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

The following management's discussion and analysis ("**MD&A**") dated August 8, 2022 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, 2021. Financial data has been prepared in conformity with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("IASB") and using the same accounting policies and methods as those used in the Company's audited consolidated financial statements for the year ended December 31, 2021.

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 February 24, 2022.

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, and requirements for additional capital, production costs, future demand for latex-based products, business prospects and opportunities, our ability to successfully commercialize our products, expectations as to the amount of reduction that the Company's products may have on a manufacturer's carbon footprint. 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 2022. 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 convert prospects from the industrial trial phase into full commercial customers; our ability to market products successfully to our customers; that we will continue to possess unique intellectual property rights; 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; the price and availability of substitute or competitive products; 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: the impact of the novel coronavirus (COVID-19 and its variants) pandemic on our business; 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 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 February 24, 2022. 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.

Impact of COVID – 19

The outbreak of COVID-19 and its variants, which was first declared by the World Health Organization to be a "pandemic" in March 2020, has impacted the Company's operations and financial results since March 2020 and the pandemic continues to have an impact. The Company serves as an essential manufacturing business and, as a result, has continued to be operational during the pandemic in order to meet the ongoing needs of customers, all of which are also essential businesses. However, the guidelines and orders enacted by federal, state and local governments during the pandemic have created and continue to create disruption in global supply chains, increasing rates of unemployment and adversely impacting many industries. The Company has experienced supply chain shortages, disruptions and inflationary pressures, which have impacted product costs and prices, and customer demand has been negatively impacted, primarily for the Company's graphic paper customers.

There continue to be significant uncertainties associated with the COVID-19 pandemic, including with respect to the resurgence of new and more contagious variants of the virus; the efficacy of the vaccines introduced to combat the virus and the public acceptance of such vaccines; and the impact of COVID-19 on economic conditions, including with respect to labor market conditions, economic activity, consumer behavior, supply chain shortages and disruptions and inflationary pressure; all of which could have a material impact on the Company's financial position, results of operations and cash flows. Due to these significant uncertainties, the Company cannot reasonably estimate the full impact of COVID-19 on its future financial position, results of operations and cash flows.

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 uses 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 is not a recognized measure 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 property, plant and equipment (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 and enable carbon footprint reductions. Our flagship products, DuraBind™, Bioform™, and EcoSphere®, are used to manufacture wood composites, personal care products, and paper and paperboard, 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 polysaccharide feedstocks, such as corn starch, 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 three product families, EcoSphere, Bioform, and DuraBind biopolymers. Our bio-based sugar macromer technology has generated two product families, EcoMer® biomonomers and EcoStix® bio-based pressure sensitive adhesives. Substantially all of our revenue has been generated from the sale of our biopolymer nanosphere technology into the paper & paperboard and wood composite markets.

Factors Affecting the Results of Operation

Commercialization

Our customers typically go through the following evaluation stages prior to commercial adoption of our products:

(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.

Our financial condition and results of operations are influenced by a variety of other 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

- Feedstock, other input and production costs and availability

Net Sales

Revenue is 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.

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 natural feedstock costs and contract manufacturing costs.

Selling, general and administrative

Selling, general and administrative expense (SG&A) primarily relates to salaries & benefits and other employee related costs which collectively represent approximately 50% of total SG&A. In addition to this, SG&A includes travel expenses, professional fees, facility costs, foreign exchange gains and losses, insurance, marketing costs and share-based compensation.

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.

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 (R&D) 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 R&D. In addition, R&D includes costs related to consultants, facility costs including depreciation on property, plant and equipment not utilized in our production process, supplies and other costs directly associated with product development. These costs are partially offset by government grants related to such expenditures.

Results of operations

The following is a summary of our results of operations for the three and six months ended June 30, 2022 and 2021:

	Three months ended		Change	
	June 30, 2022	June 30, 2021	$	%
Net sales	4,167,838	4,897,107	(729,269)	-15%
Gross profit	1,117,485	1,102,486	14,999	1%
Loss from operations	(759,327)	(744,766)	(14,561)	2%
Net loss	(676,828)	(729,097)	52,269	-7%
Weighted average number of shares outstanding	58,855,891	57,241,838	1,614,053	3%
Basic and diluted loss per share	(0.01)	(0.01)	0.00	-10%
Adjusted EBITDA[1] loss	(227,719)	(178,864)	(48,855)	27%

