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

The following management's discussion and analysis ("**MD&A**") dated November 5, 2018 is intended to assist the readers in the understanding of EcoSynthetix Inc. and its wholly owned subsidiaries ("**EcoSynthetix**" or the "**Company**"), its business environment, strategies and performance and risk factors. It should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2017. Financial data has been prepared in conformity with International Financial Reporting Standards ("**IFRS**").

The Company, together with its consolidated subsidiaries, is referred to as the "Company", "we", "us", or "our". 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.

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 Annual Information Form dated March 6, 2018.

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. The forward-looking statements in this document include, but are not limited to, statements regarding the Company's expected product pipeline, plans to expand the Company's business into new markets, the Company's ability to achieve organizational efficiencies, and other statements regarding the Company's plans and expectations in 2018. 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. 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 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; 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 analysis 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 feedstock's 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 related feedstocks; 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 Annual Information Form dated March 6, 2018. 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 5, 2018 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 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 interest, income taxes, depreciation, amortization, impairment loss on PP&E, accretion, and other non-cash expenses deducted in determining consolidated net income (loss).

Overview

We are a renewable chemicals company specializing in bio-based materials that are used as inputs in a wide range of products that allow customers to reduce their use of harmful materials, such as formaldehyde and styrene-based chemicals. Our flagship products, DuraBind® and EcoSphere®, are used to manufacture wood composites, paper and packaging, and enable performance improvements, economic benefits and sustainability. Our strategy is to commercialize a broad range of bio-based polymer and monomer products within specific market segments. We have developed processes that leverage "green" technology to produce bio-based materials from natural feedstocks, such as potato, tapioca and 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 a wide range of industries: (i) a biopolymer nanosphere technology that has been fully scaled and validated; and (ii) a bio-based sugar macromer technology. Our biopolymer nanosphere technology has generated two products, EcoSphere biopolymers and DuraBind biopolymers. Our bio-based sugar macromer technology has generated two products, EcoMer® biomonomers, EcoStix® bio-based pressure sensitive adhesives.

EcoSphere has generated substantially all of our revenues from the paper & paperboard market to date. Our DuraBind biopolymers are an effective replacement for formaldehyde-based binders in the building materials market.

Factors Affecting the Results of Operation

Commercialization

Our customers typically go through three evaluation stages prior to commercial adoption of our products, including:

(i) laboratory evaluation;
(ii) pilot scale production testing; and
(iii) industrial trials representing full scale production.

Our performance is influenced by our ability to convert prospects from the industrial trial phase into full commercial customers. The industrial 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 from them.

We are currently operating on a commercial scale with EcoSphere® in the coated paper and paperboard industry and with DuraBind in the wood composites industry.

Net Sales

On January 1, 2018, the Company adopted IFRS 15, Revenue from Contracts with Customers, which requires revenue to be recognized when the Company has satisfied its performance obligations as set out in the contract with the customer, the contract has commercial substance and it is probable that the Company will collect the consideration it is entitled to on performance of its obligations in the contract. These criteria are generally met when the transfer of control of goods has occurred which typically occurs at the time of shipment or delivery, depending on the terms of the agreement. Net sales are measured based on the price specified in the sales contract net of any discounts and estimated returns at the time of sale. There were no adjustments recorded in the interim financial statements on adoption of IFRS 15.

Cost of sales and gross profit

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

Selling, general and administrative

Selling, general and administrative expense primarily relates to salaries & benefits and other employee related costs which collectively represent approximately 60% of our operational expenses. In addition to this, selling, general and administrative expenses include: travel expenses, professional fees, occupancy related costs, insurance costs and marketing costs.

Research and development

Expenditures during the research phase are expensed as incurred. Expenditures during the development phase are expensed as incurred, unless they meet certain capitalization criteria. No development costs have been capitalized to date.

Our research and development expenses consist of costs incurred to develop and test our products. Salaries & benefits related to employees directly involved in research and development activities represent approximately 50% of total research and development expenses. In addition, research and development expenses include costs related to consultants, facility costs, supplies and other costs directly associated with product development. These costs are partially offset by government grants related to such expenditures.

