

Ecolomondo Corporation

MANAGEMENT'S DISCUSSION & ANALYSIS

April 30, 2026

The following management's discussion and analysis ("MD&A") of the operations, results, and financial position of Ecolomondo Corporation (the "Company"), dated April 30, 2026, covers the years ended December 31, 2025 and 2024 and should be read in conjunction with the audited annual consolidated financial statements of the Company including its subsidiaries Ecolomondo Environmental (Contrecoeur) Inc., Ecolomondo Environmental (Hawkesbury) Inc., 9083-5018 Quebec Inc., Ecolomondo Process Technologies Inc. and Ecolomondo USA Inc. for the same periods, which were prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information on the Company is also available on SEDAR at www.sedar.com.

This document should be read in conjunction with the risk factors enumerated in the section hereunder "Risk Factors".

Where we say "we", "us", "our", or the "Company", we mean Ecolomondo Corporation (formerly Cortina Capital Corp.) unless otherwise indicated. All amounts are presented in Canadian dollars unless otherwise indicated.

Forward-looking statements

Certain statements contained in this MD&A may constitute forward-looking statements. These statements relate to future events or the Company's future performance. All statements, other than statements of historical fact, may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "propose", "potential", "targeting", "intend", "could", "might", "should", "believe, and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon by investors as actual results may vary. These statements speak only as of the date of this MD&A and are expressly qualified, in their entirety, by this cautionary statement.

With respect to forward-looking statements above and otherwise contained in this MD&A, the Company has made assumptions regarding, among other things:

- *the legislative and regulatory environment;*
- *the impact of increasing competition;*
- *the ability to obtain regulatory and shareholder approvals; and*
- *the ability to obtain additional financing on satisfactory terms.*

The Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below:

- *volatility in the market conditions;*
- *incorrect assessments of the value of acquisitions;*

- *due diligence reviews;*
- *competition for suitable acquisitions; and*
- *volatility in the global economy created by US tariffs and the on-going global geo-political instability.*

Overall Performance

Ecolomondo Corporation was incorporated on September 30, 2015 under the Canada Business Corporations Act. It is listed on the TSX Venture Exchange (the "**Exchange**") since October 2017 under the symbol ECM, and in the United States under the symbol (OTCQB:ECLMF). The Company is a clean tech company that is marketing its proprietary Thermal Decomposition technology ("**TDP**"), developed over the last 25 years, a truly Canadian endeavor, that recovers marketable resources from end-of-life tires, namely steel, oil, carbon black, syngas and fiber, and that are re-entered into the global economy for re-use through the burgeoning circular economy.

During the fiscal year 2025, the Company achieved several key milestones in the areas of TDP, shredding and milling departments, while continuing to work on the ramp-up of the Hawkesbury TDP turnkey facility built in Ontario, Canada. The Hawkesbury facility is the Company's first of its kind new turnkey thermal decomposition facility and the only true proprietary Canadian technology that processes end-of-life tires to produce re-usable and sustainable recovered resources in Canada. To find out more about the Company and its technology, visit its website at www.ecolomondo.com.

In 2025, the Company achieved an important milestone in installation, commissioning and ramp-up of the new recovered Carbon Black ("**rCB**") milling and post-processing line, important to the overall performance of the Hawkesbury TDP facility.

During the fiscal year 2025, the sales of end-products and tipping fees increased considerably: \$193,681 in the first quarter, \$256,103 in the second quarter, \$415,192 in the third quarter and \$434,448 in the fourth quarter, representing a total increase of 112% overall for the year over 2024. The significant increase is due to improved performance of the facility, mainly caused by the effective performance of the rCB milling and processing line, allowing the facility to achieve higher output and higher sales.

During the fiscal year 2025, the Company concluded important financial agreements with Export Development Canada ("**EDC**"). In the first quarter, it concluded final documentation for a \$2 million credit facility with EDC to the Company's subsidiary, Ecolomondo Environmental (Hawkesbury) Inc., owner of the Hawkesbury plant, to assist mainly with the purchase, installation and commissioning of the new milling equipment. The Company also agreed with EDC for a temporary principal and interest postponement on its 3 loan agreements (the main Amended and Restated Loan Agreement of \$37.9M signed in December 2023, the credit facility of \$3M signed in July 2024, and the credit facility of \$2M signed in January 2025).

The Company initiated and completed 2 private placements, with the same conditions, during the second quarter of 2025: the Company issued units at a price of C\$0.16125 per Unit, each Unit consisting of one common share of the Company and one common share purchase warrant, which entitles the holder to purchase one Common Share of the Company at a price of C\$0.24 for 2 years. The first private placement was pursuant to the "listed issuer financing exemption" under Part 5A of NI 45-106 – Prospectus Exemptions (a "LIFE Offering"); it was announced on April 30, 2025, and closed on May 2. The Company issued 6,201,551 units for gross proceeds of C\$1.0 million. The Company announced the second private placement on June 18, 2025, and closed it on June 23, with the issuance of 3,100,776 units and gross proceeds of \$500,000.

