



FOR IMMEDIATE DISTRIBUTION

EcoSynthetix Reports 2018 Third Quarter Results

Burlington, Ontario, November 6, 2018 - 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 (Q3 2018) and nine months (YTD 2018) ended September 30, 2018. Financial references are in U.S. dollars unless otherwise indicated.

Q3 2018 Highlights

- Recorded net sales of \$5.6 million in Q3 2018, up 24% compared to the same period in 2018
- Achieved breakeven adjusted EBITDA and \$0.2 million positive operating cash flow in Q3 2018
- The SWISS KRONO GROUP launched a NAF (No-Added Formaldehyde) Solution particleboard product using DuraBind™ technology, subsequent to the end of the period
- Purchased and cancelled nearly 250,000 common shares for total consideration of \$0.3 million under the normal course issuer bid during the open trading window in August and September, bringing the total since May to 729,000 purchased and cancelled common shares
- Maintained a strong balance sheet with cash and term deposits of \$46.9 million as at September 30, 2018

“With continued strength in the paper and paperboard markets and our disciplined cost management, we achieved positive operating cash flow and breakeven adjusted EBITDA in the third quarter. These are major milestones for the business as we have now established a foundation from which we can grow. We intend to continue to drive topline growth in both the wood composites market and the paper and paperboard markets and maintain the trajectory of our improvements in profitability,” said Jeff MacDonald, CEO of EcoSynthetix. “We are encouraged by the recent market dynamics for each of the material inputs we either compete with, SB Latex in the case of EcoSphere®, or work in combination with, pMDI in the case of DuraBind. The landscape for NAF solutions continues to advance in the wood composites market as manufacturers are actively pursuing new approaches to reduce formaldehyde emissions. The demand from consumers and retailers is motivating change and our DuraBind technology is ideally positioned as an enabling technology for those manufacturers. Our focus is converting those manufacturers in our pipeline today to commercial accounts.”

Financial Summary

Net Sales

Net sales were \$5.6 million and \$16.8 million for Q3 2018 and YTD 2018, respectively, compared to \$4.5 million and \$12.9 million in the corresponding periods in 2017. The 24% increase in the quarter was primarily due to higher sales volume of \$1.0 million, or 23%, and higher average selling prices which improved sales \$0.1 million, or 1%. The 31% increase in the YTD period was primarily due to higher sales volumes of \$3.2 million, or 25%, and an increase in average selling price which positively impacted sales by \$0.8 million, or 6%.

Gross Profit

Gross profit was \$1.1 million and \$3.3 million for Q3 2018 and YTD 2018, respectively, compared to \$1.0 million and \$2.8 million in the corresponding periods in 2017. The 7% increase in the quarter and the 17% increase in the YTD period were primarily due to higher sales volumes, as well as higher average selling prices, partly offset by increases in manufacturing costs.

Gross profit as a percentage of sales was 19.0% and 19.6% for Q3 2018 and YTD 2018, respectively, compared to 22.1% and 22.0% in the corresponding periods in 2017. Gross profit as a percentage of sales adjusted for manufacturing depreciation was 22.7% and 23.3% for Q3 2018 and YTD 2018, respectively, compared to 26.0% and 26.2% for the corresponding periods in 2017. The change in both periods was primarily due to higher manufacturing costs, partly offset by an increase in average selling prices.

Selling, General and Administrative

(Excludes share-based compensation, depreciation, termination benefits, and foreign exchange gains and losses)

Selling, general and administrative expenses (SG&A) were \$0.9 million and \$3.5 million for Q3 2018 and YTD 2018, respectively, compared to \$1.2 million and \$3.7 million in the corresponding periods in 2017. The change in both periods was primarily due to lower salaries & benefits and lower discretionary spending.

Research and Development

(Excludes share-based compensation, depreciation, termination benefits, and foreign exchange gains and losses)

Research and development (R&D) costs were \$0.4 million and \$1.5 million for Q3 2018 and YTD 2018, respectively, compared to \$0.9 million and \$3.3 million for the corresponding periods in 2017. The change in both periods was primarily due to lower mill trial related costs, lower people related expenses and lower third-party development costs.

Share-based compensation

Share-based compensation expense was \$0.2 million and \$0.6 million for Q3 2018 and YTD 2018, respectively, compared to \$0.3 million and \$0.9 million for the corresponding periods in 2017. The change in both periods was primarily due to the achievement of certain vesting conditions related to performance stock options (PSOs) and Restricted Share Units (RSUs) and the timing of share-based awards issued in the current fiscal year.

Termination benefits

Termination benefits were nil and \$0.2 million for Q3 2018 and YTD 2018, respectively, compared to \$0.1 million in the corresponding periods in 2017. The termination benefits in 2018 related to a cost reduction plan implemented during the first quarter of the current fiscal year.

Foreign Exchange

Foreign exchange was a gain of \$0.1 million in Q3 2018 and a loss of \$0.1 million in YTD 2018, compared to a \$0.1 million loss and a nominal amount in the corresponding periods last year. The change was 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 a nominal amount and \$1.4 million for Q3 2018 and YTD 2018, respectively, compared to a loss of \$1.0 million and \$3.7 million for the corresponding periods in 2017. The improvements were primarily due to lower operating expenses and increased gross profit, principally due to higher sales volume.

Net Loss

Net loss was \$0.3 million, or \$0.01 per common share, and \$2.2 million, or \$0.04 per common share, for Q3 2018 and YTD 2018, respectively, compared to \$1.4 million, or \$0.02 per common share, and \$5.0 million, or \$0.08 per common share, for the corresponding periods in 2017. The improvements were principally due to lower operating expenses, as well as higher gross profit compared to the same periods in 2017.