Share-based compensation

The Company operates an equity settled, share-based compensation plan under which we receive services from employees, directors, advisors, officers, contractors and consultants as consideration for equity instruments which include share options, performance-based share options (PSOs), restricted share units (RSUs) and deferred share units (DSUs) of the Company.

Depreciation

Depreciation included in operating expenses includes depreciation on property, plant and equipment not utilized in our production process.

Depreciation expense included in cost of sales relates to depreciation on property, plant and equipment associated with our production processes.

Foreign exchange (gain)/loss

Foreign exchange represents the revaluation of monetary assets and liabilities denominated in foreign currencies. The change in foreign exchange gains and losses are primarily due to foreign exchange rate fluctuations between the U.S. dollar (our functional currency) and foreign currencies on our net monetary position in those respective currencies.

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 customers and the ability to effectively develop products for new markets which could be a significant source of revenue growth in the future

- Pricing of incumbent technologies and other substitutes for our products

- Regulation of formaldehyde emission standards for wood composite products

- Feedstock, other input and production costs

Results of operations

The following is a summary of our results of operations for the three and nine months ended September 30, 2018 and 2017:

	Three months ended (unaudited)		Change	
	September 30, 2018	September 30, 2017	$	%
Net sales	5,566,269	4,494,086	1,072,183	24%
Gross profit	1,060,359	991,793	68,566	7%
Loss from operations	(536,080)	(1,561,182)	1,025,102	-66%
Net loss	(307,582)	(1,365,336)	1,057,754	-77%
Weighted average number of shares outstanding	59,585,638	59,569,921	15,717	0%
Basic and diluted loss per share	(0.01)	(0.02)	0.02	-77%
Adjusted EBITDA	(4,047)	(991,403)	987,356	-100%

	Nine months ended (unaudited)		Change	
	September 30, 2018	September 30, 2017	$	%
Net sales	16,810,012	12,855,428	3,954,584	31%
Gross profit	3,301,528	2,831,071	470,457	17%
Loss from operations	(2,849,787)	(5,493,667)	2,643,880	-48%
Net loss	(2,181,807)	(5,008,004)	2,826,197	-56%
Weighted average number of shares outstanding	59,655,385	59,546,267	109,118	0%
Basic and diluted loss per share	(0.04)	(0.08)	0.05	-57%
Adjusted EBITDA	(1,358,711)	(3,731,607)	2,372,896	-64%

Net Sales – Net sales for the three months ended September 30, 2018 were $5.6 million compared to $4.5 million in the same period last year, an increase of $1.1 million or 24%. The increase was due to higher sales volume of $1.0 million or 23% and higher average selling prices which improved sales $0.1 million or 1%.

Sales for the nine months ended September 30, 2018 were $16.8 million compared to $12.9 million in the same period last year, an increase of $4.0 million or 31%. The increase was due to higher sales volume of $3.2 million or 25% and higher average selling prices which improved sales $0.8 million or 6%.

Gross profit – Gross profit for the three months ended September 30, 2018 was $1.1 million compared to $1.0 million in the same period last year, an increase of $0.1 million or 7%. Gross profit for the nine months ended September 30, 2018 was $3.3 million compared to $2.8 million in the same period last year, an increase of $0.5 million or 17%. The increase in gross profit in both periods were primarily due to higher sales volume and higher average selling prices partly offset by an increase in manufacturing costs.

Gross profit as a percentage of sales for the three and nine months ended September 30, 2018 were 19.0% and 19.6% compared to 22.1% and 22.0% in the same period last year, respectively. Gross profit as a percentage of sales adjusted for manufacturing deprecation for the three and nine months ended September 30, 2018 were 22.7% and 23.3% compared to 26.0% and 26.2%, respectively, in the same period last year. The decreases in both periods were due to higher manufacturing costs partly offset by an increase in average selling prices.

