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

The following management's discussion and analysis ("**MD&A**") dated July 30, 2024 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, 2023. 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, 2023.

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 27, 2024.

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 2024. Such statements reflect our current views and beliefs with respect to future events, are subject to risks and uncertainties, and are based upon several 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 or services 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 conflict in Ukraine including the potential expansion of the conflict into other countries or regions; the availability and price of natural feedstocks used in the production of our products; agricultural risks that could impact crop yields and bio-based materials; a significant decrease in the market price of petroleum related feedstocks; inflationary pressures that may affect labor, raw materials, energy, agricultural commodities and other input costs; fluctuations in energy costs used to run production facilities; the inability to effectively expand our production facilities; dependence on certain customers and changes in customer demand; credit and concentration risk associated cash and cash equivalents as well as accounts receivable; the risk of volatility in global financial conditions, as well as significant decline in general economic conditions; increase in industry competition; variations in our financial results; our ability to effectively commercially market and sell our products; the inability to retain key personnel; the inability to develop new technologies and products; an inability to protect, defend or use our intellectual property and/or infringement of third-party intellectual property; enforcement of intellectual property rights; the ability to acquire intellectual property; the risk of litigation with respect to intellectual property and other matters; our ability to protect our know-how and trade secrets; 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; the impact of infectious disease outbreaks on our business including a resurgence of COVID-19; changes in government regulations and policies relating to our business; a shortage of supplies, equipment and parts; a breach in cyber-security; company growth and the impact of significant operating and capital cost increases; changes in the current political and regulatory environments in which we operate; the inability to secure additional government grants; a deterioration in our cash balances or liquidity; the inability to obtain equity or debt financing; insufficient product liability insurance; 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 volatile market price for common shares; the impact of changes in interest rates; the impact of changes in foreign currency exchange; losses from hedging activities and changes in hedging strategy, as well as the factors identified in the "Risk Factors" section of the Company's Annual Information Form dated February 27, 2024. 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.

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 the 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), gain or loss on disposals of 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™, Surflock™, and EcoSphere®, are used to manufacture wood composites, personal care, paperboard, graphic paper, and tissue products 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 four product families, EcoSphere, Bioform, Surflock, 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 our revenue has been generated from the sale of our biopolymer nanosphere technology into the graphic paper, paperboard, tissue 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 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 40% 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.

Results of operations

The following is a summary of our results of operations for the three and six months ended June 30, 2024 and June 30, 2023:

	Three months ended		Change	
	June 30, 2024	**June 30, 2023**	**$**	**%**
Net sales	3,183,961	2,954,114	229,847	8%
Gross profit	858,279	549,875	308,404	56%
Loss from operations	(1,222,759)	(1,238,551)	15,792	-1%
Net loss	(683,887)	(980,221)	296,334	-30%
Weighted average number of shares outstanding	58,705,545	59,098,730	(393,185)	-1%
Basic and diluted loss per share	(0.01)	(0.02)	0.00	-30%
Adjusted EBITDA[1] loss	(785,283)	(777,074)	(8,209)	1%

	Six months ended		Change	
	June 30, 2024	**June 30, 2023**	**$**	**%**
Net sales	7,869,780	6,015,622	1,854,158	31%
Gross profit	1,993,169	1,165,798	827,371	71%
Loss from operations	(2,259,151)	(2,477,612)	218,461	-9%
Net loss	(1,303,233)	(1,968,476)	665,243	-34%
Weighted average number of shares outstanding	58,659,345	59,183,414	(524,069)	-1%
Basic and diluted loss per share	(0.02)	(0.03)	0.01	-33%
Adjusted EBITDA[1] loss	(1,315,100)	(1,364,609)	49,509	-4%

[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, 2024 were $3.2 million compared to $3.0 million in the same period last year, an increase of $0.2 million or 8%. The increase was due to higher volumes, which increased sales $0.6 million, or 21% and was partly offset by a lower average selling price which decreased sales $0.4 million or 13%. The higher volumes were primarily due to improved demand. Net sales for the six months ended June 30, 2024 were $7.9 million compared to $6.0 million in the same period last year, an increase of $1.9 million or 31%. The increase was due to higher volumes which increased sales $2.6 million, or 43% and was partly offset by a lower average selling price which decreased sales $0.7 million or 12%. The higher volumes were primarily due to improved demand, including inventory replenishment at a distributor, as well as $0.4 million in sales of SurfLock™ for extended trials in a pulp application with a leading paper and pulp producer. The lower average selling price during both the three month and six month periods ending June 30, 2024 was primarily due to lower manufacturing costs, which were passed on to customers, as well as product mix.

