



FOR IMMEDIATE DISTRIBUTION

EcoSynthetix Reports Fourth Quarter and Year End 2016 Results

Burlington, Ontario, March 7, 2017 - EcoSynthetix Inc. (TSX: ECO) (“EcoSynthetix” or the “Company”), a renewable chemicals company that produces a portfolio of commercially proven bio-based products, today announced its financial and operational results for the three months and twelve months ended December 31, 2016. Financial references are in U.S. dollars unless otherwise indicated.

Q4 2016 Highlights

- Advanced each of the ongoing late-stage trials for DuraBind™ with 10+ prospects in its wood composite pipeline
- Recorded net sales of \$4.7 million in Q4 2016, up 57% compared to the same period in 2015, and net sales of \$13.3 million in 2016, down 9% compared to 2015
- Reduced adjusted EBITDA loss by 42% to \$1.7 million in Q4 2016 and 26% to \$7.6 million in 2016, compared to the same periods in 2015
- Maintained a strong balance sheet with cash and term deposits of \$53.6 million as at December 31, 2016

“Manufacturers, retailers and consumers increasingly recognize the need to eliminate harmful chemicals from their supply chains, shelves and homes. Our DuraBind technology addresses a multi-billion dollar market opportunity by replacing formaldehyde-based wood composite binders with a No-Added-Formaldehyde alternative,” said Jeff MacDonald, CEO of EcoSynthetix. “Our level of trial activity is as high as it has ever been in the wood composite market and is primarily focused on our prospects within the top 15 wood panel producers in the world. Our number one priority today is to successfully close the prospects that are well underway in the industrial trial process.”

Financial Summary

Net Sales

Net sales were \$4.7 million and \$13.3 million for the three months ended December 31, 2016 (Q4 2016) and the twelve months ended December 31, 2016 (FY 2016), respectively, compared to \$3.0 million and \$14.6 million in the same periods in 2015. The 57% increase in net sales during the quarter was primarily due to higher sales volume, including an approximately \$1.0 million positive impact from the timing of orders by a key distributor. The 9% decrease in sales during FY 2016 was primarily due to lower volume of \$0.8 million or 5% resulting from the closure of a North American paper mill last year and a decrease in average sale prices from the pass-through of lower raw material costs which reduced sales \$0.6 million or 4%.

Gross Profit

Gross profit was \$0.9 million and \$2.2 million for Q4 2016 and FY 2016, respectively, compared to \$0.3 million and \$2.1 million in the same periods in 2015. The improvement in the quarterly period was due to higher sales volume and lower manufacturing costs partly offset by pricing pressure. In FY 2016, gross profit was higher due to lower manufacturing costs partly offset by pricing pressure and lower volume.

Gross profit as a percentage of sales was 18.2% and 16.6% in Q4 2016 and FY 2016, respectively, compared to 10.9% and 14.3% in the same periods in 2015. Gross profit as a percentage of sales adjusted for manufacturing depreciation was

22.6% and 22.3% for Q4 2016 and FY 2016, respectively, compared to 18.7% and 20.3% for the same periods in 2015. The improvements were primarily due to lower manufacturing production costs partly offset by pricing pressure.

Selling, General and Administrative

(Excludes share-based compensation, depreciation and amortization, provision for termination benefits, impairment loss on PP&E and foreign exchange gains and losses)

Selling, general and administrative expenses (SG&A) were \$1.4 million and \$5.8 million in Q4 2016 and FY 2016, respectively, compared to \$1.5 million and \$6.9 million in the same periods in 2015. The decrease in the quarterly and annual periods was primarily due to lower salaries & benefits and discretionary spending.

Research and Development

(Excludes share-based compensation, depreciation and amortization, provision for termination benefits, impairment loss on PP&E and foreign exchange gains and losses)

Research and development (R&D) costs were \$1.3 million and \$4.4 million in Q4 2016 and FY 2016, respectively, compared to \$0.9 million and \$3.5 million for the same periods in 2015. The increase in both periods was primarily due to higher spending related to commercialization activities for DuraBind in the wood composites market.

Foreign Currency Exchange (Gain) Loss

Foreign exchange (gain) loss was \$0.1 million and (\$0.1) million in Q4 2016 and FY 2016, respectively, compared to \$0.3 million and \$0.9 million in the same periods in 2015. The changes were primarily due to the translation of cash balances denominated in Canadian dollars and exchange rate fluctuations between the Canadian dollar versus U.S. dollar.

Adjusted EBITDA

Adjusted EBITDA loss was \$1.7 million and \$7.6 million in Q4 2016 and FY 2016, respectively, compared to a loss of \$2.9 million and \$10.4 million in the same periods in 2015. The 42% and 26% improvements in Q4 2016 and FY 2016, respectively, were due to lower operating expenses in Q4 2016 and FY 2016 as well as higher gross profit in Q4 2016.

