

Ecolomondo Corporation

MANAGEMENT'S DISCUSSION & ANALYSIS

November 25, 2024

The following management's discussion and analysis ("MD&A") of the operations, results, and financial position of Ecolomondo Corporation (the "**Company**"), dated November 25, 2024, covers the three-month periods ended September 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 (Hawkesbury) Inc., Ecolomondo Environmental (Contrecoeur) 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 third quarter ended September 30, 2024, the Company continued to work and made considerable progress in operations efficiency and commercialization at its new TDP facility in Hawkesbury (Ontario, Canada). It also finalized the purchase of its new recovered carbon black ("**rCB**") milling line, expected to be delivered in December 2024. The Hawkesbury facility is the Company's first of its kind new turnkey thermal decomposition facility in the Town of Hawkesbury (Ontario) that processes end-of-life tires to produce re-usable resources. To find out more about the Company and its technology, visit its website at www.ecolomondo.com.

During the third quarter of 2024, the Company undertook several important goals in financing, operations and corporate governance. On July 18, 2024, the Company announced the conclusion of final documentation for the loan of \$3 million from Export Development Canada ("**EDC**"), extended to the Company's subsidiary, Ecolomondo Environmental (Hawkesbury) Inc., owner of the Hawkesbury TDP facility (the "**Hawkesbury facility**"). These additional funds were destined to improve the Hawkesbury subsidiary's cash position and pay for additional equipment needed to help bring the Hawkesbury plant to commercial operation.

On July 26, 2024, the Company announced the closing of a previously announced non-brokered private placement for gross proceeds of C\$506,660.04 from the sale of 2,814,778 units of the Company at a price of C\$0.18 per Unit. Each Unit consists of one common share of the Company and one common share purchase warrant. Each Warrant shall entitle the holder to purchase one common share of the Company at a price of C\$0.24 at any time on or before that date which is 2 years after the closing date of the Offering.

On July 30, 2024, the Company announced that it retained IMPAQ Capital Inc. ("**IMPAQ**") to provide investor relations services to the Company. Based in Montreal, Quebec, IMPAQ provides tailored outreach programs for companies to connect with qualified North American based investment professionals, increasing awareness for the Company. The agreement is principally for the purpose of proactively contacting investment professionals in North America on behalf of the Company.

With regards to its shareholders, the Company announced on September 6, 2024, that it applied to modify the conditions of 3,076,922 common share purchase warrants (the "**warrants**") that were issued pursuant to the Company's private placement offering that initially closed on September 24, 2021. The Company announced on September 17, 2024, that the TSX Venture Exchange had approved the extension of the expiry date of the Warrants by an additional 2 years, and accordingly the new expiry date of the warrants is now September 24, 2026. The Company further announced on September 18, 2024, that it intended to reduce the exercise price of the said warrants from \$1.00 to \$0.24, which would then be similar to the exercise price of the Warrants issued in the most recent private placement of the Company that closed on July 26, 2024.

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 third quarter of 2024, besides shipping tanker loads of tire-derived oil and containers of recovered steel, the Company announced on September 3, 2024, the successful initial truckload shipment of recovered carbon black. The Company continued to promote the quality and consistency of its end-

products, for example, corporately sponsoring and attending the Recovered Carbon Black Europe Conference that took place from November 6 to November 8 in Amsterdam, Netherlands.

A new Director joined the Board of Directors on September 30, 2024. Mrs. Côté brings a wealth of expertise as a cleantech professional and will be a tremendous addition to our Board. She has a strong experience in cleantech financing, with an extensive career for over 30 years at Export Development Canada (EDC) in various roles, including 12 years as part of EDC's Cleantech Team as the National Lead Cleantech Ecosystems and Market Intelligence. She has been a member of the board at L'Arche Ottawa and CCC 165 and is a volunteer with Ten Yad Ottawa and participates yearly in The Shoebox Project for Women. She completed her BSc at Concordia University in Montréal and her MBA, Energy & Sustainability at the University of Cumbria in the UK.

