

EcoSynthetix Inc.

Interim Consolidated Financial Statements
(Unaudited)

September 30, 2024
(expressed in US dollars)

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, Subsection 4.3(3)(a), if an auditor has not performed a review of interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of EcoSynthetix Inc. (the Company) have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

EcoSynthetix Inc.
Interim Consolidated Balance Sheets
(Unaudited)

(expressed in US dollars)

	September 30, 2024	December 31, 2023
	\$	\$
Assets		
Current assets		
Cash	5,599,875	4,915,445
Term deposits (note 2)	27,897,307	28,366,765
Accounts receivable (note 3)	2,247,494	1,549,443
Inventory (note 4)	2,232,970	3,642,923
Prepaid expenses	160,351	91,917
	<u>38,137,997</u>	<u>38,566,493</u>
Property, plant and equipment (note 5)	<u>4,231,339</u>	<u>4,268,820</u>
Total assets	<u>42,369,336</u>	<u>42,835,313</u>
Liabilities		
Current liabilities		
Trade accounts payable and accrued liabilities (note 6)	2,714,379	1,607,140
Lease liability (note 7)	<u>-</u>	<u>258,278</u>
Total liabilities	<u>2,714,379</u>	<u>1,865,418</u>
Shareholders' Equity		
Common shares (note 9)	489,685,821	490,263,781
Contributed surplus	10,676,475	10,253,411
Accumulated deficit	<u>(460,707,339)</u>	<u>(459,547,297)</u>
Total shareholders' equity	<u>39,654,957</u>	<u>40,969,895</u>
Total liabilities and shareholders' equity	<u>42,369,336</u>	<u>42,835,313</u>

The accompanying notes are an integral part of these interim consolidated financial statements.

EcoSynthetix Inc.

Interim Consolidated Statements of Operations and Comprehensive Loss

(Unaudited)

For the three and nine months ended September 30, 2024 and September 30, 2023

(expressed in US dollars)

	Three months ended September 30		Nine months ended September 30	
	2024 \$	2023 \$	2024 \$	2023 \$
Net sales (note 10)	5,233,974	3,800,564	13,103,754	9,816,186
Cost of sales (notes 5 and 11)	3,491,521	2,648,579	9,368,132	7,498,403
Gross profit on sales	1,742,453	1,151,985	3,735,622	2,317,783
Expenses (notes 5 and 11)				
Selling, general and administrative	1,479,267	1,226,127	4,642,440	3,638,671
Research and development	563,141	514,560	1,652,288	1,745,426
	2,042,408	1,740,687	6,294,728	5,384,097
Loss from operations	(299,955)	(588,702)	(2,559,106)	(3,066,314)
Net interest income (note 2)	443,146	320,755	1,309,064	829,891
Gain on disposal of property, plant and equipment (note 5)	-	-	90,000	-
Net income (loss) and comprehensive income (loss)	143,191	(267,947)	(1,160,042)	(2,236,423)
Basic and diluted income (loss) per common share	0.00	(0.00)	(0.02)	(0.04)
Weighted average number of common shares outstanding	58,758,013	58,711,122	58,692,474	59,024,253

The accompanying notes are an integral part of these interim consolidated financial statements.

EcoSynthetix Inc.

Interim Consolidated Statements of Shareholders' Equity

(Unaudited)

For the nine months ended September 30, 2024 and September 30, 2023

(expressed in US dollars)

	Common shares \$	Contributed surplus \$	Accumulated deficit \$	Total \$
Balance – January 1, 2023	491,700,059	10,081,456	(456,726,250)	45,055,265
Share-based compensation	-	491,308	-	491,308
Common share options exercised	39,339	(12,472)	-	26,867
Common shares repurchased	(1,677,206)	-	-	(1,677,206)
Net loss and comprehensive loss	-	-	(2,236,423)	(2,236,423)
Balance – September 30, 2023	<u>490,062,192</u>	<u>10,560,292</u>	<u>(458,962,673)</u>	<u>41,659,811</u>
Balance – January 1, 2024	490,263,781	10,253,411	(459,547,297)	40,969,895
Share-based compensation (note 8)	-	796,143	-	796,143
Common share options exercised (note 9)	1,066,807	(356,348)	-	710,459
Common shares repurchased (note 9)	(1,661,498)	-	-	(1,661,498)
Restricted share units converted	16,731	(16,731)	-	-
Net loss and comprehensive loss	-	-	(1,160,042)	(1,160,042)
Balance – September 30, 2024	<u>489,685,821</u>	<u>10,676,475</u>	<u>(460,707,339)</u>	<u>39,654,957</u>

