

Ecolomondo Corporation
Consolidated Financial Statements
December 31, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
ECOLOMONDO CORPORATION

Opinion

We have audited the consolidated financial statements of Ecolomondo Corporation (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2025 and 2024, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 to the consolidated financial statements, which indicates that the Company incurred a net loss of \$3,314,362 during the year ended December 31, 2025, and, as of that date, the Company has an accumulated deficit of \$34,063,797 and the Company's current liabilities exceeded its current assets by \$9,469,944. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Impairment Assessment of Property, Plant and Equipment (“PPE”)

Description of the Matter

As disclosed in Note 3, the property, plant and equipment is subject to an impairment review whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

In assessing the recoverable amount of property, plant and equipment of \$53,404,967, of which \$43,725,082 has not yet been amortized given the fact that the end of the capitalization period is not reached yet, management prepared a value-in-use calculation across the cash-generating unit. This assessment involves assumptions such as future cash flows and the discount rate to apply. No impairment was recognized as a result of the 2025 impairment review.

Why the Matter is a Key Audit Matter

Due to the subjectivity involved in estimating the recoverable amount of property, plant and equipment and the significance of the carrying value of the assets for which most of the net book value is not amortized yet, we identified this as a significant risk and key audit matter.

How the Matter Was Addressed in the Audit

The primary procedures we performed to address this key audit matter included the following:

- We evaluated management’s process for identifying impairment indicators.
- We tested the reasonableness of key assumptions in the value-in-use calculation and the accuracy and completeness of the underlying data, including:
 - the projected revenue growth;
 - operating margin;
 - discount rates; and
 - production capacity by comparing projections to the current business plan, projected production capacity and projected revenue based on volume and actual achieved sales value.

In conjunction with Forvis Mazars’ valuation experts, we:

- evaluated the appropriateness of the impairment model used by the Company’s external expert;
- evaluated the reasonableness of the key input assumptions, including the discount rate; and
- performed sensitivity analysis to understand the impact of reasonably possible changes in the key assumptions.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management’s Discussion and Analysis. Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the information included in the Management's Discussion and Analysis as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Martin Cloutier.

*Forvis Mazars LLP*¹

Montréal, April 30, 2026

¹: By FCPA auditor, public accountancy permit no. A117854

Ecolomondo Corporation
Consolidated Statements of Financial Position
December 31, 2025 and 2024
(In Canadian dollars)

	December 31, 2025	December 31, 2024
	\$	\$
ASSETS		
Current		
Cash	10,196	119,331
Trade and other receivables (Note 4)	262,721	318,071
Prepaid expenses and deposits	186,404	704,234
Inventory	152,152	137,368
Total current assets	<u>611,473</u>	1,279,004
Property, plant and equipment (Note 6)	53,404,967	48,401,314
Total non-current assets	<u>53,404,967</u>	48,401,314
Total assets	<u>54,016,440</u>	<u>49,680,318</u>
LIABILITIES		
Current		
Bank advances (Notes 5, 16)	228,407	32,525
Trade and other payables (Note 7)	1,460,424	1,196,071
Deposit from a potential future partner (Note 8)	2,604,140	2,733,910
Advances from a company under common control (Note 19)	-	1,585,274
Deferred revenues (Note 9)	1,000,000	1,000,000
Current portion of long-term debt (Note 12)	4,661,589	3,233,750
Warrant liabilities (Note 13)	126,857	-
Total current liabilities	<u>10,081,417</u>	9,781,530
Non-current		
Advances from a company under common control (Note 19)	2,600,274	-
Long-term debt (Note 12)	42,847,620	39,817,264
Warrant liabilities (Note 13)	-	182,240
Total non-current liabilities	<u>45,447,894</u>	39,999,504
Total liabilities	<u>55,529,311</u>	49,781,034
EQUITY		
Common shares (Note 13)	26,629,418	25,711,719
Options (Note 13)	5,277,561	4,806,417
Warrants (Note 13)	643,947	130,583
Accumulated deficit	(34,063,797)	(30,749,435)
Total equity (deficit)	<u>(1,512,871)</u>	(100,716)
Total liabilities and equity	<u>54,016,440</u>	<u>49,680,318</u>

Going concern (Note 2)

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board,

/s/ Eliot Sorella
Director

/s/ Donald Prinsky
Director

Ecolomondo Corporation
Consolidated Statements of Loss and Comprehensive Loss
Years ended December 31, 2025, and 2024
(In Canadian dollars, except for number of shares)

	December 31, 2025	December 31, 2024
	\$	\$
Revenues (Note 10)	1,299,424	612,284
Other income (loss) (Note 14)	128,411	(130,637)
	<u>1,427,835</u>	<u>481,647</u>
Expenses		
Operating expenses (Note 15)	4,575,508	2,841,694
Financial expenses (Note 15)	1,546,982	989,383
General and administrative expenses (Note 15)	1,193,691	1,021,784
Gain on long-term debt modification (Note 12)	(2,518,601)	(547,101)
(Gain) loss on revaluation of warrant liability (Note 13)	(55,383)	182,240
Total expenses	<u>4,742,197</u>	<u>4,488,000</u>
Loss before income taxes	(3,314,362)	(4,006,353)
Income taxes (Note 11)	-	-
Net loss and comprehensive loss	<u>(3,314,362)</u>	<u>(4,006,353)</u>
Net loss per share		
Basic and diluted	<u>(0.01)</u>	<u>(0.02)</u>
Weighted average number of common shares outstanding, basic and diluted	<u>222,942,830</u>	<u>215,814,602</u>

The accompanying notes are an integral part of the consolidated financial statements.

Ecolomondo Corporation
Consolidated Statements of Changes in Equity
Years ended December 31, 2025, and 2024
(In Canadian dollars, except for number of shares)

	2025					
	Number of class "A" shares outstanding	Share capital	Options	Warrants	Deficit	Total equity
Balance, December 31, 2024	217,497,358	25,711,719	4,806,417	130,583	(30,749,435)	(100,716)
Issuance of share capital (Note 13)	9,302,327	917,699	-	513,364	-	1,431,063
Stock-based compensation (Notes 13, 15)	-	-	471,144	-	-	471,144
Net loss and comprehensive loss for the year ended December 31, 2025	-	-	-	-	(3,314,362)	(3,314,362)
Balance, December 31, 2025	226,799,685	26,629,418	5,277,561	643,947	(34,063,797)	(1,512,871)
						2024
	Number of class "A" shares outstanding	Share capital	Options	Warrants	Deficit	Total equity
Balance, December 31, 2023	188,765,150	21,836,789	4,382,371	-	(26,743,082)	(523,922)
Issuance of share capital (Note 13)	28,732,208	3,874,930	-	130,583	-	4,005,513
Stock-based compensation (Notes 13, 15)	-	-	424,046	-	-	424,046
Net loss and comprehensive loss for the year ended December 31, 2024	-	-	-	-	(4,006,353)	(4,006,353)
Balance, December 31, 2024	217,497,358	25,711,719	4,806,417	130,583	(30,749,435)	(100,716)

The accompanying notes are an integral part of the consolidated financial statements.

