

# **MICROBIX BIOSYSTEMS INC.**



Microbix  
Biosystems Inc.

**NOTICE OF ANNUAL AND SPECIAL MEETING OF  
SHAREHOLDERS  
TO BE HELD ON MARCH 3, 2015  
AND  
MANAGEMENT INFORMATION CIRCULAR**

**JANUARY 23, 2015**

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**MICROBIX BIOSYSTEMS INC.**

265 Watline Avenue  
Mississauga, Ontario  
L4Z 1P3

**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**  
**TO BE HELD ON MARCH 3, 2015**

**NOTICE IS HEREBY GIVEN** that the Annual and Special Meeting (the “Meeting”) of shareholders of **MICROBIX BIOSYSTEMS INC.** (the “Company”) will be held at The University Club, 380 University Avenue, Toronto, Ontario on Tuesday, March 3, 2015, at the hour of 1:00 p.m. (Toronto time) for the purpose of:

- (a) receiving the Company’s 2014 Annual Report containing the financial statements for the year ended September 30, 2014, and the report of the auditors thereon;
- (b) electing directors;
- (c) appointing the auditors and authorizing the directors to fix their remuneration;
- (d) to consider, and if thought advisable, to approve with or without amendment, a resolution approving the Company’s amended stock option plan;
- (e) to consider, and if thought advisable, to approve with or without amendment, a resolution approving amendments to warrants held by insiders; and
- (f) transacting such further and other business as may properly come before the Meeting or any adjournment thereof.

Accompanying this Notice of Meeting is the management information circular and form of proxy which should be read in conjunction with this Notice of Meeting.

Shareholders of record on January 22, 2015 will be entitled to notice of, and attend and vote at the Meeting. A shareholder wishing to be represented by proxy at the Meeting or any adjournment thereof must deposit a duly executed form of proxy with the Company’s registrar and transfer agent, CST Trust Company, P.O. Box 721 Agincourt, Ontario, M1S 3A1, not later than 5:00 p.m. (Toronto time) on the 27<sup>th</sup> day of February, 2015, or, if the Meeting is adjourned, not later than 48 hours, excluding Saturdays and holidays, preceding the time of such adjourned Meeting.

A Shareholder who is unable to attend the Meeting in person is requested to complete and sign the enclosed form of proxy and deliver it to the Company, c/o CST Trust Company, P.O. Box 721, Agincourt, Ontario M1S 0A1, Attention: Proxy Department, or by fax (416-368-2502) or, if delivered by hand, to CST Trust Company, 320 Bay Street, B1 Level, Toronto, Ontario, M5H 4A6, Attention: Proxy Department, on or before the established proxy cut-off being 5:00 p.m. ET on February 27, 2015 before the time set for the Meeting, or any adjournment or postponement thereof, if applicable.

**DATED** this 23rd day of January, 2015.

BY ORDER OF THE BOARD OF DIRECTORS

By: *“Vaughn Embro-Pantalony”*  
Vaughn Embro-Pantalony,  
Chief Executive Officer

**MICROBIX BIOSYSTEMS INC.**

265 Watline Avenue  
Mississauga, ON  
L4Z 1P3

**MANAGEMENT INFORMATION CIRCULAR  
RELATING TO THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON MARCH 3, 2015**

**VOTING INFORMATION**

**SOLICITATION OF PROXIES**

**THIS MANAGEMENT INFORMATION CIRCULAR IS FURNISHED IN CONNECTION WITH THE SOLICITATION BY AND ON BEHALF OF THE MANAGEMENT OF MICROBIX BIOSYSTEMS INC.** (the “Company”) of proxies to be used at the Annual and Special Meeting of Shareholders of the Company (the “Meeting”) to be held at the University Club, 380 University Avenue, Toronto, Ontario on Tuesday, the 3<sup>rd</sup> day of March, 2015, at the hour of 1:00 p.m. (Toronto time) and at any adjournment thereof for the purposes set forth in the enclosed Notice of Meeting. Proxies will be solicited primarily by mail and may also be solicited personally or by telephone by the directors and/or officers of the Company at nominal cost. The cost of the solicitation will be borne by the Company.

