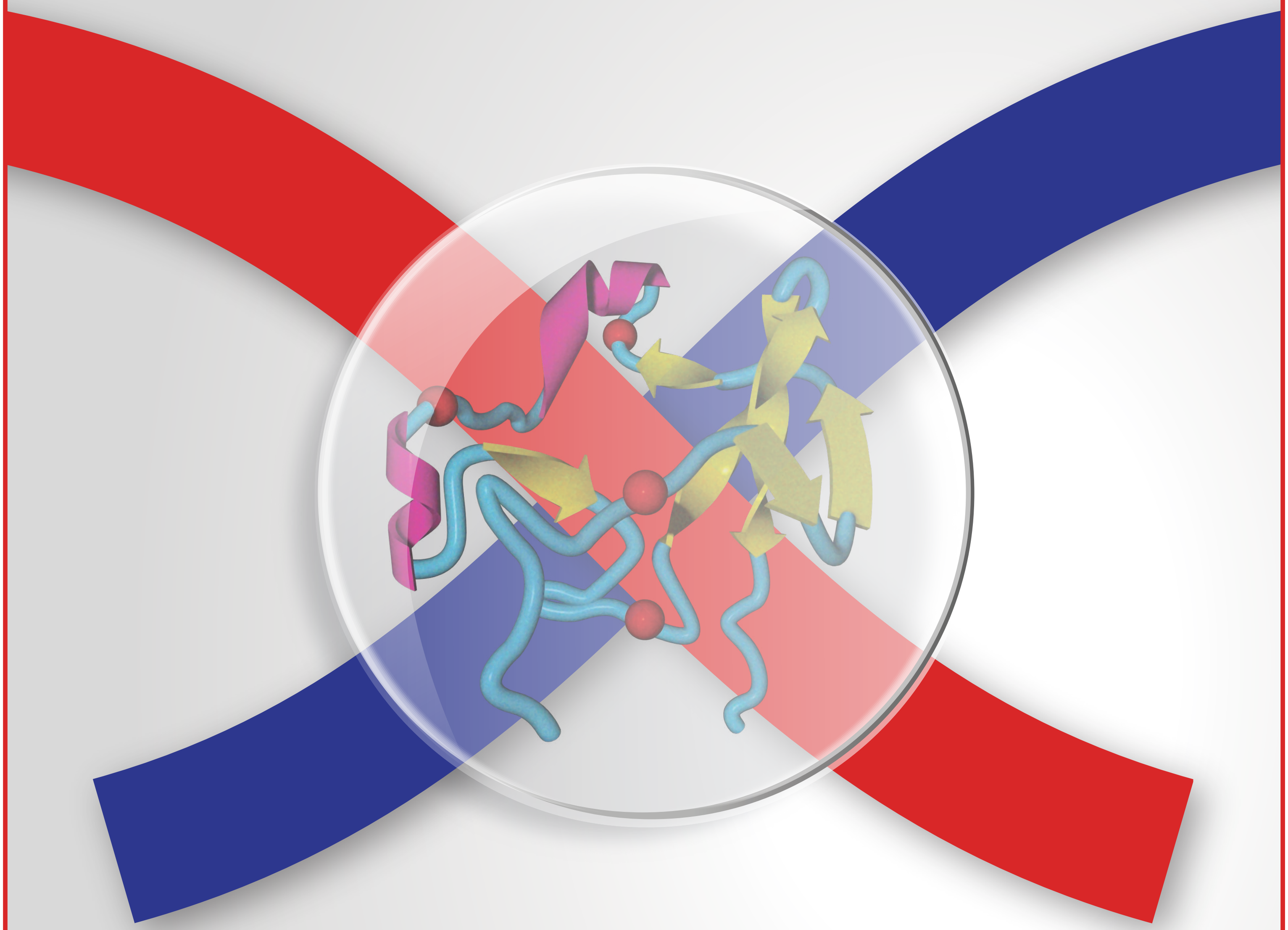
MICROBIX BIOSYSTEMS INC.



ANNUAL REPORT 2015

MICROBIX

Microbix Biosystems Inc. (TSX: MBX) develops biological products and technologies. The Company 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. The Company is also utilizing this platform to support development of Kinlytic® (a thrombolytic drug), and LumiSort™ a semen sexing technology.

TABLE OF CONTENTS

Message to Shareholders

Reflecting on 2015, I am pleased with our overall financial performance, as both revenue and profit continued to grow.

We continued to execute our strategic plan, with the launch of our new line of molecular diagnostics products, *RED Controls*, as well as two new *Toxoplasma* antigens and three new Dengue Fever antigens. Microbix is the first company to offer the complete range of diagnostic antigens for all strains of Dengue Fever.

After more than a year under development, the state-of-the-art bioreactor manufacturing process for Virology products will move into production in early calendar 2016. Once it is fully operational, the new manufacturing platform will generate significant improvements in cost efficiency and production capacity, which will enhance our competitive position by contributing additional productivity improvements of up to $2 million annually.

We completed development of the LumiSort prototype instrument along with the continued expansion of the LumiSort patent estate. This achievement has reinforced our negotiating position as we work to forge a new partnership to complete the development of a commercial instrument and eventually commence field trials of this exciting new technology in the next two to three years. We continue to evaluate several proposals from interested animal genetics companies as we work to finalize a deal that will provide the most beneficial terms for Microbix and unlock the maximum value for our shareholders.

Advanced discussions continue with a group that wants to work with Microbix to re-launch Kinlytic® in the U.S. and Canadian markets. In addition to the various government funding sources that have already expressed conditional interest, we are attracting expressions of interest from other non-dilutive sources of funding that would provide the required financial resources to return this life saving therapeutic to the market. I remain confident that we will be successful in securing strong commercialization partners for Kinlytic®.

In the past year, the U.S. Court overturned Microbix' claim of infringement of its VIRUSMAX patent in the U.S., ruling in favour of Novartis. The Court's decision was disappointing, however we remain committed to the continued defense and enforcement of our patents around the world to ensure our intellectual property rights are preserved and respected.

We are committed to maximizing shareholder value. To that end, we are focused on closing strategic partnerships for LumiSort and Kinlytic and converting these opportunities into commercial realities that will generate new income streams for the Company. Also, we will continue to drive improvements in the performance of the Virology products business to maximize its income generating potential.

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

Vaughn C. Embro-Pantalony
President and Chief Executive Officer

The Company's Management's Discussion and Analysis ("MD&A") should be read in conjunction with the unaudited Consolidated Interim Financial Statements and notes and should also be read in conjunction with the audited Consolidated Financial Statements, notes and MD&A for the year ended September 30, 2015, prepared in accordance with International Financial Reporting Standards ("IFRS") and filed on Sedar. Additional information relating to the Company, including its Annual Information Form ("AIF"), can be found 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.

The Management Discussion and Analysis is dated December 31, 2015.

COMPANY OVERVIEW

Microbix Biosystems Inc. (Microbix or the Company) (TSX: MBX) develops biological products and technologies. The Company has a Virology Products (Virology) 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. The Company also has VIRUSMAX (a virus yield enhancement technology), and Kinlytic® (a thrombolytic drug), and is developing LumiSort™ a semen sexing technology.

Revenue from the Virology business which is expected to continue growing for the foreseeable future, is used for operating and debt service costs, and to fund the Company's development programs. Additional equity and/or debt may be raised to finance development of new products and technologies. Management has discretion to reduce development investment to manage the liquidity needs of the Company.

The Company owns and operates a Virology manufacturing facility at 265 Watline Avenue in Mississauga, Ontario. The facility has an infectious diseases biological license from the Canadian Food Inspection Agency. The Company's administrative offices are located at 211 Watline Avenue.

Year Ending September 30, 2015

Total revenue was $8,873,912, a 6% increase over 2014's $8,396,796. Included was Virology product revenue at $8,191,720, slightly lower than 2014, due to rescheduling of orders by the Company's largest customer from the fourth quarter of fiscal 2015 to first quarter of fiscal 2016, offset partially by the beneficial impact of the higher U.S. dollar.

