MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis ("**MD&A**") dated November 14, 2011 is intended to assist the readers in understanding EcoSynthetix Inc. ("**EcoSynthetix**" or the "**Company**"), its business environment, strategies and performance and risk factors. It should be read in conjunction with the unaudited interim consolidated financial statements, including the related notes for the three and nine months ended September 30, 2011 and September 30, 2010. It should also be read in conjunction with the consolidated financial statements for fiscal years ended December 31, 2010, December 31, 2009 and December 31, 2008 and related notes, management's discussion and analysis and the US GAAP reconciliations, which can be found in the Company's supplemented prospectus dated July 27, 2011 available on SEDAR at www.sedar.com.

The Company directly or indirectly owns a majority of the equity interest in each of EcoSynthetix Ltd. ("**EcoSynthetix U.S.**"), EcoSynthetix B.V., EcoSynthetix Technologies Inc. and EcoSynthetix Corporation. The Company, together with its consolidated subsidiaries, is referred to as the "Company", "we", "us", or "our". All references to "Fiscal 2008" are to EcoSynthetix U.S. fiscal year ended December 31, 2008, to "Fiscal 2009" are to EcoSynthetix U.S.' year ended December 31, 2009 and to "Fiscal 2010" are to EcoSynthetix U.S.' year ended December 31, 2010. Our functional currency and reporting currency is the U.S. dollar. Unless otherwise indicated, all references to "$" and "dollars" in this discussion and analysis mean U.S. dollars.

Financial data has been prepared in conformity with International Financial Reporting Standards ("**IFRS**"). Certain measures used in this MD&A do not have any standardized meaning under IFRS. When used, these measures are defined in such terms as to allow the reconciliation to the closest IFRS measure. It is unlikely that these measures could be compared to similar measures presented by other companies. See "IFRS and non-IFRS Measures".

Forward-looking statements are included in this MD&A. See "Forward-Looking Statements" below for a discussion of risks, uncertainties and assumptions relating to these statements. For a description of the risks relating to the Company, refer to the "Risk Factors" section of this MD&A and the "Risk Factors" section of the Company's supplemented prospectus.

Forward-looking Statements

Certain statements contained in this MD&A constitute forward-looking statements. All statements other than statements of historical fact may be forward-looking statements. These statements relate to, but are not limited to, future events or future performance, our expectations regarding the Company's growth, results of operations, estimated future revenues, requirements for additional capital, production costs, future demand for latex-based products, business prospects and opportunities. Forward-looking statements are often, but not always, identified by use of words such as ''may'', ''will'', ''should'', ''could'', ''seek'', ''anticipate'', ''contemplate'', ''continue'', ''expect'', ''intend'', ''plan'', ''potential'', ''budget'', ''target'', ''believe'', ''estimate'' and similar expressions. Such statements reflect our current views and beliefs with respect to future events, are subject to risks and uncertainties, and are based upon a number of estimates and assumptions that, while considered reasonable by us, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause 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.

We have made material assumptions regarding, among other things: that our intellectual property rights are adequately protected; our ability to obtain the materials necessary for the production of our products; our ability to market products successfully to our customers; that we will continue to face no direct competition; changes in demand for and prices of our products or the materials required to produce those products; labour and material costs remaining consistent with our current expectations; and that we do not and will not infringe third party intellectual property rights. Some of our assumptions are based upon internal estimates and analyses of current market conditions and trends, management plans and strategies, economic conditions and other factors and are necessarily subject to risks and uncertainties inherent in projecting future conditions and results.

Some of the risks that could affect our future results and could cause those results to differ materially from those expressed in the forward-looking information include, among other things: an inability to protect, defend, enforce or use our intellectual property and/or infringement of third-party intellectual property; dependence on certain customers and changes in customer demand; the availability and price of natural feedstocks used in the production of our products; the inability to effectively expand our production facilities; variations in our financial results; increase in industry competition; the risk of volatility in global financial conditions, as well as significant decline in general economic conditions; our ability to effectively commercially market and sell our products; our ability to protect our know-how and trade secrets; Company growth and the impact of significant operating and capital cost increases; changes in the current political and regulatory environment in which we operate; the inability to retain key personnel; changes to regulatory requirements, both regionally and internationally, governing development, production, exports, taxes, labour standards, waste disposal, and use, environmental protection, project safety and other matters; enforcement of intellectual property rights; a significant decrease in the market price of petroleum; a shortage of supplies, equipment and parts; the inability to secure additional government grants; a deterioration in our cash balances or liquidity; the inability to obtain equity or debt financing; the ability to acquire intellectual property; the risk of litigation; changes in government regulations and policies relating to our business; losses from hedging activities and changes in hedging strategy; insufficient insurance coverage; the inability to expand technology; the impact of issuance of additional equity securities on the trading price of the Common Shares; the impact of ethical, legal and social concerns relating to genetically modified organisms and the food versus fuel debate; the risk of business interruptions; the impact of changes in interest rates; the impact of changes in foreign currency exchange; and credit risk, as well as the factors identified in the "Risk Factors" section of the Company's supplemented prospectus dated July 27, 2011. Such factors are not intended to represent a complete list of the factors that could affect us. These factors should be considered carefully and prospective investors should not place undue reliance on forward-looking information.

Should one or more of these risks or uncertainties materialize, or should assumptions underlying those forward-looking statements prove incorrect, actual results may vary materially from those anticipated in such forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what we believe to be reasonable assumptions, there can be no assurance that such forward-looking information will prove to be accurate and we cannot assure that actual results will be consistent with these forward looking statements. Accordingly, readers should not place undue reliance on forward-looking statements. The information contained in this document, including the information provided under the heading ''Risk Factors'', identifies additional factors that could affect the Company's operating results and performance. Forward-looking information contained in this MD&A is made as of November 14, 2011 and we disclaim any obligation to update any forward-looking information, whether as a result of new information, future events or results, except as may be required by applicable securities laws. Accordingly, potential investors should not place undue reliance on forward-looking information.