Ecolomondo Corporation
Consolidated Statements of Cash Flows
Years ended December 31, 2025, and 2024
(In Canadian dollars)

	December 31, 2025	December 31, 2024
	\$	\$
OPERATING ACTIVITIES		
Net loss	(3,314,362)	(4,006,353)
Non-cash items		
Gain on long-term debt modification (Note 12)	(2,518,601)	(547,101)
Interest on long-term debt (Note 12)	1,528,988	989,383
Changes in working capital items (Note 16)	1,018,631	(1,111,400)
Depreciation of property, plant and equipment (Note 6)	516,000	516,000
Stock-based compensation (Notes 13, 15)	471,144	424,046
Unrealized foreign exchange loss (gain)	(129,770)	220,970
Loss (gain) on revaluation of warrant liability (Note 13)	(55,383)	182,240
Government assistance (Notes 12, 14)	-	(60,000)
Depreciation of right-of-use assets	-	22,129
Net cash used for operating activities	(2,483,353)	(3,370,086)
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(1,947,947)	(1,641,605)
Net cash used for investing activities	(1,947,947)	(1,641,605)
FINANCING ACTIVITIES		
Issuance of long-term debt (Note 12)	1,896,102	3,000,000
Advances from a company under common control (Notes 13, 18, 19)	1,015,000	1,555,274
Proceeds from private placements (Note 13)	1,431,063	506,660
Repayment of lease liabilities	-	(19,184)
Repayment of long-term debt (Note 12)	(20,000)	-
Net cash provided by financing activities	4,322,165	5,042,750
Net increase (decrease) in cash	(109,135)	31,059
Cash, beginning of period	119,331	88,272
Cash, end of period	10,196	119,331

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

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2025, and 2024
(In Canadian dollars, unless otherwise indicated)

1. GOVERNING STATUTES AND NATURE OF OPERATIONS

Ecolomondo Corporation (the "Company") was incorporated on September 30, 2015 under the Canada Business Corporations Act.

The Company is a clean tech company focused on global deployment of TDP turnkey facilities using its proprietary Thermal Decomposition Process ("TDP") using a pyrolysis platform that converts hydrocarbon waste into marketable commodity end-products, namely carbon black substitute, oil, gas and steel.

The Company's planned principal business is the manufacture and sale of turnkey facilities based on its technology platform as well as the collection of royalties from their operation or the operation of these facilities through wholly-owned or jointly-owned companies.

The head office and the registered head office of the Company is located at 217 Migneron Street, Montreal, Quebec, Canada.

Statement of compliance with IFRS Accounting Standards

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Standards Board (hereafter "IFRS" Accounting Standards).

The consolidated financial statements for the year ended December 31, 2025, were approved and authorized for issuance by the Board of Directors on April 30, 2026.

2. GOING CONCERN ASSUMPTION

The accompanying consolidated financial statements are prepared in accordance with IFRS Accounting Standards, in particular on the assumption that the Company will continue as a going concern, meaning it will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations.

Since inception, the Company has incurred operating losses. As at December 31, 2025, the Company has an accumulated deficit of \$34,063,797 (\$30,749,435 as at December 31, 2024) and the Company's current liabilities exceeded its current assets by \$9,469,944 (\$8,502,526 as at December 31, 2024). The Company has not yet completed the testing of its Hawkesbury plant to enable the Company to establish consistent operations that meet its capacity targets and product quality specifications. Based on the current level of expenditures and available liquidity, management estimates that the Company will require additional financing within the next twelve months (Note 23).

The Company is actively seeking to secure additional funding through equity-based financing, debt-financing or other arrangements; however, there is no assurance that the Company will be successful in this or any of its endeavours or become financially viable and continue as a going concern. Consequently, these material uncertainties raise significant doubt regarding the Company's ability to continue as a going concern.

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2025, and 2024
(In Canadian dollars, unless otherwise indicated)

2. GOING CONCERN ASSUMPTION, cont.

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

3. MATERIAL ACCOUNTING POLICIES

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, as explained in the accounting policies below.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and those of Ecolomondo Environmental (Contrecœur) Inc., Ecolomondo Environmental (Hawkesbury) Inc., 9083-5018 Quebec Inc., Ecolomondo Process Technologies Inc. and Ecolomondo USA Inc., directly or indirectly, wholly-owned subsidiaries. The Company controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of December 31. All intercompany balances and transactions have been eliminated upon consolidation.

Foreign currency translation

The consolidated financial statements are presented in Canadian dollars, which is also the functional currency of the Company and all of the subsidiaries. Accordingly, monetary assets and liabilities are translated into Canadian dollars at the exchange rate in effect at the end of each reporting period. Non-monetary assets and liabilities are translated at historical exchange rates. Revenues and expenses are translated at average exchange rates during the reporting period. The related gains or losses are accounted for in the consolidated statements of loss and comprehensive loss. The Company has not utilized any foreign currency hedging strategies to mitigate the effect of its foreign currency exposure.

Cash

The Company considers cash to include amounts held in banks and highly liquid, low-risk investments with maturity of three months or less from the date of acquisition.

Property, plant and equipment

Plant and equipment under construction

Plant and equipment under construction include any cost that is directly attributable to the construction of a new plant and equipment and to bringing the plant and equipment to the condition necessary for it to be capable of operating in the manner intended by management. Such costs include the cost of the land, as well as borrowing costs that are directly attributable to the construction and any deposit made on the construction.

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Notes to Consolidated Financial Statements
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(In Canadian dollars, unless otherwise indicated)

3. MATERIAL ACCOUNTING POLICIES, cont.

Property, plant and equipment, cont.

Property and equipment

Property and equipment are accounted for at cost less accumulated depreciation. Depreciation is based on estimated useful life using the straight-line method and the following periods:

	Periods
Building	20 years
Reactor	15 years

Estimates of useful lives and material residual values are updated as required and are reviewed at least annually. Maintenance and repairs are expensed as incurred.

The plant and equipment under construction are not amortized until construction is complete and operating in the manner intended by management, such as:

- Operating consistently within designed capacity targets;
- Meeting required product quality specifications;
- Completing commissioning without significant shutdowns;
- Capable of sustained normal operations rather than trial or intermittent runs.

Impairment assessment of property, plant and equipment and right-of-use assets

For impairment assessment purposes, assets are grouped at the lowest level for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level. Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

Any impairment loss is charged to the individual asset or on a pro rata basis to the assets in a cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

Ecolomondo Corporation
Notes to Consolidated Financial Statements
December 31, 2025, and 2024
(In Canadian dollars, unless otherwise indicated)

3. MATERIAL ACCOUNTING POLICIES, cont.

Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets

Financial assets, other than those designated and effective as hedging instruments, are classified into one of the following categories: amortized cost, fair value through profit or loss, and fair value through other comprehensive income. In years presented, the Company only has financial instruments classified at amortized cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company's cash, trade and other receivables (excluding sales taxes receivables) are classified in the category of amortized cost upon initial recognition. Receivables, if any, from the sale of by-products that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

Classification and measurement of financial instruments

The Company's classification and measurement basis of its financial instruments are as follows:

Financial instruments	Classification and measurement basis
Cash	Amortized cost
Trade and other receivables	Amortized cost
Trade and other payables	Amortized cost
Bank advances	Amortized cost
Advances from company under common control	Amortized cost
Warrant liabilities	FVTPL
Lease liabilities	Amortized cost
Long-term debt	Amortized cost

3. MATERIAL ACCOUNTING POLICIES, cont.

Financial instruments, cont.

Subsequent measurement

In subsequent periods, the measurement of financial instruments depends on their classification.

The Company measures financial assets at amortized cost if the assets meet the following conditions:

- a) They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- b) The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

The Company recognizes a loss allowance for expected credit losses arising from financial assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial information.

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include trade and other payables, advances from a company under common control, long-term debt and the warrant liabilities.

Financial liabilities, other than the warrant liabilities, are measured subsequently at amortized cost using the effective interest method and all revenues and expenses relating to financial liabilities are recognized in consolidated loss. The warrant liabilities are carried at fair value through profit or loss.

