



EcoSynthetix Reports First Quarter 2020 Results

Burlington, Ontario, May 6, 2020 - EcoSynthetix Inc. (TSX: ECO) (“EcoSynthetix” or the “Company”), a renewable chemicals company that produces a portfolio of commercially proven bio-based products, today announced its financial and operational results for the three months (Q1 2020) ended March 31, 2020. Financial references are in U.S. dollars unless otherwise indicated.

Highlights

- Recorded net sales of \$4.2 million, down 5%, in Q1 2020 supported by volume growth of 6%, compared to the same period in 2019
- Generated positive cash flow from operations of \$0.6 million in Q1 2020, an improvement of more than \$0.6 million compared to the same period in 2019
- Recorded Adjusted EBITDA loss of \$0.2 million in Q1 2020, compared to a loss of \$0.1 million for the same period in 2019
- Purchased and cancelled 356,900 common shares for total consideration of \$0.5 million under the normal course issuer bid during Q1 2020
- Maintained a strong balance sheet with cash and short-term investments of \$43.0 million as at March 31, 2020

“The health and safety of our employees and our ability to continue to serve our customers with our proprietary bio-based polymers for their essential end markets are our highest priorities as we move through the COVID-19 pandemic,” said Jeff MacDonald, CEO of EcoSynthetix. “Our core operations and toll-manufacturing partners continue to produce. The impact of the pandemic on our primary end market of paper and paperboard is difficult to determine due to the overall softness the sector was experiencing prior to the outbreak. We remain focused on disciplined cost management and our commercial activities with our customers in wood composites and personal care. The ongoing production runs and trials with strategic prospects in the wood composites market are proceeding as planned as key retailers are at the forefront of the change agenda from formaldehyde-based resins to No-Added Formaldehyde (NAF) resins, where our bio-based DuraBind™ alternative is well positioned.”

Financial Summary

Net Sales

Net sales were \$4.2 million for Q1 2020, compared to \$4.5 million in the same period in 2019. The 5% change was primarily due to lower average selling price due to a change in customer mix and unfavorable market pricing dynamics which reduced sales by \$0.5 million, or 11%. This result was partially offset by an increase in sales volume of \$0.3 million, or 6%.

Gross Profit

Gross profit was \$1.1 million for Q1 2020, compared to \$1.0 million in the same period in 2019. The 11% increase was primarily due to lower manufacturing costs partially offset by the impact of average selling price referenced above.

Gross profit as a percentage of sales was 26.0% for Q1 2020, compared to 22.2% in the same period in 2019. Gross profit as a percentage of sales adjusted for manufacturing depreciation was 29.8% for Q1 2020, compared to 25.5% in the same period in 2019. The improvements were primarily due to lower manufacturing costs.

Selling, General and Administrative

Selling, General and Administrative (SG&A) expenses were \$1.4 million in Q1 2020, compared to \$1.2 million in the same period in 2019. The 17% change was primarily due foreign exchange losses. During the 2020 period foreign exchange losses were \$0.1 million, compared to a foreign exchange gain of \$0.1 million in the 2019 period. Changes in foreign exchange are primarily due to fluctuations between the U.S. dollar (the Company's functional currency) and foreign currencies (primarily Canadian dollars) and the related impact on the net monetary position in those respective currencies.

Research and Development

Research and Development (R&D) expenses were \$0.4 million, which is comparable to same period in 2019. R&D expense as a percentage of sales was 9% for Q1 2020, compared to 10% in the same period in 2019. The Company's R&D efforts continue to focus on further enhancing value for its existing products and expanding addressable opportunities.

Net Loss

Net loss was \$0.4 million, or \$0.01 per common share, for Q1 2020, which is comparable to the same period in 2019.

Adjusted EBITDA¹

Adjusted EBITDA loss was \$0.2 million for Q1 2020, compared to a loss of \$0.1 million for the same period in 2019. The change was primarily due to higher operating expenses which was partly offset by higher gross profit.

Liquidity

Cash on hand and short-term investments were \$43.0 million as at March 31, 2020, compared to \$43.7 million as at December 31, 2019. Cash on hand at March 31, 2020, excluding the \$35.2 million in short-term investments, was \$7.8 million. During Q1 2020, the Company has purchased and cancelled 356,900 common shares for consideration of \$0.5 million under the normal course issuer bid.

Notice of Conference Call

EcoSynthetix will host a conference call Thursday, May 7, 2020 at 8:30 AM ET to discuss its financial results. Jeff MacDonald, CEO, and Robert Haire, CFO, will co-chair the call. All interested parties can join the call by dialling (647) 427-7450 or (888) 231-8191. Please dial in 15 minutes prior to the call to secure a line. A live audio webcast of the conference call will also be available at www.ecosynthetix.com. The presentation will be accompanied by slides, which will be available via the webcast link and the Company's website. Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to join the webcast.