IFRS and Non-IFRS Measures

This MD&A 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 the Company from management's perspective. Accordingly, they should not be considered in isolation or as a substitute for analysis of the financial information of the Company reported under IFRS. We use non-IFRS measures such as Adjusted EBITDA to provide investors with a supplemental measure of operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS financial measures. We also believe that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Our management also use non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess its ability to meet its capital expenditure and working capital requirements. Adjusted EBITDA is defined as consolidated net income (loss) before interest, income taxes, depreciation, amortization, accretion, other non-cash charges deducted in determining consolidated net income (loss), including the movement of unrealized gains and losses on the Company's redeemable preferred shares and warrants that were designated as financial liabilities prior to the initial public offering and share based compensation expense.

Initial Public Offering

On August 4, 2011, the Company completed an initial public offering of 11,150,000 common shares issued from treasury at a price of Cdn$9.00 per share for gross proceeds of Cdn$100,350,000. During the nine months ended September 30, 2011 the Company recognized approximately $10.8 million of share issuance costs in equity related to the initial public offering.

The Company granted to the underwriters an over-allotment option, exercisable, in whole or in part, at the sole discretion of the underwriters, for a period of 30 days from the closing of the offering to purchase up to an additional 1,672,500 common shares at a price of Cdn$9.00 per share. On September 12, 2011 the Company announced that the underwriters had purchased an additional 300,000 common shares of the Company at a price of Cdn$9.00 per share. The Company did not receive any proceeds from the sale of these additional shares.

In connection with the offering, EcoSynthetix U.S., which previously owned, either directly or indirectly, through its subsidiaries, all of the asset and operations relating to the EcoSynthetix business, was acquired by EcoSynthetix Inc. (Ontario) through an acquisition of 77% of the outstanding shares of common stock of EcoSynthetix U.S. from certain of the existing shareholders in exchange for approximately 33,640,663 Common Shares assuming no exercise of the over-allotment option. The remaining approximately 23% of the outstanding shares of common stock of EcoSynthetix U.S. will continue to be held by retained interest holders (the "**Retained Interest Holders**").

On August 4, 2011, in connection with the initial public offering, the Retained Interest Holders and the Company entered into a put/call agreement. Pursuant to the put/call agreement, the Retained Interest Holders will be entitled to sell their shares of common stock of EcoSynthetix U.S. and shares of common stock of EcoSynthetix U.S. issued upon exercise of warrants (the "**Covered Shares**") to the Company at any time prior to the date that is five years following the Closing (the "**Put Expiry Date**") in exchange for common shares of the Company on the basis of seven common shares for one Covered Share, subject to adjustment. In addition, the Company will be entitled to purchase the Covered Shares held by the Retained Interest Holders at any time from the period commencing one year following the Put Expiry Date to the date that is two years following the Put Expiry Date in exchange for seven common shares for one Covered Share, subject to adjustment. In addition, the Company will be entitled to exercise its right to purchase the Covered Shares in the event of a change of control of the Company or a bankruptcy event of the Company or EcoSynthetix U.S. that occurs prior to the Put Expiry Date. Assuming all the Retained Interest Holders exchanged their shares of common stock of EcoSynthetix U.S. for Common Shares, an additional approximately 10,132,297 common shares will be issued by the Company. During the third quarter, Retained Interest Holders exchanged 109,567 shares of Ecosynthetix U.S. for common shares of the Company. The Company did not receive additional consideration for these shares.

In conjunction with the initial public offering, the Company's preferred shares were automatically converted to common shares. As a result, the Company's liability relating to its preferred shares were re-classified into common shares on August 4, 2011. Furthermore, warrants to acquire preferred shares will be automatically converted to warrants to acquire common shares. As a result, the Company's liability relating to warrants to acquire preferred shares was re-classified into a separate component of shareholders' equity on August 4, 2011.

On August 4, 2011 the Company completed a share exchange of its issued and outstanding common shares in conjunction with its initial public offering resulting in a ratio of seven post-exchange shares for every 1 pre-exchange share. The Company has amended the disclosures in the consolidated financial statements to reflect the share exchange as if it had occurred on December 31, 2009.

On August 4, 2011 the Company, in connection with the initial public offering mentioned above, provided certain retained interest shareholders an indemnity that covers potential shareholder tax liabilities. The potential liability related to this indemnity is approximately $4 million. The indemnity is terminated on the date that is five years following the closing date. The Company has assessed the likelihood of incurring a liability as remote and accordingly has not recorded a provision as at September 30, 2011.

Overview

We are a renewable chemicals company specializing in biomaterials. Biomaterials are commonly used as inputs in industrial manufacturing for a wide range of end products. We have commercial bio-based products that have equal or superior performance and significant cost advantages compared to currently available petroleum-based products. Our strategy is to commercialize a broad range of bio-based polymer and monomer products across a wide range of industries. We have developed processes that leverage "green" technology to produce bio-based materials from natural feedstock, such as corn, tapioca and dextrose from cornstarch as an alternative to petroleum-derived feedstocks. To date, we have developed the following two bio-based technology platforms that support broad application across industries: (i) a biopolymer nanosphere technology that has been fully scaled and validated; and (ii) a bio-based sugar macromer technology that has been validated on a pilot scale and is being developed for the pre-commercialization plant stage. Our two bio-based technology platforms have generated three product families to date, namely ECOSPHERE BIOLATEX polymers, ECOMER and ECOSTIX. Our lead product, ECOSPHERE BIOLATEX binders, has achieved commercialization in the coated paper, paperboard and personal care industries. While our technology platform offers a significantly reduced carbon footprint, we market our products to customers on the basis of reduced cost, stable pricing and superior product performance.