Fair Value

The Company must classify the fair value measurements of financial instruments according to a three-level hierarchy, based on the type of inputs used in making these measurements. These tiers include:

- Level 1: observable inputs such as quoted prices in active markets;
- Level 2: inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- Level 3: unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

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(In Canadian dollars, unless otherwise indicated)

3. MATERIAL ACCOUNTING POLICIES, cont.

Revenue recognition

Revenue is recognized when control of a good or service transfers to a customer in accordance with a five-step model:

1. Identify the contracts with customers
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when the entity satisfies a performance obligation

The Company accounts for a contract with a customer when it has approval and commitment from all parties, the rights of the parties and payment terms are identified, the contract has commercial substance and collectability of consideration is probable.

Revenue is recognized when control of the promised services or goods (the performance obligation) is transferred to customers, and in an amount that reflects the consideration the Company expects to receive in exchange for those services or goods (the transaction price).

The Company measures revenue by estimating the transaction price based on the consideration specified in the customer arrangement. Revenue is recognized as the performance obligations are satisfied.

The Company derives revenues from four main sources: carbon black, TDP Oil, steel and tipping fees. The Company's arrangements with its customers generally do not include variable consideration. The transaction price for the Company's products is usually fixed at the amount specified in the contract. When selling products or services under the same or linked contracts and those products or services represent one performance obligation, the Company allocates the total transaction price by reference to the prices it charges for those products and services when sold separately, i.e., their stand-alone selling prices.

Research and development costs and investment tax credits

Research expenses and development costs that do not meet the criteria for capitalization are expensed as they are incurred. Such costs consist primarily of materials and employee-related expenses, including salaries and benefits.

Investment tax credits are accounted for during the year in which the research and development costs are incurred, provided that the Company is reasonably assured that the credits will be received. The investment tax credits must be examined and approved by the tax authorities and it is possible that the amounts granted will differ from the amounts recorded.

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(In Canadian dollars, unless otherwise indicated)

3. MATERIAL ACCOUNTING POLICIES, cont.

Government assistance

Government assistance is recognized when there is reasonable assurance that the Company has met the requirements of the government program, provided that the Company has reasonable assurance that the amount will be received.

Non-monetary government grants are recorded at a nominal amount.

Provisions

Provisions for legal disputes, onerous contracts or other claims are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

No liability is recognized if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

Share capital, warrants and options

Class "A" shares, warrants not meeting the definition of a liability and options are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from the proceeds in equity in the period where the transaction occurs.

Balances from cancelled or expired warrants not meeting the definition of a liability and options are transferred to deficit.

Units

Proceeds from the issuance of units are allocated between share capital and warrants according to their relative fair values when the warrants do not meet the definition of a liability. The Company uses the share price at the date of issuance for the fair value of the shares and the Black-Scholes pricing model to determine the fair value of the warrants.

When the warrants issued as part of a unit meet the definition of a liability, the warrants are measured at fair value and the residual value is allocated to the share capital.

3. MATERIAL ACCOUNTING POLICIES, cont.

Income taxes

Tax expense recognized in the consolidated statements of loss and comprehensive loss comprises the sum of current and deferred taxes that are not recognized directly in equity.

Current tax is based on the results for the period as adjusted for items that are not taxable or deductible. Current tax is calculated using tax rates and laws enacted or substantially enacted at the reporting date.

Deferred income taxes are calculated using the liability method. Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated statements of financial position. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable income will be available against which they can be utilized. Deferred tax is calculated using tax rates and laws enacted or substantially enacted at the reporting date, and which are expected to apply when the related deferred income tax asset is realized or the deferred tax liability is settled.

The carrying amounts of deferred tax assets are reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Share-based compensation and other share-based payments

The Company has a stock option plan under which directors, executives, employees and consultants can be granted stock options of the Company.

The fair value is measured at the grant date and recognized as an expense in profit or loss with a corresponding amount to options in equity over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. Any consideration paid by the employees on exercise or purchase of stock options is credited to share capital. The value attributed to stock options is transferred to share capital at the issuance of common shares.

In the normal course of operations, the Company grants shares in exchange for goods or services to parties other than staff members. For these transactions, the Company evaluates the goods or services received and the increase in equity, which is the counterpart, directly to the fair value of goods or services received, unless that fair value cannot be reliably estimated. In this case, the fair value is the value of shares issued on the market at the date the goods or services are received.

3. MATERIAL ACCOUNTING POLICIES, cont.

Basic and diluted net loss per share

The Company presents basic and diluted loss per share data for its common shares calculated by dividing the loss by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the loss and the weighted average number of common shares outstanding for the effects of all warrants and stock options that may add to the total number of common shares in the case where they would not have an anti-dilutive impact.

For the years ended December 31, 2025 and 2024, the diluted loss per share was the same as the basic loss per share since the options and warrants had an anti-dilutive effect. Accordingly, the basic and diluted loss per share for those years were calculated using the basic weighted average number of shares outstanding.

Significant management judgment in applying accounting policies and estimation uncertainty

When preparing the consolidated financial statements, management makes a number of judgments, estimates and assumptions about the recognition and measurement of assets, liabilities, revenues and expenses.

Significant management judgment

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the consolidated financial statements.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognized is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilized.

Capitalization of development costs

Determining whether the recognition requirements for the capitalization of development costs of the TDP are met requires judgment. As at December 31, 2025 and 2024, the Company determined that not all recognition requirements were met. Thus, the Company did not record any development costs in the consolidated statements of financial position for the years ended December 31, 2025 and 2024.

Capitalization of property, plant and equipment under construction

Management has exercised significant judgment in determining whether costs incurred related to equipment under construction should continue to be capitalized as part of the property, plant and equipment as at December 31, 2025.

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3. MATERIAL ACCOUNTING POLICIES, cont.

Capitalization of property, plant and equipment under construction, cont.

During the year, the Company completed the installation of carbon black line at its operating site facility. Although the equipment is now installed at the intended site, management concluded that the asset had not yet reached the condition necessary capable of operating in the manner intended by management in accordance with IAS 16.

As at reporting date, the equipment remained subject to ongoing commissioning, testing, systems integration and performance optimization activities. The equipment had not yet consistently achieved required production capacity and performance thresholds necessary for commercial use.

Accordingly, management determined that the equipment was not yet available for use as at year-end, and therefore the costs incurred during the year continued to be capitalized. In making this determination, management considered among the following factors:

- Equipment capacity operating at expected production levels on sustained basis;
- Achievement of technical and quality specifications;
- Completion of testing and commissioning protocols; and
- Whether significant modifications and remediation remained outstanding.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenses and meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. See Note 2 for more information.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, revenues and expenses is provided below. Actual results may be substantially different.

Impairment of property, plant and equipment and right-of-use assets

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain equipment.

3. MATERIAL ACCOUNTING POLICIES, cont.

Estimation uncertainty, cont.

Share-based compensation

The estimation of share-based compensation requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility determined by reference to historical share prices over the period available, the risk-free interest rate and the probable life of the options granted. The model used by the Company is the Black-Scholes valuation model.

Warrant liabilities

The Company used the Black-Scholes method to determine the fair value of the warrant liabilities. The Company has made estimates as to the volatility determined by reference to its historical share data, the risk-free interest rate and the probable life of the warrants granted.

New accounting standards

The following new standards, amendments to standards and interpretations have been issued but are not effective during the year ended December 31, 2025.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 was published by the IASB on April 9, 2024. The new standard, IFRS 18, replaces IAS 1 Presentation of Financial Statements while carrying forward many of the requirements in IAS 1.

IFRS 18 introduces new requirements to: i) present specified categories and defined subtotals in the statement of profit or loss ii) provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements iii) improve aggregation and disaggregation.