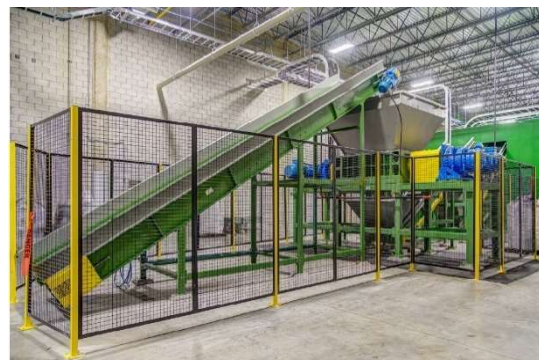
The Company also announced on September 27, 2024, the appointment of Mr. Jean-François Labbé as Interim Chief Executive Officer, replacing Mr. Gary Economo. Mr. Labbé is a senior executive at Ecolomondo with extensive business management experience. He has been an executive with Ecolomondo since 2013, and held the position of Chief Operating Officer since 2018. Mr. Labbé has extensive experience in the cleantech and recycling industries, and previously in strategy consulting across North America. He has an MBA from INSEAD, in Fontainebleau, France, and a masters of law from McGill University, in Montreal.

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 globalization strategy.

Current events at the Hawkesbury TDP Facility

During the first nine months of 2024, the Company directed its efforts towards the commercialization of its Hawkesbury TDP facility and the sale of its end-products. As of September 30, 2024, the Company had sales of \$409,682 for the year, including \$173,837 in the third quarter, all generated from the sale of end-products and tipping fees, resulting in a cumulative increase of 167% compared to 2023. The upward revenue trend was encouraging, especially when the Company announced on November 5, 2024, that it had achieved a new gross revenue milestone from operations for the month of October 2024, of \$78,364 for the month.

The Hawkesbury facility building is 46,200 sq.ft and has an 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. Once fully operational, this facility is expected to process the equivalent of 1.5M scrap tires per year and produce approximately 4,500 metric tons of recovered carbon black, 5,400 metric tons of oil, 2,250 metric tons of steel, and to process 1,350 metric tons of process gas.



The Hawkesbury TDP facility started shredding end-of-life tires in 2022 and began performing regular testing in the thermal decomposition department in January 2023. Since then, the Company improved efficiency, especially in the Tire Shredding and TDP departments and it routinely performs batches of 15,000 lbs.

The Company continued to hire qualified operators, mechanics, supervisors and general workers. The number of people working for the Company at the Hawkesbury facility now totals 26. These additional personnel should ensure that the Hawkesbury facility has the personnel in place to manage, operate and maintain the facility.

During the first nine months of 2024, the Company kept improving its tire shredding and TDP output and, as announced in a press release dated October 7, 2024, it recently achieved a processing capacity of over 15 short tons of crumb rubber in an 8-hour shift. Assuming enough feedstock, this level of output over 24 hours would provide enough crumb rubber to supply TDP reactors at projected payloads of 15,000 lbs per batch for over 2 batches per reactor per day.

Early in the year, as the Company was deep in its ramp-up phase and heading towards the final stage of commercialization, it became aware of a major deficiency in its recovered carbon black milling line. Unfortunately it became aware that the milling line was not capable to achieve the required throughput of 1,600 lbs per hour of recovered carbon black nor was it capable to yield a required particle size of 15 microns. Having identified this extremely serious deficiency, the Company immediately undertook the task to find a new milling line capable of producing the required throughput of rCB and capable of yielding a particle size of 10-15 microns, the particle size required by most of the Company's rCB customers.

As of September 30, 2024, the new carbon black milling equipment has already been ordered, manufactured and is being readied for inspection and is to be shipped by late November 2024. It is expected to be delivered late December 2024, and installed during the month of January 2025 while commissioning is to begin in February 2025.

