Ecolomondo Corporation

MANAGEMENT'S DISCUSSION & ANALYSIS

May 28, 2024

The following management's discussion and analysis ("MD&A") of the operations, results, and financial position of Ecolomondo Corporation (the "**Company**"), dated May 28, 2024, covers the three-month periods ended March 31, 2024 and 2023 and should be read in conjunction with the audited annual consolidated financial statements as at and for the year ended December 31, 2023 and the unaudited interim condensed consolidated financial statements of the Company including its subsidiaries Ecolomondo Environmental (Contrecoeur) Inc., Ecolomondo Environmental (Hawkesbury) Inc., 9083-5018 Québec Inc. and Ecolomondo Process Technologies Inc. for the same periods, which were prepared in accordance with International Financial Reporting Standards **("IFRS").** Additional information on the Company is also available on SEDAR at www.sedar.com.

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

Forward-looking statements

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

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

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

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

- *volatility in the market conditions and the global economy;*
- *incorrect assessments of the value of acquisitions;*
- *due diligence reviews; and*
- *competition for suitable acquisitions.*

Overall Performance

Ecolomondo Corporation was incorporated on September 30, 2015 under the Canada Business Corporations Act and is listed on the TSX Venture Exchange (the "**Exchange**") since October 2017 under the symbol ECM. The Company is a clean tech company that is marketing its proprietary Thermal Decomposition technology ("**TDP**"), a truly Canadian endeavor, that recovers marketable resources from end-of-life tires, namely steel, oil, carbon black, syngas and fiber. During the first quarter ended March 31, 2024, the Company continued to work on process optimization, efficiency, safety, end-product processing and commissioning at its new TDP facility in Hawkesbury (Ontario, Canada), and continued its production ramp-up. To find out more about the Company and its technology, visit its website at www.ecolomondo.com.

On January 2, 2024, the Company announced that it had executed an agreement to restructure its original loan agreement (the "**Restructured Loan**") with Export Development Canada ("**EDC**"). The original loan took effect on April 3, 2019, for an amount of $32.1 million, to finance the construction of the Company's first of its kind new turnkey thermal decomposition facility in the Town of Hawkesbury, Ontario (the "**Hawkesbury facility**") to process end-of-life tires to produce re-usable resources. The Restructured Loan matures in May 2029 and caps the interest rate at 8.5%, based on a twenty-five-year amortization. Accumulated interest on the original loan until May 1, 2024, will be capitalized to the Restructured Loan without additional interest if both the Loan and the accumulated interest are paid back by the maturity date.

On January 2, 2024, the Company announced that a company controlled by the Company's controlling shareholder, Executive Chairman and Director Elio Sorella, converted previous loans made to the Company, totaling $3,498,853 into 25,917,430 voting Common Shares at the price of 13.50 cents, which was the closing price of 18 cents on January 2, 2024, discounted by 25%, in accordance with TSXV policies. In the press release, the Company also informed that the controlling shareholder intended to advance a further amount of up to $1 million, with a term of one year having an interest rate of 8.5% per annum to be used to cover the Company's working capital needs. The Shares-For-Debt agreement was approved by the market authorities later in January 2024.

During the quarter ended March 31, 2024, the Company continued to make important milestones during its ramp-up at its Hawkesbury TDP turnkey facility. Because of delays in the Hawkesbury commercialization, the Company decided in late 2023 to delay the beginning of construction at its Shamrock, Texas, TDP turnkey facility, now expected to begin only by the second quarter of 2025. The Company continued to promote its TDP proprietary technology to strategic partners while it is strategizing to select potential future sites and investors to build TDP turnkey facilities, all as part of its global expansion strategy.

Current events at the Hawkesbury TDP Facility

The Hawkesbury facility building is 46,200 sq.ft and has an impressive indoor clearance of 28 feet. It is state-of-the-art and houses 4 main production departments, tire shredding, thermal decomposition, recycled carbon black refining and oil fractionation. Once fully operational, this facility is expected to process 1.3M of scrap tires per year and produce 8.7M lbs of recovered carbon black, 34,608 barrels of oil, 2.9M lbs of steel, and 2.6M lbs of process gas.