Gross profit – Gross profit for the three months ended June 30, 2024, was $0.9 million compared to $0.5 million in the same period last year, an increase of $0.3 million or 56%. Gross profit for the six months ended June 30, 2024, was $2.0 million compared to $1.2 million in the same period last year, an increase of $0.8 million or 71%. The increase in gross profit during both periods was primarily due to higher volumes and lower manufacturing costs, including lower manufacturing depreciation, and was partially offset by a lower average selling price.

Gross profit as a percentage of sales for the three and six months ended June 30, 2024 was 27.0% and 25.3% respectively compared to 18.6% and 19.4% in the same periods last year. Gross profit as a percentage of sales adjusted for manufacturing depreciation during the three and six months ended June 30, 2024 was 31.1% and 29.9% compared to 25.2% and 29.0% in same periods last year. The increase in gross profit as a percentage of sales and gross profit as a percentage of sales adjusted for manufacturing depreciation was primarily due to lower manufacturing costs offset by a lower average selling price.

Operating Expenses

The following table sets forth the breakdown of our operating expenses by category during the three and six months ended June 30, 2024 and 2023:

	Three months ended		**Change**	
	June 30, 2024	**June 30, 2023**	**$**	**%**
Selling, general and administrative	1,440,705	1,162,370	278,335	24%
Research and development	640,330	626,056	14,274	2%
Total operating expenses	2,081,035	1,788,426	292,609	16%

	Six months ended		**Change**	
	June 30, 2024	**June 30, 2023**	**$**	**%**
Selling, general and administrative	3,163,173	2,412,544	750,629	31%
Research and development	1,089,147	1,230,866	(141,719)	-12%
Total operating expenses	4,252,320	3,643,410	608,910	17%

Selling, general and administrative (SG&A) – SG&A expenses for the three months ended June 30, 2024 were $1.4 million compared to $1.2 million in the same period last year, an increase of $0.3 million or 24%. SG&A expenses for the six months ended June 30, 2024 were $3.2 million compared to $2.4 million in same period last year, an increase of $0.8 million, or 31%. The increase during both periods was primarily due to asset relocation costs associated with the Company's manufacturing footprint realignment project announced on February 28, 2023.

Research and development (R&D) – R&D expenses for the three months ended June 30, 2024 were flat compared to the same period last year. R&D expenses for the six months ended June 30, 2024 were $1.1 million compared to $1.2 million in the same period last year, a decrease of $0.1 million, or 12%. R&D expense as a percentage of sales for the three and six months ended June 30, 2024 was 20% and 14% respectively compared to 21% and 20% in the same periods last year. The Company's R&D efforts continue to focus on further enhancing the value of our existing products and expanding our addressable opportunities.

Loss from operations – Loss from operations for the three months ended June 30, 2024 was $1.2 million and was comparable to the same period last year. Loss from operations for the six months ended June 30, 2024 was $2.3 million compared to $2.5 million in the same period last year, a decrease in loss of $0.2 million or 9%. The decrease in loss was primarily due to higher gross profit of $0.8 million, primarily due to higher volumes, offset by higher operating expenses of $0.6 million, including approximately $0.4 million costs associated with the Company's manufacturing footprint realignment project.

Net Loss – Net loss for the three months ended June 30, 2024 was $0.7 million, or $0.01 net loss per common share, compared to $1.0 million, or $0.02 net loss per common share in the same period last year, a decrease in net loss of $0.3 million, or 30%. The decrease in net loss was primarily due to $0.2 million in higher net interest income as well as a $0.1 million gain on sale of redundant PP&E. Net loss for the six months ended June 30, 2024 was $1.3 million, or $0.02 net loss per common share, compared to $2.0 million, or $0.03 net loss per common share in the same period last year, a decrease in net loss of $0.7 million, or 34%. The decrease in net loss was primarily due to $0.4 million in higher net interest income, a $0.2 million decrease in loss from operations and a $0.1 million gain on the sale of redundant equipment. The higher net interest income during both periods was due to an increase in interest rates on cash and term deposits.