The Company may pay the reasonable costs incurred by persons who are the registered but not beneficial owners of common shares (“Shares”) of the Company (such as brokers, dealers, other registrants under applicable securities laws, nominees and/or custodians) in sending or delivering copies of this circular, the Notice of Meeting and form of proxy to the beneficial owners of such shares. The Company will provide, without cost to such persons, upon request to the Secretary of the Company, additional copies of the foregoing documents required for this purpose.

**ADVICE TO BENEFICIAL HOLDERS OF SHARES**

**The information set forth in this section is of significant importance to many public shareholders who do not hold their shares of the Company in their own name.** Only proxies deposited by shareholders whose names appear on the records of the Company or as the registered holders of such shares can be recognized and acted upon at the Meeting. If shares are listed in your account statement provided by your broker, then in almost all cases those shares will not be registered in your name on the records of the Company. Such shares will likely be registered under the name of your broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co., the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms. Shares held by your broker or their nominee can only be voted upon your instructions. Without specific instructions, your broker or their nominee is prohibited from voting your shares.

Applicable regulatory policy requires your broker to seek voting instructions from you in advance of the Meeting. Every broker has its own mailing procedures and provides its own return instructions, which you should carefully follow in order to ensure that your shares are voted at the Meeting. Often, the form of proxy supplied by your broker is identical to the form of proxy provided to registered shareholders. However, its purpose is limited to instructing the registered shareholder how to vote on your

behalf. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions Inc. ("Broadridge"). Broadridge mails a scannable voting instruction form in lieu of the form of proxy. You are asked to complete and return the voting instruction form to them by mail or facsimile. Alternatively, you can call their toll-free telephone number to vote your shares or submit your voting instructions online at [www.proxyvotecanada.com](http://www.proxyvotecanada.com). They then tabulate the results of all instructions received and provide appropriate instructions respecting the voting of shares to be represented at the Meeting. **If you receive a voting instruction form from Broadridge it cannot be used as a proxy to vote shares directly at the Meeting as the proxy must be returned by Broadridge well in advance of the Meeting in order to have shares voted.**

If you wish to attend and vote at the Meeting in person (or to have another person attend and vote on your behalf, you should print your (or such other person's) name in the blank space provided for that purpose in the first paragraph of the form of proxy or, in the case of a voting instruction form, follow the corresponding instructions on that form.

### **APPOINTMENT AND REVOCATION OF PROXIES**

The persons named in the enclosed form of proxy represent management of the Company. **A SHAREHOLDER DESIRING TO APPOINT SOME OTHER PERSON, WHO NEED NOT BE A SHAREHOLDER OF THE COMPANY, TO REPRESENT HIM AT THE MEETING MAY DO SO** by filling in the name of such person in the blank space provided in the proxy or by completing another proper form of proxy. A shareholder wishing to be represented by proxy at the Meeting or any adjournment thereof must, in all cases, deposit the completed proxy with the Company's registrar and transfer agent, CST Trust Company, P.O. Box 721 Agincourt, Ontario, M1S 3A1 not later than 5:00 p.m. (Toronto Time) on February 27, 2015 or if the Meeting is adjourned, not later than 48 hours excluding Saturdays and holidays, preceding the time of such adjourned Meeting. A proxy should be executed by the shareholder or his attorney duly authorized in writing or, if the shareholder is a corporation, by an officer or attorney thereof duly authorized.

In addition to any other manner permitted by law, a proxy may be revoked before it is exercised by instrument in writing executed in the same manner as a proxy and deposited at the registered office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used or with the Chairman of the Meeting on the day of such meeting or any adjournment thereof and thereupon the proxy is revoked.

A shareholder attending the Meeting has the right to vote in person and, if he/she or it does so, his or her proxy is nullified with respect to the matters such person votes upon and any subsequent matters thereafter to be voted upon at the Meeting or any adjournment thereof.