Revenue from licensing fees was $413,895 (2014 - $nil) following the recognition of non-refundable deferred revenue received from a prospective distributor of the Company's LumiSort™ technology. Upon completion of the LumiSort™ prototype in 2015, the distributor advised the Company that it was not interested in representing the Lumisort™ prototype technology.

Revenue from royalties was $268,297 (2014 - $108,369) recognizing two years' royalties in fiscal 2015 from the Company's rabies virus technology.

Gross margin increased by $1,328,072, due to higher licensing and royalty revenues and the beneficial impact of the higher U.S. dollar. Operating expenses increased by $1,454,712 compared to 2014. This increase resulted primarily from higher legal costs related to the Virusmax litigation in the U.S. and Europe, as well as expenses related to the granting of stock options to directors and employees. Operating income was $348,984 (2014 - $475,624).

Cash generated from operations in fiscal 2015 was $595,402 compared to a $1,170,842 of cash used in operations in fiscal 2014. Cash used in investing activities was $4,842,022 (2014 - $3,130,190), as a result of completion of the LumiSort™ prototype and development of the new automation process for the manufacturing of Virology products. Cash generated from financing activities in fiscal 2015 was $3,803,444 (2014 - $4,588,340), due to the exercising of common share warrants ($1,738,433) and stock options ($901,830), as well as the net proceeds from equipment loans ($865,000) and a credit facility ($475,000) offset partially by payments on debt of $176,820. Net cash flow was $443,176 negative in fiscal 2015 (2014 - $287,308 positive).

Quarter Ending September 30, 2015

Virology product revenue of $1,612,615 was significantly lower than 2014's $2,355,879, as the Company's largest customer rescheduled sales from the fourth quarter of fiscal 2015 to the first and second quarters of fiscal 2016.

Licensing revenue was $413,895 (2014 - $nil) due to the above mentioned recognition of deferred revenue, received on a non-refundable basis from a prospective distributor for the Company's LumiSort technology. Revenue from royalties was $87,650 (2014 - nil).

Although gross margins were higher this quarter versus last year as a result of higher licensing and royalty revenues, operating expenses were up almost as much, due to higher litigation costs and higher administration costs for stock options granted to employees in 2015. The latter is part of the Company's retention strategy for highly skilled staff in the competitive labour market for scientific and technical positions. Operating income for the quarter was $24,327 (2014 - $302,963 loss).

Cash provided by operations was $84,394 compared to $387,587 used in operations for the same period last year. Cash used in investing activities was $499,512 (2014 - $962,746), reflecting completion of the Lumisort™ prototype in the previous quarter, leaving only the ongoing development of the new automation process for manufacturing Virology products. Cash provided by financing activities was $541,624 primarily from equipment loans and credit facilities offset partially by $54,057 of debt repayment. In summary, the fourth quarter's net cash flow was $125,865 positive (2014 – $ 95,409).

CHANGES IN FINANCIAL POSITION

Canadian Funds

	2015 $	2014 $
Total Revenue	**8,873,912**	**8,396,796**
Operating income	**348,984**	**475,624**
Cash	**104,180**	**547,356**
Accounts receivable	**1,692,074**	**2,141,508**
Total current assets	**5,788,161**	**4,707,026**
Total assets	**23,546,958**	**17,998,928**
Total current liabilities	**4,135,457**	**2,639,718**
Total liabilities	**9,870,048**	**8,156,893**
Total shareholders' equity	**13,676,910**	**9,842,035**
Current ratio	**1.40**	**1. 78**
Debt to equity ratio	**0.72**	**0.83**

SELECTED QUARTERLY FINANCIAL INFORMATION

	Sep-30-13 $	Dec-31-13 $	Mar-31-14 $	Jun-30-14 $	Sep-30-14 $	Dec-31-14 $	Mar-31-15 $	Jun-30-15 $	Sep-30-15 $
SALES	**2,468,900**	**1,927,885**	**2,073,097**	**2,039,935**	**2,355,879**	**1,995,833**	**2,544,900**	**2,219,019**	**2,114,160**
Operating Income	**571,932**	**214,406**	**269,620**	**294,561**	**(302,963)**	**90,553**	**86,335**	**147,769**	**24,327**

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 experienced continued growth in demand. Microbix has both the manufacturing capacity and the scientific capability to support this growth, including the continuous demand for competitive process improvements, as well as new products.

Virology product revenues are expected to continue growing in the coming years. The Company continues to expand its conventional antigen product line and recently it announced the launch of its molecular diagnostic products. In addition, the Company is experiencing a net favourable currency effect, due to the weakening Canadian dollar versus the U.S. dollar (55% of sales). The Company also continues to invest in new process technologies that will improve its manufacturing cost base and expand its production capacity to accommodate the sale of new products. In light of all of these developments, management expects to realize improved profitability from the Virology products business.

Advanced discussions continue with potential partners interested in returning Kinlytic® to the U.S. and Canadian markets, as well as other countries. These partner candidates would be expected to contribute to the overall investment needed to develop and commercialize the product over an approximate 36 month timeframe. Management is optimistic about the likelihood of closing a partnership during fiscal 2016,

Following the recent completion of the Lumisort™ prototype, partnering discussions with global animal genetics companies continue to advance.

Finally, the Company has been involved in patent infringement actions in the U.S. and Europe against Novartis Vaccines and Diagnostics relating to its VIRUSMAX vaccine yield enhancement technology. In fiscal 2015 a decision was rendered in favour of the defendant and spending related to this litigation has ceased.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

Canadian Funds

The consolidated interim 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 historical operating losses resulting in an accumulated deficit of $24,045,156 as at September 30, 2015. However, in the past nine fiscal quarters, the Company has an accumulated operating profit of $1.4 million.

Management continuously monitors the financial position of the Company with respect to working capital needs, as well as long-term capital requirements compared to the annual operating budget. Variances are highlighted and actions are taken to ensure the Company is appropriately capitalized.

Sources and Uses of Cash

Overall, the Company has realized a negative cash flow of $443,176 (2014 – $287,308 positive).

Cash provided by operations in 2015 was $595,402 versus cash used by operations of $1,170,842 in 2014, a swing mostly due to improved profitability offset partially by increased inventories and work in process from increased scheduled shipments in fiscal 2016 and materials for the automation process development. Inventories increased as a result of rescheduling of orders by the Company's largest customer from the fourth quarter of fiscal 2015 to first quarter of fiscal 2016. Inventories are projected to normalize in fiscal 2016 and the automation process development is scheduled to complete in the second quarter of fiscal 2016. Additionally, with the settlement of the Virusmax litigation, this one time expenditure will not repeat in fiscal 2016.

During the year, the Company invested $4,842,022, with spending mainly on three larger projects: $3 million on the Lumisort™ new intellectual property development and prototype, $1.1 million on the Company's new automation process and $0.6 million on equipment for the new automation process. Completion of the automation process to commercialization is projected at about $200,000 in fiscal 2016 after which it is expected to contribute to productivity improvements. Future investment in the Lumisort™ technology will be provided by a development partner for which an arrangement is presently under negotiation.

Cash of $3,803,444 provided by financing activities arose mainly from three sources: Issuance of debt of $1,340,000 for equipment loans and operating lines, conversion of warrants of $1,738,433 and exercise of stock options of $901,830.

Future Liquidity and Capital Needs

Microbix primarily funds new product development activities and capital expenditures from the profits earned by its Virology business and, periodically, from additional equity and/or debt.

In fiscal 2016 cash flow is expected to improve considerably as the year progress due to: 1) Continuation of strong profits from the Virology business, 2) Significant decrease in legal costs with the settlement of the Virusmax litigation, 3) Financing of the next stage of the Lumisort™ development through a partnership arrangement and, 4) Independent funding of Kinlytic® also through a partnership arrangement. It is the opinion of management that these developments will significantly reduce the cash burn and capital needs of the Company in fiscal 2016 and improve its overall liquidity position.