	Six months ended		Change	
	June 30, 2022	June 30, 2021	$	%
Net sales	8,405,793	8,570,554	(164,761)	-2%
Gross profit	2,197,525	1,854,575	342,950	18%
Loss from operations	(1,450,706)	(1,520,591)	69,885	-5%
Net loss	(1,335,720)	(1,478,981)	143,261	-10%
Weighted average number of shares outstanding	58,895,397	57,248,524	1,646,873	3%
Basic and diluted loss per share	(0.02)	(0.03)	0.00	-12%
Adjusted EBITDA[1] loss	(414,580)	(475,086)	60,506	-13%

[1] *Refer to "IFRS and Non-IFRS Measures" and "Adjusted EBITDA" sections in this MD&A*

Net Sales – Net sales for the three months ended June 30, 2022 were $4.2 million compared to $4.9 million in the same period last year, a decrease of $0.7 million or 15%. The decrease was due to lower sales volumes of $2.1 million, or 43%, which was partially offset by a higher average selling price which increased sales $1.4 million, or 28%. Net sales during the six months ended June 30, 2022 were $8.4 million compared to $8.6 million in the same period last year, a decrease of $0.2 million or 2%. The decrease was due to lower sales volume which reduced sales $2.7 million, or 31%, which was partially offset by a higher average selling price which increased sales $2.5 million, or 29%. The decrease in volumes during the three months and six months ended June 30, 2022 was due to unfavorable market conditions in graphic paper and limited feedstock availability due to challenging supply chain conditions. This includes a decrease in volumes of $0.6 million and $0.7 million during the three and six months ended June 30, 2022 related to the closure of a paper mill that was announced in the third quarter of 2021. The decrease in volumes was offset by a higher average selling price during the three and six months ended June 30, 2022, due to the offsetting of significant inflationary pressures with price increases as well as the continued diversification of the Company's product mix.

Gross profit – Gross profit for the three months ended June 30, 2022 was $1.1 million and was comparable to the same period last year. Gross profit for the six months ended June 30, 2022 was $2.2 million compared to $1.9 million, an increase of $0.3 million, or 18%. During both periods, a higher average selling price and favorable product mix was offset by decreases in sales volumes and rising costs of manufacturing.

Gross profit as a percentage of sales for the three and six months ended June 30, 2022 was 26.8% and 26.1% compared to 22.5% and 21.6% in the same periods last year. Gross profit as a percentage of sales adjusted for manufacturing depreciation for the three and six months ended June 30, 2022 was 30.8% and 29.8% compared to 26.3% and 26.2% in the same periods last year. The increase in gross profit percentage and gross profit percentage adjusted for manufacturing depreciation is primarily due to a higher average selling price and favorable product mix offset by higher manufacturing costs.

Operating Expenses

The following table sets forth the breakdown of our operating expenses by category during the three and six months ended June 30, 2022 and 2021:

	Three months ended		Change	
	June 30, 2022	**June 30, 2021**	**$**	**%**
Selling, general and administrative	1,375,381	1,294,822	80,559	6%
Research and development	501,431	552,430	(50,999)	-9%
Total operating expenses	1,876,812	1,847,252	29,560	2%

	Six months ended		Change	
	June 30, 2022	**June 30, 2021**	**$**	**%**
Selling, general and administrative	2,716,066	2,493,811	222,255	9%
Research and development	932,165	881,355	50,810	6%
Total operating expenses	3,648,231	3,375,166	273,065	8%

Selling, general and administrative (SG&A) – SG&A expenses for the three months ended June 30, 2022 were $1.4 million compared to $1.3 million in the same period last year, an increase of $0.1 million, or 6%. The increase in SG&A was primarily due to higher operating costs of $0.3 million including lower payments received under the Canadian Emergency Wage Subsidy program (CEWS), foreign exchange loss and increased discretionary spend, offset by a reduction in the provision for variable compensation of $0.2 million. SG&A expenses for the six months ended June 30, 2022 were $2.7 million compared to $2.5 million in the same period last year, an increase of $0.2 million. The increase is primarily due to $0.1 million lower payments received under CEWS and an increase in share-based compensation of $0.2 million offset by a reduction in the provision for variable compensation of $0.2 million.

Research and development (R&D) – R&D expenses for the three and six months ended June 30, 2022 were comparable to the same periods last year. R&D expense as a percentage of sales for the three and six months ended June 30, 2022 was 12% and 11% compared to 11% and 10% 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.