The Company virtually held its Annual General Meeting of Shareholders on June 27, 2025. The Shareholders of

the Company unanimously adopted all resolutions presented to them in the information circular that was sent to them and filed on SEDAR. The Shareholders approved the appointment of Forvis Mazars LLP as auditors and the Company's "rolling" stock option plan, and voted in favor of all the directors proposed: Mrs. Lynn Côté, Mr. Mathieu Couillard, Mr. Michael Frankel, Mr. Frank Kelly, Hon. Christian Paradis, Mr. Donald Prinsky and Mr. Eliot Sorella. Later in the year, Mrs. Véronique Laberge also joined the Board of Directors. Forvis Mazars has officially replaced Raymond Chabot Grant Thornton LLP as the Company's independent auditor, effective February 10, 2025.

In the last quarter of 2025, the Company issued stock options to employees, Board members and consultants, to purchase 1,930,000 common shares of the Company in recognition of their contribution to the Company's and the Hawkesbury plant's success.

During the year, the Company marketed its TDP proprietary technology to potential partners to build strategic TDP turnkey facilities, all part of its global expansion strategy. Management has noticed that now that the Hawkesbury facility is progressively becoming commercially online and producing rCB, tire-derived oil ("TDO") and syngas, TDP technology is receiving much more global attention.

The Company also conducts regular promotional and investor relations activities, such as webinars and podcasts. For example, it renewed its sponsorship and participation at the rCB Europe conference in Barcelona, SP, in November 2025. This Conference is the first of its kind in Europe and serves as a premier forum for experts and innovators engaged in the research, development and commercialization of rCB. The Company also re-engaged GlobalOne Media as its marketing partner on all social media platforms.

As a result, the Company executed in August 2025 an important joint venture and EPC engineering agreement with Alternativas Riojanas Eolicas y Solares S.L. ("ARESOL") to build four TDP turnkey facilities in the European Union using Ecolomondo's TDP proprietary technology. The companies have signed on December 2, 2024, a non-binding letter of intent for a joint venture to build a 4-reactor TDP facility that could process 20,000 metric tons/year of end-of-life tires in Spain. After further discussions and following a detailed technical audit by ARESOL, the parties concluded in July 2025 a definitive agreement to build four TDP turnkey facilities in the European Union, with the first to be built in Valencia, Spain. Locations of the other three sites will be determined once necessary due diligence is performed by the parties with the focus on feedstock availability, tipping fees, offtake agreements and government support. The corporate structure is not yet set up as of the date of this document.



ARESOL is a business group with over 40 years of experience in the renewable energy sector that develops, executes and operates renewable energy projects from conception to installation and operation. Subject to final documentation, the Agreement calls for the creation of a joint venture entity in Europe, with Ecolomondo and ARESOL expected to own 51% and 49% respectively, of the joint venture corporation.

During the year, the Company contracted Integral Wealth Securities Inc. ("Integral") as its market maker to assist in maintaining active and orderly trading in the market for the Corporation's securities in compliance with the policies and guidelines of the TSXV and other applicable legislation. Integral's role is to trade shares of Ecolomondo Corporation on the TSXV for the purposes of maintaining an active and orderly trading in the market and improving the liquidity of the companies' common shares. Integral is a national independent CIRO-licensed investment dealer. Founded in 2003, the firm has established capabilities in market making, wealth management and investment banking.

Current events at the Hawkesbury TDP Facility

During the fiscal year 2025, Ecolomondo worked to improve efficiencies in all departments, including TDP, tire shredding and rCB processing, at the Hawkesbury TDP facility.

The Hawkesbury TDP facility and the Company’s proprietary TDP technology are truly Canadian projects, mostly supported by Canadian investors, the Government of Canada, and EDC.

Fully completed, the Hawkesbury facility houses in a 46,200 sq.ft building that has an impressive indoor clearance of 28 feet. Once fully operational, this facility is expected to process approximately 1.3 to 1.5M scrap tires per year and produce 4,000 MT of recovered carbon black, 5,000 MT of tire-derived oil, 2,000 MT lbs of steel, and 1,200 MT of process gas.



The Hawkesbury TDP facility began the commissioning of the thermal decomposition department of full batches in January 2023 and, since then, it has performed numerous batches at full capacity of 15,000 lbs. In 2024, it performed over 100 TDP batches at full capacity and in 2025, over 158 batches. During these batches, it implemented and improved its new HMI (Human-Machine Interface) automation technology, ensuring high-quality and consistent end-products, namely recovered carbon black, tire-derived oil and syngas.

The Company began to deliver rCB in July 2025, an important step forward for the facility, especially since rCB is an important revenue driver for the Hawkesbury TDP facility and prevents production bottlenecks. Sales of rCB in the fiscal year 2025 were \$533,234, compared to \$60,077 in 2024, representing an increase of 788%.



Improved productivity also allowed the Company to sell more tire-derived oil (“TDO”). Sales of TDO were \$458,473 during the fiscal year 2025, compared to \$235,228 in 2024, an increase of 95%.

It is crucial that all 3 departments work in tandem with each other to avoid production bottlenecks to achieve the anticipated revenue streams and to avoid costly delays.

Throughout the year, the company continued to expand its personnel at the Hawkesbury facility, adding professionals, mechanics, operators, burner specialists, and maintenance personnel. These additional personnel will lead to improved efficiency, help achieve higher output and help implement preventive maintenance to achieve a higher efficiency.