¹Non-IFRS Financial Measures

This press release makes reference to certain non-IFRS measures. These non-IFRS measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing a further understanding of results of operations of EcoSynthetix from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the financial information of EcoSynthetix reported under IFRS. The Company uses non-IFRS measures such as Adjusted EBITDA to provide investors with a supplemental measure of operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers.

Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess the Company's ability to meet its capital expenditure and working capital requirements.

Adjusted EBITDA is not a measure recognized under IFRS and does not have a standardized meaning prescribed by IFRS. See "IFRS and Non-IFRS Measures." The Company presents Adjusted EBITDA because the Company believes it facilitates investors' use of operating performance comparisons from period to period and company to company by backing out potential differences caused by variations in capital structures (affecting relative interest expense), the book amortization of intangibles (affecting relative amortization expense) and the age and book value of property and equipment (affecting relative depreciation expense). The Company also presents Adjusted EBITDA because it believes it is frequently used by securities analysts, investors and other interested parties as a measure of financial performance. Adjusted EBITDA as presented herein are not recognized measures under IFRS and should not be considered as an alternative to operating income or net income as measures of operating results or an alternative to cash flows as measures of liquidity. Adjusted EBITDA is defined as consolidated net income (loss) before net interest expense, income taxes, depreciation, amortization, other non-cash expenses and charges deducted in determining consolidated net income (loss).

The following table reconciles net loss to Adjusted EBITDA loss for the three months ended March 31, 2020 and March 31, 2019:

| | Three months ended March 31, 2020 (unaudited) | Three months ended March 31, 2019 (unaudited) |
|-------------------------------|--|--|
| Net Loss | (447,255) | (353,236) |
| Depreciation | 313,877 | 302,629 |
| Share-based Compensation | 144,252 | 180,597 |
| Interest Income | (201,113) | (275,045) |
| Adjusted EBITDA (loss) | (190,239) | (145,055) |

About EcoSynthetix Inc. (www.ecosynthetix.com)

EcoSynthetix offers a range of sustainable engineered biopolymers that allow customers to reduce their use of harmful materials, such as formaldehyde and styrene-based chemicals. The Company's flagship products, DuraBind™ and EcoSphere®, are used to manufacture wood composites, paper and packaging, and enable performance improvements, economic benefits and sustainability. The Company is publicly traded on the Toronto Stock Exchange (T:ECO).

Forward-Looking Statements

Certain statements in this Press Release constitute "forward-looking" statements that involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, objectives or achievements of the Company, or industry results, to be materially different from any future results, performance, objectives or achievements expressed or implied by such forward looking statements. The forward-looking statements in this Press Release include, but are not limited to, statements regarding the Company's plans to execute its commercial strategy, convert late-stage industrial trial prospects into customers and expand the number of lines and the volumes at existing customers, and other statements regarding the Company's plans and expectations in 2020. These statements reflect our current views regarding future events and operating performance and are based on information currently available to us, and speak only as of the date of this Press Release. These forward-looking statements involve a number of risks, uncertainties and assumptions and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such performance or results will be achieved. Those assumptions and risks include, but are not limited to, the Company's ability to successfully allocate capital as needed and to develop new products, as well as the fact that our results of operations and business outlook are subject to significant risk, volatility and uncertainty. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including the factors identified in the "Risk Factors" section of the Company's Annual Information Form dated March 2, 2020. In addition to the risk factors identified in the Company's Annual Information Form, as of the date of this Press Release, the Company has identified additional risks associated with the COVID-19 global pandemic which are described below.

Beginning in December 2019, a new strain of the coronavirus (COVID-19) has spread rapidly through the world including the United States, Asia, Canada and Europe (where, collectively, fairly large portions of the Company's operations and customers are located). For

the period ended March 31, 2020, COVID-19 has not caused significant disruption in the Company's business and operating results, however, for the remainder of 2020, COVID-19 will likely continue to have negative material impacts on the global economy which present significant additional risk factors. For the Company, this outbreak might materially impact the Company's ability to manufacture, source (including the delivery of raw materials to its facilities) or distribute its products both domestically and internationally; reduce its ability to effectively market and sell its products; reduce demand for its products; cause a significant decrease in the market price for petroleum-related feedstocks which the Company's products are an alternative, and cause increased credit risk. Any of these additional risks factors could have a significant negative impact on the Company's financial results in 2020 and beyond. Given the dynamic nature of this outbreak, the extent to which the COVID-19 virus impacts the Company's results will depend on future developments, which remain highly uncertain and cannot be accurately predicted at this time.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described in this Press Release as intended, planned, anticipated, believed, estimated or expected. Unless required by applicable securities law, we do not intend and do not assume any obligation to update these forward-looking statements.

