# SUSGLOBAL ENERGY CORP.

## FORM 10-Q
(Quarterly Report)

Filed 06/16/25 for the Period Ending 03/31/25

| | |
|---|---|
| Telephone | (416) 223-8500 |
| CIK | 0001652539 |
| Symbol | SNRG |
| SIC Code | 4953 - Refuse Systems |
| Industry | Agricultural Chemicals |
| Sector | Basic Materials |
| Fiscal Year | 12/31 |

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

# FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2025**

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________________to ________________

Commission file number **000-56024**

# SUSGLOBAL ENERGY CORP.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware** | **38-4039116** |
| (State or other jurisdiction of incorporation or organization) | (I. R. S. Employer Identification No.) |
| **200 Davenport Road**<br>**Toronto, ON** | **M5R 1J2** |
| (Address of principal executive offices) | (Zip Code) |

**416-223-8500**
(Registrant's telephone number, including area code)

**Not applicable**
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| N/A | N/A | N/A |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large accelerated filer [ ] | Accelerated filer [ ] |
| Non-accelerated filer [X] | Smaller reporting company [X] |
| | Emerging growth company [ ] |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided to Section 7(a)(2)(B) of the Securities Act. [ ]

Indicate by check mark whether the registrant is a shell company (as defined in rule 12b-2 of the Exchange Act).
Yes [ ] No [X]

The number of shares of the registrant's common stock outstanding as of June 16, 2025 was 139,832,019.

**SusGlobal Energy Corp.**
**INDEX TO FORM 10-Q**
**For the Three-Month Periods Ended March 31, 2025 and 2024**

**SUSGLOBAL ENERGY CORP.**
**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**March 31, 2025 and 2024**

(Expressed in United States Dollars)

(unaudited)

**CONTENTS**

**SusGlobal Energy Corp.**
**Interim Condensed Consolidated Balance Sheets**
**As at March 31, 2025 and December 31, 2024**
**(Expressed in United States Dollars)**
**(unaudited)**

| | | **March 31, 2025** | | December 31, 2024 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current Assets** | | | | |
| Cash | **$** | **953** | $ | 1,295 |
| Government remittances receivable | | **21,422** | | 25,881 |
| Prepaid expenses and deposits (note 6) | | **25,585** | | 41,820 |
| **Total Current Assets** | | **47,960** | | 68,996 |
| | | | | |
| Long-lived Assets, net (note 7) | | **3,020,511** | | 3,080,422 |
| Long-lived Assets held for sale (note 7) | | **5,564,800** | | 5,560,000 |
| **Long-Term Assets** | | **8,585,311** | | 8,640,422 |
| **Total Assets** | **$** | **8,633,271** | $ | 8,709,418 |
| **LIABILITIES AND STOCKHOLDERS' DEFICIENCY** | | | | |
| **Current Liabilities** | | | | |
| Accounts payable (note 8) | **$** | **5,421,683** | $ | 5,195,602 |
| Government remittances payable | | **386,862** | | 390,621 |
| Accrued liabilities (notes 8, 9, and 12) | | **7,049,361** | | 6,193,283 |
| Current portion of long-term debt (note 9) | | **8,928,428** | | 8,920,726 |
| Convertible promissory notes (note 10)-in default | | **12,707,666** | | 12,088,911 |
| Loans payable to related parties (note 12) | | **721,732** | | 721,154 |
| **Total Current Liabilities** | | **35,215,732** | | 33,510,297 |
| **Total Liabilities** | | **35,215,732** | | 33,510,297 |
| | | | | |
| **Stockholders' Deficiency** | | | | |
| Preferred stock, $.0001 par value, 10,000,000 authorized, none issued and outstanding | | - | | - |
| Common stock, $.0001 par value, 150,000,000 authorized, 137,332,019 (2024- 131,332,019) shares issued and outstanding (note 13) | | **13,737** | | 13,137 |
| Additional paid-in capital | | **19,879,530** | | 19,760,130 |
| Accumulated deficit | | **(48,311,360)** | | (46,429,702) |
| Accumulated other comprehensive income | | **1,835,632** | | 1,855,556 |
| | | | | |
| **Stockholders' deficiency** | | **(26,582,461)** | | (24,800,879) |
| | | | | |
| **Total Liabilities and Stockholders' Deficiency** | **$** | **8,633,271** | $ | 8,709,418 |

**Going concern** (note 2)
**Commitments** (note 14)
**Subsequent events** (note 18)

*The accompanying notes are an integral part of these interim condensed consolidated financial statements.*

**SusGlobal Energy Corp.**
**Interim Condensed Consolidated Statements of Operations and Comprehensive Loss**
**For the three-month periods ended March 31, 2025 and 2024**
**(Expressed in United States Dollars)**
**(unaudited)**

| | For the three-month periods ended | |
|---|---|---|
| | **March 31, 2025** | March 31, 2024 |
| **Revenue** | **$ 6,345** | $ 38,575 |
| | | |
| **Cost of Sales** | | |
| Opening inventory | **-** | - |
| Depreciation | **62,679** | 78,933 |
| Direct wages and benefits | **10,238** | 18,102 |
| Equipment rental, delivery, fuel and repairs and maintenance | **376,881** | 172,870 |
| Utilities | **922** | (5,201) |
| Outside contractors | **-** | 4,448 |
| | **450,720** | 269,152 |
| Less: closing inventory | **-** | - |
| **Total cost of sales** | **450,720** | 269,152 |
| | | |
| **Gross loss** | **(444,375)** | (230,577) |
| | | |
| **Operating expenses** | | |
| Management compensation-stock- based compensation (notes 8 and 13) | **-** | 54,000 |
| Management compensation-fees (note 8) | **130,650** | 139,013 |
| Marketing | **-** | 501 |
| Professional fees | **106,395** | 160,387 |
| Interest expense (notes 8, 9 and 12) | **348,090** | 285,316 |
| Office and administration (note 8) | **69,132** | 57,122 |
| Rent and occupancy (note 8) | **55,513** | 60,330 |
| Insurance | **-** | 14,649 |
| Filing fees | **7,021** | 11,137 |
| Amortization of financing costs | **-** | 57,516 |
| Directors' compensation (note 8) | **13,065** | 18,535 |
| Repairs and maintenance | **261** | - |
| Foreign exchange (income) loss | **(20,197)** | 325,217 |
| **Total operating expenses** | **709,930** | 1,183,723 |
| | | |
| **Net loss from operations before other expenses** | **(1,154,305)** | (1,414,300) |
| Other expenses (note 15) | **(727,353)** | (111,444) |
| **Net loss** | **(1,881,658)** | (1,525,744) |
| **Other comprehensive (loss) income** | | |
| Foreign exchange income | **(19,924)** | 462,182 |
| | | |
| **Comprehensive loss** | **$ (1,901,582)** | $ (1,063,562) |
| | | |
| **Net loss per share-basic and diluted** | **$ (0.01)** | $ (0.01) |
| | | |
| **Weighted average number of common shares outstanding- basic and diluted** | **134,065,351** | 125,877,079 |

*The accompanying notes are an integral part of these interim condensed consolidated financial statements.*

**SusGlobal Energy Corp.**
**Interim Condensed Consolidated Statements of Changes in Stockholders' Deficiency**
**For the three-month periods ended March 31, 2025 and 2024**
**(Expressed in United States Dollars)**
**(unaudited)**

| | Number of Shares | | Common Shares | | Additional Paid- in Capital | | Accumulated Deficit | | Accumulated Other Comprehensive Income | | Stockholders' Deficiency |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance-December 31, 2024** | **131,332,019** | **$** | **13,137** | **$** | **19,760,130** | **$** | **(46,429,702)** | **$** | **1,855,556** | **$** | **(24,800,879)** |
| **Shares issued on private placement** | **6,000,000** | | **600** | | **119,400** | | **-** | | **-** | | **120,000** |
| **Other comprehensive loss** | **-** | | **-** | | **-** | | **-** | | **(19,924)** | | **(19,924)** |
| **Net loss** | **-** | | **-** | | **-** | | **(1,881,658)** | | **-** | | **(1,881,658)** |
| **Balance-March 31, 2025** | **137,332,019** | **$** | **13,737** | **$** | **19,879,530** | **$** | **(48,311,360)** | **$** | **1,835,632** | **$** | **(26,582,461)** |
| | | | | | | | | | | | |
| Balance-December 31, 2023 | 125,272,975 | | 12,531 | | 19,539,606 | | (38,570,531) | | (49,666) | | (19,068,060) |
| Shares issued on conversion of related party debt | 809,044 | | 81 | | 101,049 | | - | | - | | 101,130 |
| Cancellation of shares for professional services | (750,000) | | (75) | | 75 | | - | | - | | - |
| Other comprehensive loss | - | | - | | - | | - | | 462,182 | | 462,182 |
| Net loss | - | | - | | - | | (1,525,744) | | - | | (1,525,744) |
| Balance-March 31, 2024 | 125,332,019 | $ | 12,537 | $ | 19,640,730 | $ | (40,096,275) | $ | 412,516 | $ | (20,030,492) |

*The accompanying notes are an integral part of these interim condensed consolidated financial statements.*

**SusGlobal Energy Corp.**
**Interim Condensed Consolidated Statements of Cash Flows**
**For the three-month periods ended March 31, 2025 and 2024**
**(Expressed in United States Dollars)**
**(unaudited)**

| | | For the three-month period ended March 31, 2025 | | For the three-month period ended March 31, 2024 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Net loss | **$** | **(1,881,658)** | $ | (1,525,744) |
| Adjustments for: | | | | |
| Depreciation | | **62,679** | | 79,239 |
| Amortization of financing fees | | **-** | | 57,516 |
| Stock-based compensation | | **-** | | 54,000 |
| Provision for loss | | **108,598** | | - |
| Loss on revaluation of convertible promissory notes | | **618,755** | | 133,686 |
| Gain on forgiveness of long-term debt | | **-** | | (22,242) |
| Changes in non-cash working capital: | | | | |
| Trade receivables | | **-** | | 51,761 |
| Government remittances receivable | | **4,489** | | 17,461 |
| Prepaid expenses and deposits | | **4,250** | | (3,707) |
| Accounts payable | | **221,979** | | 583,688 |
| Government remittances payable | | **(4,102)** | | (29,316) |
| Accrued liabilities | | **743,601** | | 135,242 |
| **Net cash used in operating activities** | | **(121,409)** | | (468,416) |
| **Cash flows from financing activities** | | | | |
| Repayment of long-term debt | | **-** | | (58,298) |
| Repayments of obligations under capital lease | | **-** | | (4,887) |
| Financing fee on loans payable to related parties | | - | | (6,673) |
| Advances of loans payable to related parties | | **14,633** | | 249,607 |
| Repayment of advances of loans payable to related parties | | **(14,633)** | | - |
| Proceeds on private placement | | **120,000** | | - |
| **Net cash provided by financing activities** | | **120,000** | | 179,749 |
| **Effect of exchange rate on cash** | | **1,067** | | 287,626 |
| **Decrease in cash** | | **(342)** | | (1,041) |
| **Cash-beginning of period** | | **1,295** | | 1,263 |
| | | | | |
| **Cash-end of period** | **$** | **953** | $ | 222 |
| **Supplemental Cash Flow Disclosure:** | | | | |
| **Interest paid** | **$** | **24,388** | $ | 48,033 |
| **Supplemental Non-Cash Disclosure:** | | | | |
| **Common stock issued at fair value for conversion of debt** | **$** | **-** | $ | 101,130 |
| **Cancellation of common stock** | **$** | **-** | $ | 75 |

*The accompanying notes are an integral part of these interim condensed consolidated financial statements.*

### 1. Nature of Business and Basis of Presentation

SusGlobal Energy Corp. ("SusGlobal") was formed by articles of amalgamation on December 3, 2014, in the Province of Ontario, Canada and its executive office is in Toronto, Ontario, Canada. SusGlobal, a company in the start-up stages and Commandcredit Corp. ("Commandcredit"), an inactive Canadian public company, amalgamated to continue business under the name of SusGlobal Energy Corp.

On May 23, 2017, SusGlobal filed an Application for Authorization to continue in another Jurisdiction with the Ministry of Government Services in Ontario and a certificate of corporate domestication and certificate of incorporation with the Secretary of State of the State of Delaware under which it changed its jurisdiction of incorporation from Ontario to the State of Delaware (the "Domestication"). In connection with the Domestication each of the currently issued and outstanding common shares were automatically converted on a one-for-one basis into common shares compliant with the laws of the state of Delaware (the "Shares"). As a result of the Domestication, pursuant to Section 388 of the General Corporation Law of the State of Delaware (the "DGCL"), SusGlobal continued its existence under the DGCL as a corporation incorporated in the State of Delaware. The business, assets and liabilities of SusGlobal and its subsidiaries on a consolidated basis, as well as its principal location and fiscal year, were the same immediately after the Domestication as they were immediately prior to the Domestication. SusGlobal filed a Registration Statement on Form S-4 to register the Shares and this registration statement was declared effective by the Securities and Exchange Commission on May 12, 2017.

On December 11, 2018, the Company began trading on the OTCQB venture market exchange, under the ticker symbol SNRG.

SusGlobal is a renewables company focused on acquiring, developing and monetizing a global portfolio of proprietary technologies in the waste to energy and regenerative products application.