The Hawkesbury TDP facility promoted its sustainability status, it maintained the International Sustainability and Carbon PLUS Certification (“ISCC+”). ISCC is a Global Sustainability Certification System and offers chain-of-custody certification systems to ensure traceability and feedstock identity. It is an independent multi-stakeholder initiative and leading certification system supporting sustainable, fully traceable, deforestation-free and climate-friendly supply chains. Certifications by ISCC cover sustainable agricultural biomass, biogenic waste and residues, non-biological renewable materials and recycled carbon-based materials. With currently over 7,000 valid certificates in more than 100 countries, ISCC is among the world’s largest certification systems. With an ISCC certification, Ecolomondo contributes to environmentally, socially and economically sustainable production. It can also add commercial value to the Company’s end-products as they remain traceable in the supply chain.

The Company expects its revenues to come from the design, build and operation of TDP turnkey facilities, including the sale of after-market parts and services. Revenues for TDP turnkey facilities will come from selling of the end-products they produce, namely recovered carbon black, oil, gas and steel. During the period, the Company continued to work with offtake customers for its recovered carbon black, known as “Mondo Black”, for its oil, known as “Mondo Crude”, its steel and fiber, both domestically and internationally. For more information on the TDP recovered products, please visit the Company’s website

at www.ecolomondo.com.

Recovered carbon black is the end-product that has the highest commercial value. Ecolomondo's process and its optimization ensures a high percentage of recovered carbon black production of between 38% and 40% of reactor payloads that should result into higher revenues for TDP turnkey facilities. Carbon black is black powder normally manufactured using a highly polluting process, notably the direct combustion of hydrocarbons. Today, restrictions on emissions are causing the global supply of carbon black to plateau while global demand keeps spiraling. Any supply shortages could be easily filled by waste-to-resources companies like Ecolomondo and with a much greener environmental footprint. Management believes that strengthening demand and a tightening supply for virgin carbon black should set the stage for higher demand and prices in the future for recovered carbon black, ensuring a sustainable supply.

Production of TDP's rCB reduces CO₂ emissions by approximately 90% compared to production of virgin carbon black. The strengthening demand and a tightening supply for virgin carbon black, caused by the geo-political events such as the Ukraine war and strong consumer demand, have set the stage for greater demand and higher prices for Ecolomondo's rCB, 'Mondo Black'.

The other end-products of the Company's TDP facilities are also commodities that have strong global markets. The oil is comparable to a refined quality synthetic oil being high in carbon could be used to produce green virgin carbon black, solvents and polymers.

The steel extracted from waste tires is a high-grade product that is in strong demand by steel foundries and mills. TDP also produces hydrocarbon gas, high-BTU with a calorific value approaching propane gas. This gas is used as the energy source for the thermal process, making Ecolomondo's thermal technology almost completely energy self-sufficient.

The Company further advises that the current global market conditions and the current geo-political global instability caused by conflicts in Iran and in Ukraine, along with US tariffs, have created a volatile global uncertainty in the supply chain of virgin products and this is expected to set the stage for increased demand and higher pricing for the Company's recovered and sustainable end-products.

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

Significant Projects

Contrecoeur pilot facility

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

With the completion and start of operations of the Hawkesbury facility, the Company decided in the first quarter of 2024 to dismantle its Contrecoeur facility. Dismantling was completed in May 2024 and all usable equipment was transferred to the Hawkesbury facility.

Hawkesbury facility

As at December 31, 2025, the Company 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 JV partner, originally for an equity participation in the Hawkesbury project however, in late 2024, the JV partner and the Company mutually agreed to cancel their agreement for the Hawkesbury project and transfer the deposit of U.S. \$1,900,000 to purchase 8% of Ecolomondo Environmental (Shamrock) Inc., the subsidiary that will own the Shamrock Texas facility.

On April 3, 2019, the Company and EDC announced a loan agreement of \$32.1 million in project financing for the construction of the Hawkesbury facility while a groundbreaking ceremony was held on August 21, 2019, and financial closing of the agreement was successfully executed on December 23, 2019. This loan agreement was replaced by a Restructured Loan agreement on December 22, 2023, with a balance due of \$41,534,515 as of December 31, 2025. EDC also extended 2 other term loans to the Hawkesbury subsidiary: \$3 million in June 2024, with a balance of \$3,521,589 as of December 31, 2025, and \$2 million in January 2025, with a balance of \$2,075,864 as of December 31, 2025.

As of December 31, 2025, capital expenditures for the Hawkesbury facility totalled \$53,404,967 (net of depreciation) and the term loans with EDC totalled \$47,509,209. Construction was completed during the fiscal year 2022 and the facility is currently in its ramp-up phase. Please visit the Company's website at www.ecolomondo.com for updates on the Company's Hawkesbury facility.

The Hawkesbury facility is proving that it can manufacture consistent quality end-products that are sustainable, and repetitive orders clearly show that they are sustainable alternative to virgin products.

