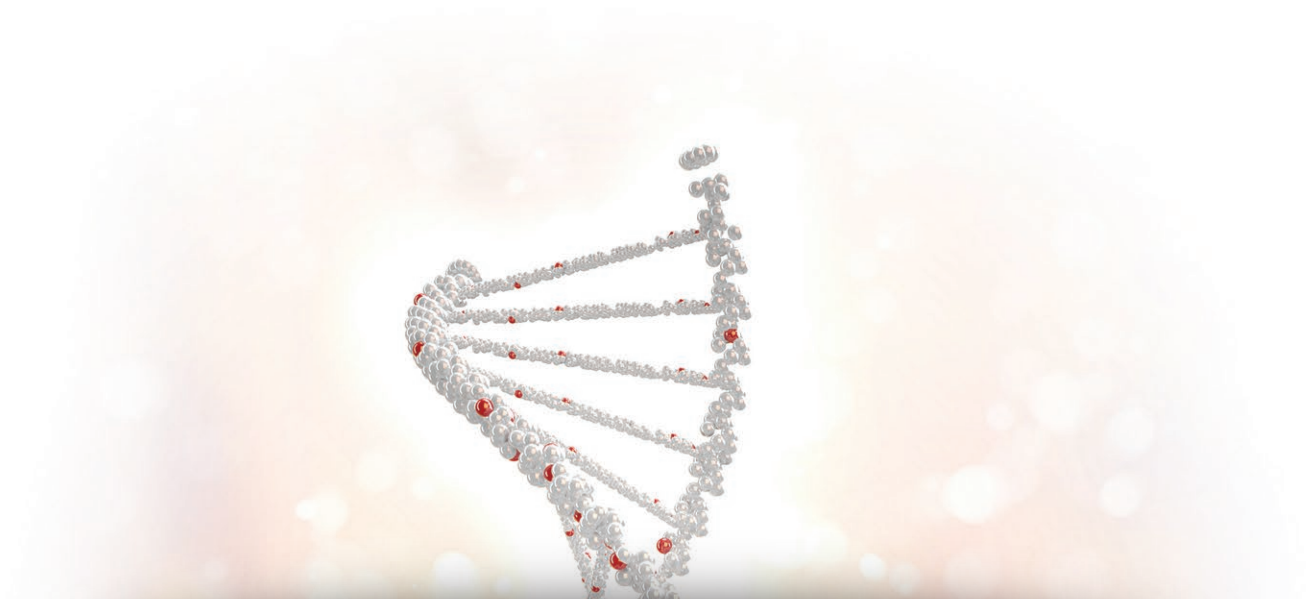
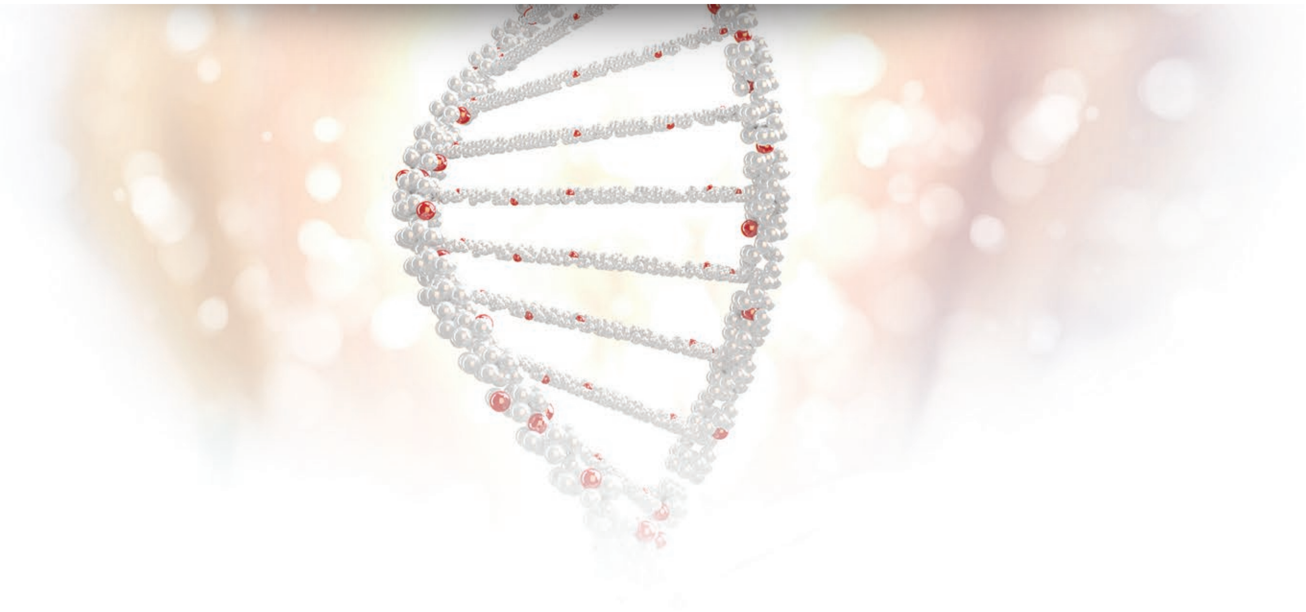
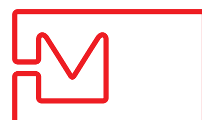


MICROBIX BIOSYSTEMS INC.



ANNUAL REPORT 2014



Microbix has a Virology products business including the manufacturing and sale of cell culture-based biological products, including one of the world's most expansive sources of Infectious Disease Antigens targeted at the diagnostics market. This platform has led to the development of VIRUSMAX® (a virus yield enhancement technology), and Kinlytic® (a thrombolytic drug), and LumiSort™ a semen sexing technology. These products have been selected based on their near term market potential to provide an above average return on investment.

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Message to Shareholders

In 2014 we continued to build on the transformational changes implemented last year, while we also pursued the successful commercialization of our pipeline products.

We experienced extraordinary growth in our Virology Products business driven by a new multi-year commitment from a large European customer. This was a very important vote of confidence in our Company and we responded by expanding our manufacturing capacity; adding a second production shift and investing in new process equipment. As a result, we successfully satisfied all of the new shipment requests, which increased our total virology product sales by 25%. We also carefully controlled our costs during the year helping to improve operating profits to nearly $500,000 in 2014.

In February, we closed on new financing to develop the LumiSort™ prototype, the first step towards eventually commercializing the LumiSort™ technology platform. This was part of a larger refinancing of our overall debt position with a major debenture holder that helped to improve our balance sheet. This new financing arrangement also provided the opportunity to replace an earlier, very restrictive agreement with an animal genetics company, thereby restoring our ability to independently decide on future partnering opportunities for Lumisort™.

In early March, we started developing the LumiSort™ prototype with Lathrop Engineering in California. As we publish our year-end results, we are also announcing completion of the LumiSort™ prototype, the first step in bringing a commercial version of this platform to the global livestock artificial insemination market valued at over $2 billion. LumiSort™ will introduce transformative advantages in speed, yield and fertility to semen sexing providing dairy and beef producers with much lower costs and improved productivity.

It was an extremely busy year for our VIRUSMAX® franchise. We successfully defended our European patents against a challenge by Novartis Vaccines and Diagnostics in Munich last January. We also launched legal actions against Novartis alleging patent infringement in both the U.S. and Europe. We expect both actions will go to trial in late 2015.

In the past year we have met with several parties that are interested in returning Kinlytic® to the U.S., Canadian and European markets. We are now in advanced discussions with a small number of parties, and I am optimistic that we will secure a new Kinlytic® partner in 2015.

In the past year I have presented Microbix' strategy to several investment houses in Canada and the U.S. They like our story and they believe our Company is significantly undervalued. Recently our share price reached a 52-week high of $0.90, up from a low of $0.12 last December. I am pleased our shareholders are finally being rewarded for supporting our Company and we have so much more work to accomplish.

In November, Microbix placed 2nd among 18 finalists from across the province for the Ontario Business Achievement Award for medium-sized companies, sponsored by the Ontario Chamber of Commerce. We are very proud of this recognition from such a respected organization.

On behalf of everyone at Microbix, I extend to you our best wishes for the coming year.

Vaughn C. Embro-Pantalony
President and Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). The audited disclosures and values in this MD&A have been prepared using the standards and interpretations currently issued and effective at the end of September 30, 2014.

The following analysis is prepared by Management and provides a review of the Company's results of operations, financial condition and cash flows for the years ended September 30, 2014 and 2013. This analysis should be read in conjunction with the audited consolidated financial statements and related notes for the year ended September 30, 2014. The 2014 Annual Report for the Company and additional information regarding the business of the Company are available on SEDAR at www.sedar.com.

Reference to "we", "us", "our", or the "Company" means Microbix Biosystems Inc. unless otherwise stated. All amounts are presented in Canadian dollars unless otherwise stated. Statements contained herein, which are not historical facts, are forward looking statements that are subject to certain risks and uncertainties that could cause actual results to differ materially from those set forth or implied. These forward-looking statements involve risks and uncertainties, including the difficulty in predicting product approvals, acceptance of and demand for new products, the impact of the products and pricing strategies of competitors, delays in developing and launching new products, regulatory enforcement, changes in operating results and other risks, some or any of which could make the results differ materially from those discussed or implied in the forward-looking statements. The Company disclaims any intent or obligation to update these forward looking statements.

This Management Discussion and Analysis is dated December 19, 2014.

COMPANY OVERVIEW

Microbix Biosystems Inc. (Microbix or the Company) (TSX: MBX) develops biological products and technologies. The Virology Business (Virology) manufactures and develops cell culture-based biological products and technologies. The Company has developed and acquired three technologies for large life sciences markets including Virus Yield Enhancement Technology, Virusmax®, the thrombolytic drug Kinlytic® (Urokinase), and an animal reproductive technology in development, LumiSort™. The development of new products and technologies are funded with income earned from Virology and additional cash flows from equity and debt issuance. Microbix has substantial capability, both in technical expertise and laboratory facilities for development. Microbix is providing materials for diagnoses of infectious diseases. The same expertise and competencies involved are applicable to developing materials to facilitate treatment. The Company continually invests in Virology to adopt current technologies and standards, upgrading capabilities to support its customers. Revenue generated from Virology is used to meet operational costs, the development program and to service the Company's debt.

The Virology Business is expected to continue to generate a profit, part of which will be invested in the development pipeline. The Company may seek additional capital needed to maintain its current level of investment in the development pipeline. If necessary, management and the Board of Directors have the discretion to reduce or suspend investment in development depending on the cash/liquidity needs of the Company.

The Company operates the Virology Business in its owned manufacturing facility at 265 Watline Avenue, Mississauga, Ontario. The manufacturing facility operates under an infectious diseases biological license from the Canadian Food Inspection Agency.

FINANCIAL OVERVIEW

Year Ended September 30, 2014

Total revenue for the year was $8,396,796 ($7,574,593 – 2013), or an increase of 11%. Virology Products revenue was $8,258,175 ($6,584,844 – 2013), or an increase of 25% as a result of new antigen sales to a large European diagnostics customer. Meanwhile, Research and Development Contract revenue declined by $851,128 in 2014 as a result of the termination of the urokinase contract by Zydus Cadila in the first quarter of 2014.

Operating profit for the year was $475,624 ($168,178 – 2013). This improvement was entirely attributable to higher Virology Products revenue, which resulted in an increased gross margin of $677,384 for fiscal 2014. Operating expenses for the year at $4,035,877 ($3,665,939 – 2013) were up 10%. However, after removing one-time gains in fiscal 2013 operating expenses ($131,379 gain on asset disposals, and a one-time debt recovery of $376,171), 2014 operating expenses actually declined 3% compared to normalized operating expenses in 2013.

Net cash inflows in 2014 were $287,308 compared with $31,619 in 2013. Cash used in operations of $1,170,842 ($428,355 cash provided in 2013) was primarily due to higher accounts receivable and inventory of approximately $1 million and $0.5 million respectively, due primarily to significantly higher antigen sales in 2014. This higher level of sales is expected to continue in fiscal 2015.

Cash from financing activities increased $5,002,766 in 2014 compared to 2013, while cash used in investing activities increased $3,134,389 over 2013 primarily due to the development of the LumiSort prototype instrument.

