

EcoSynthetix Inc.

Interim Consolidated Financial Statements
(Unaudited)

March 31, 2025

(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 interim consolidated 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 consolidated 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 Sheet
(Unaudited)

(expressed in US dollars)

	March 31, 2025	December 31, 2024
	\$	\$
Assets		
Current assets		
Cash	6,756,790	7,721,403
Term deposits (note 2)	24,676,266	24,473,985
Accounts receivable (note 3)	2,362,743	2,325,369
Inventory (note 4)	3,458,615	2,828,748
Prepaid expenses	103,089	90,306
	<u>37,357,503</u>	<u>37,439,811</u>
Property, plant and equipment (note 5)	<u>3,655,542</u>	<u>3,845,010</u>
Total assets	<u>41,013,045</u>	<u>41,284,821</u>
Liabilities		
Current liabilities		
Trade accounts payable and accrued liabilities (note 6)	<u>2,359,523</u>	<u>1,938,831</u>
Total liabilities	<u>2,359,523</u>	<u>1,938,831</u>
Shareholders' Equity		
Common shares (note 9)	489,105,407	489,246,909
Contributed surplus	11,068,864	11,013,304
Accumulated deficit	<u>(461,520,749)</u>	<u>(460,914,223)</u>
Total shareholders' equity	<u>38,653,522</u>	<u>39,345,990</u>
Total liabilities and shareholders' equity	<u>41,013,045</u>	<u>41,284,821</u>

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

EcoSynthetix Inc.

Interim Consolidated Statement of Operations and Comprehensive Loss

(Unaudited)

For the three months ended March 31, 2025 and March 31, 2024

(expressed in US dollars)

	2025	2024
	\$	\$
Net sales (note 10)	4,042,161	4,685,819
Cost of sales (notes 5 and 11)	3,174,122	3,550,929
Gross profit on sales	<u>868,039</u>	<u>1,134,890</u>
Expenses (notes 5 and 11)		
Selling, general and administrative	1,459,547	1,722,468
Research and development	384,568	448,817
	<u>1,844,115</u>	<u>2,171,285</u>
Loss from operations	(976,076)	(1,036,395)
Net interest income (note 2)	369,550	417,049
Net loss and comprehensive loss for the period	<u>(606,526)</u>	<u>(619,346)</u>
Basic and diluted loss per common share	(0.01)	(0.01)
Weighted average number of common shares outstanding	58,531,759	58,613,145

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

EcoSynthetix Inc.

Interim Consolidated Statement of Shareholders' Equity

(Unaudited)

For the three months ended March 31, 2025 and March 31, 2024

(expressed in US dollars)

	Common shares \$	Contributed surplus \$	Accumulated deficit \$	Total \$
Balance – January 1, 2024	490,263,781	10,253,411	(459,547,297)	40,969,895
Share-based compensation	-	202,379	-	202,379
Common share options exercised	66,945	(21,984)	-	44,961
Common shares repurchased	(561,379)	-	-	(561,379)
Restricted share units converted	16,731	(16,731)	-	-
Net loss and comprehensive loss for the period	-	-	(619,346)	(619,346)
Balance – March 31, 2024	489,786,078	10,417,075	(460,166,643)	40,036,510
Balance – January 1, 2025	489,246,909	11,013,304	(460,914,223)	39,345,990
Share-based compensation (note 8)	-	204,662	-	204,662
Common share options exercised (note 9)	66,373	(23,135)	-	43,238
Common shares repurchased (note 9)	(333,842)	-	-	(333,842)
Restricted share units converted	125,967	(125,967)	-	-
Net loss and comprehensive loss for the period	-	-	(606,526)	(606,526)
Balance – March 31, 2025	489,105,407	11,068,864	(461,520,749)	38,653,522

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

EcoSynthetix Inc.