Shamrock TDP Facility

In line with its expansion strategy, the Company is also focused on its next TDP project, a six-reactor TDP facility to be located in Shamrock, Texas. Working in close collaboration with the Shamrock Economic Development Corporation, Ecolomondo entered into a binding land purchase agreement for a 136.76 acre parcel of land on I-40 in Shamrock for the proposed plant construction. In the binding agreement with the Shamrock Economic Development Corporation, Ecolomondo paid \$10.00 for the land in consideration for selecting Shamrock as the location for its US launch. Strategically situated in Wheeler County and close to major hubs such as Dallas and Oklahoma City, the land is conveniently located on Interstate 40, a major east–west Interstate Highway running through the south-central portion of the United States.

With the strong support of the local Shamrock Economic Development Corporation and the USDA, infrastructure works, US\$2.6 million were budgeted for gas, water and sewage, were performed in 2023 and completed in 2024.

The total budgeted cost of the Shamrock project is estimated at approximately US\$115 million. The Company expects that it will finance the project with a volume cap bond of up to US\$90 million from the State of Texas. To promote the sale of the Bond and prepare formal documentation, the Company has secured the services of E.F. Hutton & Co. as investment banker for the transaction. The Company is striving to break ground in the third quarter of 2027.

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

In a recent press release, on December 22, 2025, the Company announced it had secured sufficient feedstock for its planned Shamrock, Texas TDP facility, with multiple letters of intent executed with tire retailers and municipalities confirming committed volumes. The Company expects to collect tipping fees commonly paid by consumers for the safe and efficient disposal of scrap tires, as is the case for the Company's Hawkesbury TDP facility.

The Shamrock TDP project should greatly benefit from the experience gained during the construction of the Hawkesbury TDP facility and improve delivery lead times because of the Company's modular technology. Modular technology allows the Company to build future plants with lower capex, shorter lead times and reduced risk.

The Company announced on March 10, 2026, that it retained August Brown, LL.C. as independent risk advisor to support the development of its planned facility. August Brown will conduct an independent validation of the project's business plan and risk mitigation framework as part of preparations for the sale of the green bond supporting the project. August Brown's engagement will include a comprehensive feasibility study assessing business, operational, market, and financial risks associated with the project. Following completion of this phase, August Brown is expected to undertake a second stage focused on engineering, technology validation, and project execution risk. The independent review process is designed to enhance transparency, strengthen investor confidence, and support informed decision-making by bondholders and project partners.

The Company is continuously strategizing on the Shamrock project, especially seeking feedstock, offtake agreements and JV partners. The Shamrock facility will serve as the Company's flagship entry into the US market. Coupled with the production capacity of the Hawkesbury (Ontario) facility, the Company will produce over 21,000 metric tons of rCB per year. Management believes that this unprecedented production capacity of rCB will position Ecolomondo to become a leading supplier of recovered sustainable products.

Aresol (4 TDP facilities in Europe)

On December 2, 2024, the Company signed a non-binding letter of intent for a joint venture with ARESOL to build a 4-reactor TDP facility that could process 20,000 metric tons/year of end-of-life tires in Spain. After further discussions and following a detailed technical audit by ARESOL, the parties concluded in August 2025 a joint venture and EPC engineering agreement with ARESOL to build four TDP turnkey facilities in the European Union using Ecolomondo's TDP proprietary technology, with the first to be built in Valencia, Spain. Locations of the other three sites will be determined once necessary due diligence is performed by the parties with the focus on feedstock availability, tipping fees, offtake agreements and government support. The corporate structure is not yet set up as of the date of this document.

Subject to final documentation, the Agreement calls for the creation of a joint venture entity in Europe, with Ecolomondo and ARESOL expected to own 51% and 49%, respectively, of the joint venture corporation. The Board of Directors of the JV entity will consist of two representatives of Ecolomondo, two representatives of ARESOL, and one independent director.

ARESOL is a business group with over 40 years of experience in the renewable energy sector that develops, executes and operates renewable energy projects from conception to installation and operation. ARESOL has strong expertise in Engineering, Procurement, Construction ("EPC") and intends to develop and implement pyrolysis projects for end-of-use tires in Europe using Ecolomondo's proprietary pyrolysis TDP technology.

TDP is Environmentally Friendly – CO₂ Reduction

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

Results of Operations

Results of Operations for the Years Ended December 31, 2025 and 2024

Revenues

During the years ended December 31, 2025 and 2024, the Company had total revenues of \$1,427,835 and \$481,647, respectively, an increase of 196% in 2025 over the previous year. Revenues from the sale of end-products and tipping fees for the years ended December 31, 2025 and 2024 were \$1,299,424 and \$612,284, respectively. Other income include government assistance, interest income and foreign exchange gain/loss.

The increase of \$946,188 in revenues between the years ended December 31, 2025 and 2024 is due to (i) increased revenues from the sale of end-products and tipping fees of \$687,140 in the year ended December 31, 2025, compared to the year ended on December 31, 2024, which resulted from increased activities at the Hawkesbury TDP facility, and to (ii) a foreign exchange gain of \$116,073 in the year ended December 31, 2025, compared to a loss of \$223,359 in 2024.