Net Loss

Net loss was \$2.4 million, or \$0.04 per common share, in Q4 2016 compared to a net loss of \$5.9 million, or \$0.10 per common share, in the same period in 2015. Net loss was \$9.3 million, or \$0.16 per common share, in FY 2016, compared to a net loss of \$14.4 million, or \$0.25 per common share, compared to 2015. The improvements were principally due to lower operating expenses of \$3.0 million and \$4.8 million in Q4 2016 and FY 2016, respectively, compared to the same periods in 2015.

Liquidity

Cash on hand and long-term term deposits were \$53.6 million as at December 31, 2016, compared to \$60.7 million as at December 31, 2015. During the first quarter of 2016, the Company purchased a \$15.0 million fixed term deposit maturing on January 8, 2018. Cash on hand at December 31, 2016, excluding the term deposit, was \$38.5 million.

Notice of Conference Call

EcoSynthetix will host a conference call on Wednesday, March 8, 2017 at 8:30 AM ET to discuss its financial results. Jeff MacDonald, CEO, and Robert Haire, CFO, will co-chair the call. All interested parties can join the call by dialling (647) 427-7450 or (888) 231-8191. Please dial in 15 minutes prior to the call to secure a line. A live audio webcast of the conference call will also be available at www.ecosynthetix.com. The presentation will be accompanied by slides, which will be available via the webcast link and the Company's website. Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to join the webcast.

¹Non-IFRS Financial Measures

This press release makes reference to certain non-IFRS measures. These non-IFRS measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing a further understanding of results of operations of EcoSynthetix from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the financial information of EcoSynthetix reported under IFRS. The Company uses non-IFRS measures such as Adjusted EBITDA to provide investors with a supplemental measure of operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. Management also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess the Company's ability to meet its capital expenditure and working capital requirements.

Adjusted EBITDA is not a measure recognized under IFRS and does not have a standardized meaning prescribed by IFRS. See "IFRS and Non-IFRS Measures." The Company presents Adjusted EBITDA because the Company believes it facilitates investors' use of operating performance comparisons from period to period and company to company by backing out potential differences caused by variations in capital structures (affecting relative interest expense), the book amortization of intangibles (affecting relative amortization expense) and the age and book value of property and equipment (affecting relative depreciation expense). The Company also presents Adjusted EBITDA because it believes it is frequently used by securities analysts, investors and other interested parties as a measure of financial performance. Adjusted EBITDA as presented herein are not recognized measures 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 net interest expense, income taxes, depreciation, amortization, other non-cash expenses and charges deducted in determining consolidated net income (loss).

The following table reconciles net loss to Adjusted EBITDA loss for the three months and twelve months ended December 31, 2016 and December 31, 2015:

	Three months ended December 31, 2016	Three months ended December 31, 2015	Twelve months ended December 31, 2016	Twelve months ended December 31, 2015
Net Loss	\$(2,372,940)	\$(5,914,317)	\$(9,304,598)	\$(14,420,488)
Depreciation, amortization & impairment loss on PP&E	453,477	2,881,373	1,340,315	3,945,407
Share-based Compensation	350,956	171,696	832,265	413,123
Interest Income	(118,446)	(72,292)	(502,318)	(295,373)
Adjusted EBITDA loss	(1,686,953)	(2,933,540)	(7,634,336)	(10,357,331)

About EcoSynthetix Inc. (www.ecosynthetix.com)

EcoSynthetix offers a range of sustainable engineered biopolymers that allow customers to reduce their use of harmful materials, such as formaldehyde and styrene-based chemicals. The Company's flagship products, DuraBind™ and EcoSphere®, are used to manufacture wood composites, paper and packaging, and enable performance improvements, economic benefits and sustainability. The Company is publicly traded on the Toronto Stock Exchange (T:ECO).

Forward-Looking Statements

Certain statements in this Press Release constitute "forward-looking" statements that involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, objectives or achievements of the Company, or industry results, to be materially different from any future results, performance, objectives or achievements expressed or implied by such forward looking

statements. The forward-looking statements in this Press Release 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 2016. These statements reflect our current views regarding future events and operating performance and are based on information currently available to us, and speak only as of the date of this Press Release. These forward-looking statements involve a number of risks, uncertainties and assumptions and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such performance or results will be achieved. 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 our 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, including the factors identified in the "Risk Factors" section of the Company's Annual Information Form dated March 30, 2016. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described in this Press Release as intended, planned, anticipated, believed, estimated or expected. Unless required by applicable securities law, we do not intend and do not assume any obligation to update these forward-looking statements.