Contractual Obligations

a) Commitments and Contingencies

Over the next five years the Company has long-term commitments as at September 30, 2015 as described in the following tables:

i) Lease commitments

	$
2016	42,622
2017	7,552
2018	6,082
2019	4,153
2020	463
	60,872

ii) Payments on convertible and non-convertible debentures

	$
2016	694,284
2017	1,649,242
2018	604,242
2019	604,284
2020	604,284
	4,156,336

b) Outstanding Share Capital

Share capital issued and outstanding as at December 31, 2015 was $31,590,459 for 84,704,257 common shares versus 83,204,257 common shares at September 30, 2015.

LONG-TERM ASSETS

a) Tangible Assets

During fiscal 2015 the Company spent $3,438,607 on Lumisort™ engineering and equipment and Virology production equipment.

b) Intangible Assets

During fiscal 2015 the Company spent $340,989 on development of its patent estate and development of the Lumisort™ prototype and $1,062,427 on the development of the new automation process.

Technology Investment - Lumisort™

In 2005 the Company acquired Sequent Biotechnologies Inc. a developer of semen-sexing technology. For financial purposes the Company recognized the acquisition cost as the fair value of this technology.

Additional investment has been recognized under the ongoing development program, including intellectual property in the form of new patents, as well as the work completed in the past year to build and successfully test the new LumiSort prototype instrument.

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 asset 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 reasonable change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

Technology Investment – Bioreactor

The Company has internally developed an improved automation process with bioreactors to increase the efficiency and output of the manufacturing of its virology products. As at September 30, 2015, the process is still being developed.

LONG-TERM DEBT

Business Development Corporation Debt

In fiscal 2009 the Company negotiated a series of loans totalling $3,410,000 with the Business Development Bank (BDC) for the original purchase and build-out of its 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 and equipment. For loans totalling $3,350,000, consecutive monthly principal payments of $9,260 are due to February 2037 on the outstanding balance of $2,490,940 (Sept 30, 2014 –$2,518,720).

For loans totalling $60,000, consecutive monthly principal payments of $725 are due to February 2017 on the outstanding balance of $12,325 (Sept 30, 2014 – $14,500).

In fiscal 2015, the Company negotiated a series of loans totalling $865,000 with BDC for process equipment upgrades in its manufacturing facility.

	$
Equipment for Bioreactor Project	615,000
Construction of Manufacturing Facility	50,000
Purchase of Equipment for Facility	200,000
	865,000

For a loan totalling $615,000, consecutive monthly principal payments of $10,250 are due to July 2020 on the outstanding balance of $594,500 (September 30, 2014 - $Nil). The loan has a floating interest rate based on BDC's Floating Base Rate plus 0.5%.

For a loan totalling $50,000, consecutive monthly principal payments of $1,040 are due to December 2019 on the outstanding balance of $50,000 (September 30, 2014 - $Nil). For a loan totalling $200,000, consecutive monthly principal payments of $3,330 are due to December 2020 on the outstanding balance of $200,000 (September 30, 2014 - $Nil).

Business Development Corporation Debt (Continued) **Canadian Funds**

These loans have a floating interest rate based on BDC's Floating Base Rate plus 0.5%. At September 30, 2015, the Floating Base Rate was 5.0%.

On April 16, 2015, the Company entered into a revolving line of credit agreement with its Canadian chartered bank. The agreement allows the Company to draw on to a limit of $500,000 bearing 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, 2015, the Company had drawn $475,000 on the facility.

Following is the commitment for the next five years for the Business Development Corporation loans as at June 30:

	$
2016	282,430
2017	290,185
2018	286,560
2019	286,560
2020	256,700

DEFERRED REVENUE

In 2007, the Company entered into an agreement with the Animal Fine Breeding Station (partner) 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 would receive an additional payment upon a milestone achievement. This payment was being accounted for in accordance with its substance and was presented in the financial statements as deferred revenue on the statement of financial position.

In fiscal 2015, the Company advised the partner of the recent completion of its Lumisort™ prototype technology, and offered the partner the opportunity as a distributor of this technology, which the partner declined. As a result the non-refundable deposit was reclassified as revenue in fiscal 2015.

TREND INFORMATION

Historical spending patterns are no indication of future expenditures. Investment in the new products and technologies is at the discretion of management. The Company is not aware of any material trends related to its business that have not been discussed in this Management Discussion and Analysis dated December 31, 2015.

RISKS AND UNCERTAINTIES

The Company is exposed to 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:

A significant portion of Virology Product sales are dependent on key clients, open borders, international transportation systems, and access to raw materials.

A significant share of the Company's Virology products sales are sold to a few key customers globally. These products contributed a significant share of the revenue in 2015. The loss of a key customer, or restrictions on export, import, or 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 extensive precautions to appropriately manage these materials as regulated by the applicable environmental and safety authorities. 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®

The Company has entered into confidentiality agreements with several parties and advanced discussions are continuing with a select group of potential partners interested in returning Kinlytic to the U.S. and Canadian markets, and ultimately to Europe, Asia and developing world markets. There is no assurance the Company will be successful in this endeavour.

Vaccine Technology

The Company owns a proprietary vaccine technology (VIRUSMAX) that has a global patent estate. In January 2014 the Company successfully defended its European patents at the European Patent Office hearing, following the filing of an Opposition by Novartis Vaccines & Diagnostics. In 2014 the Company filed patent infringement actions against Novartis in the U.S. And Europe. During fiscal 2015 a decision was rendered by the U.S. Court in favour of the defendant. The Company has decided to not appeal this decision and the action against Novartis has ceased.

LumiSort™ Technology

The Company has developed a proprietary semen sexing technology that has a global patent estate. In 2014 and 2015 the Company built and successfully tested a prototype instrument that confirms the key patent claims. The Company is currently working to secure a partner within the animal genetics industry to fund the next stage of development, to build a commercial instrument and conduct field trials. There is no assurance the Company will be successful in this endeavour.

Products in development

The Company has several products under development. It is impossible to ensure that these development activities will result in the completion of new commercial products. If the Company is unable to develop and commercialize products, it will be unable to recover the related research and development, and investment.

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 pharmaceutical, biotechnology or animal genetics companies. It is possible the Company may be unable to negotiate mutually acceptable terms.

Operating and capital requirements

Microbix earns a profit on the sale of its Virology Products, which is a major source of funding for its research and development activities. The Company believes that cash generated from operations is sufficient to meet normal operating and capital requirements. However, the Company may need to raise additional funds, from time to time for several reasons, including - to advance its current research and development programs, - to support various collaboration initiatives with third parties, - to underwrite the cost of filing, prosecuting and enforcing patents and other intellectual property rights, - to invest in acquisitions, new technologies and new market developments. Additional financing may not be available, and even if available, may not be offered on acceptable terms.

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 business

Microbix' future success depends, 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. There is no assurance that the Company 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 costs, adversely affecting the development of products or sales of the challenged product, or intellectual property, and divert the efforts of its scientific and management personnel, whether or not such litigation is resolved in the Company's favour.

Microbix will continue to face significant competition

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

FINANCIAL RISK MANAGEMENT

The primary risks affecting the Company are summarized below and have not changed during the fiscal year. 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 customers are primarily large multi-national companies with very high quality credit ratings. Given this track record, management perceives the credit risk to be low. Typically the outstanding accounts receivable balance is relatively concentrated with a few large customers representing the majority of the value. At September 30, 2015, six customers accounted for 64% (2014 – six for 67%) of the outstanding balance. The Company has had minimal bad debts over the past several years and accordingly management has recorded an allowance of $18,295 (2014 - $1,018).