The Company is required to apply IFRS 18 for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. The Company currently is assessing the implications of this standard to its financial statements, and the Company is not planning to early adopt this new standard.

IFRS 7 Financial Instruments: Disclosures – Gain or loss on derecognition

The amendment addresses a potential confusion in paragraph B38 of IFRS 7 arising from an obsolete reference to a paragraph that was deleted from the standard when IFRS 13 Fair Value Measurement was issued.

Guidance on implementing IFRS 7 Financial Instruments: Disclosures – Introduction, disclosure of deferred difference between fair value and transaction price and credit risk disclosures

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3. MATERIAL ACCOUNTING POLICIES, cont.

New accounting standards, cont.

IFRS 7 Financial Instruments: Disclosures – Gain or loss on derecognition, cont.

The amendment addresses an inconsistency between paragraph 28 of IFRS 7 and its accompanying implementation guidance that arose when a consequential amendment resulting from the issuance of IFRS 13 was made to paragraph 28, but not to the corresponding paragraph in the implementation guidance. The amendment also addresses a potential confusion by clarifying in paragraph IG1 that the guidance does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7 and by simplifying some explanations.

The Company does not expect the amendment or any other amendments to standards and interpretations applicable to the Company and not yet effective for the year ended December 31, 2025 to have a significant effect on its consolidated financial statements.

4. TRADE AND OTHER RECEIVABLES

The Company's trade receivables and other receivables comprised of the following:

	December 31, 2025	December 31, 2024
	\$	\$
Trade receivables	185,766	119,750
Tax receivables	76,426	197,121
Other receivables	529	1,200
	<u>262,721</u>	<u>318,071</u>

As at December 31, 2025 \$22,254 or 12% of the trade receivables balance is over 90 days past due compared to \$9,146 or 7.6% as at December 31, 2024. The Company evaluates credit losses on a regular basis based on the aging and collectability of its receivables. On December 31, 2025, the Company had no expected credit loss (\$Nil expected credit loss on December 31, 2024).

5. BANK ADVANCES

As at December 31, 2025, the Company has a line of credit for an authorized amount of \$250,000. As at December 31, 2025, the Company's bank borrowings comprised of the following:

	December 31, 2025	December 31, 2024
	\$	\$
Line of credit used	<u>228,407</u>	<u>32,525</u>

The line of credit bears interest at prime plus 0.5% for 2025 & 2024 (4.95%; 5.95% as at December 31, 2024) and is guaranteed by accounts receivable, inventory and Export Development Canada (EDC).

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6. PROPERTY, PLANT AND EQUIPMENT

	Equipment under construction	Building	Land	Reactor	Total
Cost as at December 31, 2024	38,205,429	10,227,487	613,398	-	49,046,314
Construction costs capitalized	5,519,653	-	-	-	5,519,653
Cost as at December 31, 2025	43,725,082	10,227,487	613,398	-	54,565,967
Accumulated depreciation as at December 31, 2024	-	645,000	-	-	645,000
Disposal	-	-	-	-	-
Depreciation	-	516,000	-	-	516,000
Accumulated depreciation as at December 31, 2025	-	1,161,000	-	-	1,161,000
Balance as at December 31, 2025	43,725,082	9,066,487	613,398	-	53,404,967
Cost as at December 31, 2023	33,842,454	10,227,487	613,398	8,700,968	53,384,307
Construction costs capitalized	4,362,975	-	-	-	4,362,975
Disposal	-	-	-	(8,700,968)	(8,700,968)
Cost as at December 31, 2024	38,205,429	10,227,487	613,398	-	49,046,314
Accumulated depreciation as at December 31, 2023	-	129,000	-	8,700,968	8,829,968
Disposal	-	-	-	(8,700,968)	(8,700,968)
Depreciation	-	516,000	-	-	516,000
Accumulated depreciation as at December 31, 2024	-	645,000	-	-	645,000
Balance as at December 31, 2024	38,205,429	9,582,487	613,398	-	48,401,314

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6. PROPERTY, PLANT AND EQUIPMENT, cont.

During the year ended December 31, 2022, the Company received a parcel of land from a municipal authority in Shamrock, Texas for \$10. The Company was required to build a plant on that parcel of land beginning in October 2023. As there are delays in the start of construction, the Company has obtained an extension to the start of the project.

Capitalized borrowing costs

The Company started the construction of the new carbon black milling line in July 2024. The commissioning of the line started in Q2 of 2025 and began to produce some recovered carbon black (rCB) in July 2025. The carrying amount of equipment under construction at December 31, 2025 was \$43,725,082 (December 31, 2024 at \$38,205,429). The carbon black equipment is financed by EDC.

The amount of borrowing costs capitalized during the year ended December 31, 2025 was \$3,571,706 (\$2,544,129 in 2024). The rate used to determine the amount of borrowing costs eligible for capitalization was 12.42% (13.34% in 2024), which is the weighted average cost of the specific borrowings (Note 12).

7. TRADE AND OTHER PAYABLES

The Company's trade and other payables comprised of the following:

	December 31, 2025	December 31, 2024
	\$	\$
Accounts payable	709,012	880,050
Provision for legal settlement (Note 20)	440,557	-
Salaries payable	99,061	44,454
Taxes payable	21,163	11,341
Property tax payable	20,109	258,344
Other accrued liabilities	170,522	1,882
	1,460,424	1,196,071

8. DEPOSIT FROM A POTENTIAL FUTURE PARTNER

As at December 31, 2025, the Company had received a deposit in 2019 for an amount of U.S. \$1,900,000 (\$2,604,140 in 2025; \$2,733,910 in 2024) from a potential future partner. The agreement was that when the plant under construction will be completed, the Company and the potential future partner will negotiate the sale of a participation of up to 45% of the subsidiary that owns the plant.

As at December 30, 2024, the individual and the Company mutually agreed to annul their agreement for the share purchase of the Ecolomondo Environmental (Hawkesbury) Inc., the Hawkesbury facility and transferred the individual's deposit of U.S. \$1,900,000 in return for 8% share participation of Ecolomondo Environmental (Shamrock) Inc., the Shamrock Texas facility.

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9. DEFERRED REVENUES

As at December 31, 2025 and 2024, the deferred revenues are composed of one customer deposit on the signing of a letter of intent for the purchase of a facility. The deposit is for an amount of \$1,000,000 (\$1,000,000 as at December 31, 2024). Of this amount, \$100,000 represents a non-refundable commitment fee. This commitment fee together with an amount of \$600,000 will be credited against the contract price. The balance of \$300,000 will be held until such time as a facility that has received final completion has been delivered to the potential buyer. If a contract for the sale of a facility is not signed, then the Company will retain \$500,000 and the remaining \$500,000 will be returned to the potential buyer.

10. REVENUES

The Company's revenues comprised of the following:

	December 31, 2025	December 31, 2024
	\$	\$
Carbon black	533,234	60,077
TDP Oil	458,479	235,228
End of life tires tipping fees	192,898	167,673
Steel	49,617	52,886
Others	65,196	96,420
	<u>1,299,424</u>	<u>612,284</u>

11. INCOME TAXES

As at December 31, 2025, the Company has net operating loss carry-forwards of approximately \$16,090,977 (\$11,484,000 as of December 31, 2024) that may be available to reduce taxable income in future years in various amounts through 2045. The Company has determined that the realization of the future tax benefits arising from the net operating loss carry-forwards is not likely to occur and, therefore, deferred tax assets have been recognized in the consolidated financial statements to the extent that taxable temporary differences exist to offset them.

Deferred taxes arising from temporary differences and unused tax losses are summarized as follows:

	January 1, 2025	Recognized in loss and comprehensive loss	December 31, 2025
	\$	\$	\$
Deferred tax liabilities (assets)	-	-	-
Non-current assets			
Equipment	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>

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11. INCOME TAXES, cont.

