

EcoSynthetix Inc.

Interim Consolidated Financial Statements
(Unaudited)

June 30, 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 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 Sheets (Unaudited)

(expressed in US dollars)

	June 30, 2025 \$	December 31, 2024 \$
Assets		
Current assets		
Cash	5,767,420	7,721,403
Term deposits (note 2)	24,959,374	24,473,985
Accounts receivable (note 3)	2,589,094	2,325,369
Inventory (note 4)	3,275,991	2,828,748
Prepaid expenses	205,781	90,306
	<u>36,797,660</u>	<u>37,439,811</u>
Property, plant and equipment (note 5)	<u>3,469,276</u>	<u>3,845,010</u>
Total assets	<u>40,266,936</u>	<u>41,284,821</u>
Liabilities		
Current liabilities		
Trade accounts payable and accrued liabilities (note 6)	<u>1,647,147</u>	<u>1,938,831</u>
Total liabilities	<u>1,647,147</u>	<u>1,938,831</u>
Shareholders' Equity		
Common shares (note 9)	489,444,521	489,246,909
Contributed surplus	10,585,013	11,013,304
Accumulated deficit	<u>(461,409,745)</u>	<u>(460,914,223)</u>
Total shareholders' equity	<u>38,619,789</u>	<u>39,345,990</u>
Total liabilities and shareholders' equity	<u>40,266,936</u>	<u>41,284,821</u>

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

EcoSynthetix Inc.

Interim Consolidated Statements of Operations and Comprehensive Income (Loss)

(Unaudited)

For the three and six months ended June 30, 2025 and June 30, 2024

(expressed in US dollars)

	Three months ended June 30		Six months ended June 30	
	2025 \$	2024 \$	2025 \$	2024 \$
Net sales (note 10)	5,004,511	3,183,961	9,046,672	7,869,780
Cost of sales (notes 5 and 11)	3,581,675	2,325,682	6,755,797	5,876,611
Gross profit on sales	1,422,836	858,279	2,290,875	1,993,169
Expenses (notes 5 and 11)				
Selling, general and administrative	1,242,610	1,440,705	2,702,157	3,163,173
Research and development	428,578	640,330	813,146	1,089,147
	1,671,188	2,081,035	3,515,303	4,252,320
Loss from operations	(248,352)	(1,222,756)	(1,224,428)	(2,259,151)
Net interest income (note 2)	359,356	448,869	728,906	865,918
Gain on disposal of property, plant and equipment (note 5)	-	90,000	-	90,000
Net income (loss) and comprehensive income (loss) for the period	111,004	(683,887)	(495,522)	(1,303,233)
Basic and diluted income (loss) per common share	0.00	(0.01)	(0.01)	(0.02)
Weighted average number of common shares outstanding	58,576,242	58,705,545	58,554,124	58,659,345

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

EcoSynthetix Inc.

Interim Consolidated Statements of Shareholders' Equity

(Unaudited)

For the six months ended June 30, 2025 and June 30, 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	-	401,419	-	401,419
Common share options exercised	1,066,807	(356,348)	-	710,459
Common shares repurchased	(1,110,704)	-	-	(1,110,704)
Restricted share units exercised	16,731	(16,731)	-	-
Net loss and comprehensive loss for the period	-	-	(1,303,233)	(1,303,233)
Balance – June 30, 2024	490,236,615	10,281,751	(460,850,530)	39,667,836
Balance – January 1, 2025	489,246,909	11,013,304	(460,914,223)	39,345,990
Share-based compensation (note 8)	-	415,442	-	415,442
Common share options exercised (note 9)	66,373	(23,135)	-	43,238
Common shares repurchased (note 9)	(689,359)	-	-	(689,359)
Restricted share units (RSU) exercised (note 9)	125,967	(125,967)	-	-
Deferred share units (DSUs) exercised (note 9)	694,631	(694,631)	-	-
Net loss and comprehensive loss for the period	-	-	(495,522)	(495,522)
Balance – June 30, 2025	489,444,521	10,585,013	(461,409,745)	38,619,789

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 six months ended June 30, 2025 and June 30, 2024

(expressed in US dollars)