These interim condensed consolidated financial statements of SusGlobal and its wholly-owned subsidiaries, SusGlobal Energy Canada Corp. ("SECC"), SusGlobal Energy Canada I Ltd. ("SGECI"), SusGlobal Energy Belleville Ltd. ("SGEBL"), SusGlobal Energy Hamilton Ltd. ("SEHL") and 1684567 Ontario Inc. ("1684567") (together, the "Company"), have been prepared following generally accepted accounting principles in the United States ("US GAAP") for interim financial information and the Securities Exchange Commission ("SEC") instructions to Form 10-Q and Article 8 of SEC Regulation S-X, and are expressed in United States Dollars. The Company's functional currency is the Canadian Dollar ("C$"). In the opinion of management, all adjustments necessary for a fair presentation have been included.

### 2. Going Concern

The interim condensed consolidated financial statements have been prepared in accordance with US GAAP, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months.

The Company incurred a net loss of $1,881,658 (2024-$1,525,744) for the three months ended March 31, 2025 and as at that date had a working capital deficit of $35,167,772 (December 31, 2024-$33,441,301) and an accumulated deficit of $48,311,360 (December 31, 2024-$46,429,702) and expects to incur further losses in the development of its business.

On January 10, 2024, the Company stopped receiving waste at its waste processing and composting operation in Belleville, Ontario Canada, to address several non-compliance matters described in orders from the Ministry of the Environment, Conservation and Parks (the "MECP"). The Company continues to seek investors to raise funds through debt or equity. The Company was unsuccessful in raising funds with a firm through an advisory and distribution agreement announced on December 14, 2023.

These factors cast substantial doubt as to the Company's ability to continue as a going concern, which is dependent upon its ability to obtain the necessary financing to further the development of its business, satisfy its obligations to its creditors, and upon achieving profitable operations through revenue growth. There is no assurance of funding being available or available on acceptable terms. Realization values may be substantially different from carrying values as shown.

**2. Going Concern,** (continued)

These interim condensed consolidated financial statements do not include any adjustments to reflect the future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result if the Company was unable to continue as a going concern.

## 3. Significant Accounting Policies

These interim condensed consolidated financial statements do not include all the information and footnotes required by US GAAP for complete financial statements and should be read in conjunction with the consolidated financial statements of the Company for the years ended December 31, 2024 and 2023 and their accompanying notes.

## 4. Recently Issued Accounting Pronouncements

### Accounting Pronouncements Recently Adopted

The following section provides a description of new accounting pronouncements ("Accounting Standard Update" or "ASU") issued by the Financial Accounting Standards Board ("FASB") that are applicable to the Company.

There were no new accounting pronouncements issued and not yet adopted that were expected to have a material impact on the Company's interim condensed consolidated financial position or results of operations in the current or future periods.

## 5. Financial Instruments

The carrying value of the Company's financial instruments, such as cash, trade receivables, accounts payable and accrued liabilities approximate fair value due to the short-term nature of these instruments. The carrying amounts of the long-term debt, obligations under capital lease, convertible promissory notes and loans payable to related parties also approximates fair value due to their market interest rate.

Interest, Credit and Concentration Risk

Interest rate risk is the risk borne by an interest-bearing asset or liability as a result of fluctuations in interest rates. Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk.

The Company is not exposed to significant interest rate risk on its long-term debt as at March 31, 2025 and December 31, 2024.

Credit risk is the risk of loss associated with a counterparty's inability to perform its payment obligations. As at March 31, 2025, the Company's credit risk is primarily attributable to cash and trade receivables. As at March 31, 2025, the Company's cash was held with a reputable Canadian chartered bank and a United States of America bank.

With regards to credit risk with customers, the customers' credit evaluation is reviewed by management and account monitoring procedures are used to minimize the risk of loss. The Company believes that no additional credit risk beyond amounts provided for by the allowance for doubtful accounts are inherent in accounts receivable. As at March 31, 2025 and December 31, 2024, there was no allowance for doubtful accounts.

As at March 31, 2025, the Company is not exposed to concentration risk as it has no customers as at March 31, 2025 and December 31, 2024. The Company had one customer whose revenue individually represented 10% or more of the Company's total revenue. This customer accounted for 100% (March 31, 2024- 91%; 43%, 27% and 21% from three customers) of total revenue.

**5. Financial Instruments**, (continued)

Liquidity Risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due. The Company takes steps to ensure it has sufficient working capital and available sources of financing to meet future cash requirements for capital programs and operations. Management is considering all its options to repay its creditors. Refer also to going concern, note 2.

The Company actively monitors its liquidity to ensure that its cash flows and working capital are adequate to support its financial obligations and the Company's capital programs. To continue operations, the Company will need to raise capital and complete the refinancing of its real property and organic waste processing and composting facility (the "Belleville Facility"). There is no assurance of funding being available or available on acceptable terms. Realization values may be substantially different from carrying values as shown. Refer also to going concern, note 2.

Currency Risk

Although the Company's functional currency is the C$, the Company realizes a portion of its expenses in United States Dollars ("$"). Consequently, certain assets and liabilities are exposed to foreign currency fluctuations. As at March 31, 2025, $2,360,867 (December 31, 2024-$2,323,951) of the Company's net monetary liabilities were denominated in $. The Company has not entered into any hedging transactions to reduce the exposure to currency risk.

**6. Prepaid Expenses and Deposits**

Included in prepaid expenses and deposits are costs, primarily for administrative services to be expensed after March 31, 2025.

**7. Long-lived Assets, net**

| | March 31, 2025 | | | December 31, 2024 |
|---|---|---|---|---|
| | **Cost** | **Accumulated depreciation** | **Net book value** | Net book value |
| **Land** | **$ 1,466,325** | **$ -** | **$ 1,466,325** | $ 1,465,060 |
| **Composting buildings** | **2,109,142** | **947,036** | **1,162,106** | 1,192,714 |
| **Gore cover system** | **979,420** | **715,230** | **264,190** | 288,427 |
| **Driveway and paving** | **322,411** | **194,521** | **127,890** | 134,221 |
| | **$ 4,877,298** | **$ 1,856,787** | **$ 3,020,511** | $ 3,080,422 |

Depreciation for the three-month period ended March 31, 2025, is disclosed in cost of sales in the amount of $62,679 (C$89,952) (C$78,933: C$106,464) and in office and administration in the amount of $nil (C$nil) (2024-$306; C$413), in the interim condensed consolidated statements of operations and comprehensive loss.

Long-lived Assets-held for sale

On July 28, 2024, the Company's real estate broker listed the Company's two properties located in Hamilton, Ontario, Canada, (the "Hamilton Facility") for sale. On the recommendation of the real estate broker, there was no selling price noted.

**(Expressed in United States Dollars)**

7. **Long-lived Assets, net**, (continued)

In accordance with ASC 205-20, a disposal of a component or a group of components should be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when a component of or group of components meets the initial criteria for classification of held for sale to be classified as held for sale. Per the initial criteria for classification of held for sale, a component or a group of components, or a business or nonprofit activity (the entity to be sold), should be classified as held for sale in the period in which all of the following criteria are met:

- Management, having the authority to approve the action, commits to a plan to sell the long-lived assets to be sold.
- The long-lived assets to be sold are available for immediate sale in their present condition subject only to terms that are usual and customary for sales of such long-lived assets to be sold.
- An active program to locate a buyer or buyers and other actions required to complete the plan to sell the long-lived assets to be sold have been initiated.
- The sale of the long-lived assets to be sold is probable (the future event or events are likely to occur), and transfer of the long-lived assets to be sold is expected to qualify for recognition as a completed sale, within one year, unless events or circumstances beyond an entity's control extend the period required to complete the sale as discussed below.
- The long-lived assets to be sold are being actively marketed for sale at a price that is reasonable in relation to its current fair value.

Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

On December 31, 2024, the Company recorded an impairment loss in the long-lived assets-held for sale, as a result of current market conditions.

**8. Related Party Transactions**

For the three-month period ended March 31, 2025, the Company incurred $104,520 (C$150,000) (2024-$111,210; C$150,000), in management fees expense with Travellers International Inc. ("Travellers"), an Ontario company controlled by a director and the president and chief executive officer (the "CEO"); and $26,130 (C$37,500) (2024-$27,803; C$37,500) in management fees expense with the Company's chief financial officer (the "CFO"). As at March 31, 2025, unpaid remuneration and unpaid expenses in the amount of $606,619 (C$872,081) (December 31, 2024-$488,294; C$702,581) is included in accounts payable and $238,964 (C$343,536) (December 31, 2024-$212,695; C$306,036) is included in accrued liabilities in the interim condensed consolidated balance sheets.

For the three-month period ended March 31, 2025, the Company incurred $24,511 (C$35,176) (2024-$31,266; C$42,172) in rent expense paid under a lease agreement with Haute Inc. ("Haute"), an Ontario company controlled by the CEO. The lease agreement had expired and the Company is currently on a month-to-month arrangement.

In the prior year, on January 11, 2024, Travellers converted $101,130 (C$135,600) of accounts payable into 809,044 common shares of the Company at the closing trading price immediately prior to the conversion. There was no gain or loss on this conversion.

For the independent directors, the Company recorded directors' compensation during the three months ended March 31, 2025 of $13,065 (C$18,750) (2024-$18,535; C$25,000). As at March 31, 2025, outstanding directors' compensation of $259,663 (C$373,293) (December 31, 2024-$246,407; C$354,543) is included in accrued liabilities, in the interim condensed consolidated balance sheets.

**9. Long-Term Debt**

| | | | **March 31, 2025** | | December 31, 2024 |
|---|---|---|---|---|---|
| **(a)i)** | **Mortgage Payable-due June 1, 2024** | **$** | **3,906,684** | $ | 3,903,315 |
| **(a)ii)** | **Mortgage Payable-due March 1, 2024** | | **1,043,400** | | 1,042,500 |
| **(a)iii)** | **Mortgage Payable-due November 2, 2025** | | **1,391,200** | | 1,390,000 |
| **(a)iv)** | **Mortgage Payable-due November 2, 2024** | | **730,380** | | 729,750 |
| **(a)v)** | **Mortgage Payable-due December 14, 2024** | | **1,553,482** | | 1,552,141 |
| **(a)vi)** | **Mortgage Payable-due October 2, 2024** | | **303,282** | | 303,020 |
| | | | **8,928,428** | | 8,920,726 |
| **Current portion** | | | **(8,928,428)** | | (8,920,726) |
| **Long-Term portion** | | **$** | **-** | $ | - |

**(Expressed in United States Dollars)**

**9. Long-Term Debt,** (continued)

Refer also to going concern, note 2.

(a) i. On December 1, 2023, this 1st mortgage was renewed with a new maturity date of June 1, 2024 and a fixed interest rate of 13% per annum. On renewal, the 1st mortgage was increased by $289,564 (C$416,280), from $3,617,120 (C$5,200,000) to $3,906,684 (C$5,616,280), to account for increased interest based on the previous variable rate, three months of prepaid interest and a financing fee. The 1st mortgage is secured by the shares held of 1684567, a 1st mortgage on the Belleville Facility and a general assignment of rents. Financing fees on the 1st mortgage totaled $316,516 (C$455,419) and have been fully amortized at December 31, 2024. As at March 31, 2025 $584,344 (C$840,057) (December 31, 2024-$456,982; C$657,528) of accrued interest is included in accrued liabilities in the interim condensed consolidated balance sheets.

ii. On March 1, 2023, the Company obtained a 2nd mortgage in the amount of $1,043,400 (C$1,500,000) bearing interest at the annual rate of 12%, repayable monthly, interest only with a maturity date of March 1, 2024, secured as noted under paragraph i) above. The Company incurred financing fees of $41,700 (C$60,000) and have been fully amortized by December 31, 2024. As at March 31, 2025 $135,642 (C$195,000) (December 31, 2024-$104,250; C$150,000) of accrued interest is included in accrued liabilities in the interim condensed consolidated balance sheets. An additional mortgage, as noted below under paragraph iv), was arranged to complete the purchase.

iii. On November 2, 2023, the Company completed the purchase of additional land, consisting of a 2.03-acre site in Hamilton, Ontario, Canada for $2,156,360 (C$3,100,000), prior to an additional disbursement of $40,675 (C$58,475) representing land transfer tax. The Company obtained a vendor take-back mortgage in the amount of $1,391,200 (C$2,000,000) bearing interest at 7% annually, payable monthly, interest only and maturing November 2, 2025.

iv. In connection with the purchase of additional land noted above under paragraph iii) above, a 2nd mortgage was obtained in the amount of $730,380 (C$1,050,000) bearing interest at 13% annually, payable monthly interest only and secured by a 3rd mortgage on the property at the Belleville Facility.

v. On December 14, 2023, the Company made arrangements to repay the previous 1st mortgage on the first property purchased in Hamilton, Ontario, Canada on August 17, 2021, for a new 1st mortgage in the amount of $1,552,141 ($C2,233,298) with new creditors. The original 1st mortgage was a vendor take back mortgage in the amount of $1,553,482 (C$2,000,000).

vi On April 2, 2024, the Company received funds in the amount of $136,239 (C$196,028) for a $225,031 ($323,786) 4th mortgage secured by the Belleville Facility bearing interest at 12% annually payable monthly interest only maturing October 2, 2024, cross collateralized by a 3rd mortgage secured by the additional land in Hamilton, Ontario, Canada, net of unpaid interest, a financing fee of $18,765 (C$27,000) and six months of capitalized interest. Further, additional sums totaling $78,056 (C$112,214) were advanced after April 2, 2024, resulting in a balance of $303,282 (C$436,000) at March 31, 2025.

For the three-month period ended March 31, 2025, $266,686 (C$382,729) (2024-$262,113 (C$353,537) in interest was incurred on the mortgages payable.