	January 1, 2024	Recognized in loss and comprehensive loss	December 31, 2024
	\$	\$	\$
Deferred tax liabilities (assets)	-	-	-
Non-current assets			
Equipment	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>

Unused tax losses and deductible temporary differences for which no deferred tax assets have been recognized on the consolidated financial statements are as follows:

	December 31, 2025	December 31, 2024
	\$	\$
Tax losses	16,090,977	11,484,000
Deductible temporary differences	624,469	904,724
	<u>16,715,446</u>	<u>12,388,724</u>

The following table presents the year of expiration of the Company's unused tax losses carried forward for which no deferred tax assets have been recognized as at December 31, 2025:

	\$
2032	431,000
2033	216,000
2034	1,007,000
2035	500,000
2036	1,076,000
2037	414,000
2038	446,000
2039	707,000
2040	281,000
2041	813,000
2042	887,000
2043	1,370,000
2044	3,557,977
2045	4,385,000
	<u>16,090,977</u>

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11. INCOME TAXES, cont.

The reconciliation of the combined Canadian federal and provincial statutory income tax rate to the Company's effective income tax rate is detailed as follows:

	December 31, 2025	December 31, 2024
	%	%
Combined federal and provincial income tax rate	26.50	26.50
Deferred tax assets not recognized	(41.51)	(22.97)
Non-deductible expenses	(3.51)	(2.47)
Other	18.52	(1.06)
	<u><u>-</u></u>	<u><u>-</u></u>

The Company has investment tax credits related to research and development amounting to \$Nil (\$163,000 in 2024) that have not been recognized in the consolidated financial statements as such credits are not reimbursable rather they are available to reduce future taxable income. These credits expire at various dates from 2037 to 2039.

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12. LONG-TERM DEBT

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
	\$	\$
Balance of purchase price, payable in 10 equal annual instalments of \$20,000, bearing interest at 3%	80,000	100,000
Government loans, 5%, due December 2026	120,000	120,000
1. Term loan by EDC for an authorized amount of \$37,903,920, secured by a movable hypothec on all present and future assets of the Company, bearing interest at the Canadian Overnight Rep Rate Average rate plus 6.5% total not to exceed 8.5%, payable in quarterly instalments starting in May 2027, maturing in May 2029	41,534,515	39,653,773
2. Term loan by EDC for an authorized amount of \$3,000,000 bearing interest at fixed 8.50% per year, payable in 12 consecutive equal instalments starting January 2026, maturing December 2026	3,521,589	3,000,000
3. Term loan by EDC for an authorized amount of \$2,000,000 bearing interest at fixed 8.50% per year for each tranche, payable in 24 consecutive equal instalments beginning January 31, 2026, maturing December 2027	2,075,864	-
Other loan by EDC due May 2029	177,241	177,241
	47,509,209	43,051,014
Current portion	4,661,589	3,233,750
	42,847,620	39,817,264

1. Amendments to term loan agreement dated May 31, 2024:

a. Notwithstanding anything else contained in the Loan Agreement, the principal payments that were scheduled to be paid on or before May 31, 2024, August 31, 2024, November 30, 2024, and February 28, 2025 shall, subject to certain terms of this agreement, not be paid by the Company on the dates provided for such payments in the loan agreement and shall instead be paid on the maturity date.

b. Notwithstanding anything else contained in the loan agreement, the interest payments that were scheduled to be paid on or before May 31, 2024, August 31, 2024, November 30, 2024, and February 28, 2025 shall, subject to the terms of this agreement, not be paid by the Company on the dates provided for such payments in the loan agreement and shall instead be added to the principal amount outstanding under the loan to be paid on the maturity date.

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12. LONG-TERM DEBT, cont.

During the year ended December 31, 2024, the Company amended the terms of its long-term debt. The amendment resulted in a change in the present value of the remaining cash flows under the new terms of 1.66% less compared to the original terms. In accordance with applicable accounting guidance, the change did not result in a substantial modification, and therefore, the debt was not extinguished.

The Company accounted for the amendment as a modification of the existing debt. As a result, the carrying amount of the debt was adjusted to reflect the revised contractual cash flows, discounted at the original effective interest rate. The resulting modification gain of \$547,101 has been recognized in the statement of profit and loss for the year ended December 31, 2024.

On April 21, 2025, the Company and the EDC agreed to amend the term loan agreement. The following summarizes the amendments made:

Loan Terms	Amended Terms Effective April 21, 2025
Interest moratorium period	Notwithstanding anything else contained in the Loan Agreement, no interest payment required during April 21, 2025 to February 27, 2027; accrued interest capitalized and added to the principal amount of the loan outstanding
Interest payment schedule	Following the termination of Interest Payment Moratorium Period, the accrued interest shall be payable in arrears on each Interest Payment Date in accordance with the provisions of the Loan Agreement, the next scheduled interest payment shall be due on May 31, 2027
Principal Payment Moratorium Period	Notwithstanding anything else contained in the Loan Agreement, no principal payment required during April 21, 2025 to April 30, 2027; principal payment shall be deferred and payable on Maturity Date (May 2029)
Principal payment schedule	Following the termination of Principal Payment Moratorium Period, the scheduled principal payment shall resume in accordance with the provisions of the Loan Agreement, the first of which shall be due on May 31, 2027.
Interest rate	Variable capped at 8.5% per annum
Equity raise requirement	Equity injection by any one of Borrower's shareholders in an amount of no less than \$925,000 by no later than December 31, 2025, or such later date as may be approved by EDC.

The present value of the modified contractual cash flows did not differ by more than 10% from the carrying amount. The amendment was therefore treated as non-substantial modification, and the gain of \$2,318,439 was recorded in profit and loss.

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12. LONG-TERM DEBT, cont.

2. On April 21, 2025, the Company and EDC agreed to amend the terms of the existing \$3M term loan. The following table summarizes the key amendments made:

Loan terms	Original terms	Amended terms
Interest payment schedule	Payable monthly starting April 2025	No interest payments during Moratorium Period of April 21, 2025 – December 31, 2025, accrued interest capitalized to principal; monthly interest payments resume on January 31, 2026
Principal repayment schedule	12 consecutive equal monthly instalments starting April 2025, maturing March 2026	No principal payments during the Moratorium Period; 12 consecutive equal monthly instalments starting January 31, 2026
Maturity date	April 28, 2026	Extended to December 31, 2026
Interest rate	Prime rate + 8% (variable)	Fixed rate of 8.5% per annum effective April 1, 2025
Other changes	–	All outstanding obligations (principal + accrued interest) are due in full on December 31, 2026

The present value of the modified contractual cash flows did not differ by more than 10% from the carrying amount. The amendment was therefore treated as non-substantial modification, and the gain of \$79,951 was recorded in profit and loss.

3. On April 21, 2025, the Company and EDC agreed to amend the terms of the existing \$2M term loan. The following table summarizes the key amendments made:

Loan terms	Original terms	Amended terms
Interest payment schedule	Interest payable monthly starting 8 months after each tranche disbursement	No interest payments during Moratorium Period of April 21, 2025 – December 31, 2025, accrued interest capitalized to principal; accrued interest payable monthly in arrears starting on January 31, 2026
Principal repayment schedule	24 equal monthly instalments starting 8 months after each tranche disbursement	Principal instalments deferred during Moratorium Period, repayments resume on January 31, 2026 in 24 equal monthly instalments
Maturity date	September 2027	Extended to December 31, 2027
Interest rate	Prime rate + 8% (variable)	Fixed rate of 8.5% per annum effective April 1, 2025
Other changes	–	All outstanding obligations (principal + accrued interest of each tranche) are due in full on December 31, 2027

The present value of the modified contractual cash flows did not differ by more than 10% from the carrying amount. The amendment was therefore treated as non-substantial modification, and the gain of \$120,211 was recorded in profit and loss.