Loss from operations – Loss from operations for the three months ended September 30, 2018 was $0.5 million compared to $1.6 million in the same period last year, a decrease of $1.0 million or 66%. Loss from operations for the nine months ended September 30, 2018 was $2.8 million compared to $5.5 million in the same period last year, a decrease of $2.6 million or 48%. The decrease in both periods was principally due to lower operating expenses and higher gross profit.

Net Loss – Net loss for the three and nine months ended September 30, 2018 was $0.3 million or $0.01 net loss per share and $2.2 million or $0.04 net loss per common share compared to $1.4 million or $0.02 net loss per common share and $5.0 million or $0.08 net loss per common share in the same periods last year, respectively.

The decreases in net loss and net loss per common share during both periods was primarily due to lower operating expenses partly offset by higher gross profit.

Operating Expenses

The following table sets forth the breakdown of our operating expenses by category during the three and nine months ended September 30, 2018 and 2017:

	Three months ended (unaudited)		Change	
	September 30, 2018	**September 30, 2017**	**$**	**%**
Selling, general and administrative[1]	923,856	1,196,345	(272,489)	-23%
Research and development[1]	433,362	902,451	(469,089)	-52%
Share-based compensation	231,536	289,169	(57,633)	-20%
Depreciation	99,690	104,455	(4,765)	-5%
Foreign exchange (gain) loss	(92,005)	60,555	(152,560)	-252%
Total operating expenses	1,596,439	2,552,975	(956,536)	-37%

	Nine months ended (unaudited)		Change	
	September 30, 2018	**September 30, 2017**	**$**	**%**
Selling, general and administrative[1]	3,480,875	3,721,343	(240,468)	-6%
Research and development[1]	1,488,208	3,282,281	(1,794,073)	-55%
Share-based compensation	555,038	909,756	(354,718)	-39%
Termination benefits	222,778	63,485	159,293	*251%*
Depreciation	320,351	314,066	6,285	2%
Foreign exchange loss	84,065	33,807	50,258	149%
Total operating expenses	6,151,315	8,324,738	(2,173,423)	-26%

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

Selling, general and administrative (SG&A)[1] – SG&A expenses for the three months ended were $0.9 million compared to $1.2 million in the same period last year, a decrease of $0.3 million or 23%. SG&A expenses for the nine months ended September 30, 2018 were $3.5 million compared to $3.7 million in the same period last year, a decrease of $0.2 million or 6%. The decrease during both periods was primarily due to lower salaries & benefits and reduced discretionary spending.

Research and development (R&D) – R&D[1] expenses for the three months ended September 30, 2018 were $0.4 million compared to $0.9 million in the same period last year, a decrease of $0.5 million or 52%. R&D for the nine months ended September 30, 2018 were $1.5 million compared to $3.3 million in the same period last year, a decrease of $1.8 million or 55%. The decrease in both periods was primarily due to lower mill trial related costs, people related expenses and third party development costs.

R&D expenses as a percentage of sales were 10% and 11% for the three and nine months ended September 30, 2018, respectively, compared to 22% and 28% in the same periods last year. The Company's R&D efforts continue to focus on further enhancing value for our existing products and expanding addressable opportunities.

Share-based compensation – Share-based compensation expense for the three and nine months ended September 30, 2018 were $0.2 million and $0.6 million compared to $0.3 million and $0.9 million, respectively. The decreases in both periods were primarily due to the achievement of certain vesting conditions related to performance stock options (PSOs) and Restricted Share Units (RSUs) and the timing of share-based awards issued in the current fiscal year.

Termination benefits – Termination benefits for the three and nine months ended September 30, 2018 were nil and $0.2 million, respectively, compared to $0.1 million in both periods last year. The termination benefits recorded in the current fiscal year related to a cost reduction plan implemented in the first quarter this year.

Depreciation – Depreciation for the three and nine months ended September 30, 2018 were comparable to depreciation expense recognized in the same periods last year.