The accompanying notes are an integral part of these interim consolidated financial statements.

EcoSynthetix Inc.

Interim Consolidated Statements of Cash Flows

(Unaudited)

For the three and nine months ended September 30, 2024 and September 30, 2023

(expressed in US dollars)

	Three months ended September 30		Nine months ended September 30	
	2024 \$	2023 \$	2024 \$	2023 \$
Cash provided by (used in)				
Operating activities				
Net income (loss) and comprehensive income (loss)	143,191	(267,947)	(1,160,042)	(2,236,423)
Items not affecting cash				
Depreciation (note 5)	269,945	234,516	812,577	1,021,295
Share-based compensation (note 8)	394,724	165,084	796,143	491,308
Other	(12,711)	69,672	(24,368)	28,520
Gain on disposal of property, plant and equipment (note 5)	-	-	(90,000)	-
Changes in non-cash working capital				
Accounts receivable (note 3)	(776,092)	(314,010)	(698,051)	1,386,447
Inventory (note 4)	253,148	(638,361)	1,349,274	1,271,071
Prepaid expenses	10,404	(306)	(68,434)	(81,808)
Trade accounts payable and accrued liabilities (note 6)	928,942	769,268	1,097,867	(639,055)
Interest on term deposits				
Interest received on term deposits	772,812	371,064	1,174,974	743,536
Accrued interest on term deposits (note 2)	(408,296)	(261,305)	(1,205,516)	(691,502)
	<u>1,576,067</u>	<u>127,675</u>	<u>1,984,424</u>	<u>1,293,389</u>
Investing activities				
Purchase of property, plant and equipment	(301,224)	(154,748)	(713,939)	(676,444)
Proceeds on disposal of property, plant and equipment (note 5)	-	-	90,000	-
Receipts on mature term deposits (note 2)	12,500,000	13,416,140	27,800,000	27,093,884
Purchase of term deposits (note 2)	(11,500,000)	(12,500,000)	(27,300,000)	(23,982,840)
	<u>698,776</u>	<u>761,392</u>	<u>(123,939)</u>	<u>2,434,600</u>
Financing activities				
Payments made on lease liability (note 7)	(77,536)	(73,158)	(238,509)	(214,519)
Common shares repurchased (note 9)	(550,794)	(749,239)	(1,661,498)	(1,677,206)
Exercise of common share options	-	-	710,459	26,867
	<u>(628,330)</u>	<u>(822,397)</u>	<u>(1,189,548)</u>	<u>(1,864,858)</u>
Effect of exchange rate changes on cash	<u>14,749</u>	<u>(92,965)</u>	<u>13,493</u>	<u>(56,665)</u>
Change in cash during the period	<u>1,661,262</u>	<u>(26,295)</u>	<u>684,430</u>	<u>1,806,466</u>
Cash – Beginning of period	<u>3,938,613</u>	<u>6,641,367</u>	<u>4,915,445</u>	<u>4,808,606</u>
Cash – End of period	<u>5,599,875</u>	<u>6,615,072</u>	<u>5,599,875</u>	<u>6,615,072</u>

The accompanying notes are an integral part of these interim consolidated financial statements.

EcoSynthetix Inc.