**10. Convertible Promissory Notes**

| | | | **March 31, 2025** | | December 31, 2024 |
|---|---|---|---|---|---|
| **(a)** | **Convertible promissory note-October 28 and 29, 2021** | **$** | **3,620,689** | $ | 3,432,025 |
| **(b)** | **Convertible promissory note-March 3 and 7, 2022** | | **7,302,638** | | 6,927,508 |
| **(c)** | **Convertible promissory note- June 23, 2022** | | **1,597,804** | | 1,564,475 |
| **(d)** | **Convertible promissory note-April 12, 2024, amended May 23, 2024** | | **186,535** | | 164,903 |
| | | **$** | **12,707,666** | $ | 12,088,911 |

**10. Convertible Promissory Notes,** (continued)

The convertible promissory notes are accounted for under the fair value option in the consolidated balance sheets. The actual principal outstanding on the balance of the notes as at March 31, 2025 is $9,023,175 including accrued interest of $2,680,792 (2024-$8,733,833, including accrued interest of $2,391,450).

(a) On October 28 and 29, 2021, the Company entered into two securities purchase agreement (the "October 2021 SPAs) with two investors (the "October 2021 Investors") pursuant to which the Company issued to the October 2021 Investors two 15% OID unsecured convertible promissory notes (the "October 2021 Investor Notes") in the principal amount of $1,765,118. The October 2021 Investor Notes are convertible, with accrued interest, from time to time on notice of a liquidity event (a "Liquidity Event"). A Liquidity Event is defined as a public offering of the Company's common stock resulting in the listing for trading of the common stock on any one of several exchanges. The October 2021 Investor Notes can be prepaid prior to maturity for an amount of 120% of the prepayment amount.

The maturity date of the October 2021 Investor Notes is the earlier of (i) July 28 and 29, 2022 and (ii) the occurrence of a Liquidity Event, as described above (the "Maturity Date"). Upon the occurrence of a Liquidity Event, the October 2021 Investors are entitled to convert all or a portion of their October 2021 Investor Notes including any accrued and unpaid interest at a conversion price (the "Conversion Price") equal to 70% (representing a 30% discount) multiplied by the price per share of the Common Stock at the public offering associated with the Liquidity Event.

Upon the occurrence of an event of default, the interest rate on the October 2021 Investor Notes will immediately accrue at 24% per annum and be paid in cash monthly to the October 2021 Investors, until the default is cured. And the Conversion Price will be reset to 85% of the lowest volume weighted average price for the ten consecutive trading days ending on the trading day that is immediately prior to the applicable conversion date.

On May 11, 2022, the holder of the October 29, 2021, investor note, provided an amendment for an optional conversion of his investor notes. The conversion price was amended to be (i) the product of the Liquidity Event price multiplied by the discount of 35% (previously 30%) or (2) the greater of (i) the product of the closing price per share of the Company's Common Stock as reported by the applicable trading market on the trading day immediately prior to the conversion date multiplied by the discount (35%) or $1.70 multiplied by the discount (35%), provided that in the event of a conversion, of investor note, at a time that a Liquidity Event shall not have previously occurred and be continuing, the conversion price for such conversion shall be as provided in the amendment.

On August 16, 2022, the Company was sent a notice of default from one of the October 2021 Investors, whose investor note was issued on October 29, 2021. On September 15, 2022, the Company and the investor of the October 2021 investor note entered into an amendment to the October 2021 investor note which served as a cure to the previously issued default notice.

Pursuant to the September 15, 2022 amendment, the Company and the October 29, 2021 investor agreed that the outstanding principal amount of the October 29, 2021 investor note would increase by 10% to $1,618,100 from the previously issued principal amount of $1,471,000. The new agreed upon maturity date was changed to November 15, 2022, subject to certain conditions and the maturity date would automatically be extended to January 15, 2023, provided that the October 29, 2021 investor does not notify the Company in writing prior to the maturity date that the automatic extension of the maturity date has been cancelled. In connection with this amendment, the Company agreed to use its best efforts to promptly facilitate the conversion of the October 29, 2021 investor note into shares of the Company's common stock.

As a result of the default on November 15, 2022, the Company was informed that the October 29, 2021 investor will now be accruing interest at the default rate of 24% per annum. In addition, on October 4, 2023, an action was launched by the October 29, 2021 investor, who claimed he was owed $1,300,000 plus accrued interest which is after conversions of $318,100 during 2022 and 2023 and accrued interest of $734,269 as at March 31, 2025 (December 31, 2024-$657,337). The fair value of this convertible promissory note, included in the total in the table above, is $2,989,127 (December 31, 2024-$2,835,298). The Company intends to repay the balance owed when it is financially able to do so.

**10. Convertible Promissory Notes,** (continued)

Further, the October 29, 2021 investor agreed not to convert more than $100,000 in any one conversion notice and the October 29, 2021 investor agreed not to issue an additional conversion notice unless and until any previously issued conversion shares have been sold by the October 29, 2021 investor or exceed 10% of the daily trading volume in selling the shares of the Company's common stock.

On December 22, 2022, the October 28, 2021 investor, whose October 28, 2021 investor note had a previous Principal Amount of $294,118 and a maturity date of July 28, 2022, provided the Company with an amendment whereby the maturity date of the October 28, 2021 investor note was extended to the earlier of July 28, 2023 or the occurrence of a Liquidity Event. In addition, the Company agreed that the investor could convert his October 28, 2021, investor note into shares of the Company's common stock at any time at the investor's option. Previously, the October 28, 2021 Note was only convertible upon the occurrence of the Liquidity Event. The Company also agreed to change the conversion price to be the lowest trading bid price of the Company's common stock on the trading day immediately prior to the conversion date multiplied with a 35% discount to that lowest price.

Previously, the conversion price was a 30% discount to the price at which the securities were sold in connection with the Liquidity Event. In consideration for the extension of the maturity date, the Company agreed to issue the investor 500,000 shares of the Company's common stock. The Company used the with-and-without method to allocate the proceeds between the convertible promissory note and the common shares. As a result, all the proceeds were allocated to the convertible promissory note and $nil to the common shares. As a result of the default on July 28, 2023, the Company is now incurring interest at the default rate of 24%. As at March 31, 2025, this note had a principal balance of $451,588 (December 31, 20243-$432,523) including accrued interest of $129,428 (December 31, 2024-$110,363). The fair value of this convertible promissory note, included in the table above, is $631,562 (December 31, 2024-$596,727).

On June 8, 2023, the October 29, 2021 investor's counsel sent the Company a notice of default on the October 29, 2021 investor note and the March 2022 Investor Notes, described below. The default was caused by the holders of these promissory notes not being able to receive shares of the Company's common stock, par value $0.0001 (the "Common Stock") pursuant to the conversion terms of these promissory notes. All cure periods available pursuant to the promissory notes had expired prior to June 8, 2023. The October 29, 2021, investor note had a principal balance of $1,300,000 before the default and the March 2022 Investor Notes, whose principal balance totaled $2,640,000 prior to the notice of default, increased by 20% or $528,000 in total as a result of the notice of default. In addition, default interest at the rate of 24% per annum continues to accrue on the October 29, 2021 investor note and the March 2022 Investor Notes.

The Company initially reserved 1,905,000 of its authorized and unissued Common Stock (the "October 2021 Reserved Amount"), free from pre-emptive rights, to be issued upon conversion of the October 2021 Investor Notes.

(b) On March 3 and 7, 2022, the Company executed two unsecured convertible promissory notes with two investors (the "March 2022 Investors"), who purchased 25% original issue discount (the "OID") unsecured convertible promissory notes (the "The March 2022 Investor Notes") in the aggregate principal amount totaling $2,000,000 (the "Principal Amount") with such Principal Amount convertible into shares of the Company's common stock (the "Common Stock") from time to time triggered by the occurrence of certain events. The March 2022 Investor Notes carried an OID totaling $500,000 which is included in the principal balance of the Notes. The funds were received on March 7, 2022 and March 11, 2022 in the total amount of $1,425,000, net of the OID and professional fees.

The maturity date of the Notes is the earlier of (i) June 3 and 7, 2022, and (ii) the occurrence of a Liquidity Event (as defined in the Notes) (the "Maturity Date"). The final payment of the Principal Amount (and default interest, if any) shall be paid by the Company to the Investors on the Maturity Date. On an event of default, the principal amount of the March 2020 Investor Notes will increase to 120% of their original principal amounts. The Investors are entitled to, following an event of default, (as defined in the March 2022 Investor Notes) to convert all or any amount of the Principal Amount and any interest accruing at the default interest rate of 24% per annum into Common Stock, at a conversion price (the "Conversion Price") equal to 70% (representing a 30% discount) multiplied by the price per share of the Common Stock at any national security exchange or over-the-counter marketplace for the five (5) trading days immediately prior to the March 2022 Investors' notice of conversion.

**10. Convertible Promissory Notes,** (continued)

On May 11, 2022, the holder of the March 3, 2022 Investor Note and on May 13, 2022, the holder of the March 7, 2022 Investor Note, each provided an amendment for an optional conversion of their investor notes. The conversion price was amended to be (i) the product of the Liquidity Event price multiplied by the discount of 35% (previously 30%) or (2) the greater of (i) the product of the closing price per share of the Company's Common Stock as reported by the applicable trading market on the trading day immediately prior to the conversion date multiplied by the discount (35%) or $1.70 multiplied by the discount (35%), provided that in the event of a conversion, of his investor note, at a time that a Liquidity Event shall not have previously occurred and be continuing, the conversion price for such conversion shall be as provided in amendment for each.

Further, on June 29, 2022, the March 2022 Investors revised their March 2022 Investor Notes, to extend the maturity date to August 15, 2022 and increase the principal amount of each of the March 2022 Investor Notes by twenty percent (20%), from a Principal Amount of $2,000,000 to $2,400,000. In addition, the Company agreed to issue 100,000 common shares to the March 2022 Investor. These restricted shares of the Company's common stock will survive a reverse stock split prior to listing. The common shares were issued on July 11, 2022. The restructurings were accounted for as extinguishments as they were renegotiated after maturity.

On August 16, 2022, the Company was sent notices of default from the March 2022 Investors. And, on September 15, 2022, the Company and the March 2022 Investors entered into an amendment to the March 2022 Investor Notes which served as a cure to the previously issued default notices.

Pursuant to the September 15, 2022 amendment, the Company and the March 2022 Investors agreed that the outstanding principal amount totaling $2,400,000 would increase by 10% to $2,640,000. The new agreed upon maturity date was November 15, 2022, subject to certain conditions and the maturity date was extended to January 15, 2023. In connection with this amendment, the Company agreed to use its best efforts to promptly facilitate the conversion of the March 2022 Investor Notes into shares of the Company's common stock only after the October 29, 2021 investor note, as described under paragraph (a) above, has been fully converted.

Further, in the event that the October 29, 2021 investor note has been fully converted and the conversion shares sold, thereafter, the March 2022 Investor Notes may both be converted at the March 2022 Investors' discretion on a pari-passu basis, provided, however, that no conversion shall exceed $50,000 for each of the March 2022 Investor Notes and each of the March 2022 Investors shall not sell more than 5% of the daily trading volume in selling the Company's shares of common stock.

As noted above, on June 8, 2023 the counsel for the March 2022 Investors provided the Company with a notice of default. This resulted in the principal balance of the March 2022 Investor Notes increasing in principal from $2,640,000 in total to $3,168,000, in total. In addition, interest is accruing at the rate of 24% per annum. As at March 31, 2025, the principal balance of the March 2022 investor notes totaled $4,969,854, including accrued interest of $1,801,854 (December 31, 2024-$4,782,378 including accrued interest of $1,614,378) is included in the convertible promissory notes balance.

(c) On June 23, 2022, the Company executed one convertible promissory note (the "June 2022 Investor Note") with an investor (the "June 2022 Investor") in the amount of $1,200,000 bearing interest at 10% per annum and having an OID of 10%. The maturity date of the June 2022 Investor Note is the earlier of December 23, 2022 and the date of the Company's uplist to a national securities exchange. The proceeds from the June 2022 Investor Note were used to repay this investor's June 2021 Investor Note and their December 2021 Investor Note which matured June 16, 2022 and June 2, 2022 respectively, plus accrued interest. The net proceeds, after repaying the December 2021 Investor Note and the June 2021 Investor Note with accrued interest and related disbursements totaled approximately $204,000. The net proceeds were received on June 28, 2022. In addition, the Company issued 1,333,333 common shares to the June 2022 Investor on June 29, 2022 which have been included in the determination of the extinguishment gain and recognized at fair value. The restructuring was accounted for as extinguishments as it was renegotiated after maturity.

The June 2022 Investor may convert the principal amount and any accrued but unpaid interest into the Company's common stock from time to time following an event of default ('Event of Default"), as defined in the June 2022 Investor Note, with interest accruing at the default interest rate of 15% per annum from the Event of Default, at a conversion price (the "Conversion Price") equal to the lesser of 90% (representing a 10% discount) multiplied by the price per share of the Common Stock at the public offering associated with the Event of Default.

**10. Convertible Promissory Notes,** (continued)

On December 29, 2022, the Company and the investor agreed to extend the maturity date to the earlier of June 23, 2023 or the occurrence of a Liquidity Event. In consideration for the extension of the maturity date, the Company agreed to: (i) increase the principal amount to $1,320,000.00 (the "Increased Principal Amount"); (ii) that interest is payable on the Increased Principal Amount and that such interest (but not any default interest that becomes due) is paid in full and in advance by the Company issuing to the June 2022 Investor 450,000 shares of the Company's common stock and (iii) issue to the June 2022 Investor 666,667 shares of the Company's common stock (the "Modification Fee Shares"). The parties agreed that the Modification Fee Shares served as an increase in the amount of commitment fee shares issued to the investor pursuant to the securities purchase agreement signed by the Company and the June 2022 Investor on June 23, 2022, in connection with the issuance of the June 2022 Investor Note. The Company used the with-and-without method to allocate the proceeds between the convertible promissory note and the common shares. As a result, all the proceeds were allocated to the convertible promissory note and $nil to the common shares.