Foreign exchange loss (gain) – Foreign exchange for the three and nine months ended September 30, 2018 was a $0.1 million foreign exchange gain and a $0.1 million foreign exchange loss compared to a $0.1 million foreign exchange loss and a nominal amount in the same periods last year, respectively The change in foreign exchange was primarily due to the translation of cash balances denominated in Canadian dollars and foreign exchange rate fluctuations between the Canadian dollar and U.S. dollar.

Financial Condition

	September 30 2018	December 31, 2017	Change $	%
Total current assets	51,753,955	54,272,962	(2,519,007)	-5%
Total assets	57,950,817	61,388,634	(3,437,817)	-6%
Total current liabilities	1,774,215	2,991,050	(1,216,835)	-41%

Total current assets – Total current assets at September 30, 2018 were $51.8 million compared to $54.3 million at December 31, 2017, a decrease of $2.5 million or 5%. The decrease was primarily due to lower cash and accounts receivable partly offset by an increase in term deposits and inventory. The decrease in cash was primarily due to cash utilized in operations and common shares repurchased through the normal course issuers bid (NCIB) partly offset by proceeds received from the exercise of common share options. The increase in inventory and accounts receivable was primarily due to timing.

Total assets – Total assets at September 30, 2018 was $58.0 million compared to $61.4 million, a decrease of $3.4 million or 6%. The decrease was due to lower current assets and a decrease in property, plant and equipment due to depreciation expense recognized in the current period.

Total current liabilities – Total current liabilities at September 30, 2018 was $1.8 million compared to $3.0 million at December 31, 2017, a decrease of $1.2 million or 41%. The decrease was primarily due to the timing of raw material purchases and settlement of trade payables and accrued liabilities.

Liquidity and Capital Resources

We currently fund our business operations through cash flow generated from our operations and from existing cash. 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 the foreseeable future.

Below is a summary of our cash flows provided by / (used in) operating activities, financing activities and investing activities for the three months and nine months ended September 30, 2018 and 2017:

	Three months ended		Change	
	September 30, 2018	September 30, 2017	$	%
Cash provided by (used in) operating activities	170,053	(92,071)	262,124	-285%
Cash used in investing activities	(17,563)	(144,750)	127,187	-88%
Cash provided by (used in) financing activities	(229,379)	141,764	(371,143)	-262%
Effect of exchange rate changes on cash and cash equivalents	86,433	88,309	(1,876)	-2%
Increase (Decrease) in cash	9,544	(6,748)	16,292	-241%
Beginning cash	16,415,766	20,080,498	(3,664,732)	-18%
Ending cash	**16,425,310**	**20,073,750**	**(3,648,440)**	**-18%**

	Nine months ended		Change	
	September 30, 2018	September 30, 2017	$	%
Cash used in operating activities	(1,989,972)	(3,456,472)	1,466,500	-42%
Cash used in investing activities	(17,563)	(15,315,873)	15,298,310	-100%
Cash provided by (used in) financing activities	(594,213)	216,179	(810,392)	-375%
Effect of exchange rate changes on cash and cash equivalents	(89,770)	112,638	(202,408)	-180%
Decrease in cash	(2,691,518)	(18,443,528)	15,752,010	-85%
Beginning cash	19,116,828	38,517,278	(19,400,450)	-50%
Ending cash	**16,425,310**	**20,073,750**	**(3,648,440)**	**-18%**

Cash provided by (used in) operating activities – Cash provided by operating activities for the three months ended September 30, 2018 were $0.2 million compared to cash used in operating activities of $0.1 million, an increase of $0.3 million. The increase was primarily due to a $1.0 million decrease in net loss adjusted for non-cash items partly offset by a $0.7 million increase in non-cash working capital. The decrease in net loss adjusted for non-cash items was primarily due to lower operating expenses and higher gross profit. Working capital at September 30, 2018 decreased $0.2 million compared to June 30, 2018 primarily due to lower accounts receivable partly offset by lower accounts payable and accrued liabilities. Working capital at September 30, 2017 decreased $0.9 million compared to June 30, 2017 primarily due to a lower accounts receivable and inventory.