The Company started performing tests in the thermal decomposition department in January 2023. Initial tests were very positive and they allowed the technical teams to identify and take immediate corrective actions successfully leading to improved efficiency and larger payloads. Tests were performed in both Reactors 1 and 2, with payloads beginning initially at 1,600 lbs, gradually increasing reactor payloads to reach the optimal goal of 15,000 lbs per production cycle.

Since then, the Company continued to make extensive improvements at its Hawkesbury facility, all leading to greater efficiency. During this time, the Company focused on improving output of the tire shredding line, reactor evacuation, reactor loading and recovered carbon black post-processing systems, with the goal of achieving the coveted output and efficiency.

In January 2024, the Company announced the start of ramp-up of operations. As ramp-up gains momentum, the Company expects the Hawkesbury TDP facility to gradually improve cash flow and to become cash flow neutral (before debt servicing), at 2 batches per day.

On March 1, 2024, the Company announced that it reached another milestone when it performed simultaneous batches of 16,000 lbs in each of its two reactors and in full automatic mode. This important step in the ramp-up of the Hawkesbury TDP facility confirms many key elements of Ecolomondo's technology, in particular: the Company's investments in the automation have led to process efficiency and ensure output optimization. The control system allows for the least amount of human interface and the total supervision of the entire TDP process and all process parameters of both reactors to produce batches of 16,000 lbs each, within the expected processing timeframe of 8 hours.

During the period, the company continued to expand its personnel at the Hawkesbury facility, adding professionals, mechanics, operators, burner specialists, and maintenance personnel. These additional personnel will lead to improved efficiency and ensure that the Hawkesbury facility has the personnel in place to fully ramp-up the facility.

As the Company began to ramp-up its production, it became aware that its recovered carbon black milling line did not have the capacity of producing the required throughput of 1,600 lbs per hour of recovered carbon black and to produce the needed particle size of 15 microns. The Company identified the deficiency and immediately and took action, it is currently working to correct these issues and should soon have it all resolved.

While these corrective measures will cause some delay to Hawkesbury's full commercialization, management believes that all should be completed by the beginning of the third quarter of 2024. During this period, the Company plans to keep shredding scrap tires, selling the steel and the pyrolysis oil, and producing recovered carbon black.

Since initial tests of reactors in January 2023, the Company continued to make extensive improvements and capital expenditures, all leading to greater efficiency of the plant overall. The Company improved the throughput of the tire shredding line, reactor evacuation and reactor loading, achieving the desired thresholds. Most capital upgrades have now been completed and the Company is now focusing on improving the recovered carbon black post-processing systems and its efficiency, working to achieve the required quality and output.

Other Corporate Activities

In January 2024, the Company became listed on the OTCQB. Its common shares are now traded on the OTCQB Markets under the symbol "ECLMF" in the United States and continue to be traded on the TSX Venture Exchange under the symbol "ECM". The Company had applied for listing on the OTCQB Markets in October 2023. This significant step reaffirms Ecolomondo's commitment to expanding its global presence and improving accessibility to investors. This strategic move makes it easier for US investors to purchase the Company's stock, seamlessly. Trading in the US is a logical step, considering the Company's US objectives starting with its next project, a six-reactor TDP facility slated to be built in Shamrock, Texas.

The Company expects its revenues to come from the design, build and operation of TDP turnkey facilities, royalties from their operation, 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, fiber and steel. During the period, the Company has made considerable inroads in securing offtake customers for its recovered carbon black, known as "Mondo Black", for its oil, known as "Mondo Crude", its steel and fiber, both domestically and internationally. For more information on the TDP recovered products, please visit the Company's website at www.ecolomondo.com.

Recovered carbon black is the end-product that has the highest commercial value. Ecolomondo's process and its optimization ensures a percentage of recovered carbon black production of between 36% and 38% of reactor payloads. 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, partially caused by the global geo-political events, 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 CO_2 emissions by approximately 90% compared to production of virgin carbon black. The strengthening demand and a tightening supply for virgin carbon black, caused by the geo-political events such as the Ukraine war and strong consumer demand, have set the stage for greater demand and higher prices for Ecolomondo's rCB, 'Mondo Black'. Current value of rCB is estimated at approximately US$ 1,200 – 1,400 per metric ton.