Liquidity

Cash on hand and term deposits were \$46.9 million as at September 30, 2018, compared to \$49.3 million as at December 31, 2017. Cash on hand at September 30, 2018, excluding the \$30.5 million in term deposits, was \$16.4 million.

Notice of Conference Call

EcoSynthetix will host a conference call Wednesday, November 7, 2018, 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 nine months ended September 30, 2018 and September 30, 2017:

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Net Loss	(307,582)	(1,365,336)	(2,181,807)	(5,008,004)
Depreciation	300,497	280,610	936,038	852,304
Share-based Compensation	231,536	289,169	555,038	909,756
Interest Income	(228,498)	(195,846)	(667,980)	(485,663)
Adjusted EBITDA loss	(4,047)	(991,403)	(1,358,711)	(3,731,607)

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 plans to execute its commercial strategy, convert late-stage industrial trial prospects into customers and expand the number of lines and the volumes at existing customers, and other statements regarding the Company's plans and expectations in 2018. 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 6, 2018. 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:

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

EcoSynthetix Inc.
Consolidated Balance Sheets
(Unaudited)

(expressed in US dollars)

	September 30, 2018	December 31, 2017
Assets		
Current assets		
Cash	16,425,310	19,116,828
Term deposits	30,469,800	30,171,121
Accounts receivable	1,834,489	2,296,255
Inventory	2,855,788	2,535,234
Prepaid expenses	168,568	153,524
	<u>51,753,955</u>	<u>54,272,962</u>
Non-current assets		
Property, plant and equipment	6,196,862	7,115,672
Total assets	<u>57,950,817</u>	<u>61,388,634</u>
Liabilities		
Current liabilities		
Trade accounts payables and accrued liabilities	1,774,215	2,951,220
Accrued termination benefits	-	39,830
Total liabilities	<u>1,774,215</u>	<u>2,991,050</u>
Shareholders' Equity		
Common shares	493,569,319	493,631,495
Contributed surplus	9,573,446	9,550,445
Accumulated deficit	(446,966,163)	(444,784,356)
Total shareholders' equity	<u>56,176,602</u>	<u>58,397,584</u>
Total liabilities and shareholders' equity	<u>57,950,817</u>	<u>61,388,634</u>

EcoSynthetix Inc.
Consolidated Statements of Operations and Comprehensive Loss
For the three and nine months ended September 30, 2018 and 2017
(Unaudited)

(expressed in US dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net sales	5,566,269	4,494,086	16,810,012	12,855,428
Cost of sales	4,505,910	3,502,293	13,508,484	10,024,357
Gross profit on sales	1,060,359	991,793	3,301,528	2,831,071
Expenses				
Selling, general and administrative	1,063,387	1,546,069	4,119,978	4,664,906
Research and development	533,052	1,006,906	1,808,559	3,596,347
Termination benefits	-	-	222,778	63,485
	1,596,439	2,552,975	6,151,315	8,324,738
Loss from operations	(536,080)	(1,561,182)	(2,849,787)	(5,493,667)
Interest income	228,498	195,846	667,980	485,663
Net loss and comprehensive loss	(307,582)	(1,365,336)	(2,181,807)	(5,008,004)
Basic and diluted loss per common share	(0.01)	(0.02)	(0.04)	(0.08)
Weighted average number of common shares outstanding	59,585,638	59,569,921	59,655,385	59,546,267

EcoSynthetix Inc.
Consolidated Statements of Cash Flows
For the three and nine months ended September 30, 2018 and 2017
(Unaudited)

(expressed in US dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Cash provided by (used in)				
Operating activities				
Net loss and comprehensive loss	(307,582)	(1,365,336)	(2,181,807)	(5,008,004)
Items not affecting cash				
Depreciation	300,497	280,610	936,038	852,304
Share-based compensation	231,536	289,169	555,038	909,756
Unrealized foreign exchange loss (gain)	(126,696)	13,562	14,572	(418)
Other	(115,784)	(229,375)	(213,928)	(244,987)
Changes in non-cash working capital				
Accounts receivable	589,620	522,307	461,766	641,977
Inventory	(23,610)	393,142	(329,772)	88,792
Government grants receivable	-	11,629	-	-
Prepaid expenses	(7,064)	54,008	(15,044)	(33,312)
Trade accounts payables and accrued liabilities	(370,864)	(48,877)	(1,177,005)	(263,839)
Accrued termination benefits	-	(12,910)	(39,830)	(398,741)
	<u>170,053</u>	<u>(92,071)</u>	<u>(1,989,972)</u>	<u>(3,456,472)</u>
Investing activities				
Purchase of property, plant and equipment	(17,563)	(144,750)	(17,563)	(315,873)
Purchase of term deposit	-	-	-	(15,000,000)
	<u>(17,563)</u>	<u>(144,750)</u>	<u>(17,563)</u>	<u>(15,315,873)</u>
Financing activities				
Common shares repurchased	(330,919)	-	(980,936)	-
Exercise of common share options	101,540	38,908	386,723	47,617
Proceeds from government grants	-	102,856	-	168,562
	<u>(229,379)</u>	<u>141,764</u>	<u>(594,213)</u>	<u>216,179</u>
Effect of exchange rate changes on cash	<u>86,433</u>	<u>88,309</u>	<u>(89,770)</u>	<u>112,638</u>
Increase (decrease) in cash during the period	<u>9,544</u>	<u>(6,748)</u>	<u>(2,691,518)</u>	<u>(18,443,528)</u>
Cash - Beginning of period	<u>16,415,766</u>	<u>20,080,498</u>	<u>19,116,828</u>	<u>38,517,278</u>
Cash - End of period	<u>16,425,310</u>	<u>20,073,750</u>	<u>16,425,310</u>	<u>20,073,750</u>