	Three months ended June 30		Six months ended June 30	
	2025 \$	2024 \$	2025 \$	2024 \$
Cash provided by (used in)				
Operating activities				
Net income (loss) and comprehensive income (loss) for the period	111,004	(683,887)	(495,522)	(1,303,233)
Items not affecting cash				
Depreciation (note 5)	275,783	238,433	546,186	542,632
Share-based compensation (note 8)	210,780	199,040	415,442	401,419
Other	(117,945)	1,426	(152,827)	(11,657)
Gain on disposal of property, plant and equipment (note 5)	-	(90,000)	-	(90,000)
Changes in non-cash working capital				
Accounts receivable (note 3)	(226,351)	585,299	(263,725)	78,041
Inventory (note 4)	182,361	201,858	(452,407)	1,096,126
Prepaid expenses	(102,692)	(78,055)	(115,475)	(78,838)
Trade accounts payable and accrued liabilities (note 6)	(584,734)	(757,995)	(139,646)	168,925
Interest on term deposits				
Interest received on term deposits	200,055	141,712	1,041,849	402,162
Accrued interest on term deposits (note 2)	(307,663)	(414,570)	(621,738)	(797,220)
	(359,402)	(656,739)	(237,863)	408,357
Investing activities				
Purchase of property, plant and equipment (note 5)	(142,123)	(260,329)	(165,288)	(412,715)
Proceeds on disposal of property, plant and equipment (note 5)	-	90,000	-	90,000
Receipts on mature term deposits (note 2)	3,000,000	2,700,000	19,550,000	15,300,000
Purchase of term deposits (note 2)	(3,175,500)	(3,000,000)	(20,455,500)	(15,800,000)
	(317,623)	(470,329)	(1,070,788)	(822,715)
Financing activities				
Payments made on lease liability (note 7)	(81,433)	(81,088)	(160,875)	(160,973)
Common shares repurchased (note 9)	(355,517)	(549,325)	(689,359)	(1,110,704)
Exercise of common share options (note 9)	-	665,498	43,238	710,459
	(436,950)	35,085	(806,996)	(561,218)
Effect of exchange rate changes on cash	124,605	(3,577)	161,664	(1,256)
Change in cash during the period	(989,370)	(1,095,560)	(1,953,983)	(976,832)
Cash – Beginning of period	6,756,790	5,034,173	7,721,403	4,915,445
Cash – End of period	5,767,420	3,938,613	5,767,420	3,938,613

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

EcoSynthetix Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited)

June 30, 2025 and June 30, 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, the 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 six-month periods ended June 30, 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 July 29, 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, 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 and net interest income

The Company has non-redeemable guaranteed investment certificates maturing between July 2025 and June 2026 at annual interest rates between 5.48% and 4.78%. All term deposits are held with two large chartered Canadian banks. The carrying value of all term deposits includes accrued interest and is recorded at amortized cost using the effective interest method.

	<u>Three months ended June 30</u>		<u>Six months ended June 30</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
	\$	\$	\$	\$
Interest earned on term deposits	307,663	414,570	621,738	797,220
Interest earned on cash deposits	53,870	41,519	112,599	84,340
Interest expense on lease liability	(2,177)	(7,220)	(5,431)	(15,642)
	<u>359,356</u>	<u>448,869</u>	<u>728,906</u>	<u>865,918</u>

EcoSynthetix Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited)

June 30, 2025 and June 30, 2024

(expressed in US dollars)

3 Accounts receivable

	June 30, 2025 \$	December 31, 2024 \$
Trade accounts receivable	2,331,821	1,992,546
Commodity taxes receivable	221,780	262,771
Other receivables	35,493	70,052
	<u>2,589,094</u>	<u>2,325,369</u>

4 Inventory

	June 30, 2025 \$	December 31, 2024 \$
Raw materials	1,245,673	628,589
Finished goods	2,030,318	2,200,159
	<u>3,275,991</u>	<u>2,828,748</u>

The Company had a recorded provision of \$250,514 against finished goods and raw materials inventory as at June 30, 2025 (December 31, 2024 – \$106,332).

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	153,607	-	11,681	165,288
Disposals	(7,966)	-	(20,479)	(28,445)
June 30, 2025	<u>15,740,954</u>	<u>1,766,413</u>	<u>11,681</u>	<u>17,519,048</u>
Accumulated depreciation				
December 31, 2024	(11,982,557)	(1,534,159)	(20,479)	(13,537,195)
Depreciation expense	(399,495)	(139,819)	(1,708)	(541,022)
Disposals	7,966	-	20,479	28,445
June 30, 2025	<u>(12,374,086)</u>	<u>(1,673,978)</u>	<u>(1,708)</u>	<u>(14,049,772)</u>
Net carrying amount				
December 31, 2024	<u>3,612,756</u>	<u>232,254</u>	<u>-</u>	<u>3,845,010</u>
June 30, 2025	<u>3,366,868</u>	<u>92,435</u>	<u>9,973</u>	<u>3,469,276</u>

EcoSynthetix Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited)

June 30, 2025 and June 30, 2024

(expressed in US dollars)

For the three and six months ended June 30, 2025, depreciation expense of \$228,265 and \$459,276 (2024 – \$130,998 and \$363,534) has been charged to cost of sales and \$47,518 and \$86,910 (2024 – \$107,435 and \$179,098) has been charged to research and development. For the six months ended June 30, 2025, depreciation expense of \$5,164 was expensed from inventory (2024 – \$49,012 depreciation expense was capitalized into inventory).

During the three months ended June 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.