The other end-products of the Company's TDP facilities are also commodities that have strong global markets. The oil is comparable to a refined quality synthetic oil being high in carbon could be used to produce green virgin carbon black, solvents and polymers. Current value of Mondo oil is estimated at approximately US$ 70 – 90 per barrel, and the steel, at US$ 340-360 per metric ton, respectively.

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

The current global market conditions and the current geo-political global instability have created tight supply of virgin products that set the stage for higher pricing which should eventually translate into higher revenues for the Company.

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

Global Instability and its impact on the Company

The world economy may still be impacted by the tailwinds of the COVID-19 pandemic, chronic geo-political instability and a slowing global economy, and even though the Company takes all necessary precautions needed to mitigate any negative impact brought about by these events, the Company advises that it is impossible to determine with accuracy the impact they may bring to the Company and its results.

Significant Projects That Have Not Yet Generated Revenues

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

With the completion and start of operations of the Hawkesbury facility, the Company decided during the first quarter of 2024 to dismantle the Contrecoeur facility and transferred some re-usable equipment to the Hawkesbury facility. Dismantling and demolition of the Contrecoeur facility was completed by early May 2024.

This decision is not expected to have any major financial impact to the Company since all equipment in Contrecoeur is already fully depreciated.

Hawkesbury facility:

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

On April 3, 2019, the Company and EDC announced a loan agreement of $32.1 million in project financing for the construction of the Hawkesbury facility while a groundbreaking ceremony was held on August 21, 2019, and financial closing of the agreement was successfully executed on December 23, 2019. As mentioned above, this loan agreement was replaced by a Restructured Loan agreement on December 22, 2023.

As of March 31, 2024, the property, plant and equipment for the Hawkesbury facility totaled $45,481,969, net of depreciation. Because of the restructuring, the term loan with EDC now stands at $37,773,738. The Company contributed equity of $12,758,858 as of March 31, 2024, mostly used to build, ramp-up and commission the Hawkesbury facility.

Construction was completed during the fiscal year 2022 and the facility is currently in final commissioning and has begun its ramp-up phase. Please visit the Company's website at www.ecolomondo.com for updates on the Company's Hawkesbury facility.

The Company believes that the successful commercial operation of the Hawkesbury facility as a TDP turnkey facility is an important step in the Company's growth strategy and management expects that by achieving this milestone, it should help bring global attention and help drive the Company's global expansion goals.

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

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

The Company made considerable headway on its Shamrock, Texas project, especially in the areas of financing, feedstock supply, offtake agreements and JV partner. The Shamrock facility will serve as the Company's flagship entry into the US market. Coupled with the production capacity of the Hawkesbury (Ontario) facility, the Company will produce over 21,000 metric tons of recovered carbon black per year. Management believes that this unprecedented production capacity of recovered carbon black will position Ecolomondo to become a leading industry player.

With the strong support of the local Shamrock Economic Development Corporation and the USDA, infrastructure works, budgeted at US$2.6 million for gas, water and sewage, have recently started and will soon be completed.

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

Because of delays in the Hawkesbury commercialization, the Company thought it best to delay the beginning of construction at its Shamrock, Texas, TDP turnkey facility, now expected to begin only by the second quarter of 2025.

TDP is Environmentally Friendly – CO_2 Reduction

By producing rCB, TDP reduces GHG emissions by 90% versus the production if virgin carbon black. The production of rCB at the Hawkesbury and Shamrock facilities will reduce CO_2 emissions by 22,400 and 67,200 tons per year, respectively.

Results of Operations

Results of Operations for the Quarters Ended March 31, 2024 and 2023

Revenues

During the quarters ended March 31, 2024 and 2023, the Company has revenues of $109,215 and $30,729, respectively. Revenue for both periods include initial sales from the Hawkesbury TDP facility and some interest income in relation to cash and cash equivalents. The increase of $78,486 is due to increased sales of end-products produced in the period ended March 31, 2024 compared to the period ended March 31, 2023.

General and administrative expenses

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

General and administrative expenses were $411,217 for the quarter ended March 31, 2024 compared to $157,395 for the quarter ended March 31, 2023. General and administrative expenses increased by $253,822 mostly due to (i) a stock-based compensation of $226,910 during the period ended March 31, 2024, compared to nil in the same period in 2023, partially offset by (ii) a decrease of $20,822 in foreign exchange gain between the two periods.