Quarter Ended September 30, 2014

Total revenue in the fourth quarter was $2,355,879, 5% below the same quarter in 2013. Although Virology sales at $2,258,029 were 3% above that of the comparative quarter in fiscal 2013, total revenue was down due to a $185,394 reduction in research and development contract revenue due to the termination of the urokinase contract by Zydus Cadila in the first quarter of fiscal 2014.

The operating loss in the fourth quarter was $302,963 compared to a normalized operating income of $64,382 in the fourth quarter of 2013, (after removing one-time gains of $131,379 on asset disposals and $376,171 on debt restructuring in the last quarter of fiscal 2013). This operating loss is the result of lower sales in the fourth quarter as well as increased spending on pipeline activities.

SELECTED ANNUAL FINANCIAL INFORMATION

The following table is a summary of highlights from the audited financial statements of the Company for the past two years.

	2014 $	2013 $
Total Revenue	**8,396,796**	**7,574,593**
Operating income (loss)	**475,624**	**168,178**
Total Assets	**17,998,928**	**12,716,036**
Total Long-term liabilities	**5,517,175**	**5,026,217**
Net Income (Loss) per share (basic and diluted)	**0.006**	**0.000**
Current Ratio	**1.78**	**1.34**
Debt to Equity Ratio	**0.60**	**0.91**

The Company's 2014 net income for tax purposes is $1,721,660. The company has sufficient income tax credits to reduce resulting taxable income to nil.

SELECTED QUARTERLY FINANCIAL INFORMATION

The following summarizes key financial information from each of the last eight quarters.

	Dec-31-12 $	Mar-31-13 $	Jun-30-13 $	Sep-30-13 $	Dec-31-13 $	Mar-31-14 $	Jun-30-14 $	Sep-30-14 $
	(restated)	(restated)	(restated)	(restated)				
SALES	**1,095,614**	**2,103,426**	**1,906,652**	**2,468,899**	**1,927,885**	**2,073,097**	**2,039,935**	**2,355,879**
Operating income (loss) before income taxes	**(689,538)**	**308,471**	**(22,687)**	**571,932**	**214,406**	**269,620**	**294,561**	**(302,963)**

Sales fluctuate on a quarterly basis due to the timing of customer orders. Net losses in earlier quarters are due to significant investment in new product development.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") on a going concern basis, which presumes the Company will continue operating for the foreseeable future and will be able to realize a return on its assets and discharge its liabilities and commitments in the normal course of business.

The company has incurred operating losses resulting in an accumulated deficit of $24,426,070 as at September 30, 2014. Management continuously monitors the financial position of the Company with respect to working capital needs, as well as long-term capital needs compared to the annual budget. Variances are highlighted and actions are taken to ensure the Company is appropriately capitalized. The current annual operating budget confirms the Company is on target and able to support its planned activities.

a) Sources and Uses of Cash

Overall, the Company has realized an improvement in its closing cash balance from $260,048 at the end of fiscal 2013 to $547,356 at the end of fiscal 2014. However, the sources and uses of cash changed significantly from the prior year.

Cash used by operations in 2014 was $1,170,842 versus cash provided by operations of $428,355 in 2013. Most of this change was due to the following: (1) an increase in Accounts Receivables of $990,526 which resulted from higher sales in 2014; (2) a $526,278 increase in Inventory due to growth in Virology sales which required higher volumes of finished goods inventory, plus significant price increases in various key raw materials; (3) a $421,984 increase in Prepaid Expenses, most of which relates to retainers with various legal counsel, and deposits with the engineering firm associated with the Lumisort project.

Growth of accounts receivables and inventory are projected to moderate to about 5% in fiscal 2015, in line with projected growth of Virology sales.

Cash of $4,588,340 provided by financing activities arose mainly from three sources: Issuance of a convertible debenture for net proceeds of $1,434,441, conversion of warrants and stock options for proceeds of $1,260,481 and net proceeds of $1,953,328 from shares issued pursuant to a private placement.

Cash used in investing activities for new manufacturing equipment, new intellectual property development, patents, Lumisort™ engineering and equipment totaled $3,380,190, partially offset by the receipts of $250,000 released from previously restricted cash. Projected capital spending in fiscal 2015 is $1.5 million for completion of the Lumisort Phase 1 project and $1.1 million to upgrade and expand Virology manufacturing.

b) Future Liquidity and Capital Needs

Microbix funds new product development activities and capital expenditures through profits earned from its Virology Business and, periodically, from additional equity and/or debt. The Virology business is expected to continue to generate profits, which will be invested in new product development and manufacturing equipment.

c) Contractual Obligations

The Company had contractual obligations and commercial commitments at September 30, 2014 described in the following table:

payments due	Total $	Less than One year $	2-3 Years $	4-5 Years $	After 5 years $
Accounts payable	1,825,614	1,825,614	-	-	-
Debentures	13,772,843	694,284	1,322,318	1,208,568	10,537,673
Long-term debt	2,623,085	119,820	234,565	222,240	2,046,460
Operating leases	110,621	65,515	40,422	4,684	-
Total Contractual Obligations	**18,332,163**	**2,705,233**	**1,597,305**	**1,435,492**	**12,584,133**

d) Outstanding Share Capital

Share capital issued and outstanding as at December 19, 2014 was $28,375,872 for 77,993,116 common shares, an increase of $713,760 and 2,038,658 common shares since September 30, 2014, compared to $24,299,594 of share capital with 66,684,350 common shares issued and outstanding as September 30, 2013.

RELATED PARTIES

During the fiscal 2014, the Company paid interest of $639,046 ($495,000 – 2013) on the convertible debentures issued to related party shareholders.

LONG-TERM ASSETS

a) Tangible Assets

During fiscal 2014 the Company spent $3,192,421 on Virology Products production equipment and Lumisort engineering and equipment.

b) Intangible Assets

Capital Spending

During 2014 the Company invested $187,769, primarily on its patent estate for pipeline projects.

Technology Investment - Lumisort™

In 2005 the Company acquired Sequent Biotechnologies Inc. involved in the development and commercialization of semen-sexing technology. The fair value of the technology acquired was established as an intangible asset. New intellectual property has been added as a result of our ongoing research program and new patents, accepted and pending.

Technology Investment - Urokinase/Kinlytic®

On September 23, 2008, Microbix completed a $2,770,529 acquisition of all Kinlytic assets from ImaRx Therapeutics, Inc.

The recoverable amount of the Urokinase intangible has been determined based on a fair value less cost to sell calculation. That calculation uses risk adjusted cash flow projections based on probability weighted financial budgets approved by management covering an 11 year period, and a discount rate of 10% per cent. Management made assumptions based on probabilities of technical, regulatory and clinical acceptances and financial support. Management also believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

LONG-TERM DEBT

a) Non-Convertible Debenture

During the second quarter of fiscal 2014 the Company issued a $2,000,000 non-convertible debenture to a shareholder of the Company, with principal and interest at 9% per annum payable on a quarterly basis, having a maturity date of January 31, 2029. The debenture is secured against the Company's property at 265 Watline Avenue, Mississauga and other personal property of the Company and is subordinate only to indebtedness to a Canadian chartered bank or similar financial institution on normal commercial terms up to the maximum principal amount of $2,000,000.

The debenture is being accounted for in accordance with its substance and is presented in the financial statements in its component parts measured at the time of issue. The debt component was valued first at its present value based on the effective interest rate on the debt at 25.69% per annum which reflects the inherent risk of investment in the Company taking into account its underlying stock volatility, credit profile and the ranking of the debt behind the secured mortgage and commercial banking creditors.

b) Convertible Debentures

During the second quarter, the Company cancelled the $2,000,000 convertible debenture issued on September 10, 2008 and replaced it with a non-convertible debenture. See preceding section a) for further details on the non-convertible debenture.

On January 31, 2014, the Company issued a $1,500,000 debenture to a shareholder of the Company, with interest only payable at 9% per annum on a quarterly basis, and having a maturity date of January 31, 2029. The debenture is convertible into Common Shares at the option of the holder at any time on or prior to the maturity at a conversion price of $0.35 per common share. The debenture is secured against the real property and the personal property of the Company including without limiting the foregoing, a registered second mortgage on the property at 265 Watline Avenue, Mississauga, Ontario in favour of the Holder, its successors and assigns subordinate only to indebtedness to a Canadian chartered bank or similar financial institution on normal commercial terms up to the maximum principal amount of $1,500,000.

The debenture is being accounted for in accordance with its substance and is presented in the financial statements in its component parts measured at the time of issue. The debt component was valued with the residual to shareholders' equity.

Over the term of the convertible debenture, the debt component will be accreted to the face value of the convertible debenture by the recording of additional interest expense. The effective interest rate on the debt is 25.69%.

c) Business Development Corporation Debt

The Company negotiated a $3,000,000 loan with the Business Development Bank (BDC) for the purchase and build-out of its new manufacturing facility. There was a further loan of $350,000 for the purchase of new equipment. The first $1,500,000 from the Business Development Bank for the construction of the Watline facility. The mortgage is secured with the building. The interest rate is floating, based on BDC's Floating Base Rate plus a variance of 1.35%. At September 30, 2014 the Floating Base Rate was 5.00% on the outstanding balance of $2,602,060 (2013 - $2,657,620). Consecutive monthly principal payments of $9,260 are due to February 2037.

Additionally, BDC offered a 6 month deferral of principal payments on the mortgage beginning with the month of April, 2014. The deferral amounts to $55,560. As a result the monthly principal payments of $9,260 have been extended to August 2037.

The second BDC loan of $60,000 was for the purchase of equipment for the facility. The interest rate is floating, based on BDC's Floating Base Rate plus a variance of 1.80%, over a term of 8 years. At September 30, 2014 the Floating Base Rate was 5.00% on the outstanding balance of $21,025 (2013 - $25,375). Consecutive monthly principal payments of $725 are due to February 2017.

BUSINESS DEVELOPMENT CORPORATION EQUIPMENT LOAN

During the fiscal year, the Company negotiated an additional $615,000 loan with the BDC with a maturity of July, 2020, subject to interest at the BDC's Floating Base Rate plus 0.5%, with monthly repayments of principal and interest of $10,250 starting in August, 2015. The funds were advanced to the Company from the BDC subsequent to year-end and as at September 30, 2014, the outstanding balance on this loan is $Nil.

TREND INFORMATION

Historical spending patterns are no indication of future expenditures. Investment in the pipeline projects is at the discretion of management. The Company is not aware of any material trends related to its business that have not been discussed above.

OUTLOOK

The business of Microbix described in these documents is the result of years of investment in research and development, which has delivered products and technologies that have received wide customer acceptance and continued growth in demand. Microbix has both the manufacturing facilities and the scientific expertise in personnel to support this growth, including the continuous demand for competitive process improvements, as well as new products.

In fiscal 2015, management is projecting continued growth of its Virology business of at least 5%. The Company also expects to launch its initial offering of molecular genetics antigens primarily targeted at the North American diagnostic testing marketplace.

Advanced discussions continue with a select group of potential partners interested in returning Kinlytic to the U.S., Canadian and European markets. Management believes there is a reasonable opportunity to close a partnership agreement during fiscal 2015.

Construction of the Lumisort prototype will be complete in early 2015. The Company will then commence partnering discussions with select animal genetics companies in order to fund the pre-commercial phase of development that will be initiated later in 2015. This will be followed by field trials currently projected for early in fiscal 2016.

Finally, the Company is involved in litigation relating to its VIRUSMAX technology. There are two actions wherein the Company is alleging infringement of its VIRUSMAX patents in the U.S. and Europe. Both of these actions are expected to reach the trial stage in late 2015.

RISKS AND UNCERTAINTIES

The Company is exposed to a wide variety of business risks, both known and unknown, which may or may not affect its operations. Management works continuously to mitigate unacceptable risk, while still allowing the business to grow and prosper. These risk factors include the following:

Virology Product sales are dependent on a few key clients, open borders, international transportation systems, and access to raw materials.

The majority of the Company's Virology sales are made to a small number of key customers located all over the world. Since these products contributed a majority of the revenue during fiscal 2014, loss of a key customer or, restrictions on export, import, international transportation of its products, raw materials or insufficient marketing resources, could materially impact revenue and profitability.