Loss from operations – Loss from operations for the three months ended June 30, 2022 was comparable to the same period last year as there was a nominal change in gross profit and operating expenses. Loss from operations for the six months ended June 30, 2022 was $1.4 million compared to $1.5 million in the same period last year, a decrease in loss of $0.1 million, or 5%. The decrease in loss is due to higher gross profit offset by higher operating expenses.

Net Loss – Net loss for the three months ended June 30, 2022 was $0.7 million, or $0.01 net loss per common share, and is comparable to the same period last year. Net loss for the six months ended June 30, 2022 was $1.3 million, or $0.02 net loss per common share, compared to $1.5 million, or $0.03 net loss per common share, in the same period last year, a decrease in loss of $0.1 million, or 10%. The decrease in loss was due to a lower loss from operations and higher interest income.

Financial Condition

	June 30 2022	December 31 2021	Change $	%
Total current assets	28,960,286	46,311,612	(17,351,326)	-37%
Total assets	48,393,617	50,981,701	(2,588,084)	-5%
Total current liabilities	1,736,579	2,363,630	(627,051)	-27%
Total liabilities	2,410,260	3,183,675	(773,415)	-24%

Total current assets – Total current assets at June 30, 2022 were $29.0 million compared to $46.3 million at December 31, 2021, a decrease of $17.4 million, or 37%. The decrease in current assets is primarily due to $15.0 million of cash that was used to purchase term deposits maturing in 2023 and 2024 as well as a decrease in cash of $2.9 million. The decrease in cash was offset by an increase in inventory of $0.6 million. The increase in inventory of $0.6 million is primarily due to increasing costs of raw materials as well as production timing.

Total assets – Total assets at June 30, 2022 were $48.4 million compared to $51.0 million at December 31, 2021, a decrease of $2.6 million, or 5%. The change was due to a decrease in current assets of $17.4 million offset by cash used to purchase term deposits maturing in 2023 and 2024 of $15.0 million, as well as purchases of PP&E of $0.2 million offset by depreciation $0.5 million.

Total current liabilities – Total current liabilities at June 30, 2022 were $1.7 million compared to $2.4 million at December 31, 2021, a decrease of $0.6 million or 27%. The decrease was primarily due to the payment of accrued variable compensation relating to the 2021 fiscal year in the amount of $0.7 million.

Total liabilities – Total liabilities at June 30, 2022 were $2.4 million compared to $3.2 million at December 31, 2021, a decrease of $0.8 million or 24%. The decrease was primarily due to a decrease in current liabilities of $0.6 million as well as a decrease in the non-current portion of the lease liability of $0.1 million due to payments made during the period.

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 (used in) provided by operating activities, financing activities and investing activities for the three and six months ended June 30, 2022 and 2021:

	Three months ended		Change	
	June 30, 2022	June 30, 2021	$	%
Cash provided by (used in) operating activities	77,358	(234,246)	311,604	-133%
Cash (used in) investing activities	(148,924)	(193,791)	44,867	-23%
Cash (used in) financing activities	(458,957)	(242,738)	(216,219)	89%
Effect of exchange rate changes on cash	(80,087)	(40,661)	(39,426)	97%
Change in cash	(610,610)	(711,436)	100,826	-14%
Beginning cash	19,903,462	41,915,025	(22,011,563)	-53%
Ending cash	**19,292,852**	**41,203,589**	**(21,910,737)**	**-53%**

	Six months ended		Change	
	June 30, 2022	June 30, 2021	$	%
Cash (used in) provided by operating activities	(1,584,079)	133,729	(1,717,808)	-1285%
Cash (used in) provided by investing activities	(20,198,486)	24,761,652	(44,960,138)	-182%
Cash (used in) financing activities	(1,133,851)	(299,995)	(833,856)	278%
Effect of exchange rate changes on cash	(17,548)	(28,958)	11,410	-39%
Change in cash	(22,933,964)	24,566,428	(47,500,392)	-193%
Beginning cash	42,226,816	16,637,161	25,589,655	154%
Ending cash	**19,292,852**	**41,203,589**	**(21,910,737)**	**-53%**

Cash provided by (used in) operating activities – Cash provided by operating activities for the three months ended June 30, 2022 was $0.1 million compared to cash used in operating activities of $0.2 million in the same period last year, a change of $0.3 million. The change was primarily due to changes in working capital of $0.3 million. Cash used in operating activities during the six months ended June 30, 2022 was $1.6 million compared to cash provided by operating activities of $0.1 million in the same period last year, a change of $1.7 million. The change was primarily due to changes in working capital of $1.3 million as well as $0.4 million in lower interest received on short-term investments.