Currency risk:

The Company is exposed to currency risk given its global customer base. Over 90% of its revenue is denominated in either U.S. dollars or Euros. The Company does not use financial instruments to hedge this currency risk. At September 30, 2015, the significant balances, quoted in Canadian dollars, held in foreign currencies are:

	US dollars		Euros	
	Sep 30, 2015	Sep 30, 2014	Sep 30, 2015	Sep 30, 2014
Cash and cash equivalents	59,419	99,491	-	-
Accounts receivable	944,667	1,259,391	934,864	738,372
Accounts payable and accrued liabilities	554,642	650,440	76,552	32,621

The impact of a 15 cent increase in the Canadian dollar against the US dollar would result in a revenue loss of about 4%. The impact of a 15 cent increase in the Canadian dollar against the Euro would result in a revenue loss of about 14%.

Liquidity risk

Liquidity risk measures the Company's ability to meets its financial obligations when 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 potentially subject the Company to interest rate risk include those assets and liabilities with a variable interest rate. Exposure to interest rate risk is primarily on the BDC debt that has a variable rate pegged to the bank rate. The rate can be fixed, if the outlook indicates interest rates will 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 $32,000 per year for BDC and about $5,000 on the line of credit usage.

Market risk

Market risk reflects changes in pricing for both Virology products and raw materials based on supply and demand criteria; also market forces can affect foreign currency exchange rates as well as interest rates which could affect the Company's financial performance or the value of its financial instruments. Microbix products are valuable components in our customers' products and cannot be easily replaced. The Company works closely with customers to ensure its products meet their specific criteria.

Fair value

The Company records all financial assets and liabilities at their fair value.

CRITICAL ACCOUNTING ESTIMATES

The preparation of these consolidated interim 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 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, 2015 have met the criteria for impairment.

Non-Convertible and 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.

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, 2015, 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, 2015.

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, 2015 that have materially affected, or are reasonably thought to materially affect, the internal control over financial reporting.

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:

IAS 1 - Presentation of Financial Statements

IAS 1, Presentation of Financial Statements was amended by the IASB in December 2014. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements.

For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of the financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information presented in the financial disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

IAS 16 and IAS 38 – Property, Plant and Equipment and Intangible Assets

IAS 16 and IAS 38, Property, Plant and Equipment and Intangible Assets were amended by IASB in December 2013. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset are not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

IFRS 9 - Financial Instruments

IFRS 9, Financial Instruments was issued in final form by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

Most requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements.

The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. In addition, a single, forward-looking expected loss impairment model is introduced, which will require more timely recognition of expected credit losses. IFRS 9 is effective for annual period beginning on or after January 1, 2018. Earlier application is permitted.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers was issued by ISAB in May 2014. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application if permitted.

Collins Barrow
Chartered Accountants

Collins Barrow Toronto LLP
Collins Barrow Place
11 King Street West
Suite 700, Box 27
Toronto, Ontario
M5H 4C7 Canada

T. 416.480.0160
F. 416.480.2646

www.collinsbarrow.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Microbix Biosystems Inc.

We have audited the accompanying consolidated financial statements of Microbix Biosystems Inc. and its subsidiary, (collectively referred to as the "Company"), which comprise the consolidated statements of financial position as at September 30, 2015 and 2014, and the consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for the years 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 audits. We conducted our audits 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 auditor's judgement, 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 auditor considers 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 control. 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 audits 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 subsidiary as at September 30, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants
December 31, 2015
Toronto, Ontario

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at September 30, 2015 and 2014 **Canadian Funds**

	2015 $	2014 $
ASSETS		
Current Assets		
Cash	104,180	547,356
Accounts receivable	1,692,074	2,141,508
Inventory (note 5)	3,625,268	1,598,429
Prepaid expenses and other assets (note 6)	216,389	276,107
Investment tax credit receivable (note 18)	150,250	143,626
Total Current Assets	5,788,161	4,707,026
Long-term Assets		
Deferred tax asset (note 18)	530,000	265,000
Other assets (note 6)	-	221,704
Property, plant and equipment (note 7)	11,867,476	8,751,760
Intangible assets (note 8)	5,361,321	4,053,438
Total Long-term Assets	17,758,797	13,291,902
Total Assets	23,546,958	17,998,928
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	2,488,013	1,825,614
Current portion of finance lease obligation	6,180	-
Current portion of long-term debt (note 10)	757,430	119,820
Current portion of debentures (note 9)	694,284	694,284
Deferred revenue (note 11)	189,550	-
Total Current Liabilities	4,135,457	2,639,718
Finance lease obligation	12,658	-
Non-convertible debenture (note 9)	690,062	680,416
Convertible debentures (note 9)	1,966,536	1,920,844
Long-term debt (note 10)	3,065,335	2,503,265
Deferred revenue (note 11)	-	412,650
Total Long-term Liabilities	5,734,591	5,517,175
Total Liabilities	9,870,048	8,156,893
SHAREHOLDERS' EQUITY		
Share Capital (note 12)	30,990,459	27,662,112
Equity Component Of Convertible Debentures (note 9)	2,351,425	2,351,425
Contributed Surplus (note 13)	4,380,182	4,487,638
Accumulated Deficit	(24,045,156)	(24,659,140)
Total Shareholders' Equity	13,676,910	9,842,035
Total Liabilities & Shareholders' Equity	$23,546,958	17,998,928

Commitments and Contingencies (Note 28)
Subsequent Events (Note 29)

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

For the years ended September 30, 2015 and 2014 **Canadian Funds**

	2015 $	2014 $
SALES		
Virology products and technologies	8,191,720	8,258,175
Licensing fees	413,895	-
Royalties	268,297	108,369
Research and development contracts	-	30,252
TOTAL SALES	8,873,912	8,396,796
COST OF GOODS SOLD		
Virology products and technologies (note 17)	2,980,615	3,769,255
Royalties	53,724	27,086
Research and development contracts	-	88,954
Total Cost of Goods Sold	3,034,339	3,885,295
GROSS MARGIN	5,839,573	4,511,501
EXPENSES		
Selling and business development (note 17)	602,231	656,989
General and administrative (note 17)	2,868,592	1,846,745
Research and development (note 17)	1,277,327	691,067
Financial expenses (note 21)	742,439	841,076
TOTAL EXPENSES	5,490,589	4,035,877
NET COMPREHENSIVE OPERATING INCOME FOR THE YEAR	348,984	475,624
INCOME TAXES		
Deferred income taxes	(265,000)	-
Current income taxes (note 18)	-	306,645
NET COMPREHENSIVE INCOME FOR THE YEAR	613,984	168,979
NET COMPREHENSIVE INCOME PER SHARE		
Basic (note 16)	0.008	0.002
Diluted (note 16)	0.007	0.002

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended September 30, 2015 and 2014 **Canadian Funds**

	2015 $	2014 $
OPERATING ACTIVITIES		
Net comprehensive income for the year	613,984	168,979
Items not affecting cash		
Amortization and depreciation	418,423	403,263
Accretion of debentures	110,676	39,394
Stock options expense (note 15)	580,627	14,200
Deferred revenue (note 11)	(223,100)	-
Deferred tax asset (note 18)	(265,000)	(265,000)
Change in non-cash working capital balances (note 19)	(640,208)	(1,531,678)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	595,402	(1,170,842)
INVESTING ACTIVITIES		
Restricted cash	-	250,000
Purchase of property and equipment (note 7)	(3,438,607)	(3,192,421)
Additions from internal development of intangible assets (note 8)	(1,403,415)	(187,769)
CASH USED IN INVESTING ACTIVITIES	(4,842,022)	(3,130,190)
FINANCING ACTIVITIES		
Repayments of long term debt (note 10)	(140,320)	(59,910)
Repayments of convertible and non-convertible debentures (note 9)	(55,338)	-
Proceeds from finance lease	18,838	-
Proceeds from issuance of convertible debenture (note 9)	-	1,434,441
Proceeds from equipment loans (note 10)	865,000	-
Proceeds from issuance of credit facility (note 10)	475,000	-
Proceeds from exercise of warrants, net of issue costs (note 14)	1,738,434	1,051,381
Issue of common shares, net of issue costs	901,830	2,162,428
CASH PROVIDED BY FINANCING ACTIVITIES	3,803,444	4,588,340
NET CHANGE IN CASH DURING THE YEAR	(443,176)	287,308
CASH - BEGINNING OF YEAR	547,356	260,048
CASH - END OF YEAR	104,180	547,356