Financial Condition

Current assets

	June 30 2024	December 31 2023	Change $	%
Cash	3,938,613	4,915,445	(976,832)	-20%
Term deposits	29,261,823	28,366,765	895,058	3%
Accounts receivable	1,471,402	1,549,443	(78,041)	-5%
Inventory	2,497,785	3,642,923	(1,145,138)	-31%
Prepaid expenses	170,755	91,917	78,838	86%
Total current assets	37,340,378	38,566,493	(1,226,115)	-3%

Total current assets – Total current assets as of June 30, 2024 were $37.3 million compared to $38.6 million as of December 31, 2023, a decrease of $1.2 million. The decrease in cash of $1.0 million is primarily due to cash used in investing activities of $0.8 million and financing activities of $0.6 million, offset by cash generated from operating activities of $0.4 million. The increase in term deposits of $0.9 million was primarily due to $0.5 million in purchases of term deposits and $0.4 million in higher accrued interest. The decrease in inventory of $1.1 million was primarily due to $1.0 million lower finished goods and $0.1 million in lower raw materials.

Total assets and liabilities

	June 30 2024	December 31 2023	Change $	%
Total assets	41,614,151	42,835,313	(1,221,162)	-3%
Total current liabilities	1,861,608	1,607,140	254,468	16%
Total liabilities	1,946,315	1,865,418	80,897	4%

Total assets – Total assets as of June 30, 2024 were $41.6 million compared to $42.8 million at December 31, 2023, a decrease of $1.2 million. The change was primarily due to $1.2 million in lower total current assets. $0.5 million PP&E additions relating to manufacturing equipment were offset by depreciation of the same amount.

Total current liabilities – Total current liabilities as of June 30, 2024 were $1.9 million compared to $1.6 million at December 31, 2023, an increase of $0.3 million, or 16%. The increase was primarily due to a customer deposit.

Total liabilities – Total liabilities as of June 30, 2024 were $1.9 million and were comparable to the same period last year as the increase in total current liabilities of $0.3 million was offset by a decrease in the non-current portion of the lease liability of $0.2 million.

Liquidity and Capital Resources

We currently fund our business operations through cash flow generated from our operations and from existing cash and term deposits. 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 and six months ended June 30, 2024, and 2023:

	Three months ended		Change	
	June 30, 2024	**June 30, 2023**	**$**	**%**
Cash (used in) provided by operating activities	(656,739)	873,845	(1,530,584)	-175%
Cash (used in) provided by investing activities	(470,329)	819,664	(1,289,993)	-157%
Cash provided by (used in) financing activities	35,085	(814,778)	849,863	-104%
Effect of exchange rate changes on cash	(3,577)	48,985	(52,562)	-107%
Change in cash	(1,095,560)	927,716	(2,023,276)	-218%
Beginning cash	5,034,173	5,713,651	(679,478)	-12%
Ending cash	**3,938,613**	**6,641,367**	**(2,702,754)**	**-41%**

	Six months ended		Change	
	June 30, 2024	**June 30, 2023**	**$**	**%**
Cash provided by operating activities	408,357	1,165,714	(757,357)	-65%
Cash (used in) provided by investing activities	(822,715)	1,673,208	(2,495,923)	-149%
Cash (used in) financing activities	(561,218)	(1,042,461)	481,243	-46%
Effect of exchange rate changes on cash	(1,256)	36,300	(37,556)	-103%
Change in cash	(976,832)	1,832,761	(2,809,593)	-153%
Beginning cash	4,915,445	4,808,606	106,839	2%
Ending cash	**3,938,613**	**6,641,367**	**(2,702,754)**	**-41%**

Cash (used in) provided by operating activities – During the three months ended June 30, 2024, cash used in operating activities of $0.7 million primarily relates to $0.7 million in net loss and comprehensive loss adjusted for non-cash items, the gain on disposal of PP&E and accrued interest on term deposits. During the three months ended June 30, 2023, cash provided by operating activities of $0.9 million primarily relates to changes in working capital of $1.6 million offset by $0.6 million of net loss and comprehensive loss adjusted for non-cash items.

During the six months ended June 30, 2024, cash provided by operating activities of $0.4 million primarily relates to cash received on term deposits of $0.4 million as changes in working capital were offset by net loss and comprehensive loss adjusted for non-cash items, the gain on disposal of PP&E and accrued interest on term deposits. During the six months ended June 30, 2024 cash provided by operating activities of $1.2 million was primarily due to changes in working capital.