Factors Affecting the Results of Operation

Commercialization

A major source of our revenue has resulted from the conversion of customer evaluations of our products into commercial sales. Generally, the adoption of our products by customers is evaluated in three stages prior to acceptance of the product on a commercial basis: (i) laboratory evaluation; (ii) pilot scale production testing; and (iii) mill trials representing full scale production.

Following a period of evaluations, we first achieved commercial sales in the first quarter of 2008. We are currently operating on a commercial scale in the coated paper and paperboard industry. Manufacturers representing greater than 60% of the global paper and paperboard market are either evaluating or commercial with our ECOSPHERE BIOLATEX binders. Due to the low capital expenditure required to switch to our products, reduced cost, improved performance and a significantly reduced carbon footprint, our experience suggests volume demand can be relatively steady post-conversion, which creates the potential for continuous recurring revenue.

Our performance will be influenced by our success in converting prospects from the mill trial phase into full commercial clients. The mill trial stage is an important part of the sales cycle; it requires potential customers to invest significant resources, including labour and operating expenditures, and the product must meet or surpass rigorous qualification procedures. Successfully reaching the mill trial stage with a potential customer reflects substantial interest and commitment with which the potential customer is evaluating the product. During 2011, we have conducted greater than 70 mill trials with approximately 40 potential customers, of which 8 mills have become customers during the year. Since entering commercial production, we have achieved significant sales growth. Our lead product, ECOSPHERE BIOLATEX binders, is used commercially by 4 of the global top 20 manufacturers in the coated paper and paperboard industry and an additional 10 of the global top 20 manufacturers are currently in the process of evaluating the Company's products. Given our past record of successfully converting a high number of evaluations into commercial clients, we expect that the conversion of current and future product evaluations into recurring commercial sales will be a continuous source of growth for us.

Our objective is to achieve significant growth across multiple industries. To sustain our growth, we expect to continuously innovate new bio-based polymer and monomer products using widely available raw materials and our scalable production techniques. We also intend to continue expanding the functionalities and applications of our existing products, which are readily applicable across numerous markets where petroleum-based polymers and monomers currently dominate.

Net Sales

Our sales are primarily derived from the sale of our products to our customers. Net sales are measured based on the price specified in the sales contract, net of discounts and estimated returns at the time of sale.

Cost of sales and gross profit

Our gross profit is derived from our net sales less our cost of sales. Cost of sales include raw material costs, contract manufacturing costs, freight costs and depreciation related to manufacturing equipment. Direct materials consist of the costs of cornstarch feedstock and process chemicals. Cost of sales is mainly affected by the cost of cornstarch and contract manufacturing costs. Cornstarch is the most significant raw material cost.

Selling, general and administrative

Selling, general and administrative expense consists of personnel costs, including share-based compensation, recruitment and training costs, professional fees, marketing costs, corporate insurance costs, occupancy-related costs, depreciation on property and equipment not utilized in our production process, amortization of intangible assets, and travel and relocation expenses. We anticipate incurring increases in selling and general and administrative expenses as we incur additional compliance costs following the initial public offering on August 4, 2011. These increases include increased costs for insurance, costs related to the hiring of additional personnel and payment to third-party consultants, lawyers and accountants. We also expect to incur additional costs to comply with the corporate governance, internal controls and similar requirements applicable to public companies.

Research and development

Research and development costs are expensed as incurred. Our research and development expenses consist of expenses incurred to develop and test our products, and include personnel and related costs, share-based compensation, consultants, facility costs, supplies and other associated product development expenses. These costs are partially offset by government grants recorded related to such expenditures. We expect our research and development expense to grow as we focus on enhancing and expanding our product lines.

Other Factors Affecting the Results of Operations and Financial Conditions

Our financial condition and results of operations are influenced by a variety of factors, including:

- Optimizing the formulation of existing products to allow higher substitution rates by current and new clients and the ability to effectively develop products for new markets which could be a significant source of revenue growth in the future. As result, we made a significant investment in a new research and development facility located in Burlington, Ontario, Canada. This facility has a laboratory and pilot production line for use in the advanced development of new or significantly enhanced products and to support sales activities

- Pricing of petroleum substitutes for our products. During the nine months ended September 30, 2011, supply-demand is working in combination with the high oil price to drive up latex prices driving demand for our products

- Feedstock, other input and production costs. Cost of sales is mainly affected by the cost of cornstarch and contract manufacturing costs. Cornstarch is generally the most significant raw material cost. During the year we observed a significant increase in the cost of cornstarch, which is increasing the manufacturing cost of our products

Results of Operations - Three and nine months ended September 30, 2011 compared to three and nine months ended September 30, 2010

Summary of Results

The following tables set forth a summary of our results of operations for the three and nine months ended September 30, 2011 and 2010:

	Three months ended September 30,		Change	
	2011	2010	$	%
Net sales……………………...……………	5,282,495	4,828,696	453,799	9%
Gross profit……………………………….	1,331,328	1,028,625	302,703	29%
Operating expenses………………………	3,681,803	1,375,852	2,305,951	168%
Loss from operations……………………..	(2,350,475)	(347,227)	(2,003,248)	577%
Net loss…………………..……………...…	(2,288,612)	(18,236,407)	15,947,795	-87%
Basic and diluted loss per share…………	(0.07)	(22.90)	22.84	-100%