6 Trade accounts payable and accrued liabilities

	June 30, 2025 \$	December 31, 2024 \$
Trade accounts payable	1,026,321	729,040
Short-term lease liability (note 7)	85,752	237,790
Accrued liabilities	535,074	972,001
	1,647,147	1,938,831

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 estimated incremental borrowing rate of 6.2%.

	June 30, 2025 \$	December 31, 2024 \$
Lease liability		
Short-term	85,752	237,790

For the three and six months ended June 30, 2025, total cash payments of \$83,610 and \$166,306 (2024 – \$88,308 and \$176,615) were made on the lease liability. Cash payments for the three and six months ended June 30, 2025 include interest expense of \$2,177 and \$5,431 (2024 – \$7,220 and \$15,642), which has been recognized in net interest income on the interim consolidated statements of operations and comprehensive income (loss), and principal payments of \$81,433 and \$160,875 (2024 – \$81,088 and \$160,973).

EcoSynthetix Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited)

June 30, 2025 and June 30, 2024

(expressed in US dollars)

8 Share-based compensation

As at June 30, 2025, the Company had outstanding share options to purchase 2,310,489 shares of the Company. The share options 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	(34,006)	1.84
	<hr/>	<hr/>
Outstanding – June 30, 2025	2,310,489	3.55

9 Common shares

	Number of common shares	Share capital \$
Balance – December 31, 2024	58,520,219	489,246,909
Deferred share units exercised	366,823	694,631
Common share options exercised	34,006	66,373
Restricted share units exercised	29,592	125,967
Common shares repurchased	(227,600)	(689,359)
	<hr/>	<hr/>
Balance – June 30, 2025	58,723,040	489,444,521

Share exchange

During the six months ended June 30, 2025, the Company held a normal course issuer bid to repurchase a certain number of its outstanding common shares through the facilities of the Toronto Stock Exchange. During the three and six months ended June 30, 2025, the Company repurchased and cancelled 121,200 and 227,600 (2024 – 160,300 and 326,200) common shares for a total consideration of \$355,517 and \$689,359 (2024 – \$549,325 and \$1,110,704).

EcoSynthetix Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited)

June 30, 2025 and June 30, 2024

(expressed in US dollars)

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.

Sales by geographic location

The Company is domiciled in Canada. Revenue from external customers located in Canada for the three and six months ended June 30, 2025 was \$388,642 and \$799,487 (2024 – \$497,219 and \$871,898). The total revenue from external customers in the following regions was as follows:

	Three months ended June 30		Six months ended June 30	
	2025	2024	2025	2024
	\$	\$	\$	\$
Americas	1,572,921	1,133,077	2,689,056	2,444,926
EMEA	2,350,344	1,533,035	4,150,486	3,199,097
Asia Pacific	1,081,246	517,849	2,207,130	2,225,757
	5,004,511	3,183,961	9,046,672	7,869,780

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

During the three months ended June 30, 2025, revenue attributable to individual countries reporting greater than 10% of total revenue included Japan, Brazil, Lithuania and Germany, which represented 22%, 15%, 14% and 13%, respectively. During the three months ended June 30, 2024, revenue attributable to individual countries reporting greater than 10% of total revenue included Canada, Germany, Hungary and Japan which represented 16%, 14%, 14% and 14%, respectively.

During the six months ended June 30, 2025, revenue attributable to individual countries reporting greater than 10% of total revenue included Japan, Lithuania, Brazil and Germany, which represented 24%, 16%, 14% and 11%, respectively. During the six months ended June 30, 2024, revenue attributable to individual countries reporting greater than 10% of total revenue included Japan, Lithuania, Canada and Germany which represented 28%, 11%, 11% and 11%, respectively.

Sales to major customers

During the three months ended June 30, 2025, the Company derived a significant portion of its revenue from three customers, representing 22%, 15% and 14% of total revenue (2024 – 15%, 14%, 14% and 11% from four customers). During the six months ended June 30, 2025, the Company derived a significant portion of its revenue from three customers, representing 24%, 16% and 14% of total revenue (2024 – 28% and 11% from two customers). The concentrations listed do not necessarily apply to the same customers period over period.

EcoSynthetix Inc.

Notes to Interim Consolidated Financial Statements

(Unaudited)

June 30, 2025 and June 30, 2024

(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:

	June 30, 2025 \$	December 31, 2024 \$
Canada	2,381,561	2,524,279
The Netherlands	1,087,715	1,320,731
	<u>3,469,276</u>	<u>3,845,010</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:

	<u>Three months ended June 30</u>		<u>Six months ended June 30</u>	
	2025 \$	2024 \$	2025 \$	2024 \$
Salaries and benefits	933,252	911,690	1,837,512	1,820,481
Share-based compensation	210,780	199,040	415,442	401,419
Depreciation	275,783	238,433	546,186	542,632
Foreign exchange (gain) loss	(92,629)	(7,963)	(108,619)	8,406

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 (gain) loss for the three and six months ended June 30, 2025 primarily relates to monetary assets and liabilities denominated in Canadian dollars.