Supplementary Cash Flow Information (Note 20)

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

As at and for the years ended September 30, 2015 and 2014 **Canadian Funds**

	Share Capital (note 12)					
	Number of Shares	Stated Capital $	Contributed Surplus $	Deficit $	Equity Component of Debenture $	Total Shareholders' Equity $
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 comprehensive 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**
Share issuances pursuant to stock options exercised	2,442,000	1,589,913	(688,083)			901,830
Share issuances pursuant to conversion of warrants	4,807,799	1,738,434				1,738,434
Stock option expense			580,627			580,627
Net comprehensive income for the year				613,984		613,984
Balance, September 30, 2015	**83,204,257**	**30,990,459**	**4,380,182**	**(24,045,156)**	**2,351,425**	**13,676,910**

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 markets including Virus Yield Enhancement Technology, Virusmax®, the thrombolytic drug, Kinlytic® (Urokinase), and an animal reproductive technology in development, LumiSort™. The Company continually invests in Virology to adopt current technologies and standards. The manufacturing facility operates under an infectious diseases biological license from the Canadian Food Inspection Agency.

The Company operates the Virology Business in its owned manufacturing facility at 265 Watline Avenue, Mississauga, Ontario, L4Z 1P3.

2. BASIS OF PREPARATION

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 for the year ended September 30, 2015. The Board of Directors approved these consolidated financial statements on December 31, 2015.

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 wholly owned subsidiary, Crucible Biotechnologies Limited. There has been no business activity in the subsidiary during the fiscal years ended September 30, 2015, and 2014. All significant intercompany transactions and balances have been eliminated upon consolidation.

Use of estimates and judgments
The preparation of financial statements requires management to make estimates and judgements 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 judgements and estimates are as follows:

i) Property, plant and equipment:
Measurement of property, plant and equipment involves the use of estimates for determining the expected useful lives of depreciable assets. Management's judgement 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.

Use of estimates and judgements (Continued)

ii) Internally generated intangible assets:
Management monitors the progress of each internal research and development project. Significant judgement is required to distinguish between the research and development phases. Development costs are recognized as an asset when the following criteria are met: (i) technical feasibility; (ii) management's intention to complete the project; (iii) the ability to use or sell; (iv) the ability to generate future economic benefits; (v) availability of technical and financial resources; (vi) ability to measure the expenditures reliably. Research costs are expensed as incurred. Management also monitors whether the recognition requirements for development assets continue to be met and whether there are any indicators that capitalized costs may be impaired.

iii) Revenue recognition:
The Company conducts its activities pursuant to contracts with customers and under which revenues and costs are recognized using the percentage-of-completion method. The nature of these contracts requires the use of estimates of a contract's total costs and revenues upon completion. Estimated revenues upon completion are adjusted according to order changes, claims, penalties and contractual terms providing for price adjustments. Management must exercise its judgement to determine if it is probable that additional revenues related to order changes and claims will be realized, and these amounts, if it is probable that they will be realized, are included in estimated revenues upon completion.

iv) Financial assets and liabilities:
Estimates and judgements are also made in the determination of fair value of financial assets and liabilities and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the Company to its counterparties, the credit risk of the Company's counterparties relative to the Company, the estimated future cash flows and discount rates.

v) 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 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.

vi) 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.

vii) Going concern:
The Company makes significant judgements with respect to uncertainties in the ability of the Company to continue as a going concern based on estimates of future operations. The ability of the Company to continue as a going concern is dependent on the successful generation of revenue and financing.

Revenue Recognition

Revenues from product sales are recognized when persuasive evidence of an arrangement exists, the product is shipped, the purchase price is fixed and determinable, and collectability is reasonably assured.

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

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. 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.

Revenue recognition (Continued)

Revenues from royalties are recognized on the accrual basis in accordance with the substance and terms of the agreement, when royalties from the collaborative partner are determinable and collection is reasonably assured.

For upfront, non-refundable payments and milestone 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 (Note 11). The term over which upfront fees are recognized is revised if the period over which the Company maintains substantive contractual obligations changes.

Cash

Cash consists of cash on hand and deposits with banks and investments in highly liquid instruments with original maturities of three months or less. There are no cash equivalents held at September 30, 2015 or 2014.

Financial assets and liabilities

All financial instruments, including derivatives, are included on the consolidated statement of financial position 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 or losses included in other comprehensive income until the asset is removed from the consolidated statements of financial position.

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

	Classification	Measurement	2015	2014
			$	$
Financial assets:				
Cash	Held-for-trading	Fair value	104,180	547,356
Accounts receivable	Loans and receivables	Amortized cost	1,692,074	2,141,508
Financial liabilities:				
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	2,488,013	1,825,614
Finance lease obligation	Other liabilities	Amortized cost	18,838	-
Non-convertible debentures	Other liabilities	Amortized cost	934,346	924,700
Convertible debentures	Other liabilities	Amortized cost	2,416,536	2,370,844
Long-term-debt	Other liabilities	Amortized cost	3,822,765	2,623,085
Total Financial liabilities			9,680,498	7,744,243

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 fair value through profit and loss ("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.

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 estimated selling price less the cost to complete less 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 are measured at cost less accumulated depreciation and impairment (if any). Cost includes the cost of material, labour and other costs directly attributable to bringing the asset to a working condition for its intended use.

Depreciation is calculated at rates which will reduce the original cost to estimated residual value over the estimated useful life of each asset. Depreciation commences once the asset is available for use.

Depreciation is provided for at the following basis and rates:

Research and development equipment	Declining balance, 10-100%
Other equipment and fixtures	Declining balance, 10-30%
Leasehold improvements	Lesser of estimated useful life and lease term
Buildings	Straight line, 50 years

Land is not depreciated. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate.

Convertible debentures
The convertible debenture can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value. The liability component of the convertible debenture is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially as the difference between the fair value of the convertible debenture as a whole and the fair value of the liability component.

The liability component accretes up to the principal balance at maturity with the accretion expense included in financial expenses in the consolidated statements of comprehensive income.

The equity component is not re-measured subsequent to initial recognition. The equity component will be reclassified to share capital on conversions. Any balance that remains after the settlement of the liability is transferred to contributed surplus. The equity portion is recognized net of deferred income taxes.

Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Leases
Leases are classified as either capital or operating based on their nature. 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. Finance lease obligation 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. The impairment loss is calculated as the difference between the carrying value of the asset and the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and value in use.

Management has determined that no long-lived assets of the Company in the years ended September 30, 2015 and 2014 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
Foreign currency denominated revenues and expenses are translated by use of the exchange rate in effect at the end of the month in which the transaction occurs. Foreign currency denominated monetary assets and liabilities are translated at the year-end date. Exchange gains and losses arising on these transactions are included in the consolidated statements of comprehensive income for the year.

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 are recognized to the extent that it is probable that future taxable profit will be available against which temporary differences can be utilized. 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.

Borrowing costs
Borrowing costs incurred for the construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the assets for their intended use or sale. All other borrowing costs are recognized in the consolidated statements of comprehensive income using the effective interest method. Interest has been capitalized at the rate of interest applicable to the specific borrowings financing the asset.

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 and a reduction of the related asset cost for items of a long-term 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

Canadian Funds

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:

IAS 1 - Presentation of Financial Statements

IAS 1, Presentation of Financial Statements was amended by the IASB in December 2014. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements.

For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of the financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information presented in the financial disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

IAS 16 and IAS 38 – Property, Plant and Equipment and Intangible Assets

IAS 16 and IAS 38, Property, Plant and Equipment and Intangible Assets were amended by IASB in December 2013. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset are not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

IFRS 9 - Financial Instruments

IFRS 9, Financial Instruments was issued in final form by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

Most requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements.