	Nine months ended September 30,		Change	
	2011	2010	$	%
Net sales……………………………..…….	17,050,722	10,017,200	7,033,522	70%
Gross profit……………………………….	4,176,547	2,555,804	1,620,743	63%
Operating expenses………………………	7,816,973	4,124,267	3,692,706	90%
Loss from operations……………………..	(3,640,426)	(1,568,463)	(2,071,963)	132%
Net loss…………………..…………..…….	(250,362,211)	(38,294,637)	(212,067,574)	554%
Basic and diluted loss per share…………	(20.50)	(48.09)	27.59	-57%

Net Sales - Net sales for the three months ended September 30, 2011 were $5.3 million compared to $4.8 million for the three months ended September 30, 2010, an increase of $0.5 million or 9%. The increase was attributable to higher sales prices. From a geographic perspective, sales for the three months ended September 30, 2011 to customers in North America, Latin America and EMEA increased $1.0 million, $0.8 million and $0.2 million, respectively, while total sales to customers in Asia Pacific decreased $1.6 million compared to the same period in 2010. Price increases and higher sales volume in North America, Latin America and EMEA offset lower sales volume experienced in Asia Pacific during the three months ended September 30, 2011 in comparison to the same period in 2010. During the quarter, approximately 10% of sales were generated from the commercialization of four new mills. As a result of the paper industry facing severe challenges due to high raw material costs and overcapacity, one of our commercial mills from a global top 20 coated paper and paperboard manufacturer was closed during the period. These industry challenges have made cost cutting a primary focus for coated paper and paperboard manufacturers which we believe over time plays directly into our value proposition.

Sales for the nine months ended September 30, 2011 were $17.0 million compared to $10.0 million for the nine months ended September 30, 2010, an increase of $7.0 million or 70%. The increase was primarily due to an increase in sales prices and higher volumes during the period. Sales increased in all territories for the nine months ended September 30, 2011 compared to the same period in the prior year. During the period, approximately 22% of sales were generated from the commercialization of eight new mills.

Gross profit - For the three months ended September 30, 2011 gross profit was $1.3 million or 25.2% of sales compared to $1.0 million or 21.3% of sales during the three months ended September 30, 2010, an increase of $0.3 million or 29%. The increase in gross profit and gross profit as a percentage of sales was attributable to an increase in sales prices partially offset by an increase in raw material input costs, mainly related to cornstarch.

For the nine month period ended September 30, 2011 gross profit was $4.2 million compared to $2.6 million for the nine months ended September 30, 2010, an increase of $1.6 million or 63%. The increase was primarily attributable to an increase in sales prices and higher volumes partially offset by an increase in raw material input costs, mainly related to cornstarch.

Operating Expenses

The following table sets forth the breakdown of our operating expenses by category for the three and nine months ended September 30, 2011 and 2010:

	Three months ended September 30,		Change	
	2011	**2010**	$	%
Selling, general and administrative[1]……	2,428,031	829,166	1,598,865	193%
Research and development……………...	694,230	243,339	450,891	185%
Share-based compensation………..……..	296,773	337,039	(40,266)	-12%
Depreciation and amortization……...….	39,001	48,130	(9,129)	-19%
Foreign exchange loss (gain)……..……	223,767	(81,822)	305,589	-373%
Total operating expenses	**3,681,803**	**1,375,852**	**2,305,951**	**168%**

	Nine months ended September 30,		Change	
	2011	**2010**	$	%
Selling, general and administrative[1]….	5,477,280	2,567,778	2,909,502	113%
Research and development…………..	1,427,515	738,053	689,462	93%
Share-based compensation……………	708,108	775,485	(67,377)	-9%
Depreciation and amortization……….	132,039	108,899	23,140	21%
Foreign exchange loss (gain)…………	72,031	(65,948)	137,979	-209%
Total operating expenses	**7,816,973**	**4,124,267**	**3,692,707**	**90%**

[1] *For the purposes of this MD&A, selling, general and administrative expenses excludes share-based compensation, depreciation and amortization and foreign exchange losses (gains)*

Total operating expenses for the three months ended September 30, 2011 were $3.7 million compared to $1.4 million for the three months ended September 30, 2010, an increase of $2.3 million or 168%. Total operating expenses for the nine months ended September 30, 2011 was $7.8 million compared to $4.1 million for the nine months ended September 30, 2010, an increase of $3.7 million or 90%. The increase for the three and nine months ended September 30, 2011 compared to the same periods in the prior year was principally due to higher selling, general and administrative expenses and research and development costs. Foreign exchange represents the revaluation of monetary assets and liabilities denominated in foreign currencies. This increase in operating expenses is consistent with the growth in the business and reflects our continued investment in developing sales, marketing and research and development capabilities.

Selling, general and administrative[1] - Selling, general and administrative costs for the three months ended September 30, 2011 were $2.4 million compared to $0.8 million for the three months ended September 30, 2010, an increase of $1.6 million or 193%. Selling, general and administrative costs for the nine months ended September 30, 2011 were $5.5 million compared to $2.6 million for the nine months ended September 30, 2010, an increase of $2.9 million or 113%. These increases were principally due to higher salaries and benefits and higher administration costs related to increased headcount. During the three months ended September 30, 2011 we also incurred $0.3 million in marketing and professional fees related to the initial public offering completed in August 2011. In addition, we recorded a provision for bad debts of $0.1 million during the three months ended September 30, 2011 related to a customer which filed for Chapter 11 bankruptcy protection in the third quarter. No provisions for bad debt have been recorded in the comparable periods in the prior year.