General and administrative expenses

The Company's general and administrative expenses reflect all expenses that management considers overhead and administrative salaries and excludes expenses related to the construction and commissioning of the Hawkesbury TDP facility, which are expensed or capitalized in "Property, plant and equipment". Administrative expenses include also Stock-based compensation, municipal tax, office expenses, corporate and stock exchange fees, salaries and short-term benefits, travel, meals and representation, marketing and advertising, foreign exchange and miscellaneous.

General and administrative expenses were \$1,193,691 for the year ended December 31, 2025 compared to \$1,021,784 for the year ended December 31, 2024. General and administrative expenses increased by \$171,907 mostly due to (i) an increase of \$254,642 in Corporate & Stock exchange fees between the two periods and to (ii) an increase in office expenses of \$116,175 between the two periods, partially offset by (iii) a decrease in municipal tax of \$234,939, which was \$234,939 in the year ended December 31, 2024 compared to nil in the year ended December 31, 2025.

Operating expenses

Operating expenses include expenses related to general operations of the Company and its subsidiaries. Operating expenses consist primarily of expenses for salaries and other short-term benefits, depreciation of building, maintenance and repairs, insurance, professional fees, utilities, freight and custom duties, depreciation of right of use asset, depreciation of equipment and other plant expenses.

The Company expenses all operating expenses as they are incurred when they do not meet the criteria for capitalization. Operating expenses for the year ended December 31, 2025 were \$4,575,508, compared to \$2,841,694 for the year ended December 31, 2024. The increase of \$1,733,814 is mainly attributable to (i) an increase in Salaries and short-term benefits of \$869,733 between the two periods, to (ii) a legal settlement of \$440,557 in the year ended December 31, 2025, compared to nil in the year ended December 31, 2024, and to (iii) an increase in utilities of \$230,894 for the year ended December 31, 2025 compared to the year ended December 31, 2024, partially offset by (iv) a decrease of \$243,589 in maintenance and repairs, which was \$80,885 for the year ended December 31, 2025 compared to \$324,474 for the year ended December 31, 2024.

Financial expenses

Financial expenses for the year ended December 31, 2025 totalled \$1,546,982 for the fiscal year 2025, compared to \$989,383 for the year ended December 31, 2024. Financial expenses represent interest on long-

term debt and, for the fiscal year 2025, it also includes a financing expense of \$17,994 incurred for capital raises. The increase of \$539,605 in interest on long-term debt is due to a larger term loan in the fiscal year 2025, which was \$47,509,209 as of December 31, 2025, compared to \$43,051,014 as of December 31, 2024.

For the year ended December 31, 2025, the Company capitalized interest of \$5,100,694 on its long-term debt, and \$3,533,512 for the year ended December 31, 2024.

The Company and EDC amended the terms of its long term-debt in 2024 and in 2025. 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 gain on debt revaluation of \$547,101 has been recognized in the consolidated statements of loss and comprehensive loss for the year ended December 31, 2024, and a gain on debt modification of \$2,518,601 for the year ended December 31, 2025.

Gain on revaluation of warrant liabilities

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

The expiry date and exercise price of these Warrants were modified to the benefit of shareholders in September 2024. The TSX Venture Exchange approved to extend the expiry date of the Warrants by an additional 2 years, which is now September 24, 2026, and to reduce the exercise price of the said warrants from \$1.00 to \$0.24.

A gain on revaluation of warrant liabilities is recorded in the Consolidated Statements of Loss and Comprehensive Loss for an amount of \$55,383 for the year ended December 31, 2025 (\$182,240 loss for the year ended December 31, 2024).

Loss before income taxes

The operating loss for the year ended December 31, 2025 was \$3,314,362 compared to a loss of \$4,006,353 for the year ended December 31, 2024. The decrease of \$691,991 in the loss for the year ended December 31, 2025 compared to the year ended December 31, 2024 is mostly attributable to (i) a gain on long-term debt modification of \$2,518,601 during the year ended December 31, 2025, to reflect the revised terms from the amendments of the existing debt with EDC, compared to \$547,101 in the year ended December 31, 2024, and to (ii) an increase of \$946,188 in revenues between the two periods, partially offset by (iii) an increase of \$1,733,814 in operating expenses between the two periods and by (iv) an increase of \$557,599 in financial expenses between the two periods.

Income taxes

For both the years ended December 31, 2025 and 2024, the Company had no current income tax expense. The Company had deferred income tax recovery of nil for both years ended December 31, 2025 and 2024.

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 comprehensive loss	December 31, 2025
	\$	\$	\$
Deferred tax liabilities (assets)	-	-	-
Non-current assets			
Equipment	-	-	-
	-	-	-
	-	-	-
	\$	\$	\$
Deferred tax liabilities (assets)	-	-	-
Non-current assets			
Equipment	-	-	-
	-	-	-
	-	-	-

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, 2024:

	\$
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
16,090,977

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)
	-	-
	-	-

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.

Results of Operations for the Three-Month Periods Ended December 31, 2025 and 2024

Revenues

During the quarters ended December 31, 2025 and 2024, the Company had total revenues of \$469,394 and \$71,965, respectively. Revenues from the sale of end-products (TDP oil, tipping fees, rCB and steel) were \$434,448 and \$225,389 for the three-month periods ended December 31, 2025 and 2024, respectively, an increase of 192%.