Environmental, safety and other regulatory

Microbix' research and manufacturing operations involves potentially hazardous materials. The Company takes the necessary precautions to appropriately manage such materials as required by applicable environmental and safety regulations. Changes to environmental and safety legislation may limit the Company's activities or increase costs. An environmental accident could adversely impact its operations. Microbix' diagnostic products are not regulated by governments in Canada or other jurisdictions. Commercialization of certain products requires approval of regulatory agencies such as the FDA, in which case Microbix will not receive revenue until regulatory approval is obtained.

Manufacturing of Kinlytic®

In December 2013, Zydus terminated the Kinlytic® license agreement due to a change in their strategic priorities. During 2014 the Company entered into confidentiality agreements with several parties interested in returning Kinlytic to the market.

Vaccine technology

The market for the Company's proprietary Vaccine technology (VIRUSMAX) is limited to a small number of influenza vaccine manufacturers and this is protected by patents in twenty-one countries globally. In 2014 the Company successfully defended its European patents at the European Patent Office hearing, following a challenge by Novartis Vaccines & Diagnostics. This patent defense has led to separate legal actions by the Company against Novartis alleging infringement in the United States and Europe. These legal actions require significant investment and there is no assurance that the Company will prevail in these actions.

Products in development

The Company has several products under development, however, it is impossible to ensure these development activities will result in the completion of a commercial product. If the Company is unable to develop and commercialize products, it will be unable to recover the related research and development and other expenses.

Product commercialization requires strategic relationships

To commercialize large market products in development, Microbix may need to establish strategic partnerships, joint ventures or licensing relationships with other pharmaceutical and biotechnology companies. The Company may not be able to form acceptable strategic relationships.

Operating and capital requirements

Microbix believes that its cash generated from operations is sufficient to meet normal operating and capital needs. However, additional funding needs may depend upon several factors including: progress of research and development programs; costs associated with the regulatory process; collaborative and license arrangements with third parties; cost of filing, prosecuting and enforcing patent claims and other intellectual property rights; potential acquisitions and technological and market developments. The Company earns most of its profit from sales of its Virology products and technologies and thus it is a major source of funding for research and development activities. However the Company may, from time to time, need to raise additional funds to satisfy the funding of current research and development programs, as well as extraordinary operating costs noted above. Additional financings may not be available, and even if available, may not be on acceptable terms. Financing from additional capital through an offering of common shares, or debt, may result in dilution or the issuance of securities with rights senior to the rights of the holders of common shares.

The Company's success depends on the successful commercialization of our technology

The successful commercialization of products under development is key to Microbix' success. Product development in the pharmaceutical and biotechnology industry is highly uncertain and there is no guarantee of market acceptance.

Failure to obtain and protect intellectual property could adversely affect the business

Microbix' success will depend, in part, on its ability to obtain patents, or licenses to patents, maintain trade secret protection and enforce its rights against others. The Company's intellectual property includes trade secrets and know-how that may not be protected by patents and there is no complete assurance that it will be able to protect its trade secrets. To help protect its intellectual property, the Company requires employees, consultants, advisors and collaborators to enter into confidentiality agreements. However, these agreements may not adequately protect trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure. Protection of intellectual property may also entail prosecuting claims against others who the Company believes are infringing its rights. Involvement in intellectual property litigation could result in significant expenses, adversely affecting the development of products or sales of the challenged product or intellectual property and diverting the efforts of its technical and management personnel, whether or not such litigation is resolved in the Company's favour.

Microbix faces and will continue to face significant competition

Competition from pharmaceutical companies, biotechnology companies and academic and research institutions is significant. Many competitors have substantially greater product development capabilities and financial, scientific, manufacturing, sales and marketing resources and experience than Microbix. While the Company continues to expand its technological capabilities in order to remain competitive, Microbix' competitors are also investing in research and development activities and enhanced intellectual property positions, which could make it more difficult for Microbix to commercialize its new technologies and products.

FINANCIAL RISK MANAGEMENT

The primary risks affecting the Company are summarized below and have not changed during the quarter. The list does not cover all risks, nor is there an assurance that the strategy of management to mitigate the risks is sufficient to eliminate the risk.

Credit risk:

The Company's cash and cash equivalents are held in accounts or short-term interest bearing accounts at a major Canadian chartered bank. Management perceives the credit risk to be low. There is a concentration of accounts receivable risk due to a few large customers comprising the Company's international customer base. The Company has had virtually no bad debts over the past several years and accordingly management has recorded an allowance of $1,018 ($54,013 – 2013). Accounts receivable at September 30, 2014 was $2,141,508 ($1,150,982 – 2013), an increase of 86% mostly due to increased sales in 2014.

Currency risk:

The Company is exposed to currency risk through fluctuations in the exchanges rate affecting sales and receivables denominated in US dollars and Euros. The Company does not use financial instruments to hedge these risks. At September 30, 2014 the Company had US dollar and Euro balances in cash, accounts receivable and accounts payable.

Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meets its financial obligations as they fall due. To manage this situation, the Company projects and monitors its cash requirements to accommodate changes in liquidity needs.

Interest rate risk:

Financial instruments that expose the Company to cash flow interest rate risk are those assets and liabilities with a variable interest rate. Interest risk exposure is primarily on the BDC debt and the Company's $500,000 line of credit with a chartered bank, each of which bear a variable rate pegged to the institution's base rate. A 1% increase in the bank rate would cost the Company about $30,000 per year for BDC and about $5,000 on the line of credit if each credit facility was used to the limit. At September 30, 2014, the Company was not utilizing its line of credit.

Market risk:

Market risk reflects changes in product prices based on changes in supply and demand, currency and interest rates and the effect on the Company's income or value of financial instruments held. Microbix' products are valuable components of our customers' products and are not easily replaced. The Company works closely with customers to ensure its products satisfy critical customer needs.

CRITICAL ACCOUNTING ESTIMATES

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The Company's audited consolidated financial statements are prepared in accordance with Canadian GAAP and International Financial Reporting Standards ("IFRS") and the reporting currency is Canadian dollars. On an on-going basis, management bases its estimates on historical and other experience and assumptions, which it believes are reasonable in the circumstances. The significant accounting policies that the Company believes are the most critical in fully understanding and evaluating the reported financial results include:

Intangible Assets

Intangible assets include technology costs, patents, trademarks and licenses. Each is recorded at cost and amortized on a straight-line basis over the term of the agreements. Intangible assets with indefinite lives are not amortized but are assessed for impairment on an annual basis.

Impairment of Long-lived Assets

The Company reviews the carrying value of non-financial assets with definite lives for potential impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying value of non-financial assets with indefinite lives, and of non-financial assets with definite lives but are not ready for use, are assessed at least annually for impairment based on the impairment test on cash-generating units (CGUs). The impairment test on CGUs is carried out by comparing the carrying amount of the CGU and its recoverable amount. The recoverable amount of a CGU is the higher of fair value, less costs to sell and its value in use. This complex valuation process entails the use of methods such as the discounted cash method which requires numerous assumptions to estimate future cash flows. The recoverable amount is impacted significantly by the discount rate selected to be used in the discounted cash flow model, as well as the quantum and timing of risk-adjusted future cash flows and the growth rate used for the extrapolation.

The impairment loss is calculated as the difference between the fair value of the asset and its carrying value. Management has determined that no long-lived assets of the Company as at September 30, 2014 have met the criteria for impairment.

Convertible and Non-Convertible Debentures

Management determines the fair value of the debenture using valuation techniques. Those techniques are significantly affected by the estimated assumptions used, including discount rates, expected life and estimates of future cash flows.

Deferred income taxes

Deferred income tax assets and liabilities are recognized for the estimated income tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective income tax bases. Deferred income tax assets and liabilities are measured using tax rates expected to be in effect when the temporary differences are expected to be recovered or settled. The effects of changes in income tax rates are reflected in future income tax assets and liabilities in the year that the rate changes are substantively enacted.

Share-based payments

The Company applies the fair value method of accounting for stock-based compensation for awards granted to officers, directors, employees and consultants of the Company. The fair value of the award at the time of granting is determined using the Black-Scholes option pricing model, and recognized as a compensation expense on a straight-line basis over the vesting period with an offsetting amount recorded to contributed surplus. The amount of the compensation cost recognized at any date at least equals the value of the portion of the options vested at that date. When stock options are exercised, the consideration paid by employees or directors, together with the related amount in contributed surplus, is credited to capital stock. When an employee leaves the Company, vested options must be exercised within 90 days, or the options expire. Any options that are unvested are reversed in the period that the employee leaves.

FINANCIAL INSTRUMENTS

The fair value of a financial instrument is approximated by the consideration that would be agreed to in an arm's length transaction between willing parties and through appropriate valuation methods, but considerable judgment is required for the Company to determine the value. The actual amount that could be realized in a current market exchange could be different than the estimated value.

The carrying amounts of cash and cash equivalents, accounts receivable, bank indebtedness and accounts payable and accrued liabilities approximate fair value due to the short-term maturities of these instruments.

Based on available market information, the fair value of the obligation under capital lease approximates its carrying value.

The fair value of the long-term debt is based on rates currently available for items with similar terms and maturities. The fair value of the liability for each convertible debenture has been calculated and the residual is accounted for in equity.

The Company does not have any off balance sheet financial instruments.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

DISCLOSURE CONTROLS

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures, as defined in the National Instrument 52-109 Certification of Disclosure in Issuer's Annual Filings (NI 52-109F1). As at September 30, 2014, management has concluded that the disclosure controls are effective in providing reasonable assurance that information required to be disclosed in the Company's reports is recorded, processed summarized and reported within the time periods specified in the Canadian Securities Administrator's rules and forms.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The design of internal controls over financial reporting ("ICFR") within the company is a management responsibility to provide reasonable assurance that the reliability of financial reporting and that the preparation of financial statements for external purposes is in accordance with generally accepted accounting principles of IFRS. While the CEO and CFO believe that the internal controls are adequate to provide the above information, the process to evaluate and document all policies and procedures that could impact financial reporting is continuously reviewed with consultation with the Audit Committee. Shareholders should be aware that Microbix is a small company without the department resources associated with larger firms. Management is using the Committee of Sponsoring Organization of the Treadway Commission ("COSO") Framework and has concluded that the Internal Control over Financial Reporting ("ICFR") as defined in NI 52-109 is effective as at the period ended September 30, 2014.

Examination by the Chief Executive Officer and the Chief Financial Officer showed that there were no changes to the internal controls over financial reporting during the period ended September 30, 2014 that have materially affected, or are reasonably thought to materially affect, the internal control over financial reporting.

RECENT ACCOUNTING PRONOUNCEMENTS

Periodically new standards, interpretations, amendments and improvements to existing standards are issued by the International Accounting Standards Board (IASB) or IFRS Interpretation Committee (IFRIC) that become mandatory at certain dates. Management routinely assesses the impact of these pronouncements on the Company. There are no pending standards that may be applicable to the Company.

IFRS 7 – Financial Instruments: Disclosures

In December 2011, the IASB amended IFRS 7 to provide additional information about offsetting of financial assets and financial liabilities. Additional disclosures will be required to enable users of financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position. The amendments are effective for annual periods beginning on or after January 1, 2013. There was no impact to the financial statements as a result of the adoption of this update.

IFRS 9 – Financial Instruments

IFRS 9, issued in November 2009 and amended in October 2010, introduced new requirements for the classification and measurement of financial assets and the classification and measurement of financial liabilities and for their de-recognition.

All recognized financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement are to be subsequently measured at amortized cost or fair value. Specifically, debt investments that have contractual cash flows that are solely payments of principal and interest are generally measured at amortized cost at the end of subsequent periods. All other debt and equity investments are measured at their fair value at the end of subsequent periods.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

The directors anticipate that the application of IFRS 9 in the future may have an impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

IFRS 10 - Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10, which establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes International Accounting Standards ("IAS") 27, Consolidated and Separate Financial Statements and Standing Interpretations Committee ("SIC") 12, Consolidation – Special Purpose Entities. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. There was no impact to the Company's financial statements as a result of adopting this standard.

