 30, 2024 compared to the quarter ended June 30, 2023 and to (iii) a loss on revaluation of warrant liability of \$194,736 during the quarter ended June 30, 2023 compared to nil during the quarter ended June 30, 2024, partially offset by (iv) an increase of \$109,411 in revenues between the two periods.

Income taxes

For both the quarters ended June 30, 2024 and 2023, the Company had no current income tax expense. The Company had deferred income tax recovery of \$36,143 for the quarter ended June 30, 2023 and nil for the quarter ended June 30, 2024.

Results of Operations for the Six-Month Period Ended June 30, 2024 and 2023

Ancillary revenues

During the six-month period ended June 30, 2024 and 2023 the Company had ancillary revenues of \$235,845 and \$47,948, respectively, an increase of 492%. The increase of \$187,897 between the two periods is due to increased sales of end-products produced and tipping fees collected in the six-month period ended June 30, 2024 compared to the period ended June 30, 2023.

General and administrative expenses

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

General and administrative expenses were \$566,254 for the six-month period ended June 30, 2024 compared to \$500,843 for the same period ended June 30, 2023. General and administrative expenses increased by \$65,411 mostly due to (i) an increase of \$123,420 in foreign exchange gain between the two periods, (ii) an increase of \$52,565 in salaries and other short-term benefits, and (iii) a stock-based compensation of \$264,268 during the period ended June 30, 2024, compared to \$226,882 in the same period in 2023. General and administrative expenses in the six-month period ended June 30, 2024, include an insurance cost of \$66,452 for the building coverage. In the past, the insurance premium was capitalized.

Operating expenses

Operating expenses include expenses related to general operations of the Company and its subsidiaries and research and development expenses. Research and development expenses consist primarily of expenses for personnel focused on finding and developing improved processes and operations, facility costs, lab materials and related overhead, incurred as a direct result of the efforts to keep improving and developing the TDP technology platform. Accordingly, the Company expects to incur ongoing research and development expenses. The Company expenses all operating expenses, including research and development costs, as they are incurred and if they do not meet the criteria for capitalization.

Operating expenses for the six-month period ended June 30, 2024 were \$1,107,049, compared to \$452,208 for the same period ended June 30, 2023. Operating expenses increased by \$654,841 between the two periods, mostly due to (i) a depreciation for the building in Hawkesbury of \$258,000 in the six-month period ended June 30, 2024, compared to nil in the period ended June 30, 2023, because it started to be depreciated in January 2024, (ii) an increase of \$155,286 in salaries and other short-term benefits and to (iii) other general operating expenses related to the operation of the building, such as insurance and real estate taxes. It is to note that the period ended June 30, 2023 includes a depreciation of equipment of \$300,117 for the Contrecoeur facility and nil for the six-month period ended June 30, 2024, because it was dismantled during the second quarter of 2024 and was already fully depreciated. The equipment of the Hawkesbury facility is not yet depreciated.

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. A gain on revaluation of warrant liability is recorded in the Consolidated Statements of Loss and Comprehensive Loss for an amount of nil for the six months ended June 30, 2024 (\$256,670 for the six months ended June 30, 2023).

Financial Expenses

Financial expenses are essentially related to the EDC loan for the Hawkesbury facility. They were previously capitalized because the facility was not yet operational. Since January 2024, the building is being depreciated and the interest is expensed for the portion of the EDC loan applicable to the building (28%).

Financial expenses for the six-month period ended June 30, 2024 are \$537,673, compared to \$29,066 for the same period ended June 30, 2023. The increase of \$508,607 is due to the expense of the interest for the EDC loan on the Hawkesbury building that started in January 2024.

Loss before income taxes

Loss before income taxes for the six-month period ended June 30, 2024 amounted to \$1,975,131 compared to a loss of \$677,499 for the same period ended June 30, 2023. The increase of \$1,297,632 in the loss between the two periods is mostly attributable to (i) an increase in Operating expenses of \$654,841, which were \$1,107,049 for the six-month period ended June 30, 2024 compared to \$452,208 for the same period ended June 30, 2023, (ii) an increase in Financial expenses of \$508,607, which were \$537,673 for the six-month period ended June 30, 2024 compared to \$29,066 for the same period ended June 30, 2023, and (iii) a loss on revaluation of warrant liability of \$256,670 during the quarter ended June 30, 2023 compared to nil during the quarter ended June 30, 2024.

Income taxes

For both the six-month periods ended June 30, 2024 and 2023, the Company had no current income tax expense. The Company had deferred income tax recovery of \$72,286 for the six-month period ended June 30, 2023 and nil for the same period in 2024.