General and administrative expenses

The Company's general and administrative expenses reflect all expenses that management considers overhead and administrative salaries and excludes expenses related to the construction and commissioning of the Hawkesbury TDP facility, which are expensed or capitalized in "Property, plant and equipment". Administrative expenses include also Stock-based compensation, municipal tax, office expenses, corporate and stock exchange fees, salaries and short-term benefits, travel, meals and representation, marketing and advertising, foreign exchange and miscellaneous.

General and administrative expenses increased by \$416,842 between the two periods. They were \$563,895 for the quarter ended December 31, 2025, compared to \$147,053 for the quarter ended December 31, 2024. The increase is primarily due to a stock-based compensation of \$389,757 during the quarter ended December 31, 2025, compared to \$159,778 during the quarter ended December 31, 2024.

Operating expenses

Operating expenses include expenses related to general operations of the Company and its subsidiaries. Operating expenses consist primarily of expenses for salaries and other short-term benefits, depreciation of building, maintenance and repairs, insurance, professional fees, utilities, freight and custom duties,

depreciation of right-of-use asset, depreciation of equipment and other plant expenses.

The Company expenses all operating expenses as they are incurred when they do not meet the criteria for capitalization. Operating expenses for the quarter ended December 31, 2025 were \$1,260,718, compared to \$1,001,401 for the same quarter ended December 31, 2024. The increase of \$259,317 between the 2 periods is mostly attributable to (i) a legal settlement of \$440,557 recorded in the quarter ended December 31, 2025, and to (ii) an increase of \$127,968 in salaries and short-term benefits, which were \$499,328 for the quarter ended December 31, 2025, compared to \$371,360 for the same period in 2024.

Financial expenses

Financial expenses for the three-month period ended December 31, 2025 are \$423,634, compared to \$182,874 for the same period in 2024, an increase of \$240,760 between the two periods.

Loss before income taxes

Loss before income taxes were \$1,697,712 for the three-month period ended December 31, 2025, compared to a loss of \$727,722 during the same period ended December 31, 2024. The increase of \$969,990 between the two periods is mainly attributable to (i) an increase of \$416,842 in general and administrative expenses between the two periods and to (ii) a decrease of \$523,709 of gain on long term debt modification between the two periods, partially offset by (iii) an increase of \$397,429 in revenues between the two periods.

Income taxes

For both the three-month periods ended December 31, 2025 and 2024, the Company had no current income tax expense. The Company had deferred income tax recovery of nil for both quarters ended December 31, 2025 and 2024.

Cash Flows

Cash Flows for the Years Ended December 31, 2025 and 2024

	Cash Flows	
	Year ended	
	December 31, 2025	December 31, 2024
	\$	\$
Operating Activities	(2,483,353)	(3,370,086)
Investing Activities	(1,947,947)	(1,641,605)
Financing Activities	4,322,165	5,042,750
Net Increase (Decrease) in Cash	(109,135)	31,059

Operating Activities: Net cash used by the Company's operating activities during the year ended December 31, 2025 decreased by \$886,732 compared to the year ended December 31, 2024, primarily due to (i) a gain on long-term debt modification of \$2,518,601 in the year ended December 31, 2025, compared to a gain of \$547,101 in the year ended December 31, 2024, and by (ii) a decrease of \$691,991 in the Net loss between the two periods, partially offset by (iii) a positive variance in changes in working capital items of \$2,151,624 between the two periods and by (iv) an increase of \$539,604 in interest on long term debt.

Investing Activities: Net cash used for investing activities during the year ended December 31, 2025 increased by \$306,342 compared to the year ended December 31, 2024, which is due to Acquisition of property, plant and equipment, which totalled \$1,947,947 for the year ended December 31, 2025 and \$1,641,605 in the year ended December 31, 2024.

Financing Activities: During the year ended December 31, 2025, cash flows provided by financing activities decreased by \$720,585, which was \$4,322,165 for the year ended December 31, 2025, compared to \$5,042,750 in the year ended December 31, 2024. This decrease came mostly from (i) the issuance of long-term debt of \$1,896,102 in the year ended December 31, 2025, compared to \$3,000,000 in the year ended December 31, 2024 and from (ii) a decrease of \$540,274 in advances from a company under common control in the year ended December 31, 2025 compared to the year ended December 31, 2024, partially offset by (iii) an increase of \$924,403 in proceeds from private placements, which were \$1,431,063 in the year ended December 31, 2025, compared to \$506,660 in the year ended December 31, 2024.

The Company anticipates its material liquidity needs in the near and intermediate term to consist of the following:

- Working capital needs, including operating expenses and costs associated with research and development and future developments and the commercialization of the TDP technology;
- Funding the commissioning and production of the Hawkesbury TDP facility.

The Company does not anticipate paying any cash dividends on its capital stock in the foreseeable future as it currently expects to retain all future earnings, if any, in the operation and expansion of its business.