For further information, please contact:

EcoSynthetix Inc.
Steve Snyder
Phone: (289) 245-4017
E-mail: ssnyder@ecosynthetix.com

Investor Relations
Ross Marshall
Phone: (416) 526-1563
E-mail: ross.marshall@loderockadvisors.com

EcoSynthetix Inc.
Consolidated Balance Sheets
(Unaudited)

(expressed in US dollars)

	December 31, 2016	December 31, 2015
Assets		
Current assets		
Cash	38,517,278	60,717,658
Accounts receivable	2,199,289	1,177,719
Inventory	3,216,016	3,290,238
Government grants receivable	168,562	528,436
Prepaid expenses	165,352	242,983
	<u>44,266,497</u>	<u>65,957,034</u>
Non-current assets		
Long-term term deposit	15,043,557	-
Property, plant and equipment	7,933,584	8,746,072
Total assets	<u>67,243,638</u>	<u>74,703,106</u>
Liabilities		
Current liabilities		
Trade accounts payable and accrued liabilities	3,070,203	1,262,709
Accrued termination benefits	415,888	1,277,755
Total liabilities	<u>3,486,091</u>	<u>2,540,464</u>
Shareholders' Equity		
Common shares	493,359,612	493,182,209
Contributed surplus	8,740,007	8,017,907
Accumulated deficit	(438,342,072)	(429,037,474)
Total shareholders' equity	<u>63,757,547</u>	<u>72,162,642</u>
Total liabilities and shareholders' equity	<u>67,243,638</u>	<u>74,703,106</u>

EcoSynthetix Inc.
Consolidated Statements of Operations and Comprehensive Loss
(Unaudited)

(expressed in US dollars)

	Three months ended December 31,		Twelve months ended December 31,	
	2016	2015	2016	2015
Net sales	4,672,268	2,984,351	13,277,386	14,582,820
Cost of sales	3,820,055	2,660,013	11,076,583	12,500,455
Gross profit on sales	852,213	324,338	2,200,803	2,082,365
Expenses				
Selling, general and administrative	1,831,850	2,121,524	6,532,524	8,488,594
Provision for termination benefits	-	719,000	534,114	1,939,080
Research and development	1,511,749	970,423	4,941,081	3,870,552
Impairment loss on property, plant & equipment	-	2,500,000	-	2,500,000
	3,343,599	6,310,947	12,007,719	16,798,226
Loss from operations	(2,491,386)	(5,986,609)	(9,806,916)	(14,715,861)
Interest income	118,446	72,292	502,318	295,373
Net loss and comprehensive loss	(2,372,940)	(5,914,317)	(9,304,598)	(14,420,488)
Basic and diluted loss per common share	(0.04)	(0.10)	(0.16)	(0.25)
Weighted average number of common shares outstanding	59,374,714	58,607,787	59,307,361	57,977,096

EcoSynthetix Inc.
Consolidated Statements of Cash Flows
(Unaudited)

(expressed in US dollars)	Three months ended December 31,		Twelve months ended December 31,	
	2016	2015	2016	2015
Cash provided by (used in)				
Operating activities				
Net loss and comprehensive loss	(2,372,940)	(5,914,317)	(9,304,598)	(14,420,488)
Items not affecting cash				
Depreciation, amortization and impairment loss on property, plant & equipment	453,477	2,881,373	1,340,315	3,945,407
Share-based compensation	350,956	171,696	832,265	413,123
Unrealized foreign exchange (gain) loss	18,275	(134,210)	(219)	139,937
Other	63,674	388,946	(228,238)	796,115
Changes in non-cash working capital				
Accounts receivable	(408,296)	159,204	(1,021,570)	1,080,432
Inventory	(158,479)	460,307	31,168	2,139,842
Government grants receivable	(211,900)	(149,097)	(670,081)	(917,228)
Prepaid expenses	89,169	73,769	77,631	43,305
Trade accounts payable and accrued liabilities	1,067,188	168,006	1,907,494	(409,267)
Accrued termination benefits	(152,355)	614,291	(861,867)	1,277,755
	<u>(1,261,231)</u>	<u>(1,280,032)</u>	<u>(7,897,700)</u>	<u>(5,911,067)</u>
Investing activities				
Purchase of property, plant and equipment	(63,720)	(3,140)	(584,773)	(780,860)
Purchase of long-term term deposit	-	-	(15,000,000)	-
	<u>(63,720)</u>	<u>(3,140)</u>	<u>(15,584,773)</u>	<u>(780,860)</u>
Financing activity				
Proceeds from government grant	533,138	-	1,029,955	455,749
Exercise of common share options	6,033	70,799	67,238	643,918
	<u>539,171</u>	<u>70,799</u>	<u>1,097,193</u>	<u>1,099,667</u>
Effect of exchange rate changes on cash	(16,250)	(165,557)	184,900	(936,052)
Change in cash during the period	(802,030)	(1,377,930)	(22,200,380)	(6,528,312)
Cash - Beginning of period	39,319,308	62,095,588	60,717,658	67,245,970
Cash - End of period	<u>38,517,278</u>	<u>60,717,658</u>	<u>38,517,278</u>	<u>60,717,658</u>