On June 29, 2023, the June 2022 Investor provided a 45-day extension of the June 2022 Investor Note in exchange for an increase in the principal balance of the June 2022 Investor Note of $100,000, from $1,320,000 to $1,420,000.

The Company initially reserved 8,000,000 of its authorized and unissued Common Stock (the "June 2022 Reserved Amount"), free from pre-emptive rights, to provide for the issuance of Common Stock upon the full conversion of the June 2022 Investor Note.

(d) On April 12, 2024, the Company executed one convertible promissory note (the "April 2024 Investor Note") with the June 2022 in the amount of $120,000 bearing interest at 10% per annum and having an OID of 10%. The April 2024 Investor Note was amended by the June 2022 Investor on May 23, 2024 resulting in a principal increase of $12,223. The maturity date of the April 2024 Investor Note is October 12, 2024. The proceeds from the April 2024 Investor Note were used to repay certain outstanding accounts. If this April 2024 Investor Note is not repaid by the maturity date, it will bear interest at the lesser of 18% and the maximum amount permitted under the law from the due date until paid. The June 2022 Investor may convert this April 2024 Investor Note on an event of default. The conversion price, only upon an event of default, will be 90% (a 10% discount) based on the lowest trading price on the previous twenty trading days ending on the date of conversion. The initial reserved amount shall be 5,000,000 shares of common stock. The Company also incurred professional fees of $8,500 which reduced the net proceeds on this April 2024 Investor Note. As at March 31, 2025, the principal balance of the April 2024 Investor Note totaled $147,464, including accrued interest of $15,241 (December 31, 2024- $141,595 including accrued interest of $9,372).

Pursuant to the terms of the security purchase agreements for the convertible promissory notes described above, for so long as the noted investors own any shares of Common Stock issued upon the conversion of the applicable investor notes, the Company has covenanted to secure and maintain the listing of such shares of Common Stock. The Company is also subject to certain customary negative covenants under the investor notes and the security purchase agreements, including but not limited to the requirement to maintain its corporate existence and assets, require registration of or stockholder approval for the investor notes or the Common Stock upon the conversion of the applicable investor notes.

The convertible promissory notes described above, contain certain representations, warranties, covenants and events of default including if the Company is delinquent in its periodic report filings with the Securities and Exchange Commission which would increase the amount of the principal and interest rates under the convertible promissory notes in the event of such defaults. In the event of a default, at the option of the applicable investor and in their sole discretion, the applicable investor may consider any of their convertible promissory notes immediately due and payable.

Refer also to going concern, note 2.

*Fair value option for the convertible promissory notes*
The Company is eligible to elect the fair value option under ASC 825, *Financial Instruments* and bypass analysis of the potential embedded derivative features described above. The Company believes that the fair value option better reflects the underlying economics of the convertible promissory notes issued after December 31, 2020. As a result, the 2021 and 2022 promissory notes were recorded at fair value upon issuance and subsequently remeasured at each reporting date until settled or converted. The Company recognized the notes initially at fair value, which exceeded the proceeds received resulting in a day one loss that has been recognized in net loss.

(Expressed in United States Dollars)

**10. Convertible Promissory Notes,** (continued)

Any transaction and other issuance costs have been expensed as incurred. Subsequently, the Company recognizes the notes at fair value with changes in net loss.

Gains and losses attributable to changes in credit risk were insignificant during the three-month periods ended March 31, 2025 and 2024. The Company recognized a loss of $618,755 (2024- $133,326) attributed to the change in fair value of the convertible promissory notes for the three-month periods ended March 31, 2025 and 2024.

**11. Fair Value Measurement**

The following table presents information about the Company's financial assets and liabilities that are measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation:

| | Fair value as at March 31, 2025 and December 31, 2024 Using: | | |
|---|---|---|---|
| | **Level 3** | **March 31, 2025** | December 31, 2024 |
| Assets: | $ | $ - | $ - |
| Liabilities: | | | |
| Convertible promissory notes | | **12,707,666** | 12,088,911 |
| | $ | **$ 12,707,666** | $ 12,088,911 |

During each of the three-month periods ended March 31, 2025 and 2024, there were no transfers between Level 1, Level 2, or Level 3. There were no financial assets or other liabilities measured at fair value on a recurring basis as of March 31, 2025 and December 31, 2024.

The following table summarizes the change in Level 3 financial instruments during the three-month period ended March 31, 2025 and year ended December 31, 2024.

| | **March 31, 2025** | December 31, 2024 |
|---|---|---|
| Fair value at December 31, 2024 and 2023 | **$ 12,088,911** | $ 10,519,824 |
| Fair value at issuance | **-** | 182,143 |
| Amendment | **-** | 13,191 |
| Mark to market | **618,755** | 1,373,753 |
| Fair value at March 31, 2025 and December 31, 2024 | **$ 12,707,666** | $ 12,088,911 |

Financial instruments measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The fair value of the convertible promissory notes at issuance and subsequent financial reporting dates was estimated based on significant inputs not observable in the market, which represent level 3 measurements within the fair value hierarchy.

The fair value of the convertible promissory notes at issuance and at each reporting period was estimated based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The Company used a scenario-based binomial model to estimate the fair value of the convertible promissory notes. The model determines the fair value from a market participant's perspective by evaluating the payouts under hold, convert, or call decisions. The most significant estimates and assumptions used as inputs are those concerning type, timing and probability of specific scenario outcomes. Specifically, the Company assigned a probability of default, which would increase the required payout as described in Note 10 and calculated the fair value under each scenario.

At the issuance dates of the convertible promissory notes, the probability of default ("PD") was assumed to be 75% (December 31, 2024-75%), except for those which were amended post maturity, which were assumed to be 100%. The probability of default was determined in reference to a 1-year PD rate for a 'CCC+' rating at issuance, and a combination of 'CC' and 'CCC' credit ratings at March 31, 2025 and December 31, 2024. Increasing (decreasing) the probability of default would result in a significantly higher (lower) fair value measurement.

**(Expressed in United States Dollars)**

**11. Fair Value Measurement**, continued

Other significant unobservable inputs include the expected volatility and the credit spread. The expected volatility was based on the historical volatility over a look-back period that was consistent with the balance-remaining term of the instruments. A range of 189.6% to 212.3% (December 31, 2024-220.4% to 247.8%) was used for the expected volatility. The discount for lack of marketability was determined using a range of option pricing methodologies using the remaining restriction term corresponding to each instrument on the relevant valuation date. The credit spread was determined in reference to credit yields of companies with similar credit risk at the date of valuation. A premium of 10% (December 31, 2024-10%) was added to the credit spread as an instrument specific adjustment to reflect the Company's risk of default. A value of 22.82% (December 31, 2024-23.07%) was used for the credit spread.

## 12. Loans Payable to Related Parties

| | | **March 31, 2025** | | December 31, 2024 |
|---|---|---|---|---|
| **Directors** | **$** | **48,500** | $ | 48,500 |
| **CFO** | | **23,554** | | 23,533 |
| **Shareholders** | | **3,000** | | 3,000 |
| **Haute Inc.** | | **646,678** | | 646,121 |
| **Total** | **$** | **721,732** | $ | 721,154 |

The loans owing to directors were received by the Company on June 6, 2022, March 16, 2023 and June 21, 2024, are unsecured, bearing interest at 5% per annum and due on demand.

On December 5, 2023, the Company received a loan from Haute Inc., in the amount of $417,360 (C$600,000) bearing interest at 13% per annum, due June 5, 2024. The net proceeds were $234,066 (C$336,495) after deducting outstanding interest on existing mortgages for a wholly owned subsidiary, 1684567, and other disbursements in the amount of $142,017 (C$204,165), a financing fee in the amount of $12,521 (C$18,000) plus the applicable harmonized sales taxes of $1,628 (C$2,340). In addition, six months of interest in the amount of $27,128 (C$39,000) was capitalized.

On January 9, 2024, the Company received a loan from Haute Inc., in the amount of $229,318 (C$329,670) bearing interest at 13% per annum due July 9, 2024. The proceeds received on January 9, 2024 net of capitalized interest of $13,564 (C$19,500) for six months and a financing fee of $6,260 (C$9,000) plus the applicable harmonized sales taxes of $814 (C$1,170) amounted to $208,680 (C$300,000).

During the three-month period ended March 31, 2025, $21,017 (C$30,214) (2024-$21,469; C$28,957) in interest was incurred on the two loans from Haute Inc.

During the three-month period ended March 31, 2025, Travellers, converted a total of $nil (C$nil) (2024-$101,130; C$135,600) of accounts payable owing to Travellers for nil (2024 - 809,044) common shares of the Company at the closing trading price immediately prior to the conversion. There was no gain or loss on this conversion.

## 13. Capital Stock

As at March 31, 2025, the Company had 150,000,000 common shares authorized with a par value of $.0001 per share and 137,332,019 (December 31, 2024-131,332,019) common shares issued and outstanding.

On February 18, 2025, the Company raised $120,000 in a private placement for the issuance of 6,000,000 common shares to Travellers.

During the three-month period ended March 31, 2025, Travellers, converted a total of $nil (C$nil) (2024-$101,130; C$135,600) of accounts payable owing to Travellers for nil (2024 - 809,044) common shares of the Company at the closing trading price immediately prior to the conversion. There was no gain or loss on this conversion. In addition, during the prior three-month period ended March 31, 2024, on March 18, 2024, the Company submitted a cancellation order to its transfer agent to cancel 750,000 common shares issued in the prior year to a consultant. There was no gain or loss on this cancellation.

**(Expressed in United States Dollars)**

**14. Commitments**

a) Effective January 1, 2023, new executive consulting agreements were finalized for the services of the CEO and the CFO, for two years and one year, respectively. The CEO's monthly fee was $27,824 (C$40,000) for 2023 and is $34,780 (C$50,000) for 2024 and for the CFO was $8,695 (C$12,500) for 2023. There is no future minimum commitment under these consulting agreements since both the CEO and the CFO are providing their services on a month-to-month basis.

b) The Company has agreed to lease its office premises from Haute on a month-to-month basis, at the monthly rate of $6,956 (C$10,000). The Company is responsible for all expenses and outlays in connection with its occupancy of the leased premises, including, but not limited to utilities, realty taxes and maintenance.

c) Effective February 3, 2021, upon the successful completion of a Nasdaq listing, the Company has committed a payment of $300,000 to a consulting firm providing advisory and consulting services.

d) On November 5, 2021, the Company committed to the design and construction of its Hamilton Facility including architectural and general contracting fees in the amount of $6,347,913 (C$9,125,809) plus applicable harmonized sales taxes. As noted under note 7, Long-lived Assets, net, the Hamilton Facility, is now held for sale.

e) Effective November 1, 2022, the Company acquired the exclusive rights to the use of a well-known athlete's name, endorsement and the like, for the purposes of advertisement, promotion and sale of the Company's products. In return, the Company issued 500,000 common shares of the Company and the individual's company is entitled to the following fees:

- $125,000 sixty days subsequent to the Company's shares listed on the Nasdaq or another senior exchange.
- $125,000 on the one-year anniversary of the first payment above and,
- $125,000 on the one-year anniversary of the second payment above.

There is also an arrangement to issue 250,000 warrants to the company once the Company's shares are listed on the Nasdaq or another major exchange.

f) The Company was assigned the land lease on the purchase of certain assets of Astoria Organic Matters Ltd., and Astoria Organic Matters Canada LP on September 15, 2017. The land lease, which comprises 13.88 acres in Roslin, Ontario, Canada, has a term expiring March 31, 2034. The basic monthly rent on the net lease is $2,087 (C$3,000) and is subject to adjustment based on the consumer price index as published by Statistics Canada ("CPI"). To date, no adjustment for CPI has been charged. The Company is also responsible for any property taxes, maintenance, insurance and utilities. In addition, the Company had the right to extend the lease for five further terms of five years each and one further term of five years less one day. As the Company acquired the business of 1684567, the previous landlord, in 2019, there are no future commitments for this lease. The Company is responsible through a special provision of the site plan agreement with the City of Belleville (the "City"), Ontario, Canada, that it is required to fund road maintenance required by the City through to September 30, 2025 at an annual rate of $6,956 (C$10,000). The future minimum commitment is as follows:

| | | |
|---|---|---|
| **For the nine-month period ending December 31, 2025** | **$** | **6,956** |

Up until September 30, 2023, PACE had provided the Company a letter of credit in favor of the MECP in the amount of $204,301 (C$276,831) and, as security, had registered a charge of lease over the Company's Belleville Facility located at 704 Phillipston Road, Roslin (near Belleville), Ontario, Canada.

The current letter of credit required by the MECP for the Belleville Facility is $443,540 (C$637,637) and now $101,896 (C$146,487), while the Company re-assesses and re-submits it financial assurance to the MECP with the assistance of its environmental consultant. The Company has not yet satisfied this requirement of the MECP.

**(Expressed in United States Dollars)**

**14. Commitments,** (continued)

The letter of credit is a requirement of the MECP and is in connection with the financial assurance provided by the Company for it to be in compliance with the MECPs environmental objectives. The MECP regularly evaluates the Company's Belleville Facility to ensure compliance is adhered to and the letter of credit is subject to change by the MECP. The Company had engaged an environmental consulting firm to re-evaluate the financial assurance with the MECP which is based on the estimated environmental remediation and clean-up costs for the Belleville Facility. As a result of inspections carried out by the MECP during the prior years, some of which have resulted in MECP orders having been issued, the Company has accrued estimated and actual costs for corrective measures in orders issued by the MECP $2,692,633 (C$3,870,950) (December 31, 2024-$2,344,600; C$3,373,525).