Cash Flows for the Three Months Ended June 30, 2024 and 2023

	Cash Flows	
	Three-Month Periods ended	
	June 30, 2024	June 30, 2023
	\$	\$
Operating Activities	(262,848)	(180,334)
Investing Activities	(645,877)	(596,701)
Financing Activities	1,065,400	418,865
Net Increase (Decrease) in Cash	156,675	(358,170)

Operating Activities: Net cash used by the Company's operating activities during the quarter ended June 30, 2024 was \$262,848, compared to \$180,334 during the same period ended June 30, 2023. This increase of \$82,514 in cash flow used by operating activities is mostly due to (i) a negative variance in changes in working

capital items of \$194,544 for the quarter ended June 30, 2024 compared to a positive variation of \$28,174 for the quarter ended June 30, 2023, (ii) a decrease in stock-based compensation of \$189,524 between the two periods, and (iii) a depreciation of equipment in Contrecoeur of \$150,057 for the period ended June 30, 2023 compared to nil for the period ended June 30, 2024, because the equipment was fully depreciated, partially offset by (iv) an increase of \$375,562 in interest on long term debt between the two periods and (v) a depreciation of the Hawkesbury building of \$129,000 in the period ended June 30, 2024, compared to nil in the same period in 2023 because the depreciation began in January 2024. Significant variances in changes in working capital items mainly result from (i) a decrease in prepaid expenses and deposits of \$196,388 for the quarter ended June 30, 2024 compared to an increase of \$18,000 for the same period ended June 30, 2023, and from (ii) a negative variation of \$131,452 for the quarter ended June 30, 2024, compared to nil in inventories for the quarter ended June 30, 2023.

Investing Activities: Net cash used for the Company’s investing activities during the quarter ended June 30, 2024 increased by \$49,176 compared to the same period ended June 30, 2023, due to higher investments in Plant under construction during the quarter ended June 30, 2024.

Financing Activities: During the three-month period ended June 30, 2024, net cash provided by the Company’s financing activities increased by \$646,535 compared to the same period ended June 30, 2023, mainly due to the advance from a company under common control of \$1,065,400 during the period ended June 30, 2024, compared to \$450,000 in the period ended June 30, 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 ramp-up production of the Hawkesbury TDP facility;
- Funding the Company’s expansion goals.

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 Six-Month Period Ended June 30, 2024 and 2023

	Six-Month Periods ended	
	June 30, 2024	June 30, 2023
	\$	\$
Operating Activities	(1,009,121)	(754,915)
Investing Activities	(1,092,211)	(676,913)
Financing Activities	2,174,250	1,359,502
Net Decrease in Cash	72,918	(72,326)

Operating Activities: Net cash used by the Company’s operating activities during the six-month period ended June 30, 2024 increased by \$254,206 compared to the same period ended June 30, 2023, primarily due to (i) an increase of \$1,369,918 in the net loss between the two periods and to (ii) a depreciation of equipment in Contrecoeur of \$300,114 for the period ended June 30, 2023 compared to nil for the period ended June 30, 2024, because the equipment was fully depreciated, partially offset by (iii) an increase of \$788,778 in interest on long term debt between the two periods, by (iv) a depreciation of the Hawkesbury building of \$258,000 in the period ended June 30, 2024, compared to nil in the same period in 2023 because the depreciation began in January 2024, and by (v) a negative variance in changes in working capital items of \$199,985 for the six-month period ended June 30, 2024 compared to a negative variation of \$378,173 for the same period ended June 30, 2023. Significant variances in changes in working capital items mainly result from (i) a positive change of

\$99,248 for the six-month period ended June 30, 2024, compared to a negative change of \$518,185 in accounts payable and accrued liabilities for the six-month period ended June 30, 2023, (ii) a decrease in prepaid expenses and deposits of \$199,255 for the six-month period ended June 30, 2024 compared to an increase of \$68,791 for the six-month period ended June 30, 2023, and from (iii) a negative variation of \$131,452 for the six-month period ended June 30, 2024, compared to nil in inventories for the six-month period ended June 30, 2023.

Investing Activities: Net cash used for the Company's investing activities during the six-month period ended June 30, 2024 decreased by \$415,298 compared to the same period ended June 30, 2023. This decrease is due to smaller investment in Plant under construction during the six months ended June 30, 2024, explained by the fact that the Hawkesbury plant was being commissioned during the six months ended June 30, 2024 while it was still under construction during the six months ended June 30, 2023.

Financing Activities: During the six-month period ended June 30, 2024, net cash provided by the Company's financing activities increased by \$814,748 compared to the same period ended June 30, 2023, due to (i) an advance from a company under common control of \$2,213,434 during the period ended June 30, 2024, compared to \$450,000 in the same period in 2023, partially offset by (ii) the issuance of units for a net amount of \$971,772 in the six months period ended June 30, 2023, compared to nil in the same period ended June 30, 2024.