Operating expenses

Operating expenses include expenses related to general operations of the Company and its subsidiaries and research and development expenses. Research and development expenses consist primarily of expenses for personnel focused on finding and developing improved processes and operations, facility costs, lab materials and related overhead, incurred as a direct result of the efforts to keep improving and developing the TDP technology platform. Accordingly, the Company expects to incur ongoing research and development expenses.

The Company expenses all operating expenses, including research and development costs, as they are incurred and if they do not meet the criteria for capitalization.

Operating expenses for the quarter ended March 31, 2024 were $872,864, compared to $218,333 for the quarter ended March 31, 2023. Operating expenses increased by $654,531 mostly due to (i) salaries and other short-term benefits, which were $202,197 in the period ended March 31, 2024, compared to $31,531 in the same period in 2023, when they we mostly capitalized in the cost of the Hawkesbury facility, and to (ii) depreciation of the Hawkesbury building, which was $129,000 in the period ended March 31, 2024, compared to nil in the same period in 2023 because it was still in construction, partially offset by (iii) a decrease of $150,057 in the depreciation of equipment, which was $150,057 for the Contrecoeur facility in the first quarter of 2023, compared to nil in the first quarter of 2024 because the equipment of the Hawkesbury facility is not yet depreciated.

Loss before income taxes

The loss before income tax for the quarter ended March 31, 2024 was $1,531,713 compared to a loss of $297,602 for the quarter ended March 31, 2023. The increase of $1,234,111 in the loss for the quarter ended March 31, 2024 compared to the quarter ended March 31, 2023 is mostly attributable to (i) an increase in operating expenses of $654,531 during the quarter ended March 31, 2024 compared to the quarter ended March 31, 2023, (ii) an increase in financial expenses of $342,310 during the quarter ended March 31, 2024 compared to the quarter ended March 31, 2023 and to (iii) an increase in general and administrative expenses of $253,822 during the quarter ended March 31, 2024 compared to the quarter ended March 31, 2023, partially offset by (iv) an increase of $78,486 in revenues between the two periods.

Gain on revaluation of warrant liability

In September 2021, the Company raised capital with a non-brokered private placement, consisting of 6,153,845 units at a price of $0.65 per Unit for gross proceeds to the Company of $4,000,000. Each Unit is comprised of one common share and one-half of one share purchase Warrant. Each whole Warrant entitles the holder to acquire one additional common share in the capital of the Company at a price of $1.00 per Warrant Share, for a period of three years from the date the Units are issued. However, considering the Corporation may reduce the Exercise Price of the Warrants, the warrants were recorded at fair value on the day of issue as a liability and then revalued on December 31, 2021. A gain on revaluation of warrant liability is recorded in the Consolidated Statements of Loss and Comprehensive Loss for an amount of nil for the quarter ended March 31, 2024 ($61,934 for the quarter ended March 31, 2023).

Income taxes

For both the quarters ended March 31, 2024 and 2023, the Company had no current income tax expense. The Company had deferred income tax recovery of $36,143 for the quarter ended March 31, 2023 and nil for the quarter ended March 31, 2024.

Cash Flows for the Three Months Ended March 31, 2024 and 2023

Cash Flows

	Three-Month Periods ended	
	March 31, 2024	**March 31, 2023**
	$	$

Operating Activities	(746,273)	(574,581)
Investing Activities	(446,334)	(80,212)
Financing Activities	1,108,034	940,637
Net Increase (Decrease) in Cash	**(83,757)**	**285,844**

Operating Activities: Net cash used by the Company's operating activities during the quarter ended March 31, 2024 was $746,273, compared to $574,581 during the same period ended March 31, 2023. This increase of $171,692 in cash flow used by operating activities is mostly due to (i) an increase of $1,270,254 in the net loss for the quarter ended March 31, 2024 compared to the quarter ended March 31, 2023, partially offset by (ii) a negative variance in changes in working capital items of $5,441 for the quarter ended March 31, 2024 compared to a negative variation of $406,347 for the quarter ended March 31, 2023, and to (iii) an increase in the interest on long-term debt of $351,282, which was $351,282 for the quarter ended March 31, 2024 compared to nil for the quarter ended March 31, 2023.