Our overall increase in selling and administration activities required for the Company's future growth is expected to increase as we incur costs related to corporate governance, internal controls and similar requirements applicable to public companies.

Research and development - Research and development expenses for the three months ended September 30, 2011 were $0.7 million compared to $0.2 million for the three months ended September 30, 2010, an increase of $0.5 million or 185%. Research and development expenses for the nine months ended September 30, 2011 were $1.4 million compared to $0.7 million in the same period in prior year, an increase of $0.7 million or 93%. These increases represent continued investment in research and development net of higher levels of government assistance during both periods. Product development is a key focus of EcoSynthetix as it pursues the enhancement of ECOSPHERE BIOLATEX, as well as the development of its new offerings, ECOMER and ECOSTIX, to support market expansion. During the third quarter, the Company commissioned a new pilot production line at its Centre of Innovation (COI) in Burlington. The pilot plant is being used for research and development purposes to support new product development. It supports our plans to further penetrate the paper and paperboard industry and expand into new markets, as we continue to displace petrochemical polymers with our low cost, bio-based alternative.

Share-based compensation - Share based compensation expense for the three month period ended September 30, 2011 was $0.3 million compared to $0.3 million for the three month period ended September 30, 2010. Share-based compensation for the nine months ended September 30, 2011 was $0.7 million compared to $0.8 million for the nine months ended September 30, 2010, a decrease of $0.1 million or 9%.

Depreciation and Amortization - Depreciation and amortization of property, plant and equipment and intangible assets for the three month period ended September 30, 2011 was $0.03 million compared to $0.04 million for the three month period ended September 30, 2010. For the nine months ended September 30, 2011 depreciation and amortization expense was $0.13 million compared to $0.1 million for the same period in the prior year.

Foreign currency exchange loss (gain) - Foreign exchange represents the revaluation of monetary assets and liabilities denominated in foreign currencies. For the three months ended September 30, 2011 foreign exchange revaluation losses were $0.2 million compared to a $0.1 million gain for the three month period ended September 30, 2010. For the nine months ended September 30, 2011 our foreign exchange revaluation loss was $0.1 million compared to a foreign exchange revaluation gain of $0.07 million in the same period in the prior year. The change in the foreign exchange impact for the three months and nine months ended September 30, 2011 compared to the same respective periods in the prior year primarily relates to exchange rate fluctuations between the U.S. dollar (our functional currency) and the Canadian dollar on our net monetary position in Canadian dollars.

Loss from operations - For the three month period ended September 30, 2011, our operating loss was $2.4 million compared to $0.3 million for the three months ended September 30, 2010, an increase of $2.0 million. For the nine months ended September 30, 2011, we incurred an operating loss of $3.6 million compared to an operating loss of $1.6 million for the nine months ended September 30, 2010, an increase of $2.0 million or 132%. The increase in operating loss was primarily due to increased operating expenses partially offset by an increase in gross profit.

Interest income - Interest income for the three month period ended September 30, 2011 was $0.1 million compared to (nil) during the three month period ended September 30, 2010. Interest income for the nine months ended September 30, 2011 was $0.1 million compared to interest income of (nil) in the same period in the prior year. The increase in interest income was principally due to higher cash balances at September 30, 2011 resulting from the initial public offering on August 4, 2011 compared to our cash balances during the three and nine months ended September 30, 2010.

Loss related to change in fair value of warrants and redeemable preferred shares - In conjunction with the initial public offering on August 4, 2011, the Company’s preferred shares were automatically converted to common shares on a one to one basis. As a result, the Company’s liability relating to its preferred shares was re-classified into common shares on August 4, 2011. Furthermore, warrants to acquire preferred shares will be automatically converted to warrants to acquire common shares. Accordingly, the Company’s previous liability relating to warrants to acquire preferred shares are included as a separate component of shareholders’ equity as at September 30, 2011. Prior to the initial public offering on August 4, 2011, the redeemable preferred shares and warrants were designated as financial liabilities. They were measured at fair value, with changes in fair value recognized directly in earnings. For the three months ended September 30, 2011, our loss related to the change in the fair value of warrants and redeemable preferred shares was nil compared to a loss of $17.9 million for the three months ended September 30, 2010. For the nine months ended September 30, 2011, our loss related to the change in the fair value of warrants and redeemable preferred shares was $246.8 million compared to $36.7 million for the nine months ended September 30, 2010.

Net Loss - We reported a net loss for the three months ended September 30, 2011 of $2.3 million or $0.07 per common share (basic and fully diluted) compared to a net loss of $18.2 million or $22.90 per common share (basic and fully diluted) for the three months ended September 30, 2010, a decrease of $15.9 million. The decrease in net loss is principally due to the loss related to change in the fair value of warrants and redeemable preferred shares and higher gross profit partially offset by an increase in operating expenses.

For the nine months ended September 30, 2011 we incurred a net loss of $250.4 million or $20.50 per common share (basic and fully diluted) compared to a net loss of $38.3 million of $48.09 per common share in the same period in prior year. The $212.1 million increase in net loss was primarily due to the change in the fair value of the warrants and redeemable preferred shares.

Financial condition

	September 30, 2011	December 31, 2010	Change $	%
Total current assets……………………	126,049,521	40,977,830	85,071,691	208%
Total assets……………………………	133,674,497	42,712,214	90,962,283	213%
Total current liabilities……………….	7,100,689	5,096,128	2,004,561	39%
Total long-term liabilities…………….	-	136,697,726	(136,697,726)	-100%

Total current assets – Total current assets increased $85.1 million from $41.0 million at December 31, 2010 to $126.0 million at September 30, 2011. The increase was mainly due to an increase in cash of $77.0 million principally due to the proceeds received from the IPO on August 4, 2011 and an increase in inventories of $6.2 million.