Interim Consolidated Statement of Cash Flows

(Unaudited)

For the three months ended March 31, 2025 and March 31, 2024

(expressed in US dollars)

	2025 \$	2024 \$
Cash provided by (used in)		
Operating activities		
Net loss and comprehensive loss for the period	(606,526)	(619,346)
Items not affecting cash		
Depreciation (note 5)	270,403	304,199
Share-based compensation (note 8)	204,662	202,379
Other	(34,882)	(13,083)
Changes in non-cash working capital		
Accounts receivable (note 3)	(37,374)	(507,258)
Inventory (note 4)	(634,768)	894,268
Prepaid expenses	(12,783)	(783)
Trade accounts payable and accrued liabilities (note 6)	445,088	926,920
Interest on term deposits		
Interest received on term deposits	841,794	260,450
Accrued interest on term deposits (note 2)	(314,075)	(382,650)
	<u>121,539</u>	<u>1,065,096</u>
Investing activities		
Purchase of property, plant and equipment (note 5)	(23,165)	(152,386)
Receipts on matured term deposits (note 2)	16,550,000	12,600,000
Purchase of term deposits (note 2)	(17,280,000)	(12,800,000)
	<u>(753,165)</u>	<u>(352,386)</u>
Financing activities		
Principal payments made on lease liability (note 7)	(79,442)	(79,885)
Common shares repurchased (note 9)	(333,842)	(561,379)
Exercise of common share options (note 9)	43,238	44,961
	<u>(370,046)</u>	<u>(596,303)</u>
Effect of exchange rate changes on cash	<u>37,059</u>	<u>2,321</u>
Change in cash during the period	(964,613)	118,728
Cash – Beginning of period	<u>7,721,403</u>	<u>4,915,445</u>
Cash – End of period	<u>6,756,790</u>	<u>5,034,173</u>

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

EcoSynthetix Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2025 and March 31, 2024

(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-month period ended March 31, 2025 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, 2024. The policies applied in these interim financial statements are based on International Financial Reporting Standards (IFRS) issued and in effect as at May 7, 2025, 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 (IASB), 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 financial statements, have been set out in note 2 to the Company's consolidated financial statements for the year ended December 31, 2024. These interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2024.

2 Term deposits

The Company has non-redeemable guaranteed investment certificates maturing between June 2025 and March 2026 at annual interest rates between 4.78% 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.

EcoSynthetix Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2025 and March 31, 2024

(expressed in US dollars)

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

	March 31, 2025	March 31, 2024
	\$	\$
Interest earned on term deposits	314,075	382,650
Interest earned on cash deposits	58,729	42,821
Interest expense on lease liability	(3,254)	(8,422)
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	369,550	417,049
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3 Accounts receivable

	March 31, 2025	December 31, 2024
	\$	\$
Trade accounts receivable	2,079,419	1,992,546
Commodity taxes receivable	249,399	262,771
Other receivables	33,925	70,052
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	2,362,743	2,325,369
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4 Inventory

	March 31, 2025	December 31, 2024
	\$	\$
Raw materials	1,155,291	628,589
Finished goods	2,303,324	2,200,159
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	3,458,615	2,828,748
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The Company had a recorded provision of \$232,398 against finished goods and raw materials inventory as at March 31, 2025 (December 31, 2024 – \$106,332).

EcoSynthetix Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2025 and March 31, 2024

(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, 2024	15,595,313	1,766,413	20,479	17,382,205
Additions	64,353	-	11,681	76,034
Disposals	(7,966)	-	(20,479)	(28,445)
March 31, 2025	15,651,700	1,766,413	11,681	17,429,794
Accumulated depreciation				
December 31, 2024	(11,982,557)	(1,534,159)	(20,479)	(13,537,195)
Depreciation expense	(198,741)	(66,026)	(735)	(265,502)
Disposals	7,966	-	20,479	28,445
March 31, 2025	(12,173,332)	(1,600,185)	(735)	(13,774,252)
Net carrying amount				
December 31, 2024	3,612,756	232,254	-	3,845,010
March 31, 2025	3,478,368	166,228	10,946	3,655,542

During the three months ended March 31, 2025, depreciation expense of \$231,011 (2024 – \$232,536) was charged to cost of goods sold, \$39,392 (2024 – \$71,663) was charged to research and development and depreciation expense of \$4,901 was expensed from inventory (2024 – \$59,726 expensed from inventory).