IFRS 11 - Joint Arrangements

In May 2011, the IASB issued IFRS 11, Joint Arrangements. This standard separates joint arrangements into joint ventures and joint operations and provides guidance on accounting for these types of arrangements. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. There was no impact to the Company's financial statements as a result of adopting this standard.

IFRS 12 - Disclosures of interests in other entities

In May 2011, the IASB issued IFRS 12, which outlines the disclosure requirements for interests in subsidiaries and other entities to enable users to evaluate the risks associated with interests in other entities and the effects of those interests on an entity's financial position, financial performance and cash flows. IFRS 12 supersedes IAS 27, Consolidated and Separate Financial Statements and SIC-12, Consolidation – Special Purpose Entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. As a result of adoption of this standard, the Company provided additional disclosure in note 1a. There was no impact to the Company's financial statements as a result of adopting this standard.

IFRS 13 - Fair value measurement

In May 2011, the IASB issued IFRS 13, Fair Value Measurement. This standard defines fair value, sets out a single IFRS framework for measuring fair value and outlines disclosure requirements about fair value measurements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. This IFRS is to be applied prospectively as of the beginning of the annual period in which it is initially applied. Disclosure requirements do not need to be applied to the comparative periods prior to initial application. As a result of adoption of this standard, the Company provided additional disclosures in note 2(e)(i) and note 15. There were no impacts to the consolidated financial statements as a result of the adoption of this standard.

Collins Barrow

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Microbix Biosystems Inc.

We have audited the accompanying consolidated financial statements of Microbix Biosystems Inc. and its subsidiaries, (collectively referred to as the "Company"), which comprise the consolidated statements of financial position as at September 30, 2014, and the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Microbix Biosystems Inc. and its subsidiaries as at September 30, 2014, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Collins Barrow
Chartered Accountants

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Microbix Biosystems Inc. and its subsidiaries as at September 30, 2014, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The consolidated financial statements of Microbix Biosystems Inc. and its subsidiaries for the year ended September 30, 2013 were audited by another auditor who expressed an unmodified opinion on those statements on December 24, 2013.

Collins Barrow Toronto LLP

Collins Barrow Toronto LLP
Licensed Public Accountants
Chartered Accountants
December 19, 2014

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at September 30, 2014 $	As at September 30, 2013 $
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	547,356	260,048
Accounts receivable (note 26)	2,141,508	1,150,982
Inventory (note 5)	1,598,429	1,072,151
Prepaid expenses and other assets (note 6)	276,107	75,827
Investment tax credit receivable	143,626	78,757
TOTAL CURRENT ASSETS	4,707,026	2,637,765
LONG-TERM ASSETS		
Restricted cash (note 7)	-	250,000
Deferred tax asset (note 20)	265,000	-
Prepared expenses (note 6)	221,704	-
Property, plant and equipment (note 8)	8,751,760	5,929,168
Intangible assets (note 9)	4,053,438	3,899,103
TOTAL LONG-TERM ASSETS	13,291,902	10,078,271
TOTAL ASSETS	17,998,928	12,716,036
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	1,825,614	1,353,635
Current portion of long-term debt (note 12)	119,820	119,820
Current portion of debentures (note 11)	694,284	495,000
TOTAL CURRENT LIABILITIES	2,639,718	1,968,455
Non-Convertible debenture (note 11)	680,416	-
Convertible debentures (note 11)	1,920,844	2,050,392
Long-term debt (note 12)	2,503,265	2,563,175
Deferred revenue (note 13)	412,650	412,650
TOTAL LONG-TERM LIABILITIES	5,517,175	5,026,217
TOTAL LIABILITIES	8,156,893	6,994,672
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (note 14)	27,662,112	24,299,594
EQUITY COMPONENT OF CONVERTIBLE DEBENTURES (note 11)	2,351,425	2,699,368
CONTRIBUTED SURPLUS (note 15)	4,487,638	3,550,521
ACCUMULATED DEFICIT	(24,659,140)	(24,828,119)
TOTAL SHAREHOLDERS' EQUITY	9,842,035	5,721,364
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	17,998,928	12,716,036

WILLIAM J. GASTLE
DIRECTOR

VAUGHN EMBRO-PANTALONY
DIRECTOR

The accompanying notes and summary of significant accounting policies are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years ended September 30 2014 $	2013 $
SALES		
Virology products and technologies	8,258,175	6,584,844
Research and development contracts	138,621	989,749
TOTAL SALES	8,396,796	7,574,593
COST OF GOODS SOLD		
Virology products and technologies (note 5, 19)	3,769,255	2,891,136
Research and development contracts	116,040	849,340
Total Cost of Goods Sold	3,885,295	3,740,476
GROSS MARGIN	4,511,501	3,834,117
EXPENSES		
Selling and business development (note 19)	656,989	893,579
General and administrative (note 19)	1,846,745	1,789,012
Research and development (note 19)	691,067	445,817
Gain on disposal of assets	-	(131,379)
Financial expenses (note 23)	841,076	668,910
TOTAL EXPENSES	4,035,877	3,665,939
NET COMPREHENSIVE OPERATING INCOME FOR THE YEAR	475,624	168,178
INCOME TAXES		
Current income taxes (note 20)	306,645	166,800
NET COMPREHENSIVE INCOME FOR THE YEAR	168,979	1,378
NET COMPREHENSIVE INCOME PER SHARE (note 18)		
Basic	0.002	0.000
Diluted	0.002	0.000

The accompanying notes and summary of significant accounting policies are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years ended September 30	
	2014	2013
	$	$
OPERATING ACTIVITIES		
Net income for the year	168,979	1,378
Items not affecting cash		
Amortization (note 19)	403,263	419,195
Accretion of debentures (note 11)	39,394	37,171
Accretion of asset retirement obligation	-	(40,708)
Unrealized foreign exchange loss (gain)	-	(13,491)
Stock options expense	14,200	186,654
(Gain) loss on disposal of assets	-	(143,520)
Loss on sale of assets	-	12,142
Recognition of deferred tax asset (note 20)	(265,000)	-
Change in non-cash working capital balances (note 21)	(1,531,678)	(30,466)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(1,170,842)	428,355
INVESTING ACTIVITIES		
Restricted cash (note 7)	250,000	-
Proceeds from sale of business	-	143,520
Proceeds from sale of assets (note 8)	-	89,214
Purchase of property and equipment and intangible assets (note 8, 9)	(3,380,190)	(228,535)
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(3,130,190)	4,199
FINANCING ACTIVITIES		
Decrease in bank indebtedness	-	(494,736)
Repayments of long term debt	(59,910)	(110,560)
Proceeds from issuance of convertible debenture, net of issue cost (note 11)	1,434,441	(100,000)
Proceeds from exercise of warrants, net of issue costs (note 14)	1,051,381	10,000
Issue of common shares, net of issue costs (note 14)	2,162,428	280,870
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	4,588,340	(414,426)
Effect of foreign currency exchange rate changes on cash and cash equivalents	-	13,491
NET CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	287,308	31,619
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	260,048	228,429
CASH AND CASH EQUIVALENTS - END OF YEAR	547,356	260,048

The accompanying notes and summary of significant accounting policies are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	SHARE CAPITAL (note 14)					
	NUMBER OF SHARES	STATED CAPITAL $	CONTRIBUTED SURPLUS $	DEFICIT $	EQUITY COMPONENT OF DEBENTURE $	TOTAL SHAREHOLDERS' EQUITY $
OPENING BALANCE, OCTOBER 1, 2012	**65,594,350**	**24,033,712**	**3,338,881**	**(24,829,497)**	**2,699,368**	**5,242,464**
Share issuances pursuant to private placement	1,050,000	315,000				315,000
Share issue costs, private placements		(59,118)	24,986			(34,132)
Share issuances pursuant to conversion of warrants	40,000	10,000				10,000
Stock option expense			186,654			186,654
Net income for the year				1,378		1,378
BALANCE, SEPTEMBER 30, 2013	**66,684,350**	**24,299,594**	**3,550,521**	**(24,828,119)**	**2,699,368**	**5,721,364**
Share issuances pursuant to private placement	5,128,208	2,000,000				2,000,000
Share issue costs, private placements		(46,672)				(46,672)
Share issue costs related to warrants		(41,160)	41,160			
Share issuances pursuant to stock options exercised	598,000	398,969	(189,869)			209,100
Share issuances pursuant to conversion of warrants	3,543,900	1,051,381				1,051,381
Settlement of equity component of convertible debenture			1,071,626		(1,264,914)	(193,288)
Equity component of convertible debentures					916,971	916,971
Stock option expense			14,200			14,200
Net income for the year				168,979		168,979
BALANCE, SEPTEMBER 30, 2014	**75,954,458**	**27,662,112**	**4,487,638**	**(24,659,140)**	**2,351,425**	**9,842,035**

The accompanying notes and summary of significant accounting policies are an integral part of these consolidated financial statements.

1. NATURE OF THE BUSINESS

Microbix Biosystems Inc. (Microbix or the Company) (TSX: MBX) develops biological products and technologies. The Virology Business (Virology) manufactures and develops cell culture-based biological products and technologies. The Company has developed and acquired three technologies for large life sciences markets including Virus Yield Enhancement Technology, Virusmax®, the thrombolytic drug Kinlytic® (Urokinase), and an animal reproductive technology in development, LumiSort™. The development of new products and technologies are funded with income earned from Virology and additional cash flows from equity and debt issuance. Microbix has substantial capability, both in technical expertise and laboratory facilities for development. Microbix is providing materials for diagnoses of infectious diseases. The same expertise and competencies involved are applicable to developing materials to facilitate treatment. The Company continually invests in Virology to adopt current technologies and standards, upgrading capabilities to support its customers. Revenue generated from Virology is used to meet operational costs, the development program and to service the Company's debt.

The Virology business is expected to continue to generate a profit, part of which will be invested in the development pipeline. The Company may seek additional capital needed to maintain its current level of investment in the development pipeline. If necessary, management and the Board of Directors have the discretion to reduce or suspend investment in development depending on the cash/liquidity needs of the Company.

The Company operates the Virology business in its owned manufacturing facility at 265 Watline Avenue, Mississauga, Ontario. The manufacturing facility operates under an infectious diseases biological license from the Canadian Food Inspection Agency.

2. BASIS OF PREPARATION

Statement of Compliance

The Company's management prepared these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) applicable to the preparation of financial statements. The Board of Directors approved these Consolidated Financial Statements on December 19, 2014.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value. Items included in the financial statements of each consolidated entity in the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiary Crucible Biotechnologies Limited. There has been no business activity in the subsidiary during the fiscal years ended September 30, 2014, and 2013.

Use of estimates and judgments

The preparation of financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from estimates and such differences could be material.

Key areas of managerial judgments and estimates are as follows:

i) Property, Plant and Equipment (PP&E):
   Measurement of PP&E involves the use of estimates for determining the expected useful lives of depreciable assets. Management's judgment is also required to determine depreciation methods and an asset's residual value and whether an asset is a qualifying asset for the purposes of capitalizing borrowing costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ii) Impairment of non-financial assets:
The Company reviews the carrying value of non-financial assets with definite lives for potential impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying value of non-financial assets with indefinite lives, and of non-financial assets with definite lives but not ready for use, are assessed at least annually for impairment based on the impairment test on cash-generating units (CGUs). The impairment test on CGUs is carried out by comparing the carrying amount of the CGU and its recoverable amount. The recoverable amount of a CGU is the higher of fair value, less costs to sell and its value in use. This complex valuation process entails the use of methods such as the discounted cash method which requires numerous assumptions to estimate future cash flows. The recoverable amount is impacted significantly by the discount rate selected to be used in the discounted cash flow model, as well as the quantum and timing of risk-adjusted future cash flows and the growth rate used for the extrapolation.

iii) Foreign Currency translation:
The determination of functional currency requires judgment. The functional currency is determined based on the currencies of the main economic activity, the magnitude of these revenue streams and the payments for materials and employees. The Company generates cash in a variety of currencies and expends cash mainly in one currency, the Canadian dollar.

iv) Income Taxes:
The Company recognizes deferred tax assets, related tax-loss carry-forwards and other deductible temporary differences where it is probable that sufficient future taxable income can be generated in order to fully utilize such losses and deductions. This requires significant estimates and assumptions regarding future earnings, and the ability to implement certain tax planning opportunities in order to assess the likelihood of utilizing such losses and deductions.

v) Share-based payments:
The Company measures the cost of share-based payments, either equity or cash-settled, with employees by reference to the fair value of the equity instrument or underlying equity instrument at the date granted. Estimating the fair value for share-based payments requires management to determine the appropriate valuation model for a grant, which is dependent of the terms and conditions of each grant. In valuing certain types of stock-based payments, such as incentive stock options, the Company uses the Black-Scholes option pricing model. This valuation includes assumptions about the expected life of the option, stock price volatility and forfeiture rates.

vi) Accounts receivable:
The Company uses valuation techniques to estimate the fair value of accounts receivable. Note 26 (a) provides additional information about the aging of accounts receivable. This information was used by management in the determination of the fair value of these balances.

vii) Debentures:
The Company uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of convertible and non-convertible debentures. Note 11 provides additional information about the terms of these debentures which were used by management in the determination of their fair values.