Total assets – Total assets at September 30, 2011 were $133.7 million compared to $42.7 million at December 31, 2010, an increase of $91.0 million. The increase is principally due to the higher current assets in addition to an increase in equipment as we continued to invest in our COI facility in Burlington, Ontario and two additional production lines. These investments are further described under the 'liquidity and capital resources' section.

Total current liabilities – Total current liabilities increased from $5.1 million at December 31, 2010 to $7.1 million at September 30, 2011, an increase of $2.0 million. The increase is primarily due to increased trade payables related to equipment purchases, partly offset by lower liabilities related to deferred government grants and accrued compensation. As at December 31, 2010, we were required to purchase an annuity which was settled in the first six months of 2011.

Total long-term liabilities – Long-term liabilities as at September 30, 2011 were nil compared to long-term liabilities of $136.7 million as at December 31, 2010. As noted earlier, in conjunction with the IPO, our redeemable preferred shares were converted to common shares and our warrants excercisable for preferred shares were converted to warrants excercisable for common shares. Accordingly, the liability with respect to the redeemable preferred shares were reclassified to common shares and the warrants excercisable for common shares (previously for preferred shares) were reclassified to a component of equity.

Liquidity and Capital Resources

Our growth is financed through a combination of the cash flows from operations and the issuance of equity. We believe that ongoing operations, working capital and associated cash flow in addition to our cash resources provide sufficient liquidity to support our ongoing business operations for at least the next 12 months.

Below is a summary of our cash flows from (used in) operating activities, financing activities and investing activities for the three and nine months ended September 30 is as follows:

	Three months ended September 30, 2011	Three months ended September 30, 2010	Change $	%
Cash provided by (used in) operating activities…………..	(6,344,578)	995,692	(7,340,270)	-737%
Cash used in investing activities……………………..….	(3,333,578)	(825,569)	(2,508,009)	304%
Cash provided by financing activities………………….….	94,176,537	-	94,176,537	n/a
Net increase in cash…………………………………………..	84,498,381	170,123	84,328,258	49569%
Beginning cash……………………………………………..….	27,748,432	6,442,233	21,306,199	331%
Ending cash……………………………………………...….	112,246,813	6,612,356	105,634,457	49900%

	Nine months ended September 30,		Change	
	2011	2010	$	%
Cash used in operating activities	(10,994,072)	(1,916,260)	(9,077,812)	474%
Cash used in investing activities	(6,245,898)	(1,668,974)	(4,576,924)	274%
Cash provided by financing activities	94,293,746	647,456	93,646,290	14464%
Net increase (decrease) in cash	77,053,776	(2,937,778)	79,991,554	-2723%
Beginning cash	35,193,037	9,550,134	25,642,903	269%
Ending cash	112,246,813	6,612,356	105,634,457	-2454%

Cash provided by (used in) operating activities - For the three months ended September 30, 2011, cash used in operating activities was $6.3 million compared to cash provided by operating activities of $1.0 million for the three months ended September 30, 2010, an increase in cash used in operations of $7.3 million. The increase was primarily due to higher investments in working capital and the increased operating loss during the period. For the three months ended September 30, 2011 we had had an increase in working capital of $4.4 million compared to a decrease in working capital of $0.9 million for the same period in the prior year. The increase in working capital for the three months ended September 30, 2011 was primarily due to higher inventory, increased accounts receivable and lower accounts payable and accrued liabilities. Accounts receivable increased primarily due to higher commodity taxes receivable. Accounts payable and accrued liabilities decreased primarily due to costs related to the initial public offering that were settled during the three months ended September 30, 2011.

For the three months ended September 30, 2010, we decreased our working capital by $0.9 million principally due to lower accounts receivable and higher accounts payable and accrued liabilities.

Net cash flows used in operating activities for the nine months ended September 30, 2011 was $11.0 million compared to $1.9 million for the nine months ended September 30, 2010, an increase of $9.1 million. The increase was principally due to higher working capital balances and increased loss from operations.

For the nine months ended September 30, 2011, working capital increased $8.5 million compared to an increase in working capital of $1.4 million for the nine months ended September 30, 2010. The increase in working capital for the nine months ended September 30, 2011 was primarily due to higher inventories, higher accounts receivable and lower accrued compensation. Inventories increased due to higher finished goods inventory levels. Accounts receivable increased primarily due to higher commodity taxes receivable balances in the current period compared to the same period in the prior year. Accrued compensation related to the Company's obligation to purchase an annuity was settled during the nine month period ended September 30, 2011.

For the nine months ended September 30, 2010 we increased our working capital $1.4 million primarily due to higher accounts receivable and higher inventories partly offset by higher accounts payable and accrued liabilities.

Cash used in investing activities - For the three months ended September 30, 2011, cash used in investing activities was $3.3 million compared to $0.8 million for the three month period ended September 30, 2010, an increase of $2.5 million. Cash used in investing activities for the nine months ended September 30, 2011 was $6.2 million compared to $1.7 million for the nine months ended September 30, 2010, an increase of $4.6 million. These increases were primarily due to purchases of equipment as we continue to make additional investments in our production capacity and our research facility which was completed during the three months ended September 30, 2011. We have made significant investments to expand our production facilities. In the first quarter of 2011 we commissioned a European facility in the Netherlands with an annualized capacity of 40 million pounds. Subsequent to this initial increase in annualized capacity, we announced on November 4, 2011 the commissioning of a new 80 million pound (annualized) production line within the existing facility in The Netherlands, bringing the Company's current annualized capacity to 155 million pounds. In addition we expect to add an additional production line at our operating facility in Tennessee to increase capacity in Tennessee from 35 million pounds to 115 million pounds in the fourth quarter of 2011. This will provide us with a total annualized operating capacity of 235 million pounds upon completion of the Tennessee production line. Having additional capacity puts us in a stronger position as we build our customer base globally.