Other Corporate Activities

The Company expects its revenues to come from the building and operating corporately owned TDP turnkey facilities. Revenues from 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 kept contact and marketed to offtake customers its recovered carbon black, known as "Mondo Black", oil, known as "Mondo Crude", steel and fiber, both domestically and internationally. During the recently held Recovered Carbon Black Europe Conference attended by Ecolomondo, we noticed a considerable increase in demand for end-products, especially rCB and tire-derived oil. 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 has set the stage for greater demand and higher prices for Ecolomondo's rCB, 'Mondo Black'. Current value of rCB is estimated at approximately US\$ 1,000 – 1,200 per metric ton.

The other end-products of the Company's TDP facilities are also commodities that have strong global demand. The oil is comparable to a refined quality synthetic oil being high in carbon and 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.

The steel extracted from waste tires is a high-grade product that is in strong demand by steel foundries and mills. Current value of this category of steel is estimated at US\$ 320-340 per metric ton. 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.

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 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.

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. This loan agreement was replaced by a Restructured Loan agreement on December 22, 2023.

As of September 30, 2024, the property, plant and equipment for the Hawkesbury facility totaled \$47,897,206, net of depreciation. Due to the restructuring, the term loan with EDC now stands at \$37,724,901. 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 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 Ziegler Investment Banking (investment banker).

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

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

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

Because of delays in the Hawkesbury project’s final commercialization, the Company thought it best to delay the Shamrock TDP turnkey facility, and now expects the construction to begin in 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 September 30, 2024 and 2023

Ancillary Revenues

During the quarters ended September 30, 2024 and 2023, the Company had revenues of \$173,837 and \$105,486, respectively, an increase of 65%. Revenue for both periods include initial sales from the Hawkesbury TDP facility and some interest income in relation to cash and cash equivalents. The increase of \$68,351 is due to increased sales of end-products produced and tipping fees collected for the period ended September 30, 2024 compared to the period ended September 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 were mostly capitalized in the *Property, plant and equipment*. In addition to the administrative expenses, overhead expenses include advertising and marketing, travel, utilities, communications and professional fees.

General and administrative expenses were \$308,477 for the quarter ended September 30, 2024 compared to \$445,878 for the quarter ended September 30, 2023. General and administrative expenses decreased by \$137,401 mostly due to (i) a reduction of stock-based compensation of nil during the period ended September 30, 2024, compared to \$309,618 during the same period in 2023, partially offset by (ii) general and administrative expenses that were expensed during the period ended September 30, 2024, whereas these expenses were capitalized during the same period in 2023.

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 September 30, 2024 were \$733,244, compared to \$210,207 for the quarter ended September 30, 2023. Operating expenses increased by \$523,037 mostly due to an increase of \$614,237 in Salaries and other short-term benefits between the two periods. Salaries and other short-term benefits increased from \$50,036 in the quarter ended September 30, 2023 to \$664,273 in the quarter ended September 30, 2024, because they were mostly capitalized in 2023 and expensed in 2024, along with increased staffing.

The building for the Hawkesbury facility began to be depreciated in 2024, which explains why the quarter ended September 30, 2024 includes \$129,000 for Depreciation of building, whereas the equipment of the Hawkesbury facility is still capitalized and not yet depreciated.

The quarter ended September 30, 2023, includes \$150,057 for the Depreciation of equipment for the Contrecoeur pilot facility. As of December 30, 2023, the Contrecoeur facility was fully depreciated and there was no depreciation expense for 2024.

Gain on revaluation of warrant liability

In September 2021, the Company raised capital with a non-brokered private placement, consisting of 6,153,845 units at a price of \$0.65 per Unit for gross proceeds to the Company of \$4,000,000. Each Unit is comprised of one common share and one-half of one share purchase Warrant. Each whole Warrant entitles the holder to acquire one additional common share in the capital of the Company at a price of \$1.00 per Warrant Share, for a period of three years from the date the Units are issued. However, considering the Corporation may reduce the Exercise Price of the Warrants, the warrants were recorded at fair value on the day of issue as a liability and then revalued on December 31, 2021. 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 September 30, 2024 (\$55,179 for the quarter ended September 30, 2023).