Cash Flows for the Three-Month Periods Ended December 31, 2025 and 2024

	Three-Month Periods ended	
	Dec 31, 2025	Dec 31, 2024
	\$	\$
Operating Activities	(776,123)	(1,050,928)
Investing Activities	(117,334)	(162,768)
Financing Activities	849,988	307,025
Net Increase (decrease) in Cash	(43,469)	(906,671)

Operating Activities: Net cash used by the Company's operating activities during the quarter ended December 31, 2025 decreased by \$274,805 compared to the same period ended December 31, 2024, mostly due to (i) a decrease on gain on debt revaluation of \$523,709 between the two periods and to (ii) a positive variance in changes in working capital items, which were a positive variance of \$130,145 in the fourth quarter of 2025, compared to a negative variance of \$372,317 in the fourth quarter of 2024, partially offset by (iii) an increase of \$969,990 in the net loss during the fourth quarter of 2025 compared to the same quarter in 2024.

Investing Activities: Net cash used for the Company's investing activities during the quarter ended December 31, 2025 decreased by \$45,434 compared to the same period ended December 31, 2024. The decrease in cash used for the Company's investing activities is due to a decrease in "Acquisition of property, plant and equipment" of that same amount between the two periods.

Financing Activities: Net cash provided by the Company's financing activities during the quarter ended December 31, 2025 increased by \$542,963 compared to the same period ended December 31, 2024, essentially due to an increase of \$562,963 in Advances from a company under common control between the two periods.

Assets, Liabilities and Shareholders' Equity

As of December 31, 2025, total assets were \$54,016,440, compared to \$49,680,318 as of December 31, 2024. The primary reason for the increase of \$4,336,122 in total assets between December 31, 2025 and December 31, 2024 was an increase of \$5,003,653 in “Property, plant and equipment”.

As of December 31, 2025, total liabilities were \$55,529,311, compared to \$49,781,034 as of December 31, 2024. The increase of \$5,748,277 in total liabilities between the two periods is mostly due to (i) an increase of \$4,461,195 in long-term debt (current and non-current portions) and to (ii) an increase of \$1,015,000 in advances from a company under common control (current and non-current portions) on December 31, 2025 compared to December 31, 2024.

The Company had a working capital deficit of \$9,469,944 as of December 31, 2025 compared to a working capital deficit of \$8,502,526 as of December 31, 2024. This increase of \$967,418 in working capital deficit between the two periods is mostly attributable to (i) an increase of \$1,427,839 in Current portion of long-term debt between the two periods, and by (ii) a decrease of \$517,830 in Prepaid expenses and deposits as of December 31, 2025 compared to December 31, 2024, partially offset by (iii) a decrease in the current portion of advances from a company under common control of \$1,585,274, which were nil as of December 31, 2025, compared to \$1,585,274 as of December 31, 2024.

As of December 31, 2025, the Company had an accumulated deficit of \$34,063,797 compared to an accumulated deficit of \$30,749,435 as of December 31, 2024. The \$3,314,362 increase in the accumulated deficit between the two periods is attributable to the net loss recorded for the year ended December 31, 2025.

Liquidity

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

As of December 31, 2025, the Company had cash on hand of \$10,196. However, on February 11, 2026, it announced in a press release that it has secured an additional credit facility of \$2.7 million from EDC for the Hawkesbury subsidiary, bolstering its cash on hand.

Besides the additional credit facility from the EDC of \$2.7 million, the Company expects to use a further \$2,000,000 during the next fiscal year, mostly for working capital and the continued ramp-up and improvements at its Hawkesbury facility. The Company continues to assess its working capital needs regularly. The Company expects to raise an additional \$2,000,000 in capital to bolster its cash during the fiscal year 2026.

Going Concern Assumption

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

Since inception, the Company has incurred operating losses. 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.

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.

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

Off-Balance Sheet Arrangements

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

Additional Financing Requirements

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

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

Long-Term Debt

The Company has government loans, for an amount of \$120,000 as of December 31, 2025, which is governmental support to Canadian companies for the COVID-19 crisis, with 5% interest per annum starting in 2023 and due in December 2026. The Company also committed to long-term debts related to the Hawkesbury TDP facility: (i) the balance of purchase price of the land, for an amount of \$80,000 as of December 31, 2025, which is payable in 10 equal annual installments of \$20,000, bearing interest at 3% per annum, (ii) the amount of \$41,534,515 on a term loan from EDC as of December 31, 2025, (iii) a term loan from EDC for an amount of \$3,521,589 bearing interest at fixed rate 8.5% per year, payable in 12 consecutive equal installments, maturing in December 2026, and (iv) a term loan from EDC for an amount of \$2,075,864 bearing interest at fixed rate 8.5% per year, payable in 24 consecutive equal installments, maturing in December 2027.

There are no restrictive covenants and ratios in the Company's long-term debt.

Seasonality

The Company expects neither its sales nor commercial production of TDP turnkey facilities to be subject to

seasonality. The Company also does not anticipate that its clients' production and sales of recovered carbon black, oil and steel, to be subject to seasonality either. However, selling and construction of TDP facilities may take longer than expected because the size and extent of the potential project may force clients to scrutinize or even delay their decision and, for these reasons, there may be volatility in the Company's sales of such facilities.

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 includes 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.

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:

	<u>Periods</u>
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.

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 periods 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 and other 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:

<u>Financial instruments</u>	<u>Classification and measurement basis</u>
Cash	Amortized cost
Trade and other receivables	Amortized cost
Trade and other payables	Amortized cost
Short-term loans	Amortized cost
Advances from company under common control	Amortized cost
Warrant liabilities	FVTPL
Lease liability	Amortized cost
Long-term debt	Amortized cost

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.