Cash (used in) provided by investing activities – Cash used in investing activities for the three months ended June 30, 2022 was $0.1 million and was comparable to the same period last year. Cash used during both periods was for purchases of PP&E related to manufacturing equipment. Cash used in investing for the six months ended June 30, 2022 was $20.2 million compared to cash provided by investing activities of $24.8 million in the same period last year. During the six months ended June 30, 2022, $20.0 million of cash was used to purchase term deposits and $0.2 million was used to purchase PP&E. During the six months ended June 30, 2021, $25.0 million in proceeds were received due to the maturity of short-term investments which was partially offset by $0.2 million purchases of PP&E.

Cash (used in) financing activities – Cash used in financing activities during the three months ended June 30, 2022 was $0.5 million compared to $0.2 million in the same period last year, an increase of $0.2 million. The increase is primarily due to an increase of $0.2 million in cash used to purchase shares through the NCIB when compared to the prior period. Cash used in financing activities during the six months ended June 30, 2022 was $1.1 million compared to $0.3 million in the same period last year, an increase of $0.8 million. The increase is primarily due to an increase of $0.6 million in cash used to purchase shares through the NCIB when compared to the prior period as well as $0.2 million in proceeds that were received from the exercise of common share options in the prior period.

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 primarily received related to common shares, and cash flows generated from operating activities. 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. 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.

Commitments

The Company entered the following contractual obligations in the normal course of operations that were not recognized as liabilities as at June 30, 2022:

I. The Company is committed to purchases of feedstock of approximately $4.1 million over the next twelve months. 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.

II. The Company is committed to purchasing $1.4 million of other production raw materials and contract manufacturing as well as $0.2 million of PP&E related to manufacturing equipment.

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 June 30, 2022. 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							
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Net sales	4,167,838	4,237,955	4,885,420	4,705,917	4,897,107	3,673,447	3,343,823	2,991,591
Gross profit	1,117,485	1,080,040	1,013,419	1,103,676	1,102,486	752,089	679,331	443,286
Loss from operations	(759,327)	(691,379)	(947,366)	(774,209)	(744,766)	(775,825)	(792,126)	(786,501)
Net loss	(676,828)	(658,892)	(936,867)	(763,892)	(729,097)	(749,884)	(705,904)	(640,690)
Weighted average number of	58,855,891	58,913,708	57,871,822	57,277,143	57,241,838	57,247,344	56,823,364	56,924,245
Basic and diluted loss per sha	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Adjusted EBITDA (1) (loss)	(227,719)	(186,861)	(332,981)	(116,007)	(178,864)	(296,222)	(123,634)	(227,925)

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

	Three months ended							
	June 30, 2022	March 31, 2022	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Net loss	(676,828)	(658,892)	(936,867)	(763,892)	(729,097)	(749,884)	(705,904)	(640,690)
Depreciation	280,307	232,552	324,387	357,902	338,417	360,126	391,098	365,426
Share-based compensation	251,301	271,966	289,998	300,300	227,485	119,477	277,394	193,150
Net interest income	(82,499)	(32,487)	(10,499)	(10,317)	(15,669)	(25,941)	(86,222)	(145,811)
Adjusted EBITDA (1) (loss)	(227,719)	(186,861)	(332,981)	(116,007)	(178,864)	(296,222)	(123,634)	(227,925)

Notes:
(1) *Refer to "IFRS and Non-IFRS Measures" section in this MD&A*

Adjusted EBITDA

The following table reconciles net loss to Adjusted EBITDA for the three and six months ended June 30, 2022 and 2021.