Cash provided by financing activities - Cash flows from financing activities for the three months ended September 30, 2011was $94.2 million compared to nil for the three month period ended September 30, 2010. For the nine months ended September 30, 2011 cash flows provided by financing activities were $94.3 million compared to $0.6 million for the comparable period in prior year, an increase of $93.7 million. These increases were due to the proceeds received on the issuance of common shares, net of share issuance costs, through the initial public offering on August 4, 2011 and government grants in association with our COI.

Capital Management

Our objective in managing capital is to ensure sufficient liquidity to pursue our growth strategy and fund research and product development, while at the same time taking a conservative approach towards managing financial risk. Our capital is composed of common shares and the net proceeds from the issuance of redeemable preferred shares. Our primary uses of capital are financing operations, increasing non-cash working capital and capital expenditures. We currently fund these requirements from existing cash resources and cash raised through share issuances. Our objectives when managing capital are to ensure that we will continue to have enough liquidity so that we can provide our products and services to our customers and return to our shareholders. We monitor our capital on the basis of the adequacy of our cash resources to fund our business plan. In order to maximize the capacity to finance our ongoing growth, we do not currently pay a dividend to holders of our common shares.

Contractual Obligations

Our contractual obligations include operating leases for premises. The following table summarizes our cash commitments as of September 30, 2011 for operating leases.

2011	$80,455
2012	321,820
2013	321,820
2014	321,820
2015	321,820
Thereafter	1,677,210
Total	$3,044,945

In addition, as at September 30, 2011, we are committed to equipment purchases in the approximate amount of $1.8 million over the next twelve months. This commitment is primarily due to purchases of equipment as we continue to make additional investments in our production capacity.

Summary of Quarterly Results

The following table sets out selected financial information for each of the eight most recent quarters, the latest of which ended September 30, 2011. This information has been prepared on the same basis as the annual financial statements and all necessary adjustments have been included in the amounts stated below to present fairly the unaudited quarterly results when read in conjunction with the quarterly financial statements of the Company and the related notes to those statements.

Historically, our quarterly operating results have fluctuated significantly and may continue to fluctuate significantly in the future. Therefore, we believe that past operating results and period-to-period comparisons should not be relied upon as an indication of our future performance. See “Risk Factors” outlined elsewhere in this document.

	Quarters Ended ($, except share figures) (Unaudited)							
	Sept. 30, 2011	**June 30, 2011**	**March 31, 2011**	**Dec.31, 2010**	**Sept.30, 2010**	**June 30, 2010**	**Mar.31, 2010**	**Dec. 31, 2009**
Net sales…………………………………………….	5,282,495	5,609,095	6,159,132	5,861,880	4,828,696	3,547,891	1,640,613	1,340,781
Gross profit………………………………………….	1,331,328	1,354,593	1,490,626	1,396,191	1,028,625	1,039,420	487,759	231,104
Loss from operations……………………………….	(2,350,475)	(1,121,679)	(168,272)	(372,870)	(347,227)	(633,232)	(588,004)	(1,150,380)
Net loss…………………...……...……...…………….	(2,288,612)	(192,018,852)	(56,054,747)	(10,899,394)	(18,236,407)	(18,991,589)	(1,066,641)	(9,297,304)
Weighted average number of shares outstanding (1)	34,406,703	1,079,036	796,278	796,278	796,278	796,278	796,278	796,278
Basic and diluted loss per share……………..……	(0.07)	(177.95)	(70.40)	(13.69)	(22.90)	(23.85)	(1.34)	(11.68)
Adjusted EBITDA (2)………………………………	**(2,020,698)**	**(758,038)**	**171,456**	**17,945**	**71,394**	**(212,969)**	**(370,322)**	**(983,355)**

The following table reconciles net income (loss) to Adjusted EBITDA for the three months ended:

	Quarters Ended ($, except share figures) (Unaudited)							
	Sept. 30, 2011	**June 30, 2011**	**March 31, 2011**	**Dec.31, 2010**	**Sept.30, 2010**	**June 30, 2010**	**Mar.31, 2010**	**Dec. 31, 2009**
Net loss	(2,288,612)	(192,018,852)	(56,054,747)	(10,899,394)	(18,236,407)	(18,991,589)	(1,066,641)	(9,297,304)
Depreciation and amortization	33,005	145,974	146,060	79,895	81,583	67,533	122,460	57,668
Share based compensation	296,773	217,667	193,668	320,426	337,039	352,730	85,716	109,859
Changes in value of warrants and preferred shares	-	190,925,114	55,904,423	10,523,919	17,901,593	18,353,699	480,388	8,146,673
Interest (income) expense	(61,863)	(27,941)	(17,948)	(6,901)	(12,413)	4,658	7,755	(251)
Adjusted EBITDA (2)	**(2,020,698)**	**(758,038)**	**171,456**	**17,945**	**71,394**	**(212,969)**	**(370,322)**	**(983,355)**

Notes:

(1) The common shares issued and outstanding reported prior to the initial public offering completed on August 4, 2011 have been adjusted to reflect the exchange ratio applied, being seven common shares of EcoSynthetix for one share of common share of EcoSynthetix U.S.

(2) 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), including both the movement in the unrealized gains and losses on the Company’s redeemable preferred shares and warrants and share-based compensation.