**15. Other Expenses**

| | | **March 31, 2025** | | March 31, 2024 |
|---|---|---|---|---|
| (a) Loss on revaluation of convertible promissory notes | **$** | **(618,755)** | $ | (133,686) |
| (b) Provision for loss | | **(108,598)** | | - |
| (c) Gain on forgiveness of CEBE loans | | **-** | | 22,242 |
| | **$** | **(727,353)** | $ | (111,444) |

(a) Loss on revaluation of convertible promissory notes. Refer also to convertible promissory notes, note 10.

(b) The provision for loss relates to one of the March 2022 Investor Notes as disclosed under note17, legal proceedings.

(c) In the prior period ended March 31, 2024, the Company recognized a gain on the forgiveness of the Canada Emergency Business Account ("CEBA") as a result of repaying the required portion of the CEBA loans within the time period to allow for a forgiven amount of $22,242 (C$30,000).

**16. Economic Dependence**

The Company generated 100% of its revenue from one customer during the three-month period ended March 31, 2025 (2024-91% from three customers).

**17. Legal Proceedings**

From time to time, the Company may become involved in litigation relating to claims arising from the ordinary course of business. Management believes that there are currently no claims or actions pending against us, the ultimate disposition of which would have a material adverse effect on our results of operations, financial condition, or cash flows, except as follows:

The Company has a claim against it for unpaid legal fees in the amount of $45,382 (C$65,241). The amount is included in accounts payable on the Company's consolidated balance sheets.

On October 4, 2023, an action was launched by one of the October 2021 Investors, who claimed he was owed $1,300,000 plus accrued interest. The principal balance in the accounts and noted under convertible promissory notes, note 10(a) is $2,034,269 (December 31, 2024-$1,957,337), which is after conversions of $318,100 during 2022 and 2023 and includes accrued interest of $734,269 (December 31, 2024-$657,337). The Company has disclosed the fair value of this convertible promissory note as $2,989,127 (December 31, 2024-$2,835,298). The Company intends to repay the balance owed when it is financially able to do so.

On November 27, 2023 and March 6, 2024, the Company experienced an outflow of leachate impacted water from the stormwater pond at the Belleville Facility into the City of Belleville's (the "City") roadside ditch. The Company is collaborating with its environmental consultants and its Canadian legal counsel to assess the damage caused, remediate this occurrence and report regularly to the MECP. As noted below, on August 30, 2024, the Company and the City remediated with a settlement in the amount of $90,428 (C$130,000). This amount is included under accrued liabilities in the Company's interim condensed consolidated balance sheets.

**17. Legal Proceedings**, continued

On October 24, 2023, the Company received a letter from the utility company for unpaid hydro bills in the amount of $233,228 (C$335,291). The amount of this original claim and any amounts subsequently invoiced are included in accounts payable on the Company's interim condensed consolidated balance sheets.

In addition, on November 17, 2023, the Company received an amended claim filed against it from 2023 by Tradigital in the sum of $219,834 in owed fees plus the difference in stock price, 300,000 common shares of the Company, plus attorney fees and expenses. The case went to arbitration on March 11, 2024 and the Company defended its position. On April 4, 2024, the International Centre for Dispute Resolution indicated that no additional evidence is to be submitted and the hearings were declared closed as of April 29, 2024. The tribunal endeavored to render the final decision within the timeframe provided for in the rules. Management agrees that outstanding fees, which are included in accounts payable in the interim condensed consolidated balance sheets, are only in the amount of $30,000, which was agreed to by the parties in earlier communications and through various e-mail correspondence. In addition, management has no issue with the outstanding common shares to be provided to the claimant totaling 300,000. Management believes that the additional claim amount of $189,834 is without merit. Of the total of 300,000 common shares, 50,000 have been issued and the remaining 250,000 were previously disclosed as shares to be issued in the consolidated statements of stockholders' deficiency. On April 26, 2024, the arbitrator for this claim awarded Tradigital the sum of $118,170 which had been accrued by the Company. In addition, the remaining 250,000 common shares were not required to be issued by the Company and are no longer disclosed as shares to be issued.

On April 1, 2024, the Company received notice of a complaint filed against it by one of the March 2022 Investors, seeking damages of no less than $4,545,393. The Company had thirty calendar days to respond and on April 30, 2024, the Company was able to extend the time to respond with opposing counsel, a further fifteen days. The Company has been unable to retain counsel to represent it in this matter. The full amount of the complaint was included in the accounts at December 31, 2023, March 31, 2024 and June 30, 2024. On May 21, 2024, the counsel for the plaintiff requested an entry for a default judgement against the Company. On September 11, 2024, the default judgement was filed in the amount of $2,848,744. In addition, pre-judgement interest was granted in the amount of $87,414 at the rate of 10% per annum on the principal balance from May 22, 2024 through September 11, 2024. On the filing of this default judgement, the March 2022 Investor removed two causes of action previously filed in their complaint which the Company received notice of on April 1, 2024 and accrued for accordingly. The impact of the removal of the two causes of action totaling $2,250,000, plus the additional pre-judgement and other interest charged resulted in a reduction in the previous accrual for loss in the amount of $1,191,033, which was disclosed in the December 31, 2024 consolidated financial statements. During the current three-month period ended March 31, 2025, the Company has accrued interest of 15% on the outstanding balance, as noted in the default judgement. Refer to note 15(b), other expenses.

On May 16, 2024, the Company was informed by its Canadian legal counsel that the City issued an order against the Belleville Facility, its numbered company, 1684567 and its officers for the repayment of the cost of pumping out contaminated water from the City's roadside ditch, along with legal and other associated costs. On May 31, 2024, the companies and the officers filed notices of appeal to the Ontario Land Tribunal. The Company and its Canadian legal counsel were in discussions with the legal representatives from the City, to come to a resolution before any action by the Ontario Land Tribunal. On August 30, 2024, minutes of settlement were finalized between the City and the Company to settle for an amount of $90,428 (C$130,000) ten days following the sale of the Hamilton Facility. There are certain events of default, including not meeting the timeline set above and if the sale of the Hamilton Facility does not occur before January 31, 2025, it would result in the actual cost incurred by the City to be paid by the Company. The actual costs noted in the minutes of settlement totaled $133,896 (C$192,490). In addition, in connection with the minutes of settlement, the Company and its officers subsequently withdrew their appeals with the Ontario Land Tribunal on September 4, 2024, and the Ontario Land Tribunal closed their case. The Company's Hamilton Facility was not sold by January 31, 2025 and on February 10, 2025, the City issued a second order to the Companies and its two officers for an additional sum of $25,881 (C$37,207) representing additional costs resulting from the spill. The Company's counsel has responded to the City's counsel. See below on March 12, 2025.

On June 10, 2024, the Company received a statement of claim from the general contractor, Gillam Construction Group Ltd. ("Gillam"), for the construction of the Hamilton Facility. Gillam also named the Company's two officers as defendants. The Company and its Canadian legal counsel were able to resolve the matter with the Plaintiff with a final settlement of $2,017,240 (C$2,900,000) if paid on or before November 30, 2024. Effective December 1, 2024, as a result of non-payment by the Company, the final settlement was now $2,086,800 ($3,000,000) and accrues interest at a variable rate using the Bank of Nova Scotia prime rate plus four percent (4%), compounded daily, due February 1, 2025. The settlement reached was over and above the original amount included in the accounts of the Company. The Company provided for this excess in the amount of $300,565 (C$409,122) as a loss on settlement during the year ended December 31, 2024. On February 1, 2025, the Company signed an extension to May 29, 2025, to repay the principal amount of $2,086,800 (C$3,000,000) plus accrued interest and legal fees. Effective February 1, 2025, the principal amount is accruing interest at a fixed rate of twelve and one-half percent (12.5%) annually, compounded daily. Refer also to subsequent events, note 18(c).

**17. Legal Proceedings,** (continued)

On September 5, 2024, one of the Company's subsidiaries was served with a construction lien on the property at the Belleville Facility in the amount of $158,530 (C$227,904) representing outstanding accounts payable for environmental services provided by the contractor.

On March 3, 2025, the Company received a notice from the Ontario Supreme Court of Justice for unpaid fees with the Company's prior auditors. The outstanding amount includes fees of $49,444 (C$71,081), which is included under accounts payable in the consolidated balance sheets and interest charged of $27,181 (C$39,076), which has been provided for, in total $76,625 (C$110,157). On May 6, 2025, the Company received an amended notice of motion returnable the week of May 19, 2025. The plaintiff would also seek to recover other costs and disbursements along with additional interest.

On March 10, 2025, the City provided 1684567, the owner of the property at the Belleville Facility with a statement of outstanding property taxes, annual road maintenance assessments, interest, penalties and related totaling $157,071 (C$225,807). The outstanding property taxes, including annual road maintenance costs, interest and penalties at December 31, 2024, are included in accounts payable in the consolidated balance sheets.

On March 12, 2025, the City informed 1684567 for outstanding property taxes, other charges including the amounts described above for costs resulting from the spill at the Belleville Facility. The amount noted by the City includes certain costs relating to 2025, in total $299,575 ($430,672). The City is demanding payment on or before April 23, 2025. On April 22, 2025, the City and 1684567 signed an extension agreement to provide for the payment of the amounts noted above along with the property taxes to be invoiced by the City during the extension period and any additional interest and penalties. The payments are to be made monthly, commencing April 22, 2025 through to March 22, 2026 in the amount of $31,836 (C$45,767).

In a letter dated March 20, 2025, the Canada Revenue Agency (the "CRA"), informed the Company of outstanding harmonized sales taxes and payroll remittance amounts, including interest and penalties, owing for the Belleville Facility. The total amount is $531,497 (C$764,084) and includes amounts relating to 2025. The Company has included under accounts payable and under accrued liabilities in the consolidated financial statements the amounts owing as at March 31, 2025. Management has been in discussions with the CRA to repay the outstanding amounts over a reasonable amount of time once funding is received.

**18. Subsequent Events**

The Company's management has evaluated subsequent events up to the date the interim condensed consolidated financial statements were issued, pursuant to the requirements of ASC 855 and has determined the following to be material subsequent events:

(a) On April 22, 2025, the City and 1684567 signed an extension agreement to provide for the payment of the amounts noted above along with the property taxes to be invoiced by the City during the extension period and any additional interest and penalties. The payments are to be made monthly, commencing April 22, 2025 through to March 22, 2026 in the amount of $31,836 (C$45,767). On May 5, 2025, the mortgagees for the property agreed to provide the funding for the agreed upon payments during the extension period.

(b) On May 14, 2025, Travellers entered into a private placement for 2,500,000 common shares of the Company for $50,000, priced at $0.02 per share.

(c) On May 29, 2025, the Company signed an extension with Gillam, extending the repayment date from May 29, 2025 to August 15, 2025 on the same terms and conditions as the previous extension dated February 1, 2025.

(d) On June 12, 2025, Travellers entered into a private placement for 2,500,000 common shares of the Company for $50,000, priced at $0.02 per share. The common shares are expected to be issued following the filing date.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*Certain statements in this Management's Discussion and Analysis ("MD&A"), other than purely historical information, including estimates, projections, statements relating to our business plans, objectives and expected operating results, and the assumptions upon which those statements are based, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "would," "expect," "intend," "could," "estimate," "should," "anticipate," or "believe," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties which may cause actual results to differ materially from the forward-looking statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise. Readers should carefully review the risk factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2024 filed with the Securities and Exchange Commission on May 14, 2025.*

*The following MD&A is intended to help readers understand the results of our operation and financial condition, and is provided as a supplement to, and should be read in conjunction with, our Interim Unaudited Financial Statements and the accompanying Notes to Interim Unaudited Financial Statements under Part 1, Item 1 of this Quarterly Report on Form 10-Q.*

*Growth and percentage comparisons made herein generally refer to the three-month period ended March 31, 2025 compared with the three-month period ended March 31, 2024 unless otherwise noted. Unless otherwise indicated or unless the context otherwise requires, all references in this document to "we, "us, "our," the "Company," and similar expressions refer to SusGlobal Energy Corp., and depending on the context, its subsidiaries.*