Revenue Recognition

Revenues from product sales are recognized when persuasive evidence of an arrangement exists, the product is shipped, received or accepted by the customer, there are no future performance obligations, the purchase price is fixed and determinable, and collectability is reasonably assured.

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract.

Revenues from licensing are recognized when the service is rendered or the deliverables are substantially complete and other revenue recognition criteria are met.

For upfront, non-refundable payments received in accordance with the execution of licensing and collaboration agreements, revenue is deferred and recognized over the performance period, the period over which the Company maintains substantive contractual obligations. Amounts the Company expects to earn in the current year are included in the current portion of deferred revenue and amounts expected to be earned in subsequent periods are included in deferred revenue. The term over which upfront fees are recognized is revised if the period over which the Company maintains substantive contractual obligations changes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Milestone payments are immediately recognized as licensing revenue when the condition is met, if the milestone is not a condition to future deliverables and collectability is reasonably assured. Otherwise, they are recognized over the remaining term of the agreement or the performance period.

Revenues from research and development contracts are recognized based on the percentage of completion method, measured by the percentage of costs incurred over the estimated total costs for each contract or based on the achievement of milestones specified in the contract. Management considers expended costs to be the best available measure of progress on these contracts. Contract costs include all direct material and labour costs and those indirect costs related to contract performance. Provisions for estimated losses on incomplete contracts are made in the period in which such losses are determined.

Cash and cash equivalents
Cash and cash equivalents consist of cash on hand, deposits with banks and investments in highly liquid instruments with original maturities of three months or less. Due to the liquid nature of these financial assets the Company has elected to classify them as held for trading. There are no cash equivalents held at September 30, 2014 or 2013.

Financial assets and liabilities
All financial instruments, including derivatives, are included on the consolidated balance sheet and are measured either at fair market value or, in limited circumstances, at cost or amortized cost. Subsequent measurement and recognition of the changes in fair value of financial instruments depends upon their initial classifications as follows:

- Held-for-trading financial assets, measured at fair value with subsequent changes in fair value recognized in current period net income;
- Held-to-maturity assets, loans and receivables and other financial liabilities, initially measured at fair value and subsequently measured at amortized cost with changes recognized in current period net income; and
- Available-for-sale financial assets, measured at fair value with subsequent gains and losses included in other comprehensive income until the asset is removed from the balance sheet.

The following summarizes the Property's classification and measurement of financial assets and liabilities:

	Classification	Measurement
Financial assets:		
Cash and cash equivalents	Held-for-trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Restricted cash	Held-for-trading	Fair value
Financial liabilities:		
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Non-convertible debentures	Other liabilities	Amortized cost
Convertible debentures	Other liabilities	Amortized cost
Long-term-debt	Other liabilities	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or financial liabilities, other than financial assets and financial liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Transaction costs on financial assets and financial liabilities measured at FVTPL are expensed in the period incurred.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

All derivative instruments, including embedded derivatives, are recorded in the financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

Share issuance and financing costs
Share issue costs are recorded as a reduction of share capital at the date of closing. Financing costs due to the issuance of debt are deferred, recorded as a reduction of the carrying value of the related debt and amortized over the term of the related debt using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory
Inventory is carried at the lower of cost and market. Cost consists of direct materials, direct labour and an overhead allocation and is determined on a first-in, first-out basis. Market is defined as net realizable value, which is defined as the summation of the selling price plus the cost to complete plus the cost to sell. Management reviews its reserve for obsolete inventory annually for finished goods and work-in-process.

Property and equipment
Property and equipment is carried at cost less accumulated amortization. Amortization is calculated at rates which will reduce the original cost to estimated residual value over the estimated useful life of each asset. Amortization commences once the asset is available for use.

The following rates and methods are used:

Research and development equipment	Declining balance, 10-100%
Other equipment and fixtures	Declining balance, 10-30%
Leasehold improvements	Declining balance, 20%
Buildings	Declining balance, 4%

Assets under lease
Leases that transfer substantially all of the benefits and risks of ownership of the asset to the Company are accounted for as finance leases. At the time a finance lease is entered into, an asset is recorded together with its related long-term obligation, reflecting the fair value of future lease payments, discounted at the appropriate interest rates. Assets under finance leases are amortized over their estimated useful lives at the same rates used for other equipment and fixtures. All other leases are classified as operating leases and expensed on a straight line basis.

Intangible assets
Intangible assets represent technology costs, patents and trademarks, and rights and licenses. Each is recorded at cost and is amortized on a straight-line basis over the term of the agreements or over the useful life of the asset. Amortization commences when the intangible asset is available for use. Intangible assets with definite lives but not yet available for use are assessed annually for impairment.

Impairment of long-lived assets
An impairment charge is recognized for long-lived assets, including intangible assets with definite lives, when an event or change in circumstances indicates that the assets' carrying value may not be recoverable. Intangible assets not yet available for use are tested annually for impairment. The impairment loss is calculated as the difference between the fair value of the asset, less costs to sell and its value in use. Management has determined that no long-lived assets of the Company in the years ended September 30, 2014 and 2013 have met the criteria for impairment.

Share-based compensation
The Company applies the fair value method of accounting for share-based compensation for awards granted to officers, directors and employees of the Company. The fair value of the award at the time of granting is determined using the Black-Scholes option pricing model, and recognized as a compensation expense over the vesting period with an offsetting amount recorded to contributed surplus. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value.

Share options issued to consultants of the Company are based on the fair value of the services provided. The amount of the compensation cost recognized at any date at least equals the value of the portion of the options vested at that date. When stock options are exercised, the consideration paid by employees or directors, together with the related amount in contributed surplus, is credited to share capital. When an employee leaves the Company, vested options must be exercised within 90 days, or the options expire. Any options that are unvested are reversed in the period that the employee leaves. No valuation allowance has been made for the expected forfeitures upon issuance of stock options with vesting periods, due to minor expectation of such events.

Foreign currency translation
Each asset, liability, revenue and expense is translated into Canadian dollars by the use of the exchange rate in effect at the end of the month in which the transaction occurs. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate determined by the Bank of Canada at the year-end date. Exchange gains and losses arising on these transactions are included in the statement of comprehensive income for the year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income per common share
The Company calculates basic income per share amounts for profit or loss attributable to ordinary equity holders. Basic income per share is calculated using the weighted average number of common shares outstanding during the period. Diluted income per share is calculated in the same manner as basic income per share except for adjusting the profit or loss attributable to ordinary equity holders and the weighted average number of shares outstanding, for the effects of all dilutive potential ordinary shares.

Deferred taxes
Deferred income tax assets and liabilities are recognized for the estimated income tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective income tax bases. Deferred income tax assets and liabilities are measured using tax rates expected to be in effect when the temporary differences are expected to be recovered or settled. The effects of changes in income tax rates are reflected in deferred income tax assets and liabilities in the year that the rate changes are substantively enacted.

Research and development expenses
Costs associated with research and development activities are expensed during the year in which they are incurred net of tax credits earned, except where product development costs meet the criteria under IFRS for deferral and amortization.

Investment tax credits
The Company is entitled to Canadian federal and provincial investment tax credits which are earned as a percentage of eligible research and development expenditures incurred in each taxation year. Investment tax credits are accounted for as a reduction of the related expenditure for items of a current nature. These credits are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the credits in the foreseeable future.

4. ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET APPLIED

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board (IASB) or IFRS Interpretation Committee (IFRIC) that are mandatory at certain dates or later. Management is still assessing the effects of the pronouncements on the Company. The standards impacted that may be applicable to the Company are following:

IFRS 7 – Financial Instruments: Disclosures
In December 2011, the IASB amended IFRS 7 to provide additional information about offsetting of financial assets and financial liabilities. Additional disclosures will be required to enable users of financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position. The amendments are effective for annual periods beginning on or after January 1, 2013. There was no impact to the financial statements as a result of the adoption of this update.

IFRS 9 – Financial Instruments
IFRS 9, issued in November 2009 and amended in October 2010, introduced new requirements for the classification and measurement of financial assets and the classification and measurement of financial liabilities and for their de-recognition.

All recognized financial assets within the scope of IAS 39 Financial Instruments: Recognition and Measurement are to be subsequently measured at amortized cost or fair value. Specifically, debt investments that have contractual cash flows that are solely payments of principal and interest are generally measured at amortized cost at the end of subsequent periods. All other debt and equity investments are measured at their fair value at the end of subsequent periods.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

The directors anticipate that the application of IFRS 9 in the future may have an impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

4. ACCOUNTING PRONOUNCEMENTS ISSUED BUT NOT YET APPLIED (continued)

IFRS 10 - Consolidated Financial Statements

In May 2011, the IASB issued IFRS 10, which establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 supersedes International Accounting Standards ("IAS") 27, Consolidated and Separate Financial Statements and Standing Interpretations Committee ("SIC") 12, Consolidation – Special Purpose Entities. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. There was no impact to the Company's financial statements as a result of adopting this standard.

IFRS 11 - Joint Arrangements

In May 2011, the IASB issued IFRS 11, Joint Arrangements. This standard separates joint arrangements into joint ventures and joint operations and provides guidance on accounting for these types of arrangements. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. There was no impact to the Company's financial statements as a result of adopting this standard.

IFRS 12 - Disclosures of interests in other entities

In May 2011, the IASB issued IFRS 12, which outlines the disclosure requirements for interests in subsidiaries and other entities to enable users to evaluate the risks associated with interests in other entities and the effects of those interests on an entity's financial position, financial performance and cash flows. IFRS 12 supersedes IAS 27, Consolidated and Separate Financial Statements and SIC-12, Consolidation – Special Purpose Entities. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. There was no impact to the Company's financial statements as a result of adopting this standard.

IFRS 13 - Fair value measurement

In May 2011, the IASB issued IFRS 13, Fair Value Measurement. This standard defines fair value, sets out a single IFRS framework for measuring fair value and outlines disclosure requirements about fair value measurements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with early adoption permitted. This IFRS is to be applied prospectively as of the beginning of the annual period in which it is initially applied. Disclosure requirements do not need to be applied to the comparative periods prior to initial application. As a result of adoption of this standard, the Company provided additional disclosures in Notes 25 and 26. There were no other impacts to the consolidated financial statements as a result of the adoption of this standard.

5. INVENTORY

Inventories as at year-end consist of the following:

	2014 $	2013 $
Raw material	404,809	195,801
Work in process	347,698	207,076
Finished goods	845,922	669,274
	1,598,429	**1,072,151**

During the year ended September 30, 2014, inventories in the amount of $1,780,819 (2013 - $1,640,581) were recognized as an expense through cost of sales. The cost of inventories recognized as an expense includes $Nil (2013 - $67,813) in respect of write-downs of inventory to net realizable value. The allowance for inventory impairment as at September 30, 2014 was $27,933 (2013 - $27,933).

6. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses as at September 30, 2014 were $497,811 (2013 - $75,827) and primarily consist of insurance policy premiums, a contractually required refundable deposit with a research and development partner, and retainers with the Company's legal counsel.