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. As a result, a Loss on revaluation of warrant liability was recorded in the amount of \$166,780 for the quarter ended September 30, 2024, compared to nil for the same period in 2023.

Financial Expenses

Financial expenses are essentially related to the EDC loan for the Hawkesbury facility. Up to December 31, 2023, these financial expenses were capitalized because the facility was not yet operational. Since January 2024, the facility is deemed operational and therefore the building began to be depreciated and the interest is now expensed for the portion of the EDC loan applicable to the building, which represents approximately 28% of the total EDC loan.

Financial expenses for the quarter ended September 30, 2024 were \$268,836, compared to \$15,934 for the quarter ended September 30, 2023. The increase of \$252,902 is mainly due to the interest expense on the portion of the EDC loan for the Hawkesbury that applies to the building that began to be charged in January 2024 while they were all previously capitalized, up to December 31, 2023. The building cost represents approximately 28% of the total EDC loan.

Loss before income taxes

The loss before income tax for the quarter ended September 30, 2024 was \$1,303,500 compared to a loss of \$511,354 for the quarter ended September 30, 2023. The increase of \$792,146 in the loss for the quarter ended September 30, 2024 compared to the quarter ended September 30, 2023 is mostly attributable to (i) an increase of \$523,037 in Operating expenses mostly applying to the Hawkesbury facility that are now expensed for the quarter ended September 30, 2024, compared to the quarter ended September 30, 2023, when expenses were still capitalized, and to (ii) an increase in financial expenses of \$252,902 during the quarter ended September 30, 2024 compared to the quarter ended September 30, 2023, because the interest on long-term debt was capitalized until the end of 2023.

Income taxes

For both the quarters ended September 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 September 30, 2023 and nil for the quarter ended September 30, 2024.

Results of Operations for the Nine-Month Period Ended September 30, 2024 and 2023

Ancillary revenues

During the nine-month period ended September 30, 2024 and 2023 the Company had ancillary revenues of \$409,682 and \$153,434, respectively, an increase of 167%. The increase of \$256,248 between the two periods is due to increased sales of end-products produced and tipping fees generated for the nine-month period ended

September 30, 2024 compared to the period ended September 30, 2023, due to increased productivity at the Company's Hawkesbury facility.

General and administrative expenses

The Company's general and administrative expenses reflect all expenses that management considers overhead and administrative salaries and excludes expenses related to the construction and commissioning of the Hawkesbury TDP facility, which were mostly 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 \$874,731 for the nine-month period ended September 30, 2024 compared to \$946,721 for the same period ended September 30, 2023. General and administrative expenses decreased by \$71,990 mostly due to (i) a decrease of \$272,232 in stock-based compensation, which was \$264,268 during the period ended September 30, 2024, compared to \$536,500 during the same period in 2023, partially offset by (ii) general and administrative expenses that were expensed during the period ended September 30, 2024, whereas these expenses were capitalized during the same period in 2023.

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 nine-month period ended September 30, 2024 were \$1,840,293, compared to \$662,415 for the same period ended September 30, 2023. Operating expenses increased by \$1,177,878 between the two periods, mostly due to (i) an increase of \$779,710 in Salaries and other short-term benefits between the two periods because they were mostly capitalized in 2023 and expensed in 2024, and to (ii) depreciation of building for the Hawkesbury facility of \$387,000 in the nine-month period ended September 30, 2024, compared to nil for the same period in 2023, because the building began to be depreciated in 2024, partially offset by (iii) a decrease in the depreciation of equipment of \$450,171, which was \$450,171 for the equipment in the Contrecoeur facility during the nine months ended September 30, 2023 and nil in the same period in 2024, due to the fact that the Contrecoeur equipment was fully depreciated in 2023.

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 nine months ended September 30, 2024 (\$311,849 for the nine months ended September 30, 2023).

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. As a result, a Loss on revaluation of warrant liability was recorded in the amount of \$166,780 for the 9-month period ended September 30, 2024, compared to nil for the same period in 2023.