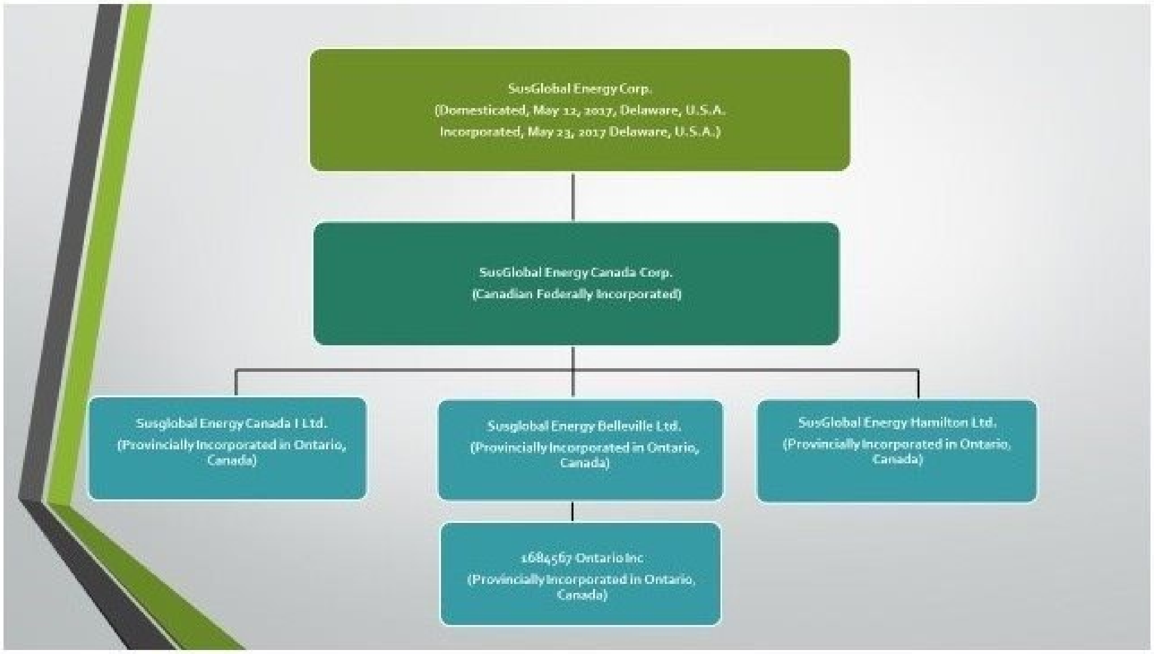
**SPECIAL NOTICE ABOUT GOING CONCERN AUDIT OPINION**

***OUR AUDITORS ISSUED OPINIONS EXPRESSING SUBSTANTIAL DOUBT AS TO OUR ABILITY TO CONTINUE IN BUSINESS AS A GOING CONCERN FOR THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023. YOU SHOULD READ THIS QUARTERLY REPORT ON FORM 10-Q WITH THE "GOING CONCERN" ISSUES IN MIND.***

This Management's Discussion and Analysis should be read in conjunction with the unaudited interim condensed consolidated financial statements included in this Quarterly Report on Form 10-Q (the "Financial Statements"). The financial statements have been prepared in accordance with generally accepted accounting policies in the United States ("GAAP"). Except as otherwise disclosed, all dollar figures included therein and in the following management discussion and analysis are quoted in United States dollars.

**OVERVIEW**

The following organization chart sets forth our wholly-owned subsidiaries:




On February 4, 2019, the Company registered its common stock, having a par value of $.0001 per share, pursuant to Section 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and is effective pursuant to General Instruction A.(d).

SusGlobal Energy Corp. ("SusGlobal") was formed by articles of amalgamation on December 3, 2014, in the Province of Ontario, Canada and its executive office is in Toronto, Ontario, Canada, at 200 Davenport Road. Our telephone number is 416-223-8500. Our website address is www.susglobalenergy.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K are all available, free of charge, on our website as soon as practicable after we file the reports with the Securities and Exchange Commission (the "SEC"). SusGlobal Energy Corp., a company in the start-up stages and Commandcredit Corp. ("Commandcredit"), an inactive Canadian public company, amalgamated to continue business under the name of SusGlobal Energy Corp.

On May 23, 2017, SusGlobal filed an Application for Authorization to continue in another Jurisdiction with the Ministry of Government Services in Ontario and a certificate of corporate domestication and certificate of incorporation with the Secretary of State of the State of Delaware under which it changed its jurisdiction of incorporation from Ontario to the State of Delaware (the "Domestication"). In connection with the Domestication each of the currently issued and outstanding common shares were automatically converted on a one-for-one basis into common shares compliant with the laws of the state of Delaware (the "Shares"). As a result of the Domestication, pursuant to Section 388 of the General Corporation Law of the State of Delaware (the "DGCL"), SusGlobal continued its existence under the DGCL as a corporation incorporated in the State of Delaware. The business, assets and liabilities of SusGlobal and its subsidiaries on a consolidated basis, as well as its principal location and fiscal year, were the same immediately after the Domestication as they were immediately prior to the Domestication. SusGlobal filed a Registration Statement on Form S-4 to register the Shares and this registration statement was declared effective by the Securities and Exchange Commission on May 12, 2017.

SusGlobal is a renewables company focused on acquiring, developing and monetizing a global portfolio of proprietary technologies in the waste to energy and regenerative products application.

When the terms "the Company," "we," "us" or "our" are used in this document, those terms refer to SusGlobal Energy Corp., and its wholly-owned subsidiaries, SusGlobal Energy Canada Corp., SusGlobal Energy Canada I Ltd., SusGlobal Energy Belleville Ltd., SusGlobal Energy Hamilton Ltd., and 1684567 Ontario Inc.

On December 11, 2018, the Company began trading on the OTCQB venture market exchange, under the ticker symbol SNRG.

As the global amount of organic waste continues to grow, a solution for sustainable global management of these wastes is paramount. SusGlobal through its proprietary technology and processes is equipped and confident to deliver this objective. Management believes renewable energy is the energy of the future. Sources of this type of energy are more evenly distributed over the earth's surface than finite energy sources, making it an attractive alternative to petroleum-based energy. Biomass, one of the renewable resources, is derived from organic material such as forestry, food, plant and animal residuals. SusGlobal can therefore help you turn what many consider waste into precious energy and regenerative products. The portfolio will be comprised of three distinct types of technologies: (a) Process Source Separated Organics ("SSO") in anaerobic digesters to divert from landfills and recover biogas. This biogas can be converted to gaseous fuel for industrial processes, electricity to the grid or cleaned for compressed renewable gas. (b) Maximizing the capacity of existing infrastructure (anaerobic digesters) to allow processing of SSO to increase biogas yield. (c) and (c) process SSO and digestate to produce an organic compost or a pathogen free organic liquid fertilizer. The convertibility of organic material into valuable end products such as biogas, liquid biofuels, organic fertilizers and compost shows the utility of renewables. These products can be converted into electricity, fuels and marketed to agricultural operations that are looking for an increase in crop yields, soil amendment and environmentally-sound practices. This practice also diverts these materials from landfills and reduces Greenhouse Gas Emissions ("GHG") that result from landfilling organic wastes. The Company can provide peace of mind that the full lifecycle of organic material is achieved, global benefits are realized and stewardship for total sustainability is upheld. It is management's objective to grow SusGlobal into a significant sustainable waste to energy and regenerative products provider, as Leaders in The Circular Economy®.

We believe the products and services offered can benefit both the public and private markets. The following includes some of our work managing organic waste streams: Anaerobic Digestion, Dry Digestion, Wastewater Treatment, In-Vessel Composting, SSO Treatment, Biosolids Heat Treatment, Leachate Management, Composting and Liquid Fertilizers.

The Company can provide a full range of services for handling organic residuals in a period where innovation and sustainability are paramount. From start to finish we offer in-depth knowledge, a wealth of experience and cutting-edge technology for handling organic waste.

The primary focus of the services SusGlobal provides includes integrating our technologies with capital investment to optimize the processing of SSO. Our processes not only divert significant organic waste from landfills, but also result in methane avoidance, with significant GHG reductions from waste disposal. The processes produce regenerative products through the conversion of organic wastes into organic fertilizer, both dry compost and liquid.

Currently, the primary customers are municipalities in both rural and urban centers in Ontario, Canada. Where necessary, to follow provincial and local environmental laws and regulations, SusGlobal submits applications to the respective authorities for approval prior to any necessary engineering being carried out.

We are a "smaller reporting company," as defined under SEC Regulation S-K. As such, we also are exempt from the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and are subject to less extensive disclosure requirements regarding executive compensation in our periodic reports and proxy statements. We will continue to be deemed a smaller reporting company until (i) our public float exceeds $250 million on the last day of our second fiscal quarter in our prior fiscal year (if our annual revenues exceeded $100 million in such prior fiscal year); or (ii) our public float exceeds $700 million on the last day of our second fiscal quarter in our prior fiscal year (if our annual revenues were less than $100 million in such prior fiscal year).

**RECENT BUSINESS DEVELOPMENTS**

On March 10, 2025, the Company signed a service agreement which provides for the overall rehabilitation to operational readiness of the Company's Belleville facility in Belleville, Ontario Canada (the "Belleville Facility"). Once the Belleville Facility becomes operationally ready and all government orders have been fulfilled, the Company will retain a third party to operate the Belleville Facility including an operate and manage agreement.

As a result of an order issued by the Ministry of Labour, Immigration, Training and Skills Development, specifically relating to high ammonia levels in one of the Company's composting buildings, the Company ceased accepting waste after January 10, 2024, to address this and other compliance matters issued by the MECP. The Company also received orders from the MECP to address repairs, the clean-up of unusable waste on site, re-habilitating its stormwater management system and other matters. Management anticipates these matters will take the balance of the year to be completed and be able to re-open. This will require significant investment and is dependent on the Company securing funding. Our operating property, vehicle and equipment will require significant investment to carry out repairs and improvements as ordered by the MECP. This will also include the replacement of certain equipment at the Company's Belleville Facility.

**Financings**

**(a) Securities Purchase Agreements**

On March 31, 2025, the Company had and currently has 6 security purchase agreements outstanding with 4 investors. The outstanding principal balance at March 31, 2025 of the convertible promissory notes was $9,023,175, including accrued interest of $2,680,792 with a fair value of $12,707,666. Please refer to the consolidated financial statements, convertible promissory notes, note 10 and fair value measurement, note 11 for details on the convertible promissory notes.

Please refer to the interim condensed consolidated financial statements, convertible promissory notes, note 10 and fair value measurement, note 11 for details on the convertible promissory notes.

**(b) Mortgages**

On March 31, 2025, the Company had a total of six mortgages totaling $8,928,428 (C$12,835,578). The mortgages are all past due. Please refer to long-term debt, note 9, for details on the mortgages.

**(c) Other Financings**

On December 5, 2023 and January 9, 2024, the Company arranged for two loans from Haute Inc., in total $646,678 (C$929,670). The loans are accruing interest at the rate of 13% per annum.

On February 18, 2025, the Company raised $120,000 in a private placement for the issuance of 6,000,000 common shares to Travellers, priced at $0.02 per share.

On May 14, 2025, the Company raised $50,000 in a private placement for the issuance of 2,500,000 common shares to Travellers, priced at $0.02 per share.

On June 12, 2025, the Company raised $50,000 in a private placement for 2,500,000 common shares to Travellers, of the Company for $50,000, priced at $0.02 per share. The common shares are expected to be issued following the filing date.

**Operations**

The Company owns Environmental Compliance Approvals (the "ECAs") issued by the MECP from the Province of Ontario, in place to accept up to 70,000 metric tonnes ("MT") of waste annually from the provinces of Ontario, Quebec and from New York state, and to operate a waste transfer station with the capacity to process up to an additional 50,000 MT of waste annually. Once built, the location of the waste transfer station will be alongside the Organic and Non-Hazardous Waste Processing and Composting Facility which is currently operating in Belleville, Ontario, Canada.

*Waste Transfer Station*- Access to the waste transfer station is critical to haulers who collect waste in areas not in close proximity to disposal facilities where such disposal continues to be permitted. Tipping fees charged to third parties at waste transfer stations are usually based on the type and volume or weight of the waste deposited at the waste transfer station, the distance to the disposal site, market rates for disposal costs and other general market factors.

*Organic Composting Facility*- As noted above, the Company's Belleville Facility, located in Belleville, Ontario Canada, has ECAs in place to accept up to 70,000 MT of waste annually and is currently in operation. Certain assets of the organic waste processing and composting facility, including the ECAs for the waste transfer station (not yet built), were acquired by the Company on September 15, 2017, from the Receiver for Astoria, under the asset purchase agreement (the "APA"). The Company charges tipping fees for the waste accepted at the Belleville Facility based on arrangements in place with the customers and the type of waste accepted. Typical waste accepted includes, SSO, leaf and yard, food, liquid, paper sludge and biosolids. As a result of ceasing the acceptance of waste after January 10, 2024, there was no revenue from tipping fees or the sale of compost.

The Company owns a 41,535 square foot facility (approximately 27% complete) on 5.29 acres in Hamilton, Ontario (the "Hamilton Facility"), which includes an Environmental Compliance Approval to process 65,884 MT per annum of organic waste, 24 hours per day 7 days a week. The facility has been originally designed to produce, distribute and warehouse the Company's SusGro™ organic liquid fertilizer and other products that were anticipated to be provided under private label and to be sold through big box retailers, consumer lawn and garden suppliers, and for end use to the wine, cannabis and agriculture industries.

On July 28, 2024, the Company's real estate broker listed the Company's two properties located in Hamilton, Ontario, Canada, (the "Hamilton Facility") for sale. On the recommendation of the real estate broker, there was no selling price noted. Once the Hamilton Facility sale listing expired on February 28, 2025, it was not renewed.

**LIQUIDITY AND CAPITAL RESOURCES**

As of March 31, 2025, the Company had a bank balance of $953 (December 31, 2024-$1,295) and current debt obligations and other current liabilities in the amount of $35,215,732 (December 31, 2024-$33,510,297). As at March 31, 2025, the Company had a working capital deficit of $35,167,772 (December 31, 2024-$33,441,301). The Company does not currently have sufficient funds to satisfy the current debt obligations.

The Company's total assets as at March 31, 2025 were $8,633,271 (December 31, 2024-$8,709,418) and total current liabilities were $35,215,732 (December 31, 2024-$33,510,297). Significant losses from operations have been incurred since inception and there is an accumulated deficit of $48,311,360 as at March 31, 2025 (December 31, 2024 -$46,429,702). Continuation as a going concern is dependent upon generating significant new revenue and generating external capital and securing debt to satisfy its creditors' demands and to achieve profitable operations while maintaining current fixed expense levels.