7. RESTRICTED CASH

As a condition of the loan agreement with the Business Development Bank in Note 12, $250,000 was restricted and held as an irrevocable unconditional Letter of Credit. On February 7, 2014 the Business Development Bank advised the Company it had met the performance criteria required to release the restricted cash of $250,000. On meeting the performance criteria, the Company reclassified these monies into Cash and cash equivalents on the statement of financial position.

8. PROPERTY, PLANT AND EQUIPMENT

The freehold land and buildings have been pledged as security for bank loans under a mortgage (see Note 12). The Company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

Property, plant and equipment consists of:

	Building	Research & development equipment	Other equipment & fixtures	Land	Leasehold improvements	Total
Cost	$	$	$	$	$	$
Balance, Oct 1, 2012	4,424,004	907,574	3,217,824	800,000	351,660	9,701,062
Additions	109,514	-	116,957	-	-	226,471
Disposals	-	169,047	48,965	-	256,850	474,862
Balance, Sept 30, 2013	4,533,518	738,527	3,285,816	800,000	94,810	9,452,671
Additions	2,770	2,842,981	346,670	-	-	3,192,421
Other transfers			(61,890)	-	-	(61,890)
Disposals	-	-	-	-	(94,810)	(94,810)
Balance, Sept 30, 2014	4,536,288	3,581,508	3,570,596	800,000	-	12,488,392
Accumulated depreciation						
Balance, Oct 1, 2012	487,568	563,059	2,234,715	-	287,798	3,573,140
Reversals	-	(126,646)	(34,664)	-	(212,195)	(373,505)
Depreciation	150,396	35,241	119,024	-	19,207	323,868
Balance, Sept 30, 2013	637,964	471,654	2,319,075	-	94,810	3,523,503
Disposals	-	-	-	-	(94,810)	(94,810)
Depreciation	152,356	29,461	126,122	-	-	307,939
Balance, Sept 30, 2014	790,320	501,115	2,445,197	-	-	3,736,632
Carrying value						
Oct 1, 2012	3,936,436	344,515	983,109	800,000	63,862	6,127,922
Sept 30, 2013	3,895,554	266,873	966,741	800,000	-	5,929,168
Sept 30, 2014	3,745,968	3,080,393	1,125,399	800,000	-	8,751,760

Included in Research and development equipment is $2,842,981 related to assets not yet available for use. These assets are not subject to depreciation.

9. INTANGIBLE ASSETS

Intangible assets are depreciated on a straight line basis at the following rates:

License agreement, LumiSort™ (Note 9a)	**5%**
Technology investments	
LumiSort™ (Note 9a)	**5%**
Kinlytic® (Note 9b)	**0%**

Intangible assets consist of:

	Capitalized development	Patents and trademarks		Licenses	
	LumiSort™	Kinlytic®	LumiSort™	LumiSort™	Total
Cost	**$**	**$**	**$**	**$**	**$**
Balance at October 1, 2012	23,307	2,770,529	1,463,016	278,528	4,535,380
Additions from internal developments	-	-	-	-	-
Acquisitions through business transactions	-	-	-	-	-
Disposals or classified as held for sale	(4,662)	-	-	-	(4,662)
Other transfers	-	-	-	-	-
Balance at September 30, 2013	**18,645**	**2,770,529**	**1,463,016**	**278,528**	**4,530,718**
Additions from internal developments	-	-	181,619	-	181,619
Acquisitions through business transactions	6,150	-	-	-	6,150
Disposals or classified as held for sale	-	-	-	-	-
Other transfers	61,890	-	-	-	61,890
Balance at September 30, 2014	**86,685**	**2,770,529**	**1,644,635**	**278,528**	**4,780,377**
Accumulated amortization					
Balance at October 1, 2012	**7,032**	**-**	**384,042**	**149,975**	**541,049**
Amortization expense	650	-	73,151	21,426	95,227
Disposals or classified as held for sale	(4,661)	-	-	-	(4,661)
Balance at September 30, 2013	**3,021**	**-**	**457,193**	**171,401**	**631,615**
Amortization expense	748	-	73,151	21,425	95,324
Balance at September 30, 2014	**3,769**	**-**	**530,344**	**192,826**	**726,939**
Carrying value					
Net carrying amount, October 1, 2012	16,275	2,770,529	1,078,974	128,553	3,994,331
Net carrying amount, September 30, 2013	15,624	2,770,529	1,005,823	107,127	3,899,103
Net carrying amount, September 30, 2014	82,916	2,770,529	1,114,291	85,702	4,053,438

9. INTANGIBLE ASSETS (Continued)

a) **Lumisort™**
The Company acquired a license agreement from Sequent Biotechnologies Inc. ("Sequent"), a biotechnology company solely involved in the development and commercialization of the Lumisort™ technology under license. New intellectual property with the issue of patents has resulted from this research program. These assets are in the process of being developed and new patents are pending and under development.

b) Kinlytic®
The Company acquired the assets and rights pertaining to development, production, and licensing of Kinlytic® from Abbott Laboratories in 2008. These assets are in the process of being commercialized.

The recoverable amount of the Kinlytic® intangible has been determined based on its fair value less cost to sell. This estimate uses risk-adjusted cash flow projections based on probability-weighted financial budgets.

Management made these assumptions based on probabilities of technical, regulatory and clinical acceptances and financial support. Management believes that any reasonably-possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

10. BANK INDEBTEDNESS

The Company has a revolving line of credit of $500,000 with its Canadian chartered bank that bears interest at the bank's prime lending rate plus 2.25%. Accounts receivable and property, plant and equipment are pledged as collateral for the bank credit facility. As at September 30, 2014 and 2013, the line of credit was fully unused.

11. DEBENTURES

The Company has convertible and non-convertible debentures issued and outstanding as at year-end. The carrying values of the debt component of these debentures are as follows:

	Non-convertible	Convertible					Total
Date of issue	Jan, 2014	Jan, 2014	Feb, 2007	Oct, 2006	Feb, 2006	Sep, 2008	
Proceeds of issue	$2,000,000	$1,500,000	$500,000	$500,000	$2,000,000	$2,500,000	
	$	$	$	$	$	$	$
Balance, October 1, 2012	**-**	**-**	**434,077**	**451,758**	**725,312**	**897,074**	**2,508,221**
Accretion expense	-	-	56,990	54,638	7,060	233,483	352,171
Repayments	-	-	(45,000)	(45,000)	-	(225,000)	(315,000)
Balance, September 30, 2013	**-**	**-**	**446,067**	**461,396**	**732,372**	**905,557**	**2,545,392**
Issuance (extinguishment)	928,373	517,470	-	-	(735,085)	-	(217,615)
Accretion expense	128,425	77,464	58,636	55,842	74,596	236,460	502,998
Repayments	(132,098)	(73,048)	(45,000)	(45,000)	(71,883)	(225,000)	(459,931)
Balance, September 30, 2014	**924,700**	**521,886**	**459,703**	**472,238**	**-**	**917,017**	**2,370,844**
Less: current portion	244,284	135,000	45,000	45,000	-	225,000	450,000
	680,416	**386,886**	**414,703**	**427,238**	**-**	**692,017**	**1,920,844**
Note	(a)	(b)	(c)	(d)	(e)	(f)	

The debentures denoted (a), (b), and (f) are secured against the real property and the personal property of the Company including without limiting the foregoing, a registered second mortgage on the property at 265 Watline Avenue, Mississauga, Ontario in favour of the holder, its successors and assigns subordinate only to indebtedness to a Canadian chartered bank or similar financial institution on normal commercial terms up to their maximum principal.

The debentures denoted (c) and (d) are secured by a subordinated security agreement covering all of the Company's property and assets, including its goodwill.

The debenture denoted (e) was extinguished in the current fiscal year. Upon extinguishment, the Company allocated the consideration paid along with transaction costs incurred consistent with the method used in the allocation of proceeds between debt and equity when the debenture was originally issued. The result of this allocation was a $Nil gain in the consolidated statement of comprehensive income and recognition of $1,071,626 of contributed surplus.

11. DEBENTURES (Continued)

Convertible debentures contain two components: liability and equity elements. The equity element is presented in equity under the heading of "equity component of debenture". Convertible debentures are initially accounted for in accordance with their substance and are presented in the financial statements in their component parts measured at the time of issue. The debt components were valued first with the residual to shareholders' equity. Over the term of the convertible debentures, the debt components will be accreted to the face value of the debentures by the recording of additional interest expense using the effective interest rate, as detailed below.

All of the debentures were issued to a shareholder of the company.

Note	(a)	(b)	(c)	(d)	(e)	(f)
Date of issue	Jan, 2014	Jan, 2014	Feb, 2007	Oct, 2006	Feb, 2006	Sep, 2008
Proceeds of issue	$ 2,000,000	$ 1,500,000	$ 500,000	$ 500,000	$ 2,000,000	$ 2,500,000
Issue costs	$ -	$ 65,559	$ -	$ -	$ -	$ -
Liability component at the date of issue	$ 928,373	$ 517,470	$ 388,958	$ 413,320	$ 735,086	$ 885,089
Equity component at the date of issue	N/A	$ 916,971	$ 111,042	$ 86,680	$ 1,264,914	$ 1,614,911
Conversion price per common share	$ -	$ 0.35	$ 0.90	$ 0.90	$ 0.90	$ 0.65
Effective interest rate charged	25.69%	25.69%	13.00%	12.00%	25.69%	25.69%
Payment frequency	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly	Quarterly
Maturity of financial instrument	Jan, 2029	Jan, 2029	Feb, 2017	Oct, 2016	Jan, 2028	Sep, 2028
Stated interest rate	9%	9%	9%	9%	9%	9%
Terms of repayment	Principal and interest	Interest only	Interest only	Interest only	Interest only	Interest only
Blended quarterly payments	$ 61,071	N/A	N/A	N/A	N/A	N/A

As the issuance of the non-convertible debenture denoted as (a) and the cancellation of the convertible debenture denoted as (e), were transacted with the same shareholder and represented a substantial modification in the terms, the non-convertible debenture is being accounted for in accordance with its substance and is presented in the financial statements as new debt, measured at fair value at the time of the issue.

12. LONG-TERM DEBT

The Company negotiated a series of loans totalling $3,410,000 with the Business Development Bank (BDC) for the purchase and build-out of its new manufacturing facility.

	$
Purchase of the building	1,500,000
Construction of manufacturing facility	1,500,000
Purchase of equipment for facility	410,000
	3,410,000

The loans are secured with the building.

For loans totalling $3,350,000, the interest rate is floating, based on BDC's Floating Base Rate plus 1.35%. At September 30, 2014 the Floating Base Rate was 5.00% on the outstanding balance of $2,602,060 (2013 - $2,657,620). Consecutive monthly principal payments of $9,260 are due to February 2037.

For loans totalling $60,000, the interest rate is floating, based on BDC's Floating Base Rate plus 1.80%, over a term of 8 years. At September 30, 2014 the Floating Base Rate was 5.00% on the outstanding balance of $21,025 (2013 - $25,375). Consecutive monthly principal payments of $725 are due to February 2017.

During the fiscal year, the BDC offered a 6 month deferral of principal payments on the mortgage, beginning with the payment for April, 2014. The deferral amounted to $55,560 and, as a result, the monthly principal payments of $9,260 have been extended into August of 2037.

Following is the commitment for the Business Development Corporation loans.

	$
2015	119,820
2016	119,820
2017	114,745
2018	111,120
2019	111,120
Thereafter	2,046,460

During the fiscal year, the Company negotiated an additional $615,000 loan with the BDC with a maturity of July, 2020, subject to interest at the BDC's Floating Base Rate plus 0.5%, with monthly repayments of principal and interest of $10,250 starting in August, 2015. The funds were advanced to the Company from the BDC subsequent to year-end and as at September 30, 2014, the outstanding balance on this loan is $Nil.

13. DEFERRED REVENUE

In 2007, the Company entered into an agreement with the Animal Fine Breeding Station of Hebei Province in China, as the exclusive distributor of Microbix' proprietary Semen Sexing Technology ("SST"). Under the terms of the agreement, the Company had received a non-refundable payment of $400,000 US and will receive an additional payment upon a milestone achievement. Royalty fees and payment for materials will be made with product sales.