Financial Expenses

Financial expenses are essentially related to the EDC loan for the Hawkesbury facility. Up to December 31, 2023, these financial expenses were capitalized because the facility was not yet operational but since January 2024, the facility is deemed operational and for this reason the building began to be depreciated and the interest began to be expensed for the portion of the EDC loan applicable to the building, which represents approximately 28% of the total EDC loan.

Financial expenses for the nine-month period ended September 30, 2024 are \$806,509, compared to \$45,000 for the same period ended September 30, 2023. The increase of \$761,509 is due to the interest expense on the portion of the EDC loan for the Hawkesbury applying to the building which began in January 2024. The building cost as of December 31, 2023 represents approximately 28% of the total EDC loan.

Loss before income taxes

Loss before income taxes for the nine-month period ended September 30, 2024 amounted to \$3,278,631 compared to a loss of \$1,188,853 for the same period ended September 30, 2023. The increase of \$2,089,778 in the loss between the two periods is mostly because of (i) an increase in Operating expenses of \$1,177,878, which were \$1,840,293 for the nine-month period ended September 30, 2024 compared to \$662,415 for the same period ended September 30, 2023, (ii) an increase in Financial expenses of \$761,509, which were \$806,509 for the nine-month period ended September 30, 2024 compared to \$45,000 for the same period ended September 30, 2023, and (iii) a loss on revaluation of warrant liability of \$311,849 during the period ended September 30, 2023 compared to nil during the period ended September 30, 2024.

Income taxes

For both the nine-month periods ended September 30, 2024 and 2023, the Company had no current income tax expense. The Company had deferred income tax recovery of \$108,429 for the nine-month period ended September 30, 2023 and nil for the same period in 2024.

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

	Cash Flows	
	Three-Month Periods ended	
	September 30, 2024	September 30, 2023
	\$	\$
Operating Activities	(1,310,037)	41,442
Investing Activities	(386,626)	(736,356)
Financing Activities	2,561,475	699,692
Net Increase (Decrease) in Cash	864,812	4,778

Operating Activities: Net cash used by the Company's operating activities during the quarter ended September 30, 2024 was \$1,310,037, compared to cash flow provided of \$41,442 during the same period ended September 30, 2023. This increase of \$1,351,479 in cash flow used by operating activities is mostly due to (i) an increase of \$828,289 in the net loss between the two periods, (ii) a negative variance in changes in working capital items of \$539,098 for the quarter ended September 30, 2024 compared to a positive variation of \$64,881 for the quarter ended September 30, 2023, (iii) a decrease in stock-based compensation of \$309,618 between the two periods, and (iv) a depreciation of equipment in Contrecoeur of \$150,057 for the period ended September 30, 2023 compared to nil for the period ended September 30, 2024, because the equipment was fully depreciated, partially offset by (v) an increase of \$274,401 in interest on long term debt between the two periods, (vi) a loss on revaluation of warrant liability of \$166,780 in the period ended September 30, 2024, compared to a gain of \$55,179 in the same period ended September 30, 2023, and (vii) a depreciation of the Hawkesbury building of \$129,000 in the period ended September 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 Accounts payable and accrued liabilities of \$621,951 for the quarter ended September 30, 2024 compared to an increase of \$63,548 for the same period ended September 30, 2023, and from (ii) an increase in prepaid expenses of \$72,768 for the quarter ended September 30, 2024 compared to nil for the same period ended September 30, 2023.

Investing Activities: Net cash used for the Company's investing activities during the quarter ended September 30, 2024 decreased by \$349,730 compared to the same period ended September 30, 2023, due to lower investments in Plant under construction during the quarter ended September 30, 2024.