Key factors that account for the fluctuations in quarterly results include the growth in the Company’s revenue and the pace at which the Company’s sales and administrative personnel are expanding.

Adjusted EBITDA

For the three months ended September 30, 2011 adjusted EBITDA was a loss of $2.0 million compared to adjusted EBITDA of $0.1 million for the three months ended September 30, 2010, a decrease of $1.9 million. The decrease in adjusted EBITDA is primarily due to higher operating expenses partially offset by increased gross profit.

Critical Accounting Policies and Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. These estimates and assumptions are affected by management's application of accounting policies and historical experience, and are believed by management to be reasonable under the circumstances. Such estimates and assumptions are evaluated on an ongoing basis and form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ significantly from these estimates.

Management believes the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of our financial statements. We believe that there have been no significant changes in our critical accounting estimates for the time periods presented in our interim financial statements.

Inventory

Inventory valuation assessments are performed periodically or when indicators of impairment are present. These assessments may involve significant uncertainty and are subject to change in that they could require the use of forward looking assumptions such as estimating the amount and timing of revenues as well as projecting the likelihood of an item becoming obsolete or unusable in the future. Recognition of inventory valuation provisions may have a material impact on our net income and the value of our inventory.

Impairment of long-lived assets

Long-lived assets (including property, plant and equipment and intangible assets with definite lives) are reviewed for impairment at each reporting date whether there is an indication that an asset may be impaired. If any indication exists we estimate the assets recoverable amount. An assets recoverable amount is the higher of an assets or cash-generating units (CGU) fair value less costs to sell and its value in use and is determined for individual assets unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impairment and it is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate the reflects current market assessments of the time value of many and this risks specific to the asset. . Asset impairment assessments involve significant uncertainty and are susceptible to change that they require the use of forwarding looking assumptions such as sales, costs, foreign exchange rates and market growth rats. Recognition of impairment may have a material impact on our net income and the value of our long-lived assets. Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset of asset group be testing for possible impairment.

Redeemable Preferred Shares and Warrants

Our redeemable preferred shares have liability component that has been designated a financial liability, and outstanding warrants that are convertible into such shares that have also been designated as financial liabilities. They are measured at fair value, with changes in fair value recognized directly in earnings. The redeemable preferred shares contain a redemption feature which allows the holders of the preferred shares at any time on or after June 30, 2012, on written request of at least a majority of the outstanding shares of preferred shares voting rights together as a single class, to require the Company to redeem all of the shares of preferred shares then outstanding for cash. The redemption price is calculated based on the greater of (i) the principal balance plus all unpaid dividends, accrued annually from the date of issuance or (ii) the fair market value of the preferred shares as if converted to common shares. As a result, the redeemable preferred shares contain both a liability and an equity component. On issuance of each series, the value of the liability component was determined and measured at fair value with the subsequent changes recorded directly in earnings. All preferred shares may be voluntarily converted at any time at the option of the holder to common shares, and shall automatically convert upon a qualified initial public offering to common shares on a one preferred share for one common share basis. The redeemable preferred shares do not have a quoted price in an active market.

Determining the fair value of the convertible redeemable preferred shares and warrants requires making complex and subjective judgments regarding projected financial and operating results, the unique business risks, the value and liquidity of the common shares and the operating history and prospects of the Company. Therefore, these fair values are inherently uncertain and highly subjective. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Changes to these estimates and assumptions could result in significant change in the fair value of the convertible redeemable preferred shares and warrants.

Share-based compensation

We have a share-based compensation plan which is described in note 12 to the interim financial statements. We account for all share-based payments using the fair value-based method.

We use a Black-Scholes option pricing model to determine fair value of share options at the grant date, electing to use the minimum value valuation model. This pricing model requires management to make highly subjective assumptions with respect to volatility, dividend yield, expected life and risk free interest rate. Changes in the input assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable measure of the fair value of our share options. Share-based compensation is charged to operations over the vesting period and the offset is credited to contributed surplus. On exercise of share options, the related amount in contributed surplus is transferred to common shares.

Valuation of Future Income Tax Assets

Significant management judgment is required in determining the valuation allowance recorded against our net income tax assets. We record a valuation allowance to reduce our future income tax assets recorded on our consolidated balance sheet to the amount of future income tax benefit that is more likely than not to be realized. We have recorded a full valuation allowance to reflect the uncertainties associated with the realization of our future income tax assets based on management's best estimates as to the certainty of realization

Internal control over financial reporting

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company and its subsidiaries is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosures.

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial reports for external purposes in accordance with IFRS. In designing such controls, it should be noted that due to inherent limitations, any controls, no matter how well designed and operated can provide reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally management is necessarily required to use judgment in evaluating controls and procedures.

There were no changes in the Company's internal control over financial reporting during the third quarter of 2011 that have materially affected, or are reasonable likely to materially affect, the Company's internal control over financial reporting.

Risk Factors

For a detailed description of the risk factors associated with the Company, refer to the "Risk Factors" section of the supplemented prospectus dated July 27, 2011. The Company is not aware of any significant changes to the Company's risk factors from those disclosed at that time.

Additional Information

Additional information relating to EcoSynthetix Inc., including continuous disclosure documents, is available on SEDAR at www.sedar.com.

Common Share Trading Information

The Company's common shares trade on the Toronto Stock Exchange under the symbol "ECO" and commenced trading on August 4, 2011. As at November 14, 2011, the Company had the equivalent of 55,238,366 common shares issued and outstanding. Assuming conversion of all rights pursuant to the put/call agreement, exercise of all outstanding warrants and exercise of all outstanding share options, there would be the equivalent of 61,405,159 common shares issued and outstanding on a fully diluted basis as at November 14, 2011.