Assets, Liabilities and Shareholders' Equity

As of June 30, 2024, total assets were \$47,909,657, compared to \$45,186,667 as of December 31, 2023. The increase of \$2,722,990 in total assets between June 30, 2024 and December 31, 2023 is essentially due to an increase of \$2,372,968 for Property, plant and equipment. The Sales Taxes And Other Receivables include an amount of \$99,850 for reimbursable SR&ED ("Scientific Research and Experimental Development") tax credits, which represents 75% of the tax claim that was filed for the fiscal year 2022. The Prepaid Expenses and Deposits include an amount of \$199,255 for a downpayment on the insurance premium.

As of June 30, 2024, total liabilities were \$46,645,589, compared to \$45,710,589 as of December 31, 2023. The increase of \$935,000 in total liabilities between the two periods is mostly due to (i) an increase of \$2,713,365 in long-term debt between the two periods, partially offset by (ii) a decrease of \$1,285,419 in advances from a company under common control.

The Company had a working capital deficit of \$6,986,262 as of June 30, 2024 compared to a working capital deficit of \$9,136,778 as of December 31, 2023. This decrease of \$2,150,516 in working capital deficit between the two periods is mostly due to (i) a decrease of \$1,285,419 in advances from a company under common control, and to (ii) a decrease of \$662,500 in the current portion of long-term debt between the two periods. During the three-month period ended June 30, 2024, the Company has invested most of its funds in the Hawkesbury project.

As of June 30, 2024, the Company had an accumulated deficit totaling \$29,884,497 compared to an accumulated deficit of \$26,743,082 as of December 31, 2023. The \$3,141,415 increase in the accumulated deficit is attributable to (i) the net loss of \$1,975,131 recorded for the six-month period ended June 30, 2024 and to (ii) a loss on settlement of \$1,166,284 on the issuance of share capital, when on January 2, 2024, \$3,498,853 of advances from a company under common control were converted into 25,917,430 common shares.

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, deposits, advances from a company under common control, long-term debt and equity. As of June 30, 2024, and before receiving the proceeds of the \$3 million loan from EDC and the proceeds of the private placement of \$506,660, the Company had cash on hand of \$161,190.

As of July 1, 2024, the Company projected to use a further \$3.5 million in the next 12 months, mostly to fulfill capital purchases and working capital needs. The Company has recently closed a \$3,000,000 loan with EDC and raised \$506,660 of capital. Concurrently, the Company reached an agreement with EDC to a payment holiday for the capital and interest on the project Loan of \$38,738,227, structured in the following way:

1. The quarterly interest amounts due in May 2024, August 2024, November 2024, and February 2025 will be paid in kind (ie. capitalized);
2. The quarterly principal payments due in May 2024, August 2024, November 2024, and February 2025 will be added to the amount due on the final maturity date in May 2029.

The Company also has a credit facility of \$250,000 with CIBC which to date has not been used. With increased sales, the Company has the availability to increase the credit facility up to \$1,000,000. Management believes that with the new milling line expected to be commissioned in the fourth quarter of 2024, the Hawkesbury facility should be able to achieve monthly revenues of \$450,000, which is its breakeven level.

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 \$29,884,497 as of June 30, 2024, and \$26,743,082 as of December 31, 2023, 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 June 30, 2024, the Company's long-term debt includes (i) government loans, totaling \$180,000, having an annual interest of 5%, maturing in December 2025, (ii) the balance of purchase price of the land in Hawkesbury, for an amount of \$80,000 as of June 30, 2024, payable in equal annual installments of \$20,000, bearing interest at 3% per annum, and (iii) advances in the amount of \$38,738,227 on a term loan from EDC.

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 June 30, 2024, as well as its consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the three and six-month periods ended June 30, 2024 and 2023.

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 August 26, 2024.

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, 2023, and in the MD&A related to the unaudited financial statements for the quarter ended June 30, 2024, 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 June 30, 2024, the Company had a history of losses and negative cash flows. During the quarter ended June 30, 2024, the Company has a net loss of \$443,418, cash flows used in operations of \$262,848, and an accumulated deficit of \$29,884,497 at June 30, 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 favorable to the Company.

Risks Related to the Repayment of the Restructured Loan

The Company's ability to commence the repayment of the Restructured Loan in 2025 is subject to its ability to successfully operate its Hawkesbury facility.

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.

Related Party Transactions

Related party transactions consist of advances from a company under common control and lease agreements recorded as liabilities.

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 six-month period ended June 30, 2024 includes salary compensation amounting to \$84,667 (\$77,582 for the six-month period ended June 30, 2023).

Additional Information

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