Financing Activities: During the three-month period ended September 30, 2024, net cash provided by the Company's financing activities increased by \$1,861,783 compared to the same period ended September 30, 2023, mainly due to (i) an additional long term debt of \$3,000,000 in the period ended September 30, 2024, compared to nil for the same period ended September 30, 2023 and to (ii) the issuance of units of \$506,660 in the period ended September 30, 2024, compared to nil for the same period ended September 30, 2023, partially offset by a decrease of \$945,185 in the advance form a company under common control during the period ended September 30, 2024, compared to an increase of \$725,300 in the period ended September 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 Nine-Month Period Ended September 30, 2024 and 2023

	Nine-Month Periods ended	
	September 30, 2024	September 30, 2023
	\$	\$
Operating Activities	(2,319,158)	(713,473)
Investing Activities	(1,478,837)	(1,413,269)
Financing Activities	4,735,725	2,059,194
Net Decrease in Cash	937,730	(67,548)

Operating Activities: Net cash used by the Company's operating activities during the nine-month period ended September 30, 2024 increased by \$1,170,848 compared to the same period ended September 30, 2023, primarily due to (i) an increase of \$2,198,209 in the net loss between the two periods, (ii) interest on long term debt of \$806,509 during the nine months ended September 30, 2024 compared to nil during the same period in 2023, because the interest was capitalized in 2023, (iii) a depreciation of equipment in Contrecoeur of \$450,171 for the period ended September 30, 2023 compared to nil for the period ended September 30, 2024, because the equipment was fully depreciated in 2024, and to (iv) a negative variance in changes in working capital items of \$739,083 for the nine-month period ended September 30, 2024 compared to a negative variation of \$313,292 for the same period ended September 30, 2023, partially offset by (v) a loss on revaluation of warrant liability of \$166,780 in the period ended September 30, 2024, compared to a gain of 311,849 in the same period in 2023, and by (vi) a depreciation of the Hawkesbury building of \$387,000 in the period ended September 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 of \$126,487 for the nine-month period ended September 30, 2024 compared to an increase of \$68,791 for the nine-month period ended September 30, 2023 and (ii) a negative variation of \$109,907 for the nine-month period ended September 30, 2024, compared to nil in inventories for the nine-month period ended September 30, 2023.

Investing Activities: Net cash used for the Company's investing activities during the nine-month period ended September 30, 2024 decreased by \$65,568 compared to the same period ended September 30, 2023. This decrease is due to smaller investments in Plant under construction during the nine months ended September 30, 2024, compared to the period ended September 30, 2023.

Financing Activities: During the nine-month period ended September 30, 2024, net cash provided by the Company's financing activities increased by \$2,676,531 compared to the same period ended September 30, 2023, mostly due to (i) an additional long term debt of \$3,000,000 in the period ended September 30, 2024, compared to nil for the same period ended September 30, 2023 partially offset by (ii) a decrease of \$465,112 in the issuance of units, which was \$506,660 in the nine months period ended September 30, 2024, compared to \$971,772 in the same period ended September 30, 2024.

Assets, Liabilities and Shareholders' Equity

As of September 30, 2024, total assets were \$49,661,515, compared to \$45,186,667 as of December 31, 2023. The increase of \$4,474,848 in total assets between September 30, 2024 and December 31, 2023 is essentially due to (i) an increase of \$3,342,862 for Property, plant and equipment and to (ii) an increase of \$937,730 in Cash. 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 September 30, 2024, total liabilities were \$49,194,287, compared to \$45,710,589 as of December 31, 2023. The increase of \$3,316,918 in total liabilities between the two periods is essentially due to (i) an increase of \$5,521,289 in long-term debt between the two periods, partially offset by (ii) a decrease of \$2,230,604 in advances from a company under common control.

The Company had a working capital deficit of \$5,778,297 as of September 30, 2024 compared to a working capital deficit of \$9,136,778 as of December 31, 2023. This decrease of \$3,358,481 in working capital deficit between the two periods is mostly due to (i) a decrease of \$2,230,604 in advances from a company under common control, (ii) an increase of \$937,730 in Cash as of September 30, 2024, compared to December 31, 2023, partially offset by (iii) a decrease of \$516,250 in the current portion of long-term debt between the two periods. During the nine-month period ended September 30, 2024, the Company has invested most of its funds in the Hawkesbury project.