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.

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 recognised 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 recognised 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.

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.

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, 2024 and 2023, 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, 2024 and 2023.

Capitalization of property, plant and equipment under construction

The 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.

During the year, the Company completed the installation of carbon black line at its operating site facility. Although the equipment is now located 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 directly attributable 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;
- 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.

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.

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

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.

RISK FACTORS

The Company has identified certain significant risks relating to the business of the Company and the industry in which it operates. The following information is only a summary of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this MD&A. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently considers immaterial, may also impair the operations of the Company. If any such risks materialize into actual events or circumstances, the Company's assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. There is no assurance that risk management steps taken will avoid future loss due to the uncertainties described below or other unforeseen risks. An investment in Common Shares or other securities of the Company is highly speculative and involves a high degree of risk. Before making any investment decision, prospective investors should carefully consider all the information contained in this document including, in particular, the risk factors described below.

Certain factors may have a material adverse effect on the Company's business, financial condition and results of operations. Current and prospective investors should carefully consider the risks and uncertainties and other information contained in this MD&A, the 2025 consolidated Financial Statements, and in other filings that the Company has made and may make in the future with applicable securities authorities, and the Company's website at www.ecolomodo.com.

The risks and uncertainties described herein and therein are not the only ones the Company may face. Additional risks and uncertainties that the Company is unaware of, or that the Company currently believes are not material, may also become important factors that could adversely affect the Company's business. If any of such risks actually occur, the Company's business, financial condition, results of operations, and future prospects could be materially and adversely affected. In that event, the trading price of the Common Shares could decline, and the Company's securityholders could lose part or all of their investment.

Risks Related to the Company's Business and Industry

Operating income (Loss), negative Operating cash flow and high level of indebtedness.

The Company has a history of losses and negative cash flows. The Company has a net loss of \$3,314,362, net decrease in cash flows of \$109,136, and an accumulated deficit of \$34,063,797 at December 31, 2025, and in addition the Company has a high level of indebtedness. To the extent that the Company has net losses and negative operating cash flow in future periods, it may need to raise additional funds through the issuance of equity or debt securities. There can be no assurance that the Company will be able to generate a positive cash flow from its operations, that additional capital or other types of financing will be available when needed or that these financings will be on terms favourable to the Company.

Risks Related to the Repayment of the Restructured Loan

The Company's ability to continue as a going concern is dependent upon its ability in the future to grow its revenue, achieve profitable operations, successfully developing and introducing new products and, in the meantime, to obtain the necessary financing to meet its obligations and repay its liabilities when they become due. While the Company has been successful in securing financing in the past, raising additional funds is dependent on a number of factors outside the Company's control, and as such there is no assurance that it will be able to do so in the future. External financing, predominantly by the issuance of equity and debt, might be sought to finance the operations of the Company; however, there can be no certainty that such funds will be available at terms acceptable to the Company, or at all. If the Company is unable to obtain sufficient additional financing, it may have to curtail operations and development activities, any of which could harm the business, financial condition and results of operations.

Revenue Risks

The Company may experience delays in achieving revenues, based on past delays with ramp-up of production. Revenues may be delayed or negatively impacted by issues encountered by the Company or its clients including unforeseen engineering and/or environmental problems, delays or inability to obtain required financing, supply interruptions and/or labour disputes, foreign exchange fluctuations and/or collection risk, and competition from other suppliers.

There is no assurance that the business will perform as expected or that returns from the business will support the expenditures needed to develop it, however Management considers these risks as moderate for reasons explained throughout this document and because issues encountered during initial ramp-up have mostly been addressed already.

Litigation and Administrative Proceedings

The Company may from time to time become party to litigation in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the market price for the Common Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources. Litigation may also create a negative perception of the Company's brand.

FINANCIAL RISKS

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

Foreign currency risk

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

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

	December 31, 2025	December 31, 2024
	\$	\$
Financial assets	164,394	81,979
Financial liabilities	<u>(2,764,341)</u>	<u>(2,988,824)</u>
Total exposure	<u>(2,599,947)</u>	<u>(2,906,845)</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 \$129,874 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 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
+ 1% movement in interest rates	-	(12,500)
- 1% movement in interest rates	-	12,500

Credit risk

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

Financial assets that potentially subject the Company to credit risk consist primarily of cash, and trade and other receivables for a total amount of \$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 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	<u>47,509,209</u>	<u>64,997,757</u>	<u>4,981,227</u>	<u>60,016,530</u>	-
	51,777,151	69,265,699	6,648,895	62,616,804	-

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	<u>43,051,014</u>	<u>51,439,695</u>	<u>3,292,671</u>	<u>48,147,024</u>	-
	45,853,543	54,242,224	6,095,200	48,147,024	-

Related Party Transactions

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

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

On January 2, 2024, \$3,498,853 of advances from a company under common control were 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. 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. at December 31, 2025, are unsecured bearing interest at 8.5% and due on October 2027.

Transactions with key management personnel

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

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.

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.

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.

Additional Information

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