The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. In addition, a single, forward-looking expected loss impairment model is introduced, which will require more timely recognition of expected credit losses. IFRS 9 is effective for annual period beginning on or after January 1, 2018. Earlier application is permitted.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers was issued by the IASB in May 2014. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue - Barter Transactions Involving Advertising Services.

5. INVENTORY

Canadian Funds

Inventories as at September 30, 2015 and 2014 consist of the following:

	2015	2014
	$	$
Raw material	685,332	404,809
Work in process	739,826	347,698
Finished goods	2,200,110	845,922
	3,625,268	**1,598,429**

During the year ended September 30, 2015, inventories in the amount of $799,845 (2014 - $1,780,819) were recognized as an expense through cost of sales. The allowance for inventory impairment as at September 30, 2015 was $53,597 (2014 - $27,993).

6. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets as at September 30, 2015 were $216,389 (2014 - $497,811) 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. PROPERTY, PLANT, AND EQUIPMENT

Canadian Funds

The freehold land and buildings have been pledged as security for bank loans under a mortgage (see Note 10). Property plant and equipment consists of:

	Building	Research & development equipment	Other equipment & fixtures	Land	Leasehold improvements	Total
Cost	**$**	**$**	**$**	**$**	**$**	**$**
Balance, Oct 1, 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
Additions	14,814	2,645,503	778,290	-	-	3,438,607
Disposals	-	-	-	-	-	-
Balance, Sept 30, 2015	4,551,102	6,227,011	4,348,886	800,000	-	15,926,999
Accumulated depreciation						
Balance, Oct 1, 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
Disposals	-	-	-	-	-	-
Depreciation	152,288	30,162	140,441	-	-	322,891
Balance, Sept 30, 2015	942,608	531,277	2,585,638	-	-	4,059,523
Net book value						
Balance, October 1, 2013	3,895,554	266,873	966,741	800,000	-	5,929,168
Balance, September 30, 2014	3,745,968	3,080,393	1,125,399	800,000	-	8,751,760
Balance, September 30, 2015	3,608,494	5,695,734	1,763,248	800,000	-	11,867,476

Included in research and development equipment is $5,463,612 and in other equipment and fixtures $610,524 related to assets not yet available for use. Included in these amounts is directly attributable interest from borrowings to finance these asset additions of $135,000 and $32,099 respectively. These assets are not yet subject to depreciation.

8. INTANGIBLE ASSETS

Canadian Funds

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

License agreement, LumiSort™ (Note 8a)	**5%**
Technology investments:	
LumiSort™ (Note 8a)	**5%**
Kinlytic® (Note 8b)	**0%**
Bioreactor (Note 8c)	**0%**

Intangible assets consist of:

	Capitalized development costs		Patents and trademarks		Licenses	
	LumiSort™	Bioreactor	Kinlytic®	LumiSort™	LumiSort™	Total
	(a)	(c)	(b)	(a)	(a)	
Cost	**$**	**$**	**$**	**$**	**$**	
Balance at October 1, 2013	18,645	-	2,770,529	1,463,016	278,528	4,530,718
Additions from internal developments	-	-	-	181,619	-	181,619
Acquisitions	6,150	-	-	-	-	6,150
Other transfers	-	-	-	61,890	-	61,890
Balance at September 30, 2014	**24,795**	**-**	**2,770,529**	**1,706,525**	**278,528**	**4,780,377**
Additions from internal developments	5,737	1,062,427	-	335,252	-	1,403,415
Balance at September 30, 2015	**30,532**	**1,062,427**	**2,770,529**	**2,041,777**	**278,528**	**6,183,792**
Accumulated amortization						
Balance at October 1, 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**
Amortization expense	956	-	-	73,151	21,425	95,532
Balance at September 30, 2015	**4,725**	**-**	**-**	**603,495**	**214,251**	**822,471**
Net book value						
Balance, October 1, 2013	15,624	-	2,770,529	1,005,823	107,127	3,899,103
Balance, September 30, 2014	21,026	-	2,770,529	1,176,181	85,702	4,053,438
Balance, September 30, 2015	25,807	1,062,427	2,770,529	1,438,282	64,277	5,361,321

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 ImaRX Therapeutics, Inc. in 2008. These assets are in the process of being developed and new patents are pending and under development.

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 financial budgets.

b) Kinlytic® (Continued)

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.

c) Bioreactor

The Company has internally developed an improved bioreactor production process ("Bioreactor") to increase the efficiency and output of manufacturing certain virology products. As at September 30, 2015, the process is still being developed.

9. 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:

Note	(a)	(b)	(c)	(d)	(e)	(f)
Date of issue	Jan, 2014	Jan, 2014	Feb, 2007	Oct, 2006	Feb, 2006	Sep, 2008
Face value	$ 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
the report date	$ 934,346	$ 528,603	$ 474,294	$ 483,723	$ -	$ 929,916
Equity component at:						
the date of issue	N/A	$ 916,971	$ 111,042	$ 86,680	$ 1,264,914	$ 1,614,911
the report date	N/A	$ 916,971	$ 111,042	$ 86,680	$ 1,236,732	$ -
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 repayment	$ 61,071	N/A	N/A	N/A	N/A	N/A

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.

The debenture denoted (e) was extinguished in the prior 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.

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

9. DEBENTURES (Continued)

Canadian Funds

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:

Note	(a)	(b)	(c)	(d)	(e)	(f)
Date of issue	Jan, 2014	Jan, 2014	Feb, 2007	Oct, 2006	Feb, 2006	Sep, 2008
Face value	$ 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
the report date	$ 934,346	$ 528,603	$ 474,294	$ 483,723	$ -	$ 929,916
Equity component at:						
the date of issue	N/A	$ 916,971	$ 111,042	$ 86,680	$ 1,264,914	$ 1,614,911
the report date	N/A	$ 916,971	$ 111,042	$ 86,680	$ 1,236,732	$ -
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 repayment	$ 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.

10. LONG-TERM DEBT

In fiscal 2009 the Company negotiated a series of loans totalling $3,410,000 with the Business Development Bank (BDC) for the original purchase and build-out of its 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 and equipment. For loans totalling $3,350,000, consecutive monthly principal payments of $9,260 are due to February 2037 on the outstanding balance of $2,490,940 (September 30, 2014 - $2,518,720). For loans totalling $60,000, consecutive monthly principal payments of $725 are due to February 2017 on the outstanding balance of $12,325 (September 30, 2014 – $14,500). Both of the loans have a floating interest rate based on BDC's Floating Base Rate plus 0.5%. At September 30, 2015 the Floating Base Rate was 5.0%.

10. LONG-TERM DEBT (Continued)

Canadian Funds

In fiscal 2015 the Company negotiated a series of loans totalling $865,000 with the Business Development Bank (BDC) for process equipment upgrades in its manufacturing facility.

	$
Equipment for Bioreactor Project	615,000
Construction of manufacturing facility	50,000
Purchase of equipment for facility	200,000
	865,000

For loans totalling $615,000, consecutive monthly principal payments of $10,250 are due to July 2020 on the outstanding balance of $594,500 (September 30, 2014 - $Nil). The loan has a floating interest rate based on BDC's Floating Base Rate plus 0.5%.

For loans totalling $50,000, consecutive monthly principal payments of $1,040 are due to December 2019 on the outstanding balance of $50,000 (September 30, 2014 – $Nil). For loans totalling $200,000, consecutive monthly principal payments of $3,330 are due to December 2020 on the outstanding balance of $200,000 (Sept 30, 2014 – $Nil). These loans have a floating interest rate based on BDC's Floating Base Rate plus 0.5%. At September 30, 2015 the Floating Base Rate was 5.0%.