Cash used in operating activities for the nine months ended were $2.0 million compared to $3.5 million in the same period last year, a decrease of $1.5 million or 42%. The decrease was primarily due to a lower net loss adjusted for non-cash items partly offset by an increase in working capital. Working capital at September 30, 2018 increased $1.1 million compared to December 31, 2017 primarily due to lower accounts payable and accrued liabilities and higher inventory partly offset by a decrease in accounts receivable.

Cash used in investing activities – Cash used in investing activities for the three and nine months ended September 30, 2018 were nominal amounts in both periods compared to $0.1 million and $15.3 million in the same periods last year, respectively. During the second quarter last year, the Company purchased a twelve month term deposit of $15.0 million. The Company purchased $0.1 million and $0.3 million of property, plant and equipment for the three and nine months ended September 30, 2017.

Cash provided by (used in) financing activities – Cash used in financing activities during the three months ended September 30, 2018 were $0.2 million compared to cash provided by financing activities of $0.1 million, a decrease of $0.4 million. In the current quarter 249,200 common shares were repurchased through the NCIB program for $0.3 million which was partly offset by proceeds received on the exercise of common share options. In the third quarter of 2017, the Company received $0.1 million in proceeds from government grants.

Cash used in financing activities for the nine months ended September 30, 2018 were $0.6 million compared to cash provided by financing activities of $0.2 million in the same period last year, a decrease of $0.8 million. In the current fiscal year, the Company repurchased 729,000 common shares for $1.0 million through the NCIB program which was partly offset by $0.4 million of proceeds received on the exercise of stock options. In fiscal 2017, the company received $0.2 million of proceeds related to government grants.

Effect of exchange rate changes on cash – The effect of exchange rate changes on cash is primarily due to the revaluation of cash denominated in Canadian dollars and the impact of currency fluctuations between the Canadian dollar and U.S. dollar.

Capital Management

The Company's objective in managing capital is to ensure sufficient liquidity to pursue its growth strategy and fund research and product development, while at the same time taking a conservative approach towards managing financial risk. The Company's capital is composed of the net cash received related to common shares and shareholder option exercises. 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 to provide our products and services to our customers and a 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 and purchase obligations. The following table summarizes our cash commitments as at September 30, 2018

Less than one year	$ 2,504,726
One – two years	$ 304,373
Two – three years	$ 50,729

During the normal course of operations, the Company may enter into feedstock contracts to secure raw material availability over a twelve to twenty-four month period based on market pricing at the time of purchase. As at September 30, 2018, the Company was committed to purchases of feedstock in the approximate amount of $2.5 million

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, 2018. 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.

	Three months ended (unaudited)							
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Net sales	5,566,269	5,796,669	5,447,074	5,029,995	4,494,086	4,759,213	3,602,129	4,672,268
Gross profit	1,060,359	1,189,641	1,051,528	839,272	991,793	1,039,318	799,960	852,213
Loss from operations	(536,080)	(934,878)	(1,378,829)	(1,615,944)	(1,561,182)	(1,896,681)	(2,035,804)	(2,491,386)
Net loss	(307,582)	(709,018)	(1,165,207)	(1,434,280)	(1,365,336)	(1,739,030)	(1,903,638)	(2,372,940)
Weighted average number of shares outstanding	59,585,638	59,701,785	59,679,767	59,573,558	59,569,921	59,563,101	59,515,232	59,374,714
Basic and diluted loss per share	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)	(0.03)	(0.03)	(0.04)
Adjusted EBITDA (1)	(4,047)	(479,220)	(875,444)	(1,114,179)	(991,403)	(1,285,467)	(1,454,737)	(1,686,953)

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.