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12. LONG-TERM DEBT, cont.

The changes in the Company's liabilities arising from long-term debt are as follows:

	Balance of purchase price	Government loan	Term loan	Total
	\$	\$	\$	\$
Balance as of January 1, 2024	100,000	180,000	36,667,362	36,947,362
Cash flows				
Proceeds	-	-	3,000,000	3,000,000
Non-cash				
Interest capitalized to loan	-	-	3,533,512	3,533,512
Gain on debt revaluation	-	-	(547,101)	(547,101)
Reversal of revenue government assistance	-	(60,000)	-	(60,000)
Other	-	-	177,241	177,241
Balance as of December 31, 2024	100,000	120,000	42,831,014	43,051,014
Cash flows				
Proceeds	-	-	1,896,102	1,896,102
Repayments	(20,000)	-	-	(20,000)
Non-cash				
Interest capitalized to loan	-	-	5,100,694	5,100,694
Gain on debt modification	-	-	(2,518,601)	(2,518,601)
Balance as of December 31, 2025	<u>80,000</u>	<u>120,000</u>	<u>47,309,209</u>	<u>47,509,209</u>

For the year ended December 31, 2025, the Company capitalized interest of \$5,100,694 (\$3,533,512 as at December 31, 2024) to the long-term debt.

13. SHARE CAPITAL

a) Share capital

The Company is authorized to issue an unlimited number of class "A", "B", "C", "D", "E" and "F" shares of no par value with the following restrictions and privileges:

Class "A" shares, voting, participating, dividend as declared by the Board of Directors;

Class "B" shares, non-voting, participating, dividend as declared by the Board of Directors;

Class "C" shares, voting (100 voting rights per share), non-participating, redeemable at the option of the Company or their holders at the redemption value;

Class "D" shares, non-voting, non-participating, redeemable at the option of the Company or their holders at the redemption value, non-cumulative monthly dividend equal to one percent (1%) of the redemption value as voted by the Board of Directors;

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13. SHARE CAPITAL, cont.

a) Share capital (Continued)

Class "E" shares, non-voting, non-participating, redeemable at the option of the Company or their holders at the redemption value, preferred non-cumulative monthly dividend equal to three quarters of one percent (0.75%) of the redemption value as voted by the Board of Directors;

Class "F" shares, non-voting, non-participating, redeemable at the option of the Company or their holders at the redemption value, preferred cumulative monthly dividend equal to one-twelfth (1/12) of the prime rate of the Company's bank in effect on the first day of each month; such dividend is declared calculated on the redemption value as voted by the Board of Directors.

	December 31, 2025	December 31, 2024
	<u>\$</u>	<u>\$</u>
Issued and outstanding		
226,799,685 class "A" shares		
(217,497,358 on December 31, 2024)	26,629,418	25,711,719

On May 20, 2025, the Company issued 6,201,551 units for gross proceeds of \$1,000,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company for \$0.24 for a two-year term, expiring on May 20, 2027, subject to an acceleration clause. Under this clause, the Company may accelerate the expiry date if the Company's common share closing price is equal to or greater than \$0.35 for a period of 15 consecutive trading days. \$633,432 and \$366,568 of the proceeds were allocated to share capital and warrants respectively. The issuance costs of \$26,338 and \$15,241 were recorded against share capital and warrants respectively.

On June 23, 2025, the Company issued 3,100,776 units for gross proceeds of \$500,000. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company for \$0.24 for a two-year term, expiring on June 23, 2027, subject to an acceleration clause. Under this clause, the Company may accelerate the expiry date if the Company's common share closing price is equal to or greater than \$0.35 for a period of 10 consecutive trading days. \$328,584 and \$171,416 of the proceeds were allocated to share capital and warrants respectively. 488,466 of the units were acquired by a company under common control. The issuance costs of \$17,979 and \$9,379 were recorded against share capital and warrants respectively.

On July 29, 2024, the Company issued 2,814,778 units for gross proceeds of \$506,660. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company for \$0.24 and will expire on July 29, 2026. \$376,077 of the issue price was allocated to the share capital and \$130,583 of the issue price was allocated to the warrants. Issue cost of \$8,077 was recorded against the share capital. 1,111,112 of the units were acquired by a company under common control.

On January 2, 2024, \$3,498,853 of advances from a company under common control was converted into 25,917,430 common shares at \$0.135 per share. The market price of the shares on January 2, 2024 was \$0.18.

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13. SHARE CAPITAL, cont.

b) Warrant liabilities

The continuity of warrants presented as a liability and their related recorded values is set out as follows:

	Number of warrants	Amount	Weighted average exercise price
		\$	\$
Balance as at December 31, 2023	3,076,922	-	-
Loss on revaluation of warrant liabilities	-	182,240	1
Balance as at December 31, 2024	3,076,922	182,240	1
Gain on revaluation of warrant liabilities	-	(55,383)	-
Balance as at December 31, 2025	3,076,922	126,857	0.24

The fair value of the 3,076,922 share purchase warrants on December 31, 2025 and December 31, 2024, has been estimated at \$126,857 and \$182,240, respectively, using the Black-Scholes option pricing model with the following assumptions:

	December 31, 2025	December 31, 2024
Risk-free interest rate	2.55%	2.92%
Expected dividend yield	Nil	Nil
Expected volatility	98.33%	93.64%
Expected life	0.75 year	1.75 years
Share price	\$0.175	\$0.16

The volatility has been estimated based on the historical share prices of the Company over the period available. The warrants expiration was extended until September 24, 2026.

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13. SHARE CAPITAL, cont.

c) Warrants - Equity

There were 12,117,105 warrants as at December 31, 2025 compared to 2,814,778 as at December 31, 2024. The following table summarizes the continuity of warrants:

	Number of warrants	Amount	Weighted average exercise price
		\$	\$
Balance as at December 31, 2023	-	-	-
Private placement	2,814,778	130,583	0.24
Balance as at December 31, 2024	2,814,778	130,583	0.24
Private placement	9,302,327	513,364	0.24
Balance as at December 31, 2025	12,117,105	643,947	0.24

d) Options

The Company adopted a stock option plan pursuant to which the Board of Directors of the Company may, from time to time, at its discretion and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants stock options of the Company. The total number of shares issuable pursuant to options granted under the plan is limited to 10% of the number of shares issued and outstanding of the Company. The exercise price of each option is the price set at the time of grant by the Board of Directors. Stock options have a maturity of ten years from the date of grant and vesting is determined at the time of issuance of stock options.

The continuity of options and their related recorded values is set out as follows:

	Number of options	Weighted average exercise price
		\$
Balance as at December 31, 2023	13,582,429	0.35
Issue of stock options	1,350,000	0.18
Expiry of stock options	(3,170,000)	0.34
Balance as at December 31, 2024	11,762,429	0.33
Options exercisable	11,285,339	0.33
	Number of options	Weighted average exercise price
		\$
Balance as at December 31, 2024	11,762,429	0.33
Issue of stock options	5,880,000	0.18
Expiry of stock options	(6,005,000)	0.30
Balance as at December 31, 2025	11,637,429	0.27
Options exercisable	6,669,097	0.34

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13. SHARE CAPITAL, cont.

d) Options, cont.