Investing Activities: Net cash used for the Company's investing activities during the quarter ended March 31, 2024 increased by $366,122 compared to the same period ended March 31, 2023, due to higher investments in Property, plant and equipment during the quarter ended March 31, 2024.

Financing Activities: During the three-month period ended March 31, 2024, net cash provided by the Company's financing activities increased by $167,397 compared to the same period ended March 31, 2023, due to (i) the advance form a company under common control of $1,148,034 during the period ended March 31, 2024, compared to nil in the period ended March 31, 2023, partially offset by (ii) the issuance of units of $971,772 during the period ended March 31, 2023, which resulted from a private placement closed on January 16, 2023 for aggregate gross proceeds of $1,000,052.

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

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

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

Assets, Liabilities and Shareholders' Equity

As of March 31, 2024, total assets were $46,016,009, compared to $44,899,127 as of December 31, 2023. The increase of $829,342 in total assets between March 31, 2024 and December 31, 2023 is essentially due to an increase of $927,630 for property, plant and equipment.

As of March 31, 2024, total liabilities were $44,345,881, compared to $41,579,250 as of December 31, 2023. The decrease of $1,364,708 in total liabilities between the two periods is mostly due to (i) a decrease of $2,350,819 in advances from a company under common control, without interest, because $3,528,853 was transferred into common shares on a Shares-For-Debt agreement executed on January 2, 2024, partially offset by (ii) an increase of $765,126 in long-term debt between the two periods.

The Company had a working capital deficit of $7,083,103 as of March 31, 2024 compared to a working capital deficit of $9,136,778 as of December 31, 2023. This decrease of $2,053,675 in working capital deficit between the two periods is mostly due to (i) a decrease of $2,350,819 in advances from a company under common control, without interest, because $3,528,853 was converted into common shares on a Shares-For-Debt agreement executed on January 2, 2024 and to (ii) an increase of $321,250 in the current portion of long-term debt between the two periods. During the three-month period ended March 31, 2024, the Company has invested most of its funds in the Hawkesbury project. Management expects to return to positive working capital once the transaction with its joint venture partner Greg Matzel is completed.

As of March 31, 2024, the Company had an accumulated deficit totaling $29,441,079 compared to an accumulated deficit of $26,743,082 as of December 31, 2023. The $2,697,997 increase in the accumulated deficit is attributable to (i) the net loss of $1,531,713 recorded for the three-month period ended March 31, 2024 and to (ii) the issuance of share capital in the Shares-For-Debt agreement executed on January 2, 2024, because the market price of the shares on January 2, 204 was $0.18 whereas the shares were issued at the discounted price of 13.50 cents (discounted by 25%), in accordance with TSXV policies, resulting in a loss on settlement of $1,166,284.

Liquidity

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

As of January 2, 2024, the Company projected to use a further $4,500,000 until the end of the current fiscal year, mostly to fulfill capital purchases and working capital needs. During the first quarter, a company under common control, 3212521 Canada Inc., owned by the controlling shareholder, agreed to lend the Company $1.5 million.

As of March 31, 2024, the Company had cash on hand of $4,515 and available credit of $322,000 to fund working capital from 3212521 Canada Inc., a company controlled by the Company's controlling shareholder.

After securing the $1.5 million from 3212521 Canada Inc., the Company expects to need a further $3,000,000 to fulfill all of its cash requirements for the balance of the fiscal year 2024. On May 28, 2024, the Company announced, subject to final documentation, a loan of $3,000,000 from EDC to cover projected capital expenditures and working capital, needed for the balance of the fiscal year 2024. Concurrently, the Company reached an agreement in principle with EDC, subject to final documentation, to a payment holiday for the capital and interest on the project Loan of $37,773,738, structured in the following way:

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

Going Concern Assumption

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

Since inception, the Company has incurred operating losses. The Company has an accumulated deficit of $29,441,079 as of March 31, 2024, and $26,743,082 as of December 31, 2023, as well as negative working capital. The Company has completed the construction of its Hawkesbury plant, however it has not been able to complete its ramp-up to enable the Company to establish a stabilized source of revenue sufficient to cover operating expenses. Based on the current level of expenditures and available liquidity, management estimates that the Company will require additional financing within the next twelve months.