To pay current liabilities and to fund any future operations, the Company requires significant new funds, which the Company may not be able to obtain. In addition to the funds required to liquidate the $35,215,732 in current debt obligations and other current liabilities, the Company estimates that approximately $10,000,000 must be raised to fund capital requirements and general corporate expenses for the next 12 months.

In the normal course of business, we are exposed to market risks, including changes in interest rates, certain commodity prices and Canadian currency rates. The Company does not use derivatives to manage these risks.

As at March 31, 2025, the current and long-term portions of our debt obligations totaled $22,357,826 (December 31, 2024-$21,730,791). Except for one mortgage included under the long-term debt in the amount of $1,391,200 (C$2,000,000), all other debt is past due.

The current letter of credit required by the MECP for the Belleville Facility is $443,540 (C$637,637) and now $101,896 (C$146,487), while the Company re-assesses and re-submits it financial assurance to the MECP with the assistance of its environmental consultant. The Company has not yet satisfied this requirement of the MECP.

The letter of credit is a requirement of the MECP and is in connection with the financial assurance provided by the Company for it to be in compliance with the MECPs environmental objectives. The MECP regularly evaluates the Company's Belleville Facility to ensure compliance is adhered to and the letter of credit is subject to change by the MECP. The Company had engaged an environmental consulting firm to re-evaluate the financial assurance with the MECP which is based on the estimated environmental remediation and clean-up costs for the Belleville Facility. As a result of inspections carried out by the MECP during the prior years, some of which have resulted in MECP orders having been issued, the Company has accrued estimated and actual costs for corrective measures in orders issued by the MECP $2,692,633 (C$3,870,950) (December 31, 2024-$2,344,600; C$3,373,525).

**CONSOLIDATED RESULTS OF OPERATIONS - FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2025 COMPARED TO THE THREE-MONTH PERIOD ENDED MARCH 31, 2024**

| | For the three-month periods ended | |
|---|---|---|
| | **March 31, 2025** | March 31, 2024 |
| **Revenue** | **$ 6,345** | $ 38,575 |
| **Cost of Sales** | | |
| Opening inventory | **-** | - |
| Depreciation | **62,679** | 78,933 |
| Direct wages and benefits | **10,238** | 18,102 |
| Equipment rental, delivery, fuel and repairs and maintenance | **376,881** | 172,870 |
| Utilities | **922** | (5,201) |
| Outside contractors | **-** | 4,448 |
| | **450,720** | 269,152 |
| Less: closing inventory | **-** | - |
| **Total cost of sales** | **450,720** | 269,152 |

| | | | | |
|---|---|---|---|---|
| **Gross loss** | | **(444,375)** | | (230,577) |
| | | | | |
| **Operating expenses** | | | | |
| Management compensation-stock-based compensation | | **-** | | 54,000 |
| Management compensation-fees | | **130,650** | | 139,013 |
| Marketing | | **-** | | 501 |
| Professional fees | | **106,395** | | 160,387 |
| Interest expense | | **348,090** | | 285,316 |
| Office and administration | | **69,132** | | 57,122 |
| Rent and occupancy | | **55,513** | | 60,330 |
| Insurance | | **-** | | 14,649 |
| Filing fees | | **7,021** | | 11,137 |
| Amortization of financing costs | | **-** | | 57,516 |
| Directors' compensation | | **13,065** | | 18,535 |
| Repairs and maintenance | | **261** | | - |
| Foreign exchange (income) loss | | **(20,197)** | | 325,217 |
| **Total operating expenses** | | **709,930** | | 1,183,723 |
| | | | | |
| **Net loss from operations before other expenses** | | **(1,154,305)** | | (1,414,300) |
| **Other expenses** | | **(727,353)** | | (111,444) |
| **Net Loss** | **$** | **(1,881,658)** | $ | (1,525,744) |

**RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2025 AND 2024**

As a result of an order issued by the Ministry of Labour, Immigration, Training and Skills Development, specifically relating to high ammonia levels in one of the Company's composting buildings at its Belleville Facility, the Company ceased accepting waste after January 10, 2024, to address this and other compliance matters issued by the MECP. The Company also received orders from the MECP to address repairs, the clean-up of unusable waste on site, re-habilitating its stormwater management system and other matters. Management anticipates these matters will take the balance of the year to be completed and be able to reopen in 2026. This will require significant investment and is dependent on the Company securing funding. The Company will require significant investment to carry out repairs and improvements, some of which as ordered by the MECP. This will also include replacement of certain equipment at the Belleville Facility.

During the three-month period ended March 31, 2025, the Company generated $6,345 of revenue from its Belleville Facility compared to $38,575 in the three-month period ended March 31, 2024. The decrease in revenue is due to the result of not accepting waste after January 10, 2024. The current revenue is from the sale of carbon credits. The prior period's revenue consists of tipping fees earned on the acceptance of waste during the short period the Belleville Facility was open and revenue from the sale of carbon credits.

In the operation of the Belleville Facility, the Company processes organic and other waste received and produces the end product, compost. The cost of sales totaled $450,720 for the three-month period ended March 31, 2025 compared to $269,152 for the three-month period ended March 31, 2024. These costs include equipment rental, delivery, fuel, repairs and maintenance, direct wages and benefits, depreciation, utilities and outside contractors. Included are costs for actual and estimated expenditures for completing certain known compliance matters as ordered by the MECP.

Operating expenses reduced by $473,793 from $1,183,723 in the three-month period ended March 31, 2024 to $709,930 in the three-month period ended March 31, 2025, explained further below.

Management compensation related to stock-based compensation reduced by $54,000, in the three-month period ended March 31, 2025 compared to the three-month period ended March 31, 2024, since any remaining stock-based compensation became fully vested by December 31, 2024. And the management compensation relating to fees reduced by $8,363 impacted only by the translation of the Canadian dollar fees to the United States dollar. In Canadian dollars, the fees were unchanged.

There has been no marketing plan in either three-month period thus no marketing expenses in the current three-month period ended March 31, 2025.

Professional fees reduced by $53,992, from $160,387 in the three-month period ended March 31, 2024 to $106,395 in the three-month period ended March 31, 2025, primarily due to a reduction in legal fees incurred in addressing the orders issued by the MECP.

Interest expense increased by $62,774 from $285,316 in the three-month period ended March 31, 2024 to $348,090 in the three-month period ended March 31, 2025. This increase was primarily due to the new fourth mortgage for the Belleville Facility received in April 2024 and the interest accruing on the obligation owing to the Company's general contractor for the Hamilton Facility.

Office and administration expenses increased by $12,010, from $57,122 in the three-month period ended March 31, 2024 to $69,132 in the three-month period ended March 31, 2025. The increase was primarily due to an increase in interest and penalties related to unpaid accounts payable.

Rent and occupancy reduced nominally by $4,817 from $60,330 in the three-month period ended March 31, 2024 to $55,513 in the three-month period ended March 31, 2025.

Insurance reduced by $14,649 from $14,649 in the three-month period ended March 31, 2024 to $nil in the three-month period ended March 31, 2025, as the Company has no active insurance policies in place.

Filing fees decreased by $4,116, from $11,137 in the three-month period ended March 31, 2024 to $7,021 in the three-month period ended March 31, 2025, primarily due to the absence of an investor relations website service in the current three-month period ended March 31, 2025.

The amortization of financing costs reduced by $57,516, from $57,516 in the three-month period ended March 31, 2024 to $nil in the three-month period ended March 31, 2025, as the financing fees have now been fully amortized.

Directors' compensation reduced by $5,470 from $18,535 in the three-month period ended March 31, 2024 to $13,065 in the three-month period ended March 31, 2025, as there are now three independent directors compared to four in the prior period.

There were minimal repairs of $261 in the three-month period ended March 31, 2025 with no repairs in the prior three-month period ended March 31, 2024.

The foreign exchange loss in the three-month period ended March 31, 2024 in the amount of $325,217 reduced to income of $20,197 in the three-month period ended March 31, 2025 a change of $345,414, due primarily to the translation of significant United States dollar denominated balances, such as the convertible promissory notes during a period of a more stable Canadian dollar compared to the United States dollar.

During the current three-month period ended March 31, 2025, the Company recorded a loss on the revaluation of the convertible promissory notes in the amount of $618,755 compared to a loss of $133,686 in the three-month period ended March 31, 2024. In addition, the company recognized a provision for loss for a March 2022 convertible promissory note in the amount of $108,598. In the prior three-month period ended March 31, 2024, the Company recognized a gain of $22,242 on the forgiveness of a portion of the CEBA loans on repayment in January of 2024. Overall, the other expense increased by $615,909, from $111,444 in the three-month period ended March 31, 2024 to $727,353 in the three-month period ended March 31, 2025.

As at March 31, 2025, the Company had a working capital deficit of $35,167,772 (December 31, 2024-$33,441,301), incurred a net loss of $1,881,658 (March 31, 2024-$1,525,744) for the three months ended March 31, 2025 and had an accumulated deficit of $48,311,360 (December 31, 2024-$46,429,702) and expects to incur further losses in the development of its business.

These factors cast substantial doubt as to the Company's ability to continue as a going concern, which is dependent upon its ability to obtain the necessary financing to further the development of its business, satisfy its outstanding obligations to its creditors and upon achieving profitable operations. There is no assurance of funding being available or available on acceptable terms. Realization values may be substantially different from carrying values as shown.

The interim condensed consolidated financial statements do not include any adjustments to reflect the future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result if the Company was unable to continue as a going concern.

## CRITICAL ACCOUNTING ESTIMATES

***Use of estimates***

The preparation of the Company's consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. The Company regularly evaluates estimates and assumptions. The Company bases its estimates and assumptions on current facts, historical experience and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. Areas involving significant estimates and assumptions include: the allowance for doubtful accounts, inventory valuation, useful lives of long-lived and intangible assets, impairment of long-lived assets and intangible assets, valuation of asset acquisition, accruals, fair value of convertible promissory notes, deferred income tax assets and related valuation allowance, environmental remediation costs, stock-based compensation and going concern. Actual results could differ from these estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported in earnings in the period in which they become available.

***Stock-based compensation***

The Company records compensation costs related to stock-based awards in accordance with ASC 718, Compensation-Stock Compensation, whereby the Company measures stock-based compensation cost at the grant date based on the estimated fair value of the award. Compensation cost is recognized on a straight-line basis over the requisite service period of the award. Where necessary, the Company utilizes the Black-Scholes option-pricing model to estimate the fair value of stock options granted, which requires the input of highly subjective assumptions including: the expected option life, the risk-free rate, the dividend yield, the volatility of the Company's stock price and an assumption for employee forfeitures. The risk-free rate is based on the U.S. Treasury bill rate at the date of the grant with maturity dates approximately equal to the expected term of the option. The Company has not historically issued any dividends and does not expect to in the near future. Changes in any of these subjective input assumptions can materially affect the fair value estimates and the resulting stock-based compensation recognized. The Company has not issued any stock options and has no stock options outstanding at March 31, 2025.

***Indefinite Asset Impairments***

The Company evaluates the intangible assets for impairment annually in the fourth quarter or when triggering events are identified and whether events and circumstances continue to support the indefinite useful life using Level 3 inputs.

***Long-Lived Asset Impairments***

In accordance with ASC 360, "Property, Plant and Equipment", long-lived assets to be held and used are analyzed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable.

The Company evaluates at each balance sheet date whether events or circumstances have occurred that indicate possible impairment. If there are indications of impairment, the Company uses future undiscounted cash flows of the related asset or asset grouping over the remaining life in measuring whether the carrying amounts are recoverable. In the event that such cash flows are not expected to be sufficient to recover the recorded asset values, the assets are written down to their estimated fair value.

***Convertible Promissory Notes***

The Company has elected the fair value option to account for its convertible promissory notes issued after December 31, 2020. In accordance with ASC 825, the convertible promissory notes are marked-to-market at each reporting date with changes in fair value recorded as a component of other expenses, in the interim condensed consolidated statements of operations and comprehensive loss. The Company has elected to include interest expense in the changes in fair value. Transaction costs are incurred as expensed. The Company did not elect the fair value option for the convertible promissory notes issued in 2019. These notes are measured at amortized cost.

## RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

There were no new accounting pronouncements issued and not yet adopted that were expected to have a material impact on the Company's interim condensed consolidated financial position or results of operations in the current or future periods.

## EQUITY

As at March 31, 2025, the Company had 137,332,019 common shares issued and outstanding. As at the date of this filing, the Company had 139,832,019 common shares issued and outstanding.

## STOCK OPTIONS, WARRANTS AND RESTRICTED STOCK UNITS

The Company has no stock options, warrants or restricted stock units outstanding as at March 31, 2025 and as of the date of this filing.

## RELATED PARTY TRANSACTIONS

For the three-month period ended March 31, 2025, the Company incurred $104,520 (C$150,000) (2024-$111,210; C$150,000), in management fees expense with Travellers International Inc. ("Travellers"), an Ontario company controlled by a director and the president and chief executive officer (the "CEO"); and $26,130 (C$37,500) (2024-$27,803; C$37,500) in management fees expense with the Company's chief financial officer (the "CFO"). As at March 31, 2025, unpaid remuneration and unpaid expenses in the amount of $606,619 (C$872,081) (December 31, 2024-$488,294; C$702,581) is included in accounts payable and $238,964 (C$343,536) (December 31, 2024-$212,695; C$306,036) is included in accrued liabilities in the interim condensed consolidated balance sheets.

For the three-month period ended March 31, 2025, the Company incurred $24,511 (C$35,176) (2024-$31,266; C$42,172) in rent expense paid under a lease agreement with Haute Inc. ("Haute"), an Ontario company controlled by the CEO. The lease agreement had expired and the Company is currently on a month-to-month arrangement.