Notes to Interim Consolidated Financial Statements (Unaudited)

September 30, 2024 and September 30, 2023

(expressed in US dollars)

1 Business operations

EcoSynthetix Inc. (EcoSynthetix or the Company) is engaged in the development and commercialization of environmentally friendly, bio-based technologies as replacement solutions for synthetic, petrochemical-based adhesives and other related products in the Americas, Europe, Middle East and Africa (EMEA) and Asia Pacific. EcoSynthetix is incorporated and domiciled in Canada. The address of its registered office is 3365 Mainway, Burlington, Ontario, Canada.

The unaudited interim consolidated financial statements (interim financial statements) for the three and nine-month periods ended September 30, 2024 were prepared 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 policies applied in these interim financial statements are based on International Financial Reporting Standards (IFRS) issued and in effect as at November 4, 2024, the date the Board of Directors approved the interim financial statements. The interim financial statements are in compliance with International Accounting Standard 34, Interim Financial Reporting (IAS 34). Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with IFRS, as issued by the International Accounting Standards Board, have been omitted or condensed. The preparation of interim consolidated financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the interim financial statements, have been set out in note 2 to the Company's consolidated financial statements for the year ended December 31, 2023. These interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2023.

2 Term deposits and net interest income

The Company has non-redeemable guaranteed investment certificates maturing between December 2024 and July 2025 at annual interest rates between 5.15% and 5.85%. All term deposits are held with two large chartered Canadian banks and are denominated in US dollars. The carrying value of all term deposits includes accrued interest and is recorded at amortized cost using the effective interest method.

	September 30, 2024 \$	December 31, 2023 \$
Redeemable short-term deposits	-	2,776,455
Non-redeemable short-term deposits	27,897,307	25,590,310
	<u>27,897,307</u>	<u>28,366,765</u>

EcoSynthetix Inc.

Notes to Interim Consolidated Financial Statements (Unaudited)

September 30, 2024 and September 30, 2023

(expressed in US dollars)

The Company generates interest income on its term deposits and cash deposits and incurs interest expense on its lease liability.

	Three months ended September 30		Nine months ended September 30	
	2024 \$	2023 \$	2024 \$	2023 \$
Interest earned on term deposits	408,296	261,305	1,205,516	691,502
Interest earned on cash deposits	40,932	70,253	125,272	173,833
Interest expense on lease liability	(6,082)	(10,803)	(21,724)	(35,444)
	<u>443,146</u>	<u>320,755</u>	<u>1,309,064</u>	<u>829,891</u>

3 Accounts receivable

	September 30, 2024 \$	December 31, 2023 \$
Trade accounts receivable	2,071,014	1,108,883
Commodity taxes receivable	163,931	320,241
Other receivables	12,549	114,651
Government grant receivables	-	5,668
	<u>2,247,494</u>	<u>1,549,443</u>

4 Inventory

	September 30, 2024 \$	December 31, 2023 \$
Raw materials	865,336	846,417
Finished goods	1,367,634	2,796,506
	<u>2,232,970</u>	<u>3,642,923</u>

The Company has a recorded provision of \$109,304 against finished goods and raw materials inventory as at September 30, 2024 (December 31, 2023 – \$108,883).

EcoSynthetix Inc.

Notes to Interim Consolidated Financial Statements (Unaudited)

September 30, 2024 and September 30, 2023

(expressed in US dollars)

5 Property, plant and equipment

The composition of the net carrying amount of the Company's property, plant and equipment is presented in the following table:

	Machinery and equipment \$	Right-of- use asset \$	Computer hardware \$	Total \$
Cost				
December 31, 2023	17,035,910	1,766,413	20,479	18,822,802
Additions	714,417	-	-	714,417
Disposals	(2,096,620)	-	-	(2,096,620)
September 30, 2024	15,653,707	1,766,413	20,479	17,440,599
Accumulated depreciation				
December 31, 2023	(13,278,980)	(1,254,523)	(20,479)	(14,553,982)
Depreciation expense	(542,171)	(209,727)	-	(751,898)
Disposals	2,096,620	-	-	2,096,620
September 30, 2024	(11,724,531)	(1,464,250)	(20,479)	(13,209,260)
Net carrying amount				
December 31, 2023	3,756,930	511,890	-	4,268,820
September 30, 2024	3,929,176	302,163	-	4,231,339

For the three and nine months ended September 30, 2024, depreciation expense of \$184,104 and \$547,638 (2023 – \$141,083 and \$717,626) has been charged to cost of goods sold and \$85,841 and \$264,939 (2023 – \$93,433 and \$303,669) has been charged to research and development. For the nine months ended September 30, 2024, depreciation expense of \$60,679 was expensed from inventory (2023 – \$3,666 was capitalized into inventory).