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

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

Off-Balance Sheet Arrangements

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

Additional Financing Requirements

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

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

Long-Term Debt

As of March 31, 2024, the Company's long-term debt includes (i) government loans, totaling $180,000, having an annual interest of 5%, maturing in December 2025, (ii) the balance of purchase price of the land in Hawkesbury, for an amount of $80,000 as of March 31, 2024, payable in equal annual installments of $20,000, bearing interest at 3% per annum, and (iii) advances in the amount of $37,773,738 on a term loan from EDC as of March 31, 2024.

Seasonality

The Company expects neither its sales nor commercial production of TDP turnkey facilities to be subject to seasonality. The Company also does not anticipate that its clients' production and sales of carbon black substitute, oil and steel, to be subject to seasonality either. However, selling and construction of TDP facilities may take longer than expected because the size and extent of the potential project may force clients to scrutinize or even delay their decision and, for these reasons, there may be volatility in the Company's sales of such facilities.

Basis of presentation

The unaudited interim condensed consolidated financial statements present the Company's consolidated balance sheet as of March 31, 2024, as well as its consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the three-month periods ended March 31, 2024 and 2023.

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting and are expressed in Canadian dollars. Accordingly, certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), have been omitted or condensed. These interim condensed consolidated financial statements use the same accounting policies, except for the adoption of the new accounting standard discussed below, and use the same methods of computation as compared with the Company's most recent annual audited consolidated financial statements. Since the date of such financial statements, there have been no changes to the Company's significant accounting policies, except for the adoption of the new accounting standard described below. There are no new accounting pronouncements issued during the period which might have a material impact on the Company's interim condensed consolidated financial statements.

These interim condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary to present a fair statement of the results for these interim periods. These adjustments are of a normal recurring nature.

These interim condensed consolidated financial statements were authorized for issuance by the Company's Board of Directors on May 28, 2024.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and those of Ecolomondo Environmental (Contrecœur) Inc, Ecolomondo Environmental (Hawkesbury) Inc. (incorporated in 2018) and 9083-5018 Quebec 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.

Standards, amendments and interpretation to existing standards that are not yet effective

At the date of authorization of these interim condensed consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published by the International Accounting Standards Board but are not yet effective, and have not been early adopted by the Company.

Any other new standards and interpretations that have been issued are not expected to have a material impact on the Company's consolidated financial statements.

Risk Factors

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

Certain factors may have a material adverse effect on the Company's business, financial condition and results of operations. Current and prospective investors should carefully consider the risks and uncertainties and other information contained in the MD&A related to the consolidated financial Statements for the fiscal year ended December 31, 2023, and in the MD&A related to the unaudited financial statements for the quarter ended March 31, 2024, and in other filings that the Company has made and may make in the future with applicable securities authorities, and the Company's website at www.ecolomodo.com.

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

Risks Related to the Company's Business and Industry

Operating income (Loss), negative Operating cash flow and high level of indebtedness. Prior to March 31, 2024, the Company had a history of losses and negative cash flows. During the quarter ended March 31, 2024, the Company has a net loss of $1,531,713, cash flows used in operations of $746,273, and an accumulated deficit of $29,441,079 at March 31, 2024, and in addition the Company has a high level of indebtedness. To the extent that the Company has net losses and negative operating cash flow in future periods, it may need to raise additional funds through the issuance of equity or debt securities. There can be no assurance that the Company will be able to generate a positive cash flow from its operations, that additional capital or other types of financing will be available when needed or that these financings will be on terms favorable to the Company.

Risks Related to the Repayment of the Restructured Loan

The Company's ability to commence the repayment of the Restructured Loan in May 2024 is subject to its ability to successfully refinance and amend the Restructured Loan, which are currently the subject of discussions with its lender.

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

Revenue Risks

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

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

Litigation and Administrative Proceedings

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

Related Party Transactions

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

Transactions with key management personnel

Key management of the Company are the members of the Board of Directors, as well as officers of the Company. Key management personnel remuneration for the three-month periods ended March 31, 2024 includes salary compensation amounting to $17,634 ($39,593 for the three-month period ended March 31, 2023).

Additional Information

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