During the year ended December 31, 2024, the Company granted 1,350,000 options to its directors, officers and employees. 250,000 options have expired and the remaining 1,100,000 options entitle the holder to purchase an equivalent number of the Company's class "A" shares at an average price of \$0.165 per share. The options expire 2 years after the grant date. The total fair value has been estimated at \$72,131 using the Black-Scholes option pricing model with the following assumptions:

Number of options granted	<u>1,100,000</u>
Risk-free interest rate	4.40%
Expected dividend yield	Nil
Expected volatility	93%
Expected life	2 years
Share price	\$0.14
Exercise price	\$0.165
Fair value of each option using the Black & Scholes pricing model	\$0.07

During the year ended December 31, 2025, the Company granted 5,880,000 options to its directors, officers and employees. 400,000 options have expired and the remaining 5,480,000 options entitle the holder to purchase an equivalent number of the Company's class "A" shares at an average price of \$0.19 per share. The options expire 10 years after the grant date. The total fair value has been estimated at \$1,050,990 using the Black-Scholes option pricing model with the following assumptions:

Number of options granted	<u>3,950,000</u>	<u>1,930,000</u>
Risk-free interest rate	2.96%	3.31%
Expected dividend yield	Nil	Nil
Expected volatility	111.75%	113.23%
Expected life	10 years	10 years
Share price	\$0.22	\$0.19
Exercise price	\$0.17	\$0.20
Fair value of each option using the Black & Scholes pricing model	\$0.20	\$0.17

The volatility has been estimated based on the historical share prices of comparable companies over the period available.

The stock-based compensation expense for the year ended December 31, 2025 is \$471,144 (\$424,046 in 2024).

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13. SHARE CAPITAL, cont.

d) Options, cont.

The following table summarizes information about outstanding options for the year ended December 31, 2024:

	Exercise price	Number of options	Weighted average remaining contractual life
	\$		Years
	0.10	75,000	0.87
	0.17	1,100,000	1.33
	0.30	1,350,000	5.12
	0.35	5,437,429	2.80
	0.3525	1,450,000	8.22
	0.37	1,400,000	5.12
	0.41	950,000	8.56
		<u>11,762,429</u>	<u>4.33</u>
Options exercisable	<u>11,285,339</u>		<u>4.51</u>

The following table summarizes information about outstanding options for the year ended December 31, 2025:

	Exercise price	Number of options	Weighted average remaining contractual life
	\$		Years
	0.17	3,550,000	9.33
	0.20	1,930,000	9.95
	0.30	600,000	4.12
	0.35	3,187,428	1.80
	0.3525	800,000	7.22
	0.37	800,000	4.12
	0.41	770,000	7.55
		<u>11,637,429</u>	<u>6.48</u>
Options exercisable	<u>6,669,097</u>		<u>4.22</u>

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14. OTHER INCOME (LOSS)

	December 31, 2025	December 31, 2024
	\$	\$
Government assistance (reversal)	-	60,000
Interest income	12,338	37,722
Foreign exchange	116,073	(223,359)
	<u>128,411</u>	<u>(130,637)</u>

15. INFORMATION INCLUDED IN CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

Information included in consolidated loss and comprehensive loss for the years ended December 31, 2025 and 2024 is detailed as follows:

	December 31, 2025	December 31, 2024
	\$	\$
General and administrative expenses		
Stock-based compensation	471,144	424,046
Corporate & stock exchange fees	348,354	93,712
Office	229,290	113,115
Travel, meals and representation	56,556	27,692
Marketing expenses	56,441	26,068
Salaries and short-term benefits	4,222	92,097
Municipal tax	-	234,939
Miscellaneous	27,684	10,115
	<u>1,193,691</u>	<u>1,021,784</u>
Operating expenses		
Salaries and short-term benefits	1,796,744	927,011
Depreciation of building	516,000	516,000
Utilities	503,216	272,322
Legal settlement	440,557	-
Professional fees	397,764	284,071
Freight and customs duties	245,793	133,468
Insurance	191,598	289,462
Property tax	112,381	-
Maintenance and repairs	80,885	324,474
Depreciation of right-of-use asset	-	22,129
Other plant expenses	290,570	72,757
	<u>4,575,508</u>	<u>2,841,694</u>
Financial expenses		
Interest on long-term debt	1,528,988	989,383
Financing expense	17,994	-
	<u>1,546,982</u>	<u>989,383</u>

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16. INFORMATION INCLUDED IN CONSOLIDATED STATEMENT OF CASH FLOW

The changes in working capital items for the years ended December 31, 2025 and 2024 are detailed as follows:

	December 31, 2025	December 31, 2024
	\$	\$
Prepaid expenses	517,830	(493,714)
Bank advances (Note 5)	195,882	32,525
Trade and other payables (a)	264,353	(506,179)
Trade and other receivables	55,350	(6,664)
Inventory	(14,784)	(137,368)
	1,018,631	(1,111,400)

a. During the year, the Company capitalized costs to plant under construction, \$246,731 (\$434,712 as at December 31, 2024) of which is included in trade and other payables.

17. FINANCIAL INSTRUMENTS

Fair value

The Company's financial instruments include cash, trade and other receivables, trade and other payables, advances from a company under common control, warrant liabilities, and long-term debt whose carrying amounts approximates their fair value due either to length of maturity or interest rates that approximate prevailing market rates unless otherwise disclosed in these consolidated financial statements.

The fair value of the advances from a company under common control is approximately \$2,600,274 as at December 31, 2025 and \$1,585,274 as at December 31, 2024. This advance as well as the long-term debt has been categorized within level 2 of the fair value hierarchy. The fair value has been determined by discounting contractual cash flows using a discount rate derived from observable market interest rates of similar financial instruments with similar risks.

The fair value of the share purchase warrants has been estimated using the Black-Scholes option pricing model (Note 13) and has been categorized within level 2 of the fair value hierarchy.

The Company also has a credit facility of \$250,000 with a chartered bank which to date has been used intermittently.

Financial risks

Management and monitoring of financial risks are performed by the Company's management, which manages all financial exposures. The Company is exposed to various financial risks through its financial instruments: credit risk, liquidity risk and market risk (including currency risk, interest rate risk, and other price risk). The following analysis enables users to evaluate the nature and extent of the risk at the end of each reporting period.

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17. FINANCIAL INSTRUMENTS, cont.

Financial risks, cont.

Foreign currency risk

Most of the Company's transactions are carried out in Canadian dollars. Exposure to currency risk arises from the Company's signing of a letter of intent for the sale of TDP facilities and obtaining deposits in U.S. dollars as well as incurring certain expenses in U.S. dollars. The Company does not enter into forward exchange contracts to mitigate the exposure to foreign currency risk.

Foreign currency denominated financial assets and liabilities which expose the Company to currency risk are disclosed below. The amounts shown are translated into Canadian dollars at the closing rate:

	December 31, 2025	December 31, 2024
	<u>\$</u>	<u>\$</u>
Financial assets	164,394	81,979
Financial liabilities	(2,764,341)	(2,988,824)
Total exposure	<u>(2,599,947)</u>	<u>3,070,803</u>

Assuming that all other variables remain constant, a 5% (5% in 2024) increase or decrease in the exchange rate of the Canadian dollar, compared to the U.S. dollar, would have an impact of \$128,274 on the Company's net loss and equity for the year ended December 31, 2025 (\$145,342 impact for the year ended December 31, 2024).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. All of the Company's long-term debt is fixed, thus the Company is not subject to significant interest rate risk. Interest rate on Company's cash deposits held at the supplier is nominal.