In the prior year, on January 11, 2024, Travellers converted $101,130 (C$135,600) of accounts payable into 809,044 common shares of the Company at the closing trading price immediately prior to the conversion. There was no gain or loss on this conversion.

For the independent directors, the Company recorded directors' compensation during the three months ended March 31, 2025 of $13,065 (C$18,750) (2024-$18,535; C$25,000). As at March 31, 2025, outstanding directors' compensation of $259,663 (C$373,293) (December 31, 2024-$246,407; C$354,543) is included in accrued liabilities, in the interim condensed consolidated balance sheets.

## OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements that are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material to investors.

## Item 3. Quantitative and Qualitative Disclosures about Market Risk.

As a smaller reporting company, as that term is defined in Item 10(f)(1) of Regulation S-K, we are not required to provide the information required by this Item.

## Item 4. Controls and Procedures.

***Evaluation of Disclosure Controls and Procedures***

Our management, with the participation of our CEO and CFO, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of the end of the period covered by this Quarterly Report on Form 10-Q.

Our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met. Due to inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Based on our evaluation, our CEO and CFO have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were not effective. The matters involving internal controls over financial reporting that may be considered material weaknesses included the small size of the Company and the resulting lack of a segregation of duties.

Notwithstanding these material weaknesses, management has concluded that the unaudited interim condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q present fairly, in all material respects, the financial position, results of operations and cash flows in conformity with generally accepted accounting principles.

***Changes in Internal Control over Financial Reporting***

During the three-month period ended March 31, 2025, there were no changes made by management to its internal controls over financial reporting.

**PART II: OTHER INFORMATION**

**Item 1. Legal Proceedings.**

From time to time, the Company may become involved in litigation relating to claims arising from the ordinary course of business. Management believes that there are currently no claims or actions pending against us, the ultimate disposition of which would have a material adverse effect on our results of operations, financial condition, or cash flows, except as follows:

The Company has a claim against it for unpaid legal fees in the amount of $45,382 (C$65,241). The amount is included in accounts payable on the Company's consolidated balance sheets.

On October 4, 2023, an action was launched by one of the October 2021 Investors, who claimed he was owed $1,300,000 plus accrued interest. The principal balance in the accounts and noted under convertible promissory notes, note 10(a) is $2,034,269 (December 31, 2024-$1,957,337), which is after conversions of $318,100 during 2022 and 2023 and includes accrued interest of $734,269 (December 31, 2024-$657,337). The Company has disclosed the fair value of this convertible promissory note as $2,989,127 (December 31, 2024-$2,835,298). The Company intends to repay the balance owed when it is financially able to do so.

On November 27, 2023 and March 6, 2024, the Company experienced an outflow of leachate impacted water from the stormwater pond at the Belleville Facility into the City of Belleville's (the "City") roadside ditch. The Company is collaborating with its environmental consultants and its Canadian legal counsel to assess the damage caused, remediate this occurrence and report regularly to the MECP. As noted below, on August 30, 2024, the Company and the City remediated with a settlement in the amount of $90,428 (C$130,000). This amount is included under accrued liabilities in the Company's interim condensed consolidated balance sheets.

On October 24, 2023, the Company received a letter from the utility company for unpaid hydro bills in the amount of $233,228 (C$335,291). The amount of this original claim and any amounts subsequently invoiced are included in accounts payable on the Company's interim condensed consolidated balance sheets.

In addition, on November 17, 2023, the Company received an amended claim filed against it from 2023 by Tradigital in the sum of $219,834 in owed fees plus the difference in stock price, 300,000 common shares of the Company, plus attorney fees and expenses. The case went to arbitration on March 11, 2024 and the Company defended its position. On April 4, 2024, the International Centre for Dispute Resolution indicated that no additional evidence is to be submitted and the hearings were declared closed as of April 29, 2024. The tribunal endeavored to render the final decision within the timeframe provided for in the rules. Management agrees that outstanding fees, which are included in accounts payable in the interim condensed consolidated balance sheets, are only in the amount of $30,000, which was agreed to by the parties in earlier communications and through various e-mail correspondence. In addition, management has no issue with the outstanding common shares to be provided to the claimant totaling 300,000. Management believes that the additional claim amount of $189,834 is without merit. Of the total of 300,000 common shares, 50,000 have been issued and the remaining 250,000 were previously disclosed as shares to be issued in the consolidated statements of stockholders' deficiency. On April 26, 2024, the arbitrator for this claim awarded Tradigital the sum of $118,170 which had been accrued by the Company. In addition, the remaining 250,000 common shares were not required to be issued by the Company and are no longer disclosed as shares to be issued.

On April 1, 2024, the Company received notice of a complaint filed against it by one of the March 2022 Investors, seeking damages of no less than $4,545,393. The Company had thirty calendar days to respond and on April 30, 2024, the Company was able to extend the time to respond with opposing counsel, a further fifteen days. The Company has been unable to retain counsel to represent it in this matter. The full amount of the complaint was included in the accounts at December 31, 2023, March 31, 2024 and June 30, 2024. On May 21, 2024, the counsel for the plaintiff requested an entry for a default judgement against the Company. On September 11, 2024, the default judgement was filed in the amount of $2,848,744. In addition, pre-judgement interest was granted in the amount of $87,414 at the rate of 10% per annum on the principal balance from May 22, 2024 through September 11, 2024. On the filing of this default judgement, the March 2022 Investor removed two causes of action previously filed in their complaint which the Company received notice of on April 1, 2024 and accrued for accordingly. The impact of the removal of the two causes of action totaling $2,250,000, plus the additional pre-judgement and other interest charged resulted in a reduction in the previous accrual for loss in the amount of $1,191,033, which was disclosed in the December 31, 2024 consolidated financial statements. During the current three-month period ended March 31, 2025, the Company has accrued interest of 15% on the outstanding balance, as noted in the default judgement. Refer to note 15(b), other expenses.

On May 16, 2024, the Company was informed by its Canadian legal counsel that the City issued an order against the Belleville Facility, its numbered company, 1684567 and its officers for the repayment of the cost of pumping out contaminated water from the City's roadside ditch, along with legal and other associated costs. On May 31, 2024, the companies and the officers filed notices of appeal to the Ontario Land Tribunal. The Company and its Canadian legal counsel were in discussions with the legal representatives from the City, to come to a resolution before any action by the Ontario Land Tribunal. On August 30, 2024, minutes of settlement were finalized between the City and the Company to settle for an amount of $90,428 (C$130,000) ten days following the sale of the Hamilton Facility. There are certain events of default, including not meeting the timeline set above and if the sale of the Hamilton Facility does not occur before January 31, 2025, it would result in the actual cost incurred by the City to be paid by the Company. The actual costs noted in the minutes of settlement totaled $133,896 (C$192,490). In addition, in connection with the minutes of settlement, the Company and its officers subsequently withdrew their appeals with the Ontario Land Tribunal on September 4, 2024, and the Ontario Land Tribunal closed their case. The Company's Hamilton Facility was not sold by January 31, 2025 and on February 10, 2025, the City issued a second order to the Companies and its two officers for an additional sum of $25,881 (C$37,207) representing additional costs resulting from the spill. The Company's counsel has responded to the City's counsel. See below on March 12, 2025.

On June 10, 2024, the Company received a statement of claim from the general contractor, Gillam Construction Group Ltd. ("Gillam"), for the construction of the Hamilton Facility. Gillam also named the Company's two officers as defendants. The Company and its Canadian legal counsel were able to resolve the matter with the Plaintiff with a final settlement of $2,017,240 (C$2,900,000) if paid on or before November 30, 2024. Effective December 1, 2024, as a result of non-payment by the Company, the final settlement was now $2,086,800 ($3,000,000) and accrues interest at a variable rate using the Bank of Nova Scotia prime rate plus four percent (4%), compounded daily, due February 1, 2025. The settlement reached was over and above the original amount included in the accounts of the Company. The Company provided for this excess in the amount of $300,565 (C$409,122) as a loss on settlement during the year ended December 31, 2024. On February 1, 2025, the Company signed an extension to May 29, 2025, to repay the principal amount of $2,086,800 (C$3,000,000) plus accrued interest and legal fees. Effective February 1, 2025, the principal amount is accruing interest at a fixed rate of twelve and one-half percent (12.5%) annually, compounded daily. On May 29, 2025, the Company signed an extension with Gillam, extending the repayment date from May 29, 2025 to August 15, 2025 on the same terms and conditions as the previous extension dated February 1, 2025.

On September 5, 2024, one of the Company's subsidiaries was served with a construction lien on the property at the Belleville Facility in the amount of $158,530 (C$227,904) representing outstanding accounts payable for environmental services provided by the contractor.

On March 3, 2025, the Company received a notice from the Ontario Supreme Court of Justice for unpaid fees with the Company's prior auditors. The outstanding amount includes fees of $49,444 (C$71,081), which is included under accounts payable in the consolidated balance sheets and interest charged of $27,181 (C$39,076), which has been provided for, in total $76,625 (C$110,157). On May 6, 2025, the Company received an amended notice of motion returnable the week of May 19, 2025. The plaintiff would also seek to recover other costs and disbursements along with additional interest.

On March 10, 2025, the City provided 1684567, the owner of the property at the Belleville Facility with a statement of outstanding property taxes, annual road maintenance assessments, interest, penalties and related totaling $157,071 (C$225,807). The outstanding property taxes, including annual road maintenance costs, interest and penalties at December 31, 2024, are included in accounts payable in the consolidated balance sheets.

On March 12, 2025, the City informed 1684567 for outstanding property taxes, other charges including the amounts described above for costs resulting from the spill at the Belleville Facility. The amount noted by the City includes certain costs relating to 2025, in total $299,575 ($430,672). The City is demanding payment on or before April 23, 2025. On April 22, 2025, the City and 1684567 signed an extension agreement to provide for the payment of the amounts noted above along with the property taxes to be invoiced by the City during the extension period and any additional interest and penalties. The payments are to be made monthly, commencing April 22, 2025 through to March 22, 2026 in the amount of $31,836 (C$45,767).

In a letter dated March 20, 2025, the Canada Revenue Agency (the "CRA"), informed the Company of outstanding harmonized sales taxes and payroll remittance amounts, including interest and penalties, owing for the Belleville Facility. The total amount is $531,497 (C$764,084) and includes amounts relating to 2025. The Company has included under accounts payable and under accrued liabilities in the consolidated financial statements the amounts owing as at March 31, 2025. Management has been in discussions with the CRA to repay the outstanding amounts over a reasonable amount of time once funding is received.

**Item 1A. Risk Factors.**

As a smaller reporting company, we are not required to provide the information required by this item.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**.

During the three-month period ended March 31, 2025, the Company did not issue shares for non-cash proceeds and 6,000,000 shares for cash proceeds as follows:

(i) 6,000,000 common shares were issued on a private placement for $120,000.

The securities above were offered and sold pursuant to an exemption from the registration requirements under Section 4(a)(2) of the Securities Act since, among other things, the transactions did not involve a public offering.

**Item 3. Defaults upon Senior Securities**.

Refer to Financings (a) Securities Purchase Agreements and (b) Mortgages, on page 27.

**Item 4. Mine Safety Disclosures.**

Not Applicable.

**Item 5. Other Information**.

Not Applicable.

**Item 6. Exhibits**.

The following exhibits are filed as part of this quarterly report on Form 10-Q:

| Exhibit No. | Description |
|---|---|
| 31.1* | Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1+ | Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 (Section 906 of Sarbanes-Oxley Act of 2002). |
| 101.INS* | Inline XBRL Instance Document-the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document |
| 101.SCH* | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL* | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF* | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB* | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE* | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

* Filed herewith
** Management contract or compensatory plan or arrangement
\+ In accordance with SEC Release 33-8238, Exhibit 32.1 is being furnished and not filed.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

| | | |
|---|---|---|
| | | SUSGLOBAL ENERGY CORP. |
| June 16, 2025 | By: | /s/ Marc Hazout<br>Marc Hazout<br>Executive Chairman, President and Chief Executive Officer |
| June 16, 2025 | By: | /s/ Ike Makrimichalos<br>Ike Makrimichalos<br>Chief Financial Officer (Principal Financial and Accounting Officer) |

**Exhibit 31.1**

**CERTIFICATION**

I, Marc Hazout, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SusGlobal Energy Corp. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the Company's board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize, and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: June 16, 2025

By: /s/ Marc Hazout
Marc Hazout
Executive Chairman, President and Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**CERTIFICATION**

I, Ike Makrimichalos, certify that:

1. I have reviewed this quarterly report on Form 10-Q of SusGlobal Energy Corp. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the Company's board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize, and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: June 16, 2025

By: /s/ Ike Makrimichalos
Ike Makrimichalos
Chief Financial Officer
(Principal Financial and Accounting Officer)

**Exhibit 32.1**

**CERTIFICATION**
**PURSUANT TO**
**18 U.S.C. SECTION 1350**,
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In accordance with 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, Marc Hazout, the Chief Executive Officer of SusGlobal Energy Corp. (the "Registrant"), and Ike Makrimichalos, the Chief Financial Officer of the Registrant, each hereby certifies that, to the best of his knowledge:

1. The Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2025, to which this Certification is attached as Exhibit 32.1 (the "Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition of the Registrant at the end of the period covered by the Report and results of operations of the Registrant for the periods covered by the Report.

Date: June 16, 2025

By: /s/ Marc Hazout
Marc Hazout
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Ike Makrimichalos
Ike Makrimichalos
Chief Financial Officer
(Principal Financial and Accounting Officer)