As of September 30, 2024, the Company had an accumulated deficit totaling \$30,212,611 compared to an accumulated deficit of \$26,743,082 as of December 31, 2023. The \$3,469,529 increase in the accumulated deficit is attributable to (i) the net loss of \$3,278,631 recorded for the nine-month period ended September 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, partially offset by (iii) forfeited options in the amount of \$975,386 registered during the period.

Liquidity

The Company manages its capital to ensure the Company's ability to meet strategic objectives, including the commissioning and commercialization of the Hawkesbury TDP facility. The capital structure of the Company consists of cash, deposits, advances from a company under common control, long-term debt and equity. As of September 30, 2024, the Company had cash on hand of \$1,026,002.

As of October 1, 2024, the Company projected to use a further \$3.0 million in the following 12 months, mostly to fulfill capital purchases for its Hawkesbury TDP facility and to fulfill general working capital needs. The Company is planning to raise in the near term additional funds from capital and/or loans. The Company is currently in advanced discussions with its main lenders for a \$2 million credit facility.

Once operational, the new grinding mill is expected to generate increased revenues from the sale of rCB. The increase in revenues is expected to bring the Company towards positive cash flow before debt service in 2025. The new milling line is expected to arrive in December 2024, and is projected to be installed and commissioned in the first quarter of 2025. Once the new milling line is operational and the product manufactured is within the guidelines of the off-takers, the Company expects to increase shipments of recovered carbon black, a key milestone to the Hawkesbury commercialization. Recovered carbon black is the end-product with the highest commercial value and management believes the increased sales of rCB should proportionally increase the revenue streams of the Company and reduce its burn rate.

We refer the reader to review the section “Subsequent Events” of this MD&A for an update on discussions with the Company’s main lender.

Going Concern Assumption

Since inception, the Company has incurred operating losses. As at September 30, 2024, the Company has an accumulated deficit of \$30,212,611 (\$26,743,082 as of December 31, 2023). The Company has not yet completed the construction of its Hawkesbury plant to enable the Company to establish a stabilized source of revenue sufficient to cover operating expenses. Based on the current level of expenditures and available liquidity, management estimates that the Company will require additional financing within the next twelve months.

The Company is actively seeking to secure additional funding through: equity-based financing, debt-financing or other arrangements; however, there is no assurance that the Company will be successful in this or any of its 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 statements of financial position classification have not been adjusted as would be required if the going concern assumption were not appropriate.

Off-Balance Sheet Arrangements

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

Additional Financing Requirements

The Company manages its capital to ensure the Company's ability to meet strategic objectives, including the construction and completion of the Hawkesbury TDP facility and the commercialization of the TDP technology. The capital structure of the Company consists of cash, 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 expansion and, if needed, may decide to borrow and/or raise capital.

Long-Term Debt

As of September 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 September 30, 2024, payable in equal annual installments of \$20,000, bearing interest at 3% per annum, (iii) advances in the amount of \$39,724,901 on a term loan from EDC, and (iv) a term loan of \$3,000,000 from EDC, bearing interest at prime rate plus 8% per year, payable in 12 consecutive installments starting April 2025 and maturing in March 2026.

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 September 30, 2024, as well as its consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the three and nine months ended September 30, 2024 and 2023 and the changes in shareholders' equity for the nine months ended September 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 November 25, 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 September 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 September 30, 2024, the Company had a history of losses and negative cash flows. During the quarter ended September 30, 2024, the Company has a net loss of \$1,303,500, cash flows used in operations of \$1,310,037, and an accumulated deficit of \$30,212,611 at September 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 companies 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 nine-month period ended September 30, 2024 includes salary compensation amounting to \$141,462 (\$132,351 for the nine-month period ended September 30, 2023).

Subsequent Events

As a Subsequent event to the period ended September 30, 2024, subject to final documentation, and a cash injection of \$500,000 from the parent Company, Ecolomondo Environmental (Hawkesbury) Inc. agreed in principle with EDC for a new credit facility in the amount of \$2 million to be used for capital purchases and working capital purposes.

Additional Information

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