There was \$116,908 of property, plant and equipment additions included in trade accounts payable and accrued liabilities as at September 30, 2024 (December 31, 2023 – \$116,430).

During the nine months ended September 30, 2024, the Company disposed of machinery and equipment. All disposed assets had a carrying value of \$nil. On certain disposals of machinery and equipment, cash proceeds were received of \$90,000 and a corresponding gain on disposal of property, plant and equipment was recorded in the interim consolidated statements of operations and comprehensive loss.

EcoSynthetix Inc.

Notes to Interim Consolidated Financial Statements (Unaudited)

September 30, 2024 and September 30, 2023

(expressed in US dollars)

6 Trade accounts payable and accrued liabilities

	September 30, 2024 \$	December 31, 2023 \$
Trade accounts payable	1,270,722	831,463
Short-term lease liability	334,977	326,083
Customer deposit	335,351	-
Accrued liabilities	773,329	449,594
	<u>2,714,379</u>	<u>1,607,140</u>

Included in accrued liabilities as at September 30, 2024 is accrued variable employee compensation of \$393,372 (December 31, 2023 – \$200,136).

7 Lease liability

The Company has one right-of-use asset under property, plant and equipment and corresponding lease liability for the lease associated with the Company's corporate headquarters located in the Centre of Innovation in Burlington, Ontario. The lease liability is measured at amortized cost by discounting the lease payments over the remaining term of the lease at the Company's incremental borrowing rate of 6.2%.

	September 30, 2024 \$	December 31, 2023 \$
Lease liability		
Short-term	334,977	326,083
Long-term	-	258,278
	<u>334,977</u>	<u>584,361</u>

For the three and nine months ended September 30, 2024, total cash payments of \$83,618 and \$260,233 (2023 – \$83,961 and \$249,963) were made on the lease liability. Cash payments for the three and nine months ended September 30, 2024 include interest expense of \$6,082 and \$21,724 (2023 – \$10,803 and \$35,444), which has been recognized in net interest income on the interim consolidated statements of operations and comprehensive loss, and principal payments of \$77,536 and \$238,509 (2023 – \$73,158 and \$214,519).

8 Share-based compensation

As at September 30, 2024, the Company had outstanding share options to purchase 2,072,893 shares of the Company. The share options expire at various dates through January 8, 2031.

EcoSynthetix Inc.

Notes to Interim Consolidated Financial Statements (Unaudited)

September 30, 2024 and September 30, 2023

(expressed in US dollars)

	Number of share options outstanding	Weighted average exercise price CA\$
Outstanding – December 31, 2023	2,194,235	3.04
Share options granted	373,162	3.61
Share options exercised	(494,504)	1.96
Outstanding – September 30, 2024	<u>2,072,893</u>	<u>3.39</u>

9 Common shares

	Number of common shares	Share capital \$
Balance – December 31, 2023	58,661,837	490,263,781
Common share options exercised	494,504	1,066,807
Restricted share units converted	4,200	16,731
Common shares repurchased	(504,500)	(1,661,498)
Balance – September 30, 2024	<u>58,656,041</u>	<u>489,685,821</u>

Share exchange

During the nine months ended September 30, 2024, the Company held a normal course issuer bid (the Bid) to repurchase a certain number of its outstanding common shares through the facilities of the Toronto Stock Exchange. During the three and nine months ended September 30, 2024, the Company repurchased and cancelled 178,300 and 504,500 (2023 – 274,600 and 691,400) common shares for total consideration of \$550,794 and \$1,661,498 (2023 – \$749,239 and \$1,677,206), respectively.