Cash (used in) provided by investing activities – Cash used in investing activities for the three months ended June 30, 2024 was $0.5 million and was primarily due to $0.3 million in purchases of PP&E relating to machinery and equipment and $0.3 million in purchases of term deposits, net of matured term deposits, offset by $0.1 million in proceeds on the sale of redundant PP&E. Cash provided by investing activities for the three months ended June 30, 2023 was $0.8 million and related primarily to $1.0 million in matured term deposits, net of purchases of term deposits, offset by purchases of PP&E relating to machinery and equipment of $0.1 million.

Cash used in investing activities for the six months ended June 30, 2024 was $0.8 million and was primarily due to $0.4 million in purchases of PP&E relating to machinery and equipment and $0.5 million in purchases of term deposits, net of matured term deposits offset by $0.1 million in proceeds on the sale of redundant PP&E. Cash provided by investing activities for the six months ended June 30, 2023 was $1.7 million and related primarily to $2.2 million in matured term deposits, net of purchases of term deposits, offset by purchases of PP&E relating to machinery and equipment of $0.5 million.

Cash provided by (used in) financing activities – Cash provided by financing activities during the three months ended June 30, 2024 was a nominal amount as cash proceeds received on the exercise of common share options of $0.7 million was offset by $0.5 million in cash used to purchase common shares through the NCIB and payments made on the lease liability of $0.1 million. Cash used in financing activities during the three months ended June 30, 2023 of $0.8 million primarily related to the purchase of common shares through the NCIB.

Cash used in financing activities during the six months ended June 30, 2024 was $0.6 million as cash used to purchase common shares through the NCIB of $1.1 million was offset by $0.7 million in cash proceeds received on the exercise of common share options. Cash used in financing activities during the six months ended June 30, 2023 of $1.0 million primarily related to the purchase of common shares through the NCIB.

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 the 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, 2024:

I. The Company is committed to purchasing $0.8 million of production raw materials, contract manufacturing and other operating expenses 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, 2024. 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 and annual financial statements of the Company and the related notes to those statements.

	Three months ended							
	June 30, 2024	**March 31, 2024**	**December 31, 2023**	**September 30, 2023**	**June 30, 2023**	**March 31, 2023**	**December 31, 2022**	**September 30, 2022**
Net sales	3,183,961	4,685,819	2,843,437	3,800,564	2,954,114	3,061,508	5,609,083	5,019,650
Gross profit	858,279	1,134,890	464,048	1,151,985	549,875	615,923	921,720	1,034,861
Loss from operations	(1,222,759)	(1,036,395)	(1,441,361)	(588,702)	(1,238,551)	(1,239,061)	(906,757)	(545,818)
Net loss	(683,887)	(619,346)	(584,624)	(267,947)	(980,221)	(988,255)	(650,674)	(388,850)
Weighted average number of shares outstanding	58,705,545	58,613,145	58,635,640	58,711,122	59,098,730	59,269,038	58,994,283	58,809,507
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.00)	(0.02)	(0.02)	(0.01)	(0.01)
Adjusted EBITDA [(1)] (loss)	(785,283)	(529,817)	(969,092)	(189,102)	(777,074)	(587,535)	(336,308)	(131,471)

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

	Three months ended							
	June 30, 2024	**March 31, 2024**	**December 31, 2023**	**September 30, 2023**	**June 30, 2023**	**March 31, 2023**	**December 31, 2022**	**September 30, 2022**
Net loss	(683,887)	(619,346)	(584,624)	(267,947)	(980,221)	(988,255)	(650,674)	(388,850)
Depreciation	238,433	304,199	247,690	234,516	298,885	487,894	396,293	228,313
Share-based compensation	199,040	202,379	224,579	165,084	162,592	163,632	174,156	186,034
Gain on disposal of property, plant and equipment	(90,000)	-	(511,038)	-	-	-	-	-
Net interest income	(448,869)	(417,049)	(345,699)	(320,755)	(258,330)	(250,806)	(256,083)	(156,968)
Adjusted EBITDA [(1)] (loss)	(785,283)	(529,817)	(969,092)	(189,102)	(777,074)	(587,535)	(336,308)	(131,471)

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, 2024 and 2023.