The commitment for the next five years for the BDC loans is as follows:

	$
2016	282,430
2017	290,185
2018	286,560
2019	286,560
2020	256,700
2021 and thereafter	1,945,330

On April 16, 2015, the Company entered into a revolving line of credit agreement with its Canadian chartered bank. The agreement allows the Company to draw on to a limit of $500,000 bearing 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, 2015, the Company had drawn on $475,000 of the facility.

11. DEFERRED REVENUE

In 2007, the Company entered into an agreement with the Animal Fine Breeding Station (partner) 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 was being accounted for in accordance with its substance and was presented in the prior year financial statements as long term deferred revenue on the consolidated statement of financial position. In 2015 the Company advised the partner that the SST program has been abandoned as the Company has gone in a different direction with the recent completion of its Lumisort prototype technology. With SST development permanently cancelled, the non-refundable deposit was recorded as revenue in the consolidated statements of comprehensive income.

As at September 30, 2015, the Company has received payment, in the amount of $189,500 (2014 - $Nil), for a portion of product sales which was not yet shipped. This amount has been recognized as deferred revenue under the current liabilities in the consolidated statements of comprehensive income.

12. SHARE CAPITAL

Canadian Funds

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:

	2015	2014
Common shares issued during the year	7,249,799	9,270,108
Proceeds, net of financing costs	$3,328,347	$3,362,518
Warrants exercised	4,807,799	3,543,900
Stock options exercised	2,442,000	598,000

The number of issued and outstanding common shares and the stated capital of the Company as at September 30, 2015 are presented below:

	Number of Shares	Stated Capital ($)
Balance, October 1, 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
Exercise of warrants	4,807,799	1,738,434
Exercise of stock options	2,442,000	1,589,913
Balance, September 30, 2015	83,204,257	30,990,459

13. CONTRIBUTED SURPLUS

Changes in contributed surplus up to September 30, 2015 are described as follows:

	$
Balance, October 1, 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
Stock options exercised	(688,083)
Stock option expense	580,627
Balance, September 30, 2015	4,380,182

14. COMMON SHARE PURCHASE WARRANTS

Canadian Funds

A continuity of the Company's warrants outstanding as at September 30, 2015 and 2014 is presented in the following table:

	Units	Weighted average exercise price
		$
Outstanding, October 1, 2013	**11,891,468**	**$ 0.34**
Issued	5,249,763	$ 0.55
Exercised	(3,543,900)	$ 0.30
Expired	(6,160,706)	$ 0.39
Extended	2,844,016	$ 0.40
Outstanding, September 30, 2014	**10,280,641**	**$ 0.46**
Exercised	(4,807,799)	$ 0.36
Expired	(30,000)	$ 0.40
Outstanding, September 30, 2015	**5,442,842**	**$ 0.54**

A summary of the Company's warrants outstanding as at September 30, 2015 and 2014 is presented in the following table:

	2015			2014		
	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:						
$0.47 to $0.55	5,249,763	$ 0.55	3.92	5,249,763	$ 0.55	4.92
$0.24 to $0.40	193,079	$ 0.25	0.17	4,883,753	$ 0.36	0.58
	5,442,842	$ 0.54	3.82	10,133,516	$ 0.46	2.83

15. 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 4,872,000 options issued and pending (2014 – 4,354,000).

On January 16, 2015, the Board of Directors amended the Company's stock option plan. The amendment added a provision regarding change of control and the ability for non-executive directors who have resigned to exercise vested options up to the date of resignation.

Change in control is defined as: (i) the acquisition, directly or indirectly of holdings greater than 20% of the outstanding common shares; (ii) resolution of the shareholders of the Corporation, more than 51% of the then incumbent Board of Directors of the Corporation, or election of majority of the members of the Company's Board of Directors who were not members of the Company's incumbent board at the time preceding such election; (iii) the consummation of a sale of all or substantially all of the assets of the Company; or (iv) reorganization, amalgamation or mergers.

When a change in control happens, the holders of options which have not vested shall be deemed to be fully vested and exercisable for the sole purposes of participating in the change of control transaction. If a change of control transaction is not completed or does not occur, then the optioned shares shall be returned to the Company and reinstated as authorized but unissued common shares, and the terms of the option set forth in the plan shall apply to the option. If any optioned shares are returned, the Company shall refund the exercise price to the holder for such optioned shares.

15. STOCK OPTION PLAN (Continued) **Canadian Funds**

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 activity under the Company's stock option plan for the year ended September 30, 2015 and 2014 is as follows:

	Units		Weighted average exercise price
			$
Outstanding, October 1, 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**
Issued	3,010,000	$	0.54
Exercised	(2,442,000)	$	0.37
Expired or forfeitted	(50,000)	$	0.35
Outstanding, September 30, 2015	**4,872,000**	**$**	**0.45**

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, 2015 and 2014:

	2015				2014			
	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:								
$0.33 to $0.55	2,985,000	$	0.33	3.09	4,534,000	$	0.36	1.37
$0.26 to $0.32	1,887,000	$	0.32	0.10	-	$	-	-
	4,872,000	$	0.45	3.62	4,534,000	$	0.36	1.37

The fair value of options granted during the year ended September 30, 2015 was estimated at the grant date using the Black-Scholes options pricing model, resulting in the following weighted-average assumptions:

		Amount
Share price on issue date	$	0.54
Dividend yield	$	-
Volatility		93.3%
Risk-free interest rate		1.40%
Expected option life (years)		5.0
Weighted average fair value of each option ($ / option)		0.40

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.

16. 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:

	2015	2014
Numerator for basic and diluted earnings per share:		
Net income available to common shareholders ($)	$613,984	$168,979
Denominator for basic earnings per share:		
Weighted average common shares outstanding	80,868,855	68,977,187
Effect of dilutive securities:		
Warrants	293,822	2,039,737
Stock Options	984,729	1,215,000
Denominator for diluted earnings per share	82,147,406	72,231,924
Earnings per share		
Basic	$0.008	$0.002
Diluted	$0.007	$0.002

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

	2015	2014
Pursuant to warrants	-	8,093,779
Under stock options	-	3,139,000
Pursuant to convertible debentures	7,000,000	9,242,979
	7,000,000	20,475,758

17. EXPENSES BY NATURE

Canadian Funds

The Company has chosen to present its consolidated statements of comprehensive income based on the functions of the entity and include the following expenses by nature:

Depreciation and amortization

	2015	2014
	$	$
Included in:		
Cost of goods sold	292,729	278,478
General and administrative expenses	956	748
Reasearch and development	124,738	124,037
Total depreciation and amortization	418,423	403,263

Employee costs

	2015	2014
	$	$
Short-term wages, bonuses and benefits	3,707,140	2,234,024
Share based payments	580,627	14,200
Total employee costs	4,287,767	2,248,224
Included in:		
Cost of goods sold	2,500,247	1,076,258
Research and development	536,036	451,975
General and administrative expenses	928,248	385,575
Selling and business development	323,236	334,416
Total employee costs	4,287,767	2,248,224

18. INCOME TAXES

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

	2015	2014
	$	$
Provision based on combined federal and provincial statutory rates of 26.50% (2014 – 26.50%)	92,481	126,040
Increase (decrease) resulting from		
Permanent differences	157,978	7,851
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	364,745	58,234
Non-capital losses utilized	(656,461)	-
Other	41,257	(31,201)
Current income tax expense	-	$306,645

18. INCOME TAXES (continued)

Canadian Funds

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:

	$
2029	668,416
2030	475,775
2031	1,144,800
2032	1,223,100
	$3,512,091

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

	2015	2014
	$	$
Deferred income tax assets:		
Non-capital loss carry-forwards	930,702	1,780,978
Difference in net book value compared to undepreciated capital cost	330,406	617,715
Deferred revenue	105,441	187,416
Unclaimed research and development expenditures	3,926,246	3,734,309
Deferred income tax liability related to debentures	(955,460)	(970,124)
Tax assets not recognized	(4,337,335)	(5,350,294)
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:

	$
2022	15,300
2023	159,500
2024	149,000
2025	303,000
2026	293,000
2027	304,000
2028	394,000
2029	175,000
2030	219,000
2031	170,000
2032	123,100
2033	107,300
2034	183,000
2035	144,000
	2,739,200

18. INCOME TAXES (continued)

Canadian Funds

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

	2015	2014
	$	$
Unclaimed research and development tax credits	2,133,674	1,790,540
Tax assets not recognized	(1,603,674)	(1,525,540)
Deferred tax asset related to investment tax credits	530,000	265,000

19. CHANGES IN NON-CASH WORKING CAPITAL

	2015	2014
	$	$
Accounts receivable	449,434	(990,526)
Inventory	(2,026,839)	(526,278)
Prepaid expenses & other assets	281,422	(421,984)
Investment tax credits receivable	(6,624)	(64,869)
Accounts payable and accrued liabilities	662,399	471,979
	(640,208)	(1,531,678)

20. SUPPLEMENTARY CASH FLOW INFORMATION

	2015	2014
	$	$
Cash paid for interest	771,424	804,393
Non-cash investing and financing activities:		
Fees for equity placements	-	44,672
Purchase of assets under capital leases	$15,876	$6,907

21. FINANCIAL EXPENSES

	2015	2014
	$	$
Cash interest:		
Interest on long-term debt	142,717	168,096
Interest on debentures	488,682	639,046
Interest other	3,149	7,059
Interest income	(2,785)	(9,807)
Non-cash interest:		
Accretion on debentures	110,676	36,682
Financial expenses	**$742,439**	**$841,076**

22. CAPITAL MANAGEMENT

Canadian Funds

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 loans, and the debentures. The capital at September 30, 2015 was $20,423,853 (2014 - $15,760,664).

To date, the Company has used common equity issues, debentures, bank mortgage and other financing 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 and other financing are 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.

23. 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 judgement 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 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.

24. 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.

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 2015, six customers account for 63% (2014 - four customers account for 66%) of revenue. The Company has had minimal bad debts over the past several years and accordingly management has recorded an allowance of $18,295 (2014 - $1,018).

24. FINANCIAL RISK MANAGEMENT (Continued)

Canadian Funds

Credit risk (continued)

Trade accounts receivable are aged as follows at September 30:

	2015	2014
	$	$
Current	1,424,128	1,350,443
0 - 30 days past due	7,715	526,022
31 - 60 days past due	505	48,482
61 days and over past due	259,726	216,561
	1,692,074	2,141,508

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	
	2015	2014	2015	2014
	$	$	$	$
Cash	59,419	99,491	-	-
Accounts receivable	944,667	1,259,391	934,864	738,372
Accounts payable and accrued liabilities	554,642	650,440	76,552	32,621

The impact of a 15 cent increase in the Canadian dollar against the US dollar would result in a revenue loss of approximately 4%. The impact of a 15 cent increase in the Canadian dollar against the Euro would result in a revenue loss of approximately 14%.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial liability obligations as they become due. The Company has a planning and budgeting process in place to help determine the funds required to support the normal operating requirements on an ongoing basis. The Company has financed its cash requirements primarily through issuance of securities, short-term borrowings, long-term debt and debentures. The Company controls liquidity risk through management of working capital, cash flows and the availability of sourcing of financing. Financial liabilities are due as follows:

	< 1 year	1-2 years	3-5 years	> 5 years
	$	$	$	$
Accounts payable and accrued liabilities	2,488,013	-	-	-
Leases	42,622	7,552	10,698	-
Convertible and non-convertible debentures	694,284	1,638,034	1,812,852	9,009,000
Long-term debt	757,430	290,185	829,820	1,945,330

24. FINANCIAL RISK MANAGEMENT (Continued)

Canadian Funds

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 if it were fully used throughout the fiscal year.

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.

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 2015 and 2014 fiscal periods, the Company has carried at fair value financial instruments in Level 1. At September 30, 2015, the Company's only financial instruments are cash which are considered to be Level 1 instruments. There were no transfers between levels during the year.

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.

25. 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	
	2015	2014	2015	2014
	$	$	$	$
Virology Products and Technologies	8,873,912	8,396,796	613,984	168,979
Lumisort ™	-	-	-	-
Kinlytic®	-	-	-	-
Total for continuing operations	8,873,912	8,396,796	613,984	168,979

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2014 - $Nil).

25. SEGMENTED INFORMATION (Continued)

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	
	2015	2014	2015	2014
	$	$	$	$
Virology Products and Technologies	13,784,452	11,122,269	9,066,596	6,638,406
Lumisort ™	6,991,978	4,106,130	803,452	1,518,487
Kinlytic®	2,770,528	2,770,529	-	-
	23,546,958	17,998,928	9,870,048	8,156,893

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.

	Depreciation and amortization		Additions to non-current assets	
	2015	2014	2015	2014
	$	$	$	$
Virology Products and Technologies	322,864	307,939	1,752,284	369,200
Lumisort ™	95,559	95,324	3,089,738	3,010,990
Kinlytic®	-	-	-	-
	418,423	403,263	4,842,022	3,380,190

26. 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	
	2015	2014	2015	2014
	$	$	$	$
North America	3,138,875	1,652,425	17,758,797	13,291,902
Europe	5,100,407	5,835,078	-	-
Other foreign countries	634,630	909,293	-	-
	8,873,912	8,396,796	17,758,797	13,291,902

27. 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 four directors, of which three are executive officers. Compensation for the Company's key management personnel was as follows:

	2015	2014
	$	$
Short-term wages, bonuses and benefits	897,282	890,869
Termination benefits	-	-
Share based payments	182,045	-
Total key management compensation	1,079,327	890,869

28. COMMITMENTS AND CONTINGENCIES

Lease commitments

	$
2016	42,622
2017	7,552
2018	6,082
2019	4,153
2020	463
	$60,872

Payments on convertible and non-convertible debentures (Note 9)

	$
2016	694,284
2017	1,638,034
2018	604,284
2019	604,284
2020	604,284
2021 and thereafter	9,009,00
	13,154,170

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.

29. SUBSEQUENT EVENTS

Canadian Funds

On October 9, 2015, the Company entered into a loan agreement with BDC for $250,000, monthly principal payments of $1,104 are due December 22, 2020. The loan has a floating interest rate based on BDC's Floating Base Rate plus 0.5%. At the date of the agreement the Floating Base Rate was 4.70%.

On October 19, 2015, the Company completed a two-tranche private placement (the "Offering") which resulted in an aggregate total of $600,000 in gross proceeds. The Offering resulted in an issuance of an aggregate of 1,500,000 units at a price of $0.40 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at an exercise price of $0.55 for a period of five years. In addition, an aggregate of 81,550 finder's warrants were issued in the offering. Each finder's warrant entitles the holder to purchase one unit at a price of $0.46 for a period of five years. The arrangement was non-brokered. The net proceeds of this financing will be used for general working capital purposes. The private placement is subject to the Toronto Stock Exchange approval.

On November 17, 2015, the Company entered into a settlement agreement with Novartis Vaccines and Diagnostics, Inc. ("Novartis") regarding its patent infringement case relating to U.S. Patent No. 7,270,990. Pursuant to the settlement arrangement, the Company and Novartis are each responsible for their own costs and attorney fees. As at September 30, 2015, $118,460 related to legal costs and attorney fees are included in accounts payable and accrued liabilities. The court dismissed the Company's appeal on December 2, 2015.

30. COMPARATIVE BALANCES

The comparative amounts presented in these consolidated financial statements have been reclassified to conform to the current year's presentation.

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)
Ontario, Canada
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 Wednesday, March 2, 2016 at 1:00 PM.

ANNUAL REPORT

Additional copies of the Company's 2015 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

MICROBIX

MICROBIX

265 Watline Avenue,
Mississauga, ON
Canada L4Z 1P3
Tel: 905-361-8910
Fax: 905-361-8911
1-800-794-6694
Web Site: www.microbix.com