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EcoSynthetix Inc.
Interim Consolidated Balance Sheets
(expressed in US dollars)

| | <i>(Unaudited)</i> March 31, 2020 | December 31, 2019 |
|---|---|------------------------------------|
| Assets | | |
| Current assets | | |
| Cash | 7,803,595 | 7,975,713 |
| Short-term investments | 35,162,795 | 35,720,548 |
| Accounts receivable | 2,286,810 | 1,824,581 |
| Inventory | 2,672,585 | 2,268,961 |
| Government grants receivable | 33,207 | 114,956 |
| Prepaid expenses | 37,172 | 75,973 |
| | <u>47,996,164</u> | <u>47,980,732</u> |
| Non-current assets | | |
| Property, plant and equipment | 6,496,656 | 6,729,371 |
| Total assets | <u>54,492,820</u> | <u>54,710,103</u> |
| Liabilities | | |
| Current liabilities | | |
| Trade accounts payables and accrued liabilities | 2,023,417 | 1,360,568 |
| Non-current liabilities | | |
| Lease liability | 1,030,551 | 1,176,643 |
| Total liabilities | <u>3,053,968</u> | <u>2,537,211</u> |
| Shareholders' Equity | | |
| Common shares | 490,294,331 | 490,590,406 |
| Contributed surplus | 10,360,948 | 10,351,658 |
| Accumulated deficit | (449,216,427) | (448,769,172) |
| Total shareholders' equity | <u>51,438,852</u> | <u>52,172,892</u> |
| Total liabilities and shareholders' equity | <u>54,492,820</u> | <u>54,710,103</u> |

EcoSynthetix Inc.
Interim Consolidated Statements of Operations and Comprehensive Loss
For the three months ended March 31, 2020 and 2019
(expressed in US dollars)

| | <i>(Unaudited)</i> | |
|---|-------------------------------------|-------------|
| | Three months ended March 31, | |
| | 2020 | 2019 |
| Net sales | 4,224,416 | 4,468,721 |
| Cost of sales | 3,124,202 | 3,477,649 |
| Gross profit on sales | 1,100,214 | 991,072 |
| Expenses | | |
| Selling, general and administrative | 1,372,487 | 1,173,329 |
| Research and development | 376,095 | 446,024 |
| | 1,748,582 | 1,619,353 |
| Loss from operations | (648,368) | (628,281) |
| Net interest income | 201,113 | 275,045 |
| Net loss and comprehensive loss | (447,255) | (353,236) |
| Basic and diluted loss per common share | (0.01) | (0.01) |
| Weighted average number of common shares outstanding | 57,926,217 | 58,290,368 |

EcoSynthetix Inc.
Interim Consolidated Statements of Cash Flows
For the three months ended March 31, 2020 and 2019
(expressed in US dollars)

| | <i>(Unaudited)</i> | |
|---|-------------------------------------|--------------------|
| | Three months ended March 31, | |
| | 2020 | 2019 |
| Cash provided by (used in) | | |
| Operating activities | | |
| Net loss and comprehensive loss | (447,255) | (353,236) |
| Items not affecting cash | | |
| Depreciation | 313,877 | 302,629 |
| Share-based compensation | 144,252 | 180,597 |
| Other | 78,720 | (34,530) |
| Changes in non-cash working capital | | |
| Accounts receivable | (462,229) | 718,306 |
| Inventory | (370,926) | (794,318) |
| Government grants receivable | 81,749 | 3,638 |
| Prepaid expenses | 38,801 | 39,717 |
| Trade accounts payables and accrued liabilities | 649,215 | (543,790) |
| Interest on short-term investments | | |
| Interest received on short-term investments | 760,545 | 655,200 |
| Accrued interest on short-term investments | (202,792) | (224,458) |
| | <u>583,957</u> | <u>(50,245)</u> |
| Investing activities | | |
| Purchase of property, plant and equipment | (88,955) | (78,687) |
| Receipts on mature short-term investments | 35,000,000 | 30,000,000 |
| Purchase of short-term investments | (35,000,000) | (35,000,000) |
| | <u>(88,955)</u> | <u>(5,078,687)</u> |
| Financing activities | | |
| Payments made on lease liability | (47,579) | (52,000) |
| Common shares repurchased | (476,567) | (59,314) |
| Exercise of common share options | 45,530 | 48,552 |
| | <u>(478,616)</u> | <u>(62,762)</u> |
| Effect of exchange rate changes on cash | <u>(188,504)</u> | <u>34,530</u> |
| Change in cash during the period | <u>(172,118)</u> | <u>(5,157,164)</u> |
| Cash - Beginning of period | 7,975,713 | 14,207,342 |
| Cash - End of period | <u>7,803,595</u> | <u>9,050,178</u> |