	Three months ended		Change	
	June 30, 2024	June 30, 2023	$	%
Net loss	(683,887)	(980,221)	296,334	-30%
Depreciation	238,433	298,885	(60,452)	-20%
Share-based compensation	199,040	162,592	36,448	22%
Gain on disposal of property, plant and equipment	(90,000)	-	(90,000)	100%
Net interest income	(448,869)	(258,330)	(190,539)	74%
Adjusted EBITDA(1) loss	(785,283)	(777,074)	(8,209)	1%

	Six months ended		Change	
	June 30, 2024	June 30, 2023	$	%
Net loss	(1,303,233)	(1,968,476)	665,243	-34%
Depreciation	542,632	786,779	(244,147)	-31%
Share-based compensation	401,419	326,224	75,195	23%
Gain on disposal of property, plant and equipment	(90,000)	-	(90,000)	100%
Net interest income	(865,918)	(509,136)	(356,782)	70%
Adjusted EBITDA(1) loss	(1,315,100)	(1,364,609)	49,509	-4%

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

Adjusted EBITDA loss for the three and six months ended June 30, 2024 was comparable to the same periods last year.

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, 2024 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.sedarplus.ca.

Common Share Trading Information

The Company's common shares trade on the Toronto Stock Exchange under the symbol "ECO". As at July 30, 2024 the Company had **58,788,241** 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 **62,151,982** common shares issued and outstanding on a fully diluted basis.

Outlook

The Company is commercializing DuraBind resin within the building materials space, Surflock strength aids within the paperboard, pulp and tissue markets, and Bioform all-natural ingredients within the personal care space. Our products are cost competitive and exhibit similar performance characteristics to the non-renewable products they replace. These products are also positioned to help global leaders in these markets achieve their increasingly aggressive sustainability and climate goals.

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, paperboard, pulp and tissue end markets. Management believes it can leverage its next steps in growth and continued cost discipline to deliver long-term value to its shareholders.

EcoSynthetix is focused on the following core priorities to drive sustainable growth and profitability.

1. **Execute our commercial strategy to diversify across multiple end markets** – The Company goes to market with a focused offering of sustainable bio-based polymers to displace petro-based chemicals. The contributions from the wood composites, paperboard, pulp and tissue, and personal care end markets are already, and will continue to be, the primary drivers of growth. The legacy graphic paper end market, on which the business was established, has demonstrated the Company's ability to offer performance and cost savings at scale, and provides some valuable foundational relationships for new products in the pulp, tissue and paperboard industry; but with increasing digitization, graphic paper is already, and will continue to be, a declining portion of revenue.

2. **Drive growth in paperboard, pulp and tissue** – The Company's relationships with key customers in the paperboard, graphic paper, pulp, and tissue market provide a strong foundation for its business and EcoSynthetix will continue to pursue growth opportunities in these markets, specifically in the paperboard, pulp and tissue categories. Multiple accounts are commercial today with Surflock strength aids. Trial activity and the opportunity pipeline for Surflock continues to build, including global leaders that have conducted multiple trials.

3. **Drive growth in wood composites markets** – A top 15 global manufacturer of wood composite products that is backward integrated into a leading international retailer uses DuraBind resin commercially at one of its manufacturing lines. The international retailer has identified the use of bio-based glues as a key driver of its sustainability objectives. Opportunities to expand the usage of DuraBind exist at the retailer's other manufacturing lines and across the other supply chain partners it buys from, as well as other global wood composites manufacturers. The Company believes it is well-positioned to capitalize on the carbon footprint and air quality benefits DuraBind offers to rapidly grow its share of the $15 billion annual wood composite binder market.

4. **Drive growth in personal care markets** – Dow has an exclusive agreement with EcoSynthetix to bring innovative bio-based, biodegradable and low-carbon solutions to the personal care industry based on the Company's Bioform biopolymer technology. The Dow and EcoSynthetix engagement currently includes the Dow MaizeCare™ polymers portfolio which addresses multiple applications including hair gel, liquid hair gel, hair styling jelly and pump hair spray. Beyond hair care, these all-natural ingredients can also be leveraged to provide a variety of benefits in color cosmetic applications.

5. **Product Development** – The Company's product development efforts focus on applications for its existing DuraBind, Surflock, and Bioform biopolymer products in market segments where their value proposition is strong, and on further improvements to the 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.