	Three months ended		Change	
	June 30, 2022	June 30, 2021	$	%
Net loss	(676,828)	(729,097)	52,269	-7%
Depreciation	280,307	338,417	(58,110)	-17%
Share-based compensation	251,301	227,485	23,816	10%
Net interest income	(82,499)	(15,669)	(66,830)	427%
Adjusted EBITDA (1) loss	(227,719)	(178,864)	(48,855)	27%

	Six months ended		Change	
	June 30, 2022	June 30, 2021	$	%
Net loss	(1,335,720)	(1,478,981)	143,261	-10%
Depreciation	512,859	698,543	(185,684)	-27%
Share-based compensation	523,267	346,962	176,305	51%
Net interest income	(114,986)	(41,610)	(73,376)	176%
Adjusted EBITDA (1) loss	(414,580)	(475,086)	60,506	-13%

Notes:
(1) *Refer to "IFRS and Non-IFRS Measures" section in this MD&A*

Adjusted EBITDA loss for the three months ended June 30, 2022 was $0.2 million and was comparable to the same period last year. Adjusted EBITDA loss for the six months ended June 30, 2022 was $0.4 million compared to $0.5 million in the same period last year. Adjusted EBITDA loss decreased by $0.1 million as higher gross profit was partly offset by higher operating costs.

Internal control over financial reporting

There were no changes in the Company's internal control over financial reporting during the three months ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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". As at August 8, 2022, the Company had **58,817,105** 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 **62,858,899** common shares issued and outstanding on a fully diluted basis.

Outlook

Amid unprecedented inflationary pressures, global supply chain challenges, and corn starch availability constraints, exacerbated by the ongoing pandemic and conflict in the Ukraine, the Company continues to pursue a growth strategy which leverages its established business in paper and paperboard and the commercialization of DuraBind within the building materials space and our all-natural ingredients within the personal care space.

The progress achieved with our renewable, bio-based materials positions the Company strongly to help global leaders in these markets achieve their increasingly aggressive sustainability and environmental, social and governance goals. EcoSynthetix will continue to execute on the following priorities to drive profitable growth in 2022.

1. **Execute our "multiple shots on goal" commercial strategy** – The Company's commercialization strategy is a focused offering of sustainable bio-based polymers to displace petro-based chemicals. As we execute our multiple shots on goal strategy, beyond the graphic paper business, the revenue mix is diversifying with increasingly greater contributions from wood composites, personal care, paperboard and tissue end markets.

2. **Support our paper and paperboard accounts** – The Company's relationships with key customers in the paper & paperboard packaging market continue to provide a strong foundation for its business and EcoSynthetix will continue to pursue growth opportunities in this market, specifically in the more focused specialty paper, tissue and packaging categories.

3. **Drive growth in wood composites markets** – The Swiss Krono Group is the Company's first commercial account in the building materials market, including the use of the Company's DuraBind binder in its BE.YOND particleboard, a no-added formaldehyde ("NAF") product. The Swiss Krono Group is one of the world's leading wood-based panel manufacturers. The Company continues its efforts in expanding its presence in the building materials space. Consumer and regulatory factors are creating demand for 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. Manufacturers are actively pursuing new technologies as alternatives to conventional formaldehyde binders and seeking solutions which lower the carbon footprint of their operations and products. EcoSynthetix has expanded its relationship with its first key customer, winning new lines and expanding the number of SKUs that use DuraBind. In addition to the positive activity with the Swiss Krono Group, the Company also announced on November 12, 2021, an annual contract renewal and purchase orders for continuous monthly volumes of DuraBind into 2022 with a top 15 global manufacturer of wood composite products and a leading international retailer. The Company's key targets within the wood composites market are highly engaged and the Company continues to make progress with its commercialization activities. The conversion of its robust pipeline of industrial trial opportunities into commercial accounts remains its highest priority.

4. **Drive growth in personal care markets** – The Company introduced its third product category in 2019, personal care. The Company has an exclusive development, marketing and distribution agreement for its biopolymer

with Dow Chemical Company in the personal care space. Consumer demand for all natural ingredients is driving rapid change in the personal care market today and the Company's biopolymer plays directly into that shift. Its biopolymer is an all-natural film former and the first application in this new market is hair fixatives. Formulations using its Bioform biopolymer are designed to replace existing chemistries at a competitive price with the same or better performance.

5. **Product Development** – The Company's product development efforts focus on applications for its existing EcoSphere, DuraBind and Bioform biopolymer products in end markets where their value proposition is strong, and on further improvements to these product lines to further enhance value and expand addressable opportunities. The Company is also pursuing new product categories in specific markets where strong commercial interest from recognized leaders exists.

6. **Top line growth with a sustainable bottom line** – The Company expects to continue making investments in areas of the business that allow it to accelerate growth 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, personal care and the paper and paperboard markets. The Company generated positive cash flow from operations in 2021 and 2020 and management believes it can leverage its next steps in growth and continued cost discipline to deliver long-term value to its shareholders.