Interest rate sensitivity analysis

The table below shows the Company's sensitivity to interest rates on floating rate borrowings (i.e. the remaining portion of long-term debt) if interest rates were to change by +/- 1%. The impact on the income statement would be:

	December 31, 2025	December 31, 2024
	<u>\$</u>	<u>\$</u>
+ 1% movement in interest rates	-	(12,500)
- 1% movement in interest rates	-	12,500

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17. FINANCIAL INSTRUMENTS, cont.

Financial risks, cont.

Credit risk

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of the contract. Generally, the carrying amount reported on the Company's consolidated statements of financial position for its financial assets exposed to credit risk, net of any applicable provisions for expected losses, represents the maximum amount exposed to credit risk.

Financial assets that potentially subject the Company to credit risk consist primarily of cash, and trade and other receivables for a total amount of \$32,097 (\$239,081 as at December 31, 2024).

Credit risk associated with cash is substantially mitigated by ensuring that these financial assets are primarily placed with major financial institutions. Other receivables in an amount of \$76,429 do not bear a significant credit risk (\$198,321 in 2024).

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial liabilities and obligations as they become due. The Company is exposed to this risk mainly through trade and other payables, the advances from a company under common control, interest payable on the term long-term debt and long-term debt.

Liquidity risk management serves to maintain a sufficient amount of cash. The Company establishes budgets and cash estimates to ensure it has the necessary funds to fulfill its obligations for the foreseeable future. The cash and trade and other receivables balance of \$272,917 as at December 31, 2025 (\$437,402 in 2024) are not sufficient to cover liquidity needs for the next twelve months (see Note 2).

As at December 31, 2025, the carrying amount and undiscounted contractual cash flows for the Company's liabilities are as follows:

	Carrying amount	Contractual cash flow	1 year or less	1 – 5 years	Less than 5 years
		\$	\$	\$	\$
Bank advances	228,407	228,407	228,407	-	-
Trade and other payables	1,439,261	1,439,261	1,439,261	-	-
Advances from a company under common control	2,600,274	2,600,274	-	2,600,274	-
Long-term debt	47,509,209	64,997,757	4,981,227	60,016,530	-
	51,777,151	69,265,699	6,648,895	62,616,804	-

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17. FINANCIAL INSTRUMENTS, cont.

Financial risks, cont.

Liquidity risk, cont.

As at December 31, 2024, the carrying amount and undiscounted contractual cash flows for the Company's liabilities are as follows:

	Carrying amount	Contractual cash flow	1 year or less	1 – 5 years	Less than 5 years
		\$	\$	\$	\$
Bank advances	32,525	32,525	32,525		-
Trade and other payables	1,184,730	1,184,730	1,184,730		-
Advances from a company under common control	1,585,274	1,585,274	1,585,274		-
Long-term debt	43,051,014	51,439,695	3,292,671	48,147,024	-
	<u>45,853,543</u>	<u>54,242,224</u>	<u>6,095,200</u>	<u>48,147,024</u>	<u>-</u>

18. CAPITAL MANAGEMENT

The Company manages its capital to ensure the Company's ability to continue as a going concern and to meet strategic objectives including the commercialization of the TDP technology, while taking into consideration financial risks.

The capital structure of the Company consists of cash, bank advances, advances from a company under common control, long-term debt, and equity.

A summary of the Company's capital structure is as follows as at:

	December 31, 2025	December 31, 2024
	\$	\$
Cash	(10,196)	(119,331)
Bank advances	228,407	32,525
Advances from a company under common control	2,600,274	1,585,274
Long-term debt	47,509,209	43,051,014
Total equity (deficiency)	<u>(1,512,871)</u>	<u>(100,716)</u>
	<u>48,814,823</u>	<u>44,448,766</u>

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19. RELATED PARTY TRANSACTIONS

Related party transactions consist of the advances from a company under common control.

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
	\$	\$
3212521 Canada Inc. - company under common control	<u>2,600,274</u>	<u>1,585,274</u>

On January 2, 2024, \$3,498,853 of advances from a company under common control was converted into 25,917,430 common shares at \$0.135 per share. The market price of the shares on January 2, 2024 was \$0.18.

After the conversion of debt to shares in the amount of \$3,498,853, there's still a balance owing to the Company under common control in the amount of \$30,000.

In 2024, the company under common control advanced an additional \$1,555,274, resulting in a balance outstanding of \$1,585,274 as at December 31, 2024.

The amounts due to 3212521 Canada Inc. as at December 31, 2024, were unsecured bearing interest at 8.5% with no specific terms of repayment.

In 2025, the company under common control advanced an additional \$1,015,000, resulting in a balance outstanding as at December 31, 2025 of \$2,600,274.

The amounts due to 3212521 Canada Inc. as at December 31, 2025, are unsecured, bearing interest at 8.5% and due in October 2027.

Transactions with key management personnel

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
	\$	\$
Short-term employee benefits	243,379	170,178
Stock-based compensation	285,990	284,353
	<u>529,369</u>	<u>454,531</u>

20. CLAIMS

In the normal course of operations, the Company is contingently liable with respect to litigations and claims that arise from time to time. In the opinion of management, any liability, which may arise from such contingencies, would not have a material adverse effect on the Company's consolidated financial statements. The evaluation of litigations and claims is subject to uncertainties and the ultimate future resolution of the litigations and claims which cannot be predicted.

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20. CLAIMS, cont.

As at December 31, 2025, the Company was involved in a litigation that resulted in a judgment in the amount of \$718,824 against the Company. A liability of \$291,086 was previously recorded in the financial statements based on prior assessments.

On October 24, 2025, the Company decided to suspend its appeal and elected to proceed with settlement of the matter for \$731,643. An amount of \$252,000 was paid at the time of the settlement and an additional provision of \$440,557 has been adjusted in other current payables to reflect the updated estimate of the obligation as of December 31, 2025.

21. SEGMENT INFORMATION

The Company's operating segments are organized according to similar economic characteristics by the markets and types of products it serves and are reported in a consistent manner. The CEO and CFO are considered the chief operating decision-makers ("CODMs") and have the authority for resource allocation and are responsible for assessing the Company's performance.

It was concluded that Ecolomondo only has one operating segment.

- a. Revenues from major products and services for each period ended are as follows:

	December 31, 2025	December 31, 2024
	<u>\$</u>	<u>\$</u>
Carbon black	533,234	60,077
TDP Oil	458,479	235,228
End of life tipping fees	192,898	167,673
Steel	49,617	52,886
Other	65,196	96,420
	<u>1,299,424</u>	<u>612,284</u>

- b. Revenue and property, plant and equipment by geographic locations.

	December 31, 2025	December 31, 2024
	<u>\$</u>	<u>\$</u>
Revenue		
Canada	838,695	334,211
United States	460,729	278,073
	<u>1,299,424</u>	<u>612,284</u>

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21. SEGMENT INFORMATION, cont.

b. Revenue and property, plant and equipment by geographic locations. (Continued)

	December 31, 2025	December 31, 2024
	\$	\$
Property, plant and equipment		
Canada	53,404,967	48,401,314
United States	-	-
	<u>53,404,967</u>	<u>48,401,314</u>

22. COMMITMENTS AND CONTINGENCIES

Commitments

As at December 31, 2025, the Company had total commitments of \$52,237 (\$153,781 in 2024) relating to the \$40,902 purchases of the equipment under construction and the \$12,335 fixed-term marketing contract expected to be settled within the next three months.

23. SUBSEQUENT EVENTS

On January 12, 2026, the Company closed a \$2,700,000 loan from EDC with a fixed interest rate of 8.50%, to be disbursed in 4 tranches of \$675,000 and with a maturity date of December 31, 2028. The first tranche was received on January 30, 2026, the second tranche, on March 4, 2026, and the third tranche on April 21, 2026. The fourth tranche is scheduled for receipt by May 24, 2026.