There was \$52,869 of property, plant and equipment additions included in trade accounts payable and accrued liabilities as at March 31, 2025 (December 31, 2024 – \$nil).

6 Trade accounts payable and accrued liabilities

	March 31, 2025 \$	December 31, 2024 \$
Trade accounts payable	1,727,165	729,040
Short-term lease liability	160,525	237,790
Accrued liabilities	471,833	972,001
	<u>2,359,523</u>	<u>1,938,831</u>

EcoSynthetix Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2025 and March 31, 2024

(expressed in US dollars)

7 Lease liability

The Company has one right-of-use asset under property, plant and equipment and a corresponding lease liability for the lease associated with the Company's corporate headquarters located 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%.

	March 31, 2025 \$	December 31, 2024 \$
Lease liability		
Short-term	160,525	237,790
	<u>160,525</u>	<u>237,790</u>

For the three months ended March 31, 2025, total cash payments of \$82,696 (2024 – \$88,307) were made on the lease liability. Cash payments include interest expense of \$3,254 (2024 – \$8,422), which is recognized in net interest income on the interim consolidated statement of operations and comprehensive loss, and principal payments of \$79,442 (2024 – \$79,885).

8 Share-based compensation

As at March 31, 2025, the Company had outstanding share options (SOs) to purchase 2,310,489 common shares of the Company. The SOs expire at various dates through January 6, 2032.

	Number of share options outstanding	Weighted average exercise price CA\$
Outstanding – December 31, 2024	2,034,715	3.42
Share options granted	309,780	4.25
Share options exercised	<u>(34,006)</u>	<u>1.84</u>
Outstanding – March 31, 2025	<u>2,310,489</u>	<u>3.55</u>

EcoSynthetix Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2025 and March 31, 2024

(expressed in US dollars)

9 Common shares

The authorized share capital of the Company consists of an unlimited number of common shares.

	Number of common shares	Share capital \$
Balance – December 31, 2024	58,520,219	489,246,909
Common share options exercised	34,006	66,373
Restricted shares units converted	29,592	125,967
Common shares repurchased	(106,400)	(333,842)
	<hr/>	<hr/>
Balance – March 31, 2025	58,477,417	489,105,407

Share exchange

During the three months ended March 31, 2025, 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 TSX. During the three months ended March 31, 2025, the Company repurchased and cancelled 106,400 (2024 – 165,900) common shares for total consideration of \$333,842 (2024 – \$561,379).

10 Segmented information and enterprise wide disclosures

Operating segments

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

Sales by geographic location

The Company is domiciled in Canada. Revenue from external customers located in Canada for the three months ended March 31, 2025 was \$410,845 (2024 – \$374,679). The total revenue from external customers in the following regions is as follows:

	March 31, 2025 \$	March 31, 2024 \$
Americas	1,116,135	1,311,849
EMEA	1,800,142	1,666,062
Asia Pacific	1,125,884	1,707,908
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	4,042,161	4,685,819

EcoSynthetix Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2025 and March 31, 2024

(expressed in US dollars)

The revenue has been assigned to each jurisdiction, based on the location of the customer. During the three months ended March 31, 2025, revenue attributable to individual countries representing greater than 10% of total revenue included Japan, Lithuania and Brazil, which represented 28%, 19% and 12% respectively.

During the three months ended March 31, 2024, revenue attributable to individual countries representing greater than 10% of total revenue included Japan and Lithuania, which represented 36% and 14%, respectively.

Sales to major customers

During the three months ended March 31, 2025, the Company derived a significant portion of its revenue from three customers, representing 28%, 19% and 12%, respectively, of total revenue (2024 – 36% and 14% from two customers). The concentrations listed do not necessarily apply to the same customer year over year.

Property, plant and equipment

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

	March 31, 2025	December 31, 2024
	\$	\$
Canada	2,453,665	2,524,279
The Netherlands	1,201,877	1,320,731
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	3,655,542	3,845,010

11 Expenses by nature

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

	March 31, 2025	March 31, 2024
	\$	\$
Salaries and benefits	904,260	908,791
Share-based compensation	204,662	202,379
Depreciation	270,403	304,199
Foreign exchange (gain) loss	(15,990)	16,369