10 Segmented information and enterprise-wide disclosures

Segmented reporting

The Company operates in one reportable segment and generates revenue primarily from its biopolymer nanosphere technology platform.

EcoSynthetix Inc.

Notes to Interim Consolidated Financial Statements (Unaudited)

September 30, 2024 and September 30, 2023

(expressed in US dollars)

Sales by geographic location

The Company is domiciled in Canada. Revenue from external customers located in Canada for the three and nine months ended September 30, 2024 was \$535,590 and \$1,407,488 (2023 – \$570,252 and \$1,532,825). The total revenue from external customers in the following regions was as follows:

	Three months ended September 30		Nine months ended September 30	
	2024 \$	2023 \$	2024 \$	2023 \$
Americas	1,486,992	1,058,444	3,931,918	2,986,471
EMEA	2,563,769	1,943,358	5,762,866	4,685,222
Asia Pacific	1,183,213	798,762	3,408,970	2,144,493
	<u>5,233,974</u>	<u>3,800,564</u>	<u>13,103,754</u>	<u>9,816,186</u>

The revenue has been assigned to each jurisdiction based on the location of the customer.

During the three months ended September 30, 2024, revenue attributable to individual countries reporting greater than 10% of total revenue included Japan, Lithuania and Germany which represented 22%, 16% and 13%, respectively. During the three months ended September 30, 2023 revenue attributable to individual countries reporting greater than 10% of total revenue included Japan, the Netherlands and Canada which represented 19%, 17% and 15%, respectively.

During the nine months ended September 30, 2024, revenue attributable to individual countries reporting greater than 10% of total revenue included Japan, Lithuania, Germany and Canada which represented 25%, 13%, 12% and 11%, respectively. During the nine months ended September 30, 2023, revenue attributable to individual countries reporting greater than 10% of total revenue included Japan, Canada, Lithuania, and the United States, which represented 21%, 16%, 15% and 13%, respectively.

Sales to major customers

During the three months ended September 30, 2024, the Company derived a significant portion of its revenue from three customers, representing 22%, 16% and 11% of total revenue (2023 – three customers, representing 19%, 17% and 14% of total revenue). During the nine months ended September 30, 2024, the Company derived a significant portion of its revenue from two customers, representing 25% and 13% of total revenue (2023 – three customers, representing 21%, 15% and 14% of total revenue). The concentrations listed do not necessarily apply to the same customers year over year.

EcoSynthetix Inc.

Notes to Interim Consolidated Financial Statements (Unaudited) September 30, 2024 and September 30, 2023

(expressed in US dollars)

Property, plant and equipment

The Company's property, plant and equipment are reported at their net carrying amount and are located in the following countries:

	September 30, 2024 \$	December 31, 2023 \$
Canada	2,635,585	2,275,728
United States of America	-	789,591
The Netherlands	1,595,754	1,203,501
	<u>4,231,339</u>	<u>4,268,820</u>

11 Expenses by nature

Additional information on the nature of amounts included in cost of sales and selling, general and administrative expenses is as follows:

	Three months ended September 30		Nine months ended September 30	
	2024 \$	2023 \$	2024 \$	2023 \$
Salaries and benefits	1,093,897	757,651	2,914,378	2,425,688
Share-based compensation	394,724	165,084	796,143	491,308
Depreciation	269,945	234,516	812,577	1,021,295
Foreign exchange (gain) loss	(48,825)	51,637	(40,419)	41,577

Foreign exchange gains and losses represent the revaluation of monetary assets and liabilities denominated in foreign currencies. The change in foreign exchange revaluation gains and losses is primarily due to foreign exchange rate fluctuations between the US dollar (the Company's functional currency) and foreign currencies and the related impact on the net monetary position in those respective currencies. The foreign exchange loss for the three and nine months ended September 30, 2024 primarily relates to monetary assets and liabilities denominated in Canadian dollars.

12 Comparative figures

Certain comparative figures have been restated to conform to the current period's presentation.