This payment is being accounted for in accordance with its substance and is presented in the financial statements as deferred revenue on the statement of financial position. The Company will defer recognition of this revenue until all of the deliverables in the agreement are complete. At September 30, 2014, all of the deliverables have not been met and are not expected to be met within the next fiscal year and therefore no amount has been recognized or reclassified to current liabilities.

14. SHARE CAPITAL

The Company is authorized to issue an unlimited number of Common Shares with no par value and an unlimited number of Preference Shares with no par value. The changes in issued and fully paid common shares are noted in the Consolidated Statement of Shareholder's Equity and are as follows:

	2014	2013
Common shares issued	9,270,108	1,090,000
Proceeds, net of financing costs	$3,403,678	$290,868
Warrants exercised	3,543,900	40,000
Stock options exercised	598,000	-

14. SHARE CAPITAL (continued)

The Company closed the following private placement offerings for the years ended September 30, 2014 and 2013:

	2014	2013
Date of private placement	Aug, 2014	Oct, 2012
Private placement unit, consisting of:		
Common shares	5,128,208	1,050,000
Common share purchase warrants	5,128,208	1,050,000
Price, per unit	$ 0.39	$ 0.30
Gross proceeds of private placement	$ 2,000,000	$ 315,000
Less: transaction costs	$ (46,672)	$ (59,118)
Net proceeds of private placement	$ 1,953,328	$ 255,882
Exercise price of purchase warrant	$ 0.55	$ 0.33
Term of purchase warrant	5 years	24 months
Note	(a)	(b)

(a) Each unit consisted of one common share of Microbix and one common share purchase warrant. Securities issued are subject to a holding period of four months plus a day. A total of 121,555 finder's warrants were issued. Each finder's warrant allows the holder to purchase a unit for $0.47 for a period of 5 years and one day from the date of issue.

(b) Each unit consisted of one common share of Microbix and one common share purchase warrant. Securities issued are subject to a holding period of four months plus a day. A total of 192,000 finder's warrants were issued. Each finder's warrant allows the holder to purchase a unit for $0.33 for a period of 24 months and one day from the date of issue.

The number of issued and outstanding common shares and the stated capital of Microbix as at September 30, 2014 are presented below:

	Number of Shares	Stated Capital ($)
Balance, October 1, 2012	65,594,350	24,033,712
Issued on private placement	1,050,000	255,882
Exercise of warrants	40,000	10,000
Balance, September 30, 2013	66,684,350	24,299,594
Issued on private placement	5,128,208	1,912,168
Exercise of warrants	3,543,900	1,051,381
Exercise of stock options	598,000	398,969
Balance, September 30, 2014	75,954,458	27,662,112

15. CONTRIBUTED SURPLUS

	$
Balance, October 1, 2012	3,338,881
Share issue costs	24,986
Stock option expense	186,654
Balance, September 30, 2013	3,550,521
Warrant issue costs	41,160
Stock options exercised	(189,869)
Settlement of equity component of convertible debentures	1,071,626
Stock option expense	14,200
Balance, September 30, 2014	4,487,638

16. COMMON SHARE PURCHASE WARRANTS

A total of 2,990,641 warrants scheduled to expire in fiscal 2014, were extended one additional year to March 29, 2015.

A continuity of the Company's warrants outstanding as at September 30, 2014 and 2013 is presented in the following table:

	Units		Weighted average exercise price
			$
Outstanding, October 1, 2012	**12,625,694**	**$**	**0.59**
Issued	1,242,000	$	0.33
Exercised	(40,000)	$	0.25
Expired	(5,186,226)	$	0.98
Extended	3,250,000	$	0.40
Outstanding, September 30, 2013	**11,891,468**	**$**	**0.34**
Issued	5,249,763	$	0.55
Exercised	(3,543,900)	$	0.30
Expired	(6,454,455)	$	0.39
Extended	2,990,641	$	0.40
Outstanding, September 30, 2014	**10,133,517**	**$**	**0.48**

A summary of the Company's warrants outstanding as at September 30, 2014 and 2013 is presented in the following table:

	2014				2013			
	Number outstanding		Weighted average exercise price	Weighted average remaining contractual life	Number outstanding		Weighted average exercise price	Weighted average remaining contractual life
			$	years			$	years
Range of exercise prices:								
$0.55	5,128,208	$	0.55	4.92	-	$	-	-
$0.24 to $0.40	5,005,309	$	0.36	0.43	-	$	-	-
$0.24 to $0.44	-	$	-	-	11,891,468	$	0.34	0.90
	10,133,517	$	0.48	2.70	11,891,468	$	0.34	0.90

17. STOCK OPTION PLAN

On March 5, 2013, the shareholders of the Company approved a resolution to amend the Company's stock option plan. This amendment changed the total number of Common Shares available to be issued under the plan from a maximum of 10,000,000 to a maximum of 12,000,000 common shares. Under the plan, the Company has a total of 4,354,000 options issued and pending (2013 - 6,660,000).

The exercise price of each option equals no less that the market price at the date immediately preceding the date of the grant. In general, options issued under the plan vest and are exercisable in equal amounts in three steps, at the issue date and at the anniversary date in the subsequent two years. Management does not expect any stock options issued in the year and remaining unvested at the year-end to be forfeited before they vest.

The following table reflects the activity under the Company's stock option plan period ended September 30, 2014 and 2013.

	Units		Weighted average exercise price
			$
Outstanding, October 1, 2012	**7,201,666**	**$**	**0.46**
Issued	400,000	$	0.26
Exercised	-	$	-
Expired or forfeitted	(941,666)	$	1.08
Outstanding, September 30, 2013	**6,660,000**	**$**	**0.36**
Issued	-	$	-
Exercised	(598,000)	$	0.35
Expired or forfeitted	(1,708,000)	$	1.08
Outstanding, September 30, 2014	**4,354,000**	**$**	**0.36**

The exercise price of each option equals the closing market price of the Company's capital stock on the day preceding the grant date.

The following table reflects the number of options, their weighted average price and the weighted average remaining contract life for the options grouped by price range as of September 30, 2014 and 2013.

	2014				2013			
	Number of options outstanding		Weighted average exercise price	Weighted average remaining contractual life	Number of options outstanding		Weighted average exercise price	Weighted average remaining contractual life
			$	years			$	years
Range of exercise prices:								
$0.26 to $0.39	4,354,000	$	0.36	1.37	-	$	-	-
$0.26 to $0.60	-	$	-	-	6,535,000	$	0.35	1.38
$0.64 to $0.73	-	$	-	-	125,000	$	0.65	0.25
	4,354,000	$	0.36	1.37	6,660,000	$	0.36	1.35

17. STOCK OPTION PLAN (continued)

The fair value of options granted during the year ended September 30 was estimated at the grant date using the Black-Scholes options pricing model, resulting in the following weighted-average assumptions:

	2013
Share price on issue date	$0.28
Dividend yield	0.00%
Volatility	94.7%
Risk-free interest rate	5.00%
Expected option life (years)	5
Weighted average fair value of each option ($/option)	0.19

The volatility of the stock for the Black-Scholes options pricing model was based on 5-year historic volatility of the Company's stock price on the Toronto Stock Exchange. Management believes that the historic stock volatility provides a fair and appropriate basis of estimate for the expected future volatility of the stock. Stock options are assumed to be exercised at the end of the option's life, as management believes the probability of an early exercise is remote.

During the year, the fair value of the options vested in the year were expensed and credited to contributed surplus.

18. INCOME PER SHARE

Basic income per share is calculated using the weighted average number of shares outstanding. Diluted income per share reflects the dilutive effect of the exercise of stock options, warrants and convertible debt. The following table reconciles the net income and the number of shares for the basic and diluted loss per share computations:

	2014	2013
Numerator		
Net income available to common shareholders	$168,979	$1,378
Denominator for basic EPS – weighted average common shares outstanding	68,977,187	66,599,987
Effect of dilutive securities:		
Warrants	2,039,737	-
Stock Options	1,215,000	-
Convertible Debentures	-	-
Denominator for diluted EPS	72,231,924	66,599,987
Earnings per share		
Basic	$0.002	$0.000
Diluted	$0.002	$0.000

The following represents the warrants, stock options and convertible debentures not included in the calculation of diluted EPS due to their anti-dilutive impact:

	2014	2013
Pursuant to warrants	8,093,779	11,891,468
Under stock options	3,139,000	6,660,000
Pursuant to convertible debentures	9,242,979	7,179,487
	20,475,758	25,730,955

19. EXPENSES BY NATURE

The Company has chosen to present its Statements of Comprehensive Income based on the functions of the entity. The Consolidated Statements of Comprehensive Income include the following expenses by nature:

a) Employee costs:

	2014 $	2013 $
Short-term wages, bonuses and benefits	2,234,024	3,406,376
Share based payments	14,200	186,654
Total employee costs	2,248,224	3,593,030
Included in:		
Cost of goods sold	1,076,258	2,069,280
Research and development	451,975	513,526
General and administrative expenses	385,575	687,096
Selling and business development	334,416	323,128
Total employee costs	2,248,224	3,593,030

b) Depreciation and amortization

Included in:		
Cost of goods sold	278,478	266,041
General and administrative expenses	748	23,337
Research and development	124,037	129,817
Total depreciation and amortization	403,263	419,195

20. INCOME TAXES

Income Taxes consist of the following, as at September 30:

	2014 $	2013 $
Provision based on combined federal and provincial statutory rates of 26.50% (2013 – 26.50%)	126,040	44,600
Increase (decrease) resulting from		
Permanent differences	7,851	63,600
Adjustment to previous year's federal investment tax credits	(1,774,320)	-
Adjustment to previous year's other deferred tax assets	(87,146)	-
Federal investment tax credits and Ontario research and development tax credits utilized/refundable (net of tax)	232,867	-
Changes in deferred tax assets not recognized	1,567,554	70,100
Benefit of deferred tax assets recognized	265,000	-
Other	(31,201)	(11,500)
Current income tax expense	306,645	166,800

20. INCOME TAXES (continued)

The Company has unclaimed research and development expenses, research and development investment tax credits and accumulated losses for income tax purposes. Certain of these credits have been recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the credits in the foreseeable future.

The accumulated non-capital losses may be used to reduce taxable income in future years and must be claimed no later than:

	$
2026	449,900
2027	630,700
2028	1,821,400
2029	975,100
2030	475,800
2031	1,144,800
2032	1,223,100
	6,720,800

The significant components of future income tax assets are summarized as follows:

	2014 $	2013 $
Deferred income tax assets		
Non-capital loss carry-forwards	1,780,978	1,755,400
Difference in net book value compared to undepreciated capital cost	617,715	640,100
Deferred revenue	187,416	215,00
Unclaimed research and development expenditures	3,734,309	3,480,800
Future income tax liability related to debentures	(970,124)	(783,000)
Tax assets not recognized	(5,350,294)	(5,308,300)
Deferred tax asset	-	-

The unclaimed research and development investment tax credits before income tax effect may be carried forward and used to reduce federal income taxes. These must be claimed no later than:

	$
2023	1,000
2024	149,000
2025	303,000
2026	293,000
2027	304,000
2028	394,000
2029	175,000
2030	220,000
2031	170,000
2032	123,000
2033	107,000
	2,239,000

20. INCOME TAXES (continued)

The associated tax benefits relating to the unclaimed credits are as follows:

	2014 $	2013 $
Unclaimed research and development tax credits	1,790,540	2,428,300
Tax assets not recognized	(1,525,540)	(2,428,300)
Asset related to investment tax credits	265,000	-

21. CHANGES IN NON-CASH WORKING CAPITAL BALANCE

	2014 $	2013 $
Accounts receivable	(990,526)	296,588
Inventory	(526,278)	175,123
Prepaid expenses & other assets	(421,984)	71,903
Investment tax credits receivable	(64,869)	(12,865)
Accounts payable and accrued liabilities	471,979	(561,215)
	(1,531,678)	(30,466)

22. SUPPLEMENTARY CASH FLOW INFORMATION

	2014 $	2013 $
Cash paid for interest	804,393	681,611
Non-cash investing and financing activities		
Fees for equity placements	44,672	34,130
Purchase of assets under capital leases	6,907	-

23. FINANCIAL EXPENSES

	2014 $	2013 $
Cash interest		
Interest on long-term debt	168,096	172,393
Interest on debentures	639,046	495,000
Interest other	7,059	14,218
Interest income	(9,807)	(9,164)
Non-cash interest		
Accretion on debentures	36,682	37,171
Accretion on asset retirement	-	(40,708)
Financial expenses	**841,076**	**668,910**

24. CAPITAL MANAGEMENT

The Company's capital management objective is to safeguard its ability to function as a going-concern to maintain its virology operations and to fund its development activities. Microbix defines its capital to include the revolving line of credit, shareholders' equity, the Business Development Bank capital loan, and the debentures. The capital at September 30, 2014 was $15,760,664 (2013 - $11,199,751).