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

	Three months ended (unaudited)							
	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017	December 31, 2016
Net loss	(307,582)	(709,018)	(1,165,207)	(1,434,280)	(1,365,336)	(1,739,030)	(1,903,638)	(2,372,940)
Depreciation, amortization and impairment loss on PP&E	300,497	307,570	327,971	376,817	280,610	304,648	267,046	453,477
Share-based compensation	231,536	148,088	175,414	124,948	289,169	306,566	314,021	350,956
Interest income	(228,498)	(225,860)	(213,622)	(181,664)	(195,846)	(157,651)	(132,166)	(118,446)
Adjusted EBITDA (1)	(4,047)	(479,220)	(875,444)	(1,114,179)	(991,403)	(1,285,467)	(1,454,737)	(1,686,953)

The following table reconciles net loss to Adjusted EBITDA for the nine months ended September 30, 2018 and 2017:

	Nine months ended (unaudited)	
	September 30, 2018	September 30, 2017
Net loss	(2,181,807)	(5,008,004)
Depreciation	936,038	852,304
Share-based compensation	555,038	909,756
Interest income	(667,980)	(485,663)
Adjusted EBITDA[(1)]	(1,358,711)	(3,731,607)

Notes:

(1) 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, impairment loss on PP&E, other non-cash expenses and charges deducted in determining consolidated net income (loss).

Adjusted EBITDA

Adjusted EBITDA loss for the three months ended September 30, 2018 was a nominal amount compared to a $1.0 million loss in the same period last year. Adjusted EBITDA loss for the nine months ended September 30, 2018 was $1.4 million compared to $3.7 million in the same period last year, a decrease of $2.4 million or 64%. The decrease in both periods was primarily due to lower operating expenses and higher gross profit.

Internal control over financial reporting

There were no changes in the Company's internal control over financial reporting during the three months ended September 30, 2018 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 Company's Annual Information Form dated March 6, 2018. 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, are 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". During the current quarter, the Company acquired 259,368 of the remaining shares of common stock of EcoSynthetix U.S. held by retained interest holders in exchange for issuing 1,815,576 common shares of the Company pursuant to the terms of the put/call agreement as described further in the Company's Annual Information Form dated March 6, 2018. As at November 5, 2018, the Company had the equivalent of 59,568,361 common shares issued and outstanding. If all outstanding share options were exercised and assuming the settlement of outstanding RSU's and DSU's through common shares, there would be the equivalent of 63,399,230 common shares issued and outstanding on a fully diluted basis as at November 5, 2018.

Outlook

Significant progress has been made in the three years since the Company began a transformation designed to put it on a path to sustainable growth and profitability. EcoSynthetix has lowered its cost footprint, invested in leadership and talent, and pursued a growth strategy which leverages its foundation in paper and paperboard packaging and the commercialization of DuraBind within the building materials space.

EcoSynthetix will continue to execute on the following priorities to drive profitable growth in the near-term:

1. Focus on core markets

With stronger fundamentals in market conditions and enhancements to its products the Company improved the value proposition for its EcoSphere products. The Company's relationships with key customers in the paper and paperboard packaging segment continue to provide a strong foundation for its business and EcoSynthetix will continue to capture further growth opportunities in the near term.

The Company will continue its efforts in expanding its presence in the building materials space. Consumer and regulatory factors are creating demand for no-added formaldehyde (NAF) products, and the Company believes it is well-positioned to capitalize on these trends to rapidly grow its share of the $15 billion annual wood composite binder market. In 2016, the Company announced its first commercial customer for its DuraBind product with a top five global producer of wood composites. Sales of DuraBind continue to grow and the Company has expanded and advanced its pipeline of opportunities with leading panel producers. The conversion of its robust pipeline of industrial trial opportunities into commercial accounts remains its highest priority.

2. Product Development

The Company's product development efforts are primarily focused on applications development for its existing EcoSphere and DuraBind products in market segments where their value proposition is strong, and on further improvements to both product lines to further enhance value and expand addressable opportunities.

3. Top line growth with a sustainable bottom line

The Company expects to continue making investments in areas of the business that allow it to scale as it gains traction, while retaining a disciplined approach toward its cost structure. The Company remains confident in its ability to execute on the opportunities it has identified in the wood composites and the paper and paperboard packaging markets, and will leverage its next steps in growth and continued cost discipline to move the business to profitability in the near-term, with a commitment to delivering long-term value to its shareholders.