To date, the Company has used common equity issues, debentures and a bank mortgage to fund its activities. The equity is through private placements, the debentures are all controlled by private individuals known to the Company and the mortgage is with the Business Development Bank. If possible, the Company tries to optimize its liquidity needs by non-dilutive sources, including investment tax credits, grants and interest income. The Company has a revolving line of credit of $500,000 with its Canadian chartered bank, Note 10.

The Company's general policy is to not pay dividends and retain cash to keep funds available to finance the Company's growth. However, the Board of Directors may, from time to time, choose to declare a dividend in assets if warranted by circumstances. There was no change during the year in how the Company defines its capital or how it manages its capital.

25. FINANCIAL INSTRUMENTS

The fair value of a financial instrument is approximated by the consideration that would be agreed to in an arm's length transaction between willing parties and through appropriate valuation methods, but considerable judgment is required for the Company to determine the value. The actual amount that could be realized in a current market exchange could be different than the estimated value.

The carrying amounts of cash and cash equivalents, accounts receivable, bank indebtedness and accounts payable and accrued liabilities approximate fair value due to the short-term maturities of these instruments.

The fair value of the long-term debt is based on rates currently available for items with similar terms and maturities. The convertible and non-convertible debenture fair values are not readily determinable as the convertible debentures have been issued to shareholders of the Company.

26. FINANCIAL RISK MANAGEMENT

The primary risks that affect the Company are set out below and the risks have not changed during the reporting year. The list does not cover all risks to the Company, nor is there an assurance that the strategy of management to mitigate the risks is sufficient to eliminate the risk.

a) Credit risk

The Company's cash and cash equivalents are held in accounts or short-term interest bearing accounts at one of the major Canadian chartered banks. Management perceives the credit risk to be low. There is a concentration of accounts receivable risk due to the few large customers comprising the Company's international customer base. In fiscal 2014, four customers account for 82% (2013 - four customers account for 43%) of revenue. The Company has had minimal bad debts over the past several years and accordingly management has recorded an allowance of $1,018 (2013 - $54,013).

26. FINANCIAL RISK MANAGEMENT (Continued)

Trade accounts receivable are aged as follows at September 30:

	2014 $	2013 $
Current	1,350,443	1,061,661
0 - 30 days past due	526,022	111,630
31 - 60 days past due	48,482	(22,309)
61 - days and over past due	216,561	-
	2,141,508	1,150,982

b) Currency risk

Through its global sales the Company is exposed to currency risk, through fluctuations in the exchange rate affecting sales and receivables denominated in US dollars and Euros. The Company does not use financial instruments to hedge these risks. At September 30, the significant balances, quoted in Canadian dollars, held in foreign currencies are:

	US dollars		Euros	
	2014	2013	2014	2013
Cash	99,491	54,736	-	-
Accounts receivable	1,259,391	1,000,454	738,372	140,460
Accounts payable and accrued liabilities	650,440	289,747	32,621	7,024

The impact of a 1 cent increase in the Canadian dollar against the US dollar would result in a revenue loss of about 1%. The impact of a 1 cent increase in the Canadian dollar against the Euro would result in a revenue loss of about 1.4%.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meets its financial obligations as they fall due. To manage this situation, the Company projects and monitors its cash requirements to accommodate changes in liquidity needs.

d) Interest rate risk

Financial instruments that potentially subject the Company to cash flow interest rate risk are those assets and liabilities with a variable interest rate. Interest risk exposure is primarily on the BDC debt that has a variable rate that is pegged to the bank rate. The rate can be fixed, if the outlook for interest rates should move higher. The only other variable debt the Company has is the $500,000 line of credit that bears interest at the bank's prime lending rate plus 2.25%. A 1% increase in the bank rate would cost the Company approximately $30,000 per year for BDC and about $5,000 on the line of credit usage.

e) Market risk

Market risk is the risk that changes in product prices based on supply and demand criteria, foreign exchange rates and interest rates will affect the Company's income or the value of the financial instruments held. Microbix products are valuable components in many of our customers' products and not easily replaced. The Company works closely with key customers to ensure our products meet critical customer results.

f) Fair value

The Company categorizes its financial assets and liabilities measured at the fair value into one of three different levels depending on the observation of the inputs used in the measurement.

For the 2014 and 2013 fiscal periods, the Company has only the financial instruments in Level 1. At September 30, 2014, the Company`s financial instruments are cash and cash equivalents for an amount of $547,356 (2013 - $260,048) which are considered to be Level 1 instruments. There were no transfers between levels during the year.

26. FINANCIAL RISK MANAGEMENT (Continued)

f) Fair value (Continued)

The three levels are defined as follows:

a) Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in active markets.

b) Level 2: Fair value is based on inputs other than quoted prices included within Level 1 that are not observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

c) Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs.

27. SEGMENTED INFORMATION

The Company operates in two industries: the development, manufacturing and distribution of cell based products and technology and, provision of facility, technical and production personnel for contract research and development. External revenue by segment is attributed to geographic regions based on the location of customers: North America, Europe and Other foreign countries.

The following is an analysis of the Company's revenue and results from continuing operations by reportable segment:

	Segment revenue		Segment profit	
	2014	2013	2014	2013
	$	$	$	$
Virology Products and Technologies	8,396,796	7,574,593	168,979	1,378
Lumisort ™	-	-	-	-
Kinlytic®	-	-	-	-
Total for continuing operations	8,396,796	7,574,593	168,979	1,378

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2013 - $Nil).

The accounting policies of the reportable segments are the same as the Company's accounting policies described in Note 3. Segment profit represents the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, gain recognised on disposal of interest in former associate, investment income, other gains and losses as well as finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

	Segment assets		Segment liabilities	
	2014	2013	2014	2013
	$	$	$	$
Virology Products and Technologies	11,122,269	8,816,932	2,238,264	1,766,285
Lumisort ™	4,106,130	1,128,575	-	-
Kinlytic®	2,770,529	2,770,529	-	-
Total for continuing operations	17,998,928	12,716,036	2,238,264	1,766,285

All assets are allocated to reportable segments other than interests in associates and current and deferred tax assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments. All liabilities are allocated to reportable segments other than borrowings and current and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

27. SEGMENTED INFORMATION (Continued)

	Depreciation and amortization		Additions to non-current assets	
	2014	2013	2014	2013
	$	$	$	$
Virology Products and Technologies	307,939	323,968	369,200	228,535
Lumisort ™	95,324	95,227	3,010,990	-
Kinlytic®	-	-	-	-
Total for continuing operations	403,263	419,195	3,380,190	228,535

28. GEOGRAPHIC INFORMATION

The Company operates in three principal geographical areas – North America (country of domicile), Europe and in other foreign countries. The Company's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below.

	Revenue from external customers		Non-current assets	
	2014	2013	2014	2013
	$	$	$	$
North America	1,652,425	2,638,189	13,291,902	10,078,271
Europe	5,835,078	4,287,621	-	-
Other foreign countries	909,293	648,783	-	-
	8,396,796	7,574,593	13,291,902	10,078,271

29. RELATED PARTY TRANSACTIONS

Key Management Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management includes three executive officers. Compensation for the Company's key management personnel was as follows:

	2014	2013
	$	$
Short-term wages, bonuses and benefits	595,690	621,339
Termination benefits	-	87,000
Share based payments	-	77,516
Total key management compensation	595,690	785,855

During the year ended September 30, 2014, the Company paid interest of $595,721 (2013 - $495,000) on the convertible debentures issued to related party shareholders.

30. COMMITMENTS AND CONTINGENCIES

a) Lease commitments

	$
2015	65,515
2016	35,646
2017	4,776
2018	3,306
2019	1,378
	110,621

b) Payments on convertible and non-convertible debentures (Note 11)

	$
2015	694,284
2016	694,284
2017	638,034
2018	604,284
2019	604,284
	3,235,170

c) Contingencies

The Company is party to legal proceedings arising out of the normal course of business. The results of these litigations cannot be predicted with certainty, and management is of the opinion that the outcome of these proceedings is not determinable. Any loss resulting from these proceedings will be charged to operations in the period when the loss becomes probable to occur and reasonably measurable.

DIRECTORS

Peter M. Blecher
Ontario, Canada
Staff Emergency Physician
Lakeridge Health Hospital

Mark A. Cochran
Virginia, USA
Managing Director
Johns Hopkins Medicine

Vaughn C. Embro-Pantalony [1] [2]
Ontario, Canada
Chief Executive Officer and President
Microbix Biosystems Inc.

William J. Gastle [2]
Ontario, Canada
Executive Chairman
Microbix Biosystems Inc.

Cameron Groome [1]
Ontario, Canada
Pharmaceutical Executive

Martin A. Marino [1] [2]
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Pharmaceutical Executive

Andrew C. Pollock [1] [2]
Ontario, Canada
Marketing Excecutive

Joseph D. Renner [2]
New Jersey, USA
Pharmaceutical Executive

[1] *Member of Audit Committee.*
[2] *Member of the Human Resources, Compensation and Governance Committee.*

CORPORATE INFORMATION

Corporate Counsel	*Boyle & Co. LLP*
Auditors	*Collins Barrow Toronto LLP* *Chartered Accountants*
Transfer Agent	*Canadian Stock Transfer Company Inc.* *as the Administrative Agent for* *CIBC Mellon Trust Company* *416-682-3860 1-800-387-0825*
Bankers	*Bank of Montreal*
Head Office	Microbix Biosystems Inc. 265 Watline Avenue, Mississauga, Ontario Canada L4Z 1P3 Tel: 905-361-8910 Fax: 905-361-8911 www.microbix.com

NOTICE OF ANNUAL MEETING

The Annual Meeting of the Shareholders will be held at the University Club, 380 University Avenue, Toronto, Ontario on Tuesday, March 3, 2015 at 1:00 PM.

ANNUAL REPORT

Additional copies of the Company's 2014 Annual Report are available by contacting Microbix' head office.

SENIOR MANAGEMENT

William J. Gastle
Executive Chairman

Vaughn C. Embro-Pantalony
President and Chief Executive Officer

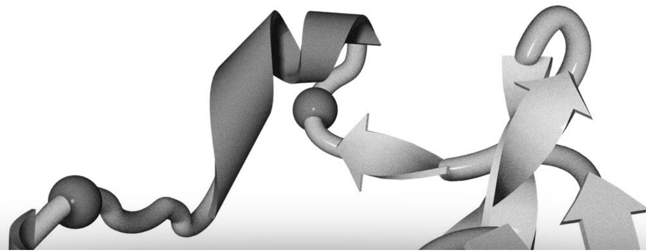
Charles S. Wallace
Chief Finanical Officer

Dr. Mark Luscher
Senior Vice-President, Scientific Affairs

Phillip Casselli
Senior Vice-President, Sales & Business Development

Kevin J. Cassidy
Vice President, Biopharmaceuticals

Christopher B. Lobb
General Counsel & Secretary



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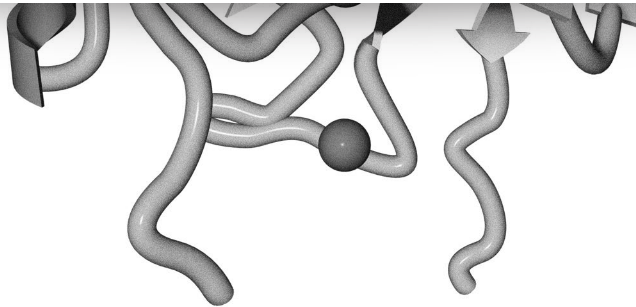

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