### **EXERCISE OF DISCRETION BY PROXIES**

The shares represented by proxies in favour of management nominees will be voted or withheld from voting in accordance with the instructions of the shareholder on any ballot that may be called for and, if a shareholder specifies a choice with respect to any matter to be acted upon at the Meeting, the shares represented by the proxy shall be voted accordingly. **WHERE NO CHOICE IS SPECIFIED, THE PROXY WILL CONFER DISCRETIONARY AUTHORITY AND WILL BE VOTED FOR THE ELECTION OF DIRECTORS AS SET OUT IN THIS INFORMATION CIRCULAR, AND FOR THE APPOINTMENT OF AUDITORS THE AUTHORIZATION OF THE DIRECTORS TO FIX THEIR REMUNERATION AS SET OUT IN THIS INFORMATION CIRCULAR, THE ENCLOSED FORM OF PROXY ALSO CONFERS DISCRETIONARY**

**AUTHORITY UPON THE PERSONS NAMED THEREIN TO VOTE WITH RESPECT TO ANY AMENDMENTS OR VARIATIONS TO THE MATTERS IDENTIFIED IN THE NOTICE OF MEETING AND WITH RESPECT TO OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING IN SUCH MANNER AS SUCH NOMINEE IN HIS JUDGMENT MAY DETERMINE.** At the time of printing this circular, the management of the Company knows of no such amendments, variations or other matters to come before the Meeting.

### **RECORD DATE**

Persons registered on the books of the Company at the close of business on January 22, 2015 (the “Record Date”) and persons who are transferees of any shares acquired after such record date and who have produced properly endorsed certificates evidencing such shares or who otherwise establish ownership thereof and demand, not later than 10 days before the Meeting, that their names be included in the list of shareholders, are entitled to vote at the Meeting.

### **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

At the date hereof, the Company has outstanding 79,268,116 common shares, each of which carries one vote. To the knowledge of the directors and officers of the Company, there are no persons or corporations beneficially owning, directly or indirectly, or exercising control or direction over securities carrying in excess of 10% of the voting rights.

### **HOW TO VOTE YOUR SHARES**

Your vote is important. Please read the information below so that your Shares are properly voted.

#### **Registered Shareholders and Non-Registered Shareholders**

How you vote your Shares depends on whether you are a registered Shareholder or a non-registered Shareholder. In either case, there are two ways you can vote at the Meeting – by appointing a proxy holder or by attending in person.

#### ***Registered Shareholder:***

You are a registered Shareholder if you hold one or more share certificates which indicate your name and the number of Shares which you own. As a registered Shareholder, you will receive a form of proxy from CST Trust Company (“CST”) representing the Shares you hold. If you are a registered Shareholder refer to “How to Vote – Registered Shareholders” below.

#### ***Non-Registered Shareholder:***

You are a non-registered Shareholder if an intermediary such as a securities dealer, broker, bank, trust company or other nominee holds your Shares for you, or for someone else on your behalf, registered in the name of the nominee. In accordance with applicable securities laws, the Company distributes copies of its Meeting materials to non-registered Shareholders directly or to intermediaries for onward distribution to non-registered Shareholders. As a non-registered Shareholder, you will most likely receive a form of proxy from either CST on behalf of Microbix (if you are a non-objecting beneficial owner of Shares willing to have your nominee disclose your ownership information to Microbix) or voting instruction form from Broadridge Investor Communications Corporation (“**Broadridge**”) on behalf of intermediaries (if you are an objecting beneficial owner of Shares not willing to have your nominee





disclose your ownership information to Microbix). It is also possible, however that, in some cases you may receive a form of proxy directly from the securities dealer, broker, bank, trust company or other nominee holding your Shares. If you are a non-registered Shareholder, refer to “How to Vote - Non-Registered Shareholders” below.

### **How to Vote – Registered Shareholders**

If you are a registered Shareholder you may either vote by proxy or in person at the Meeting.

#### ***Submitting Votes by Proxy***

There are four ways to submit your vote by proxy:

-  phone
-  internet
-  mail
-  fax

in accordance with the instructions on the form of proxy.

If you are voting by phone or internet, you will need the pre-printed Control Number on your form of proxy.

A proxy submitted by mail or fax must be in writing, dated the date on which you signed it and be signed by you (or your authorized attorney). If such a proxy is being submitted on behalf of a corporate Shareholder, the proxy must be signed by an authorized officer or attorney of that corporation, whose title should be indicated. A form of proxy executed by a person acting as attorney or in some other representative capacity should state such person’s capacity following his or her signature and should be accompanied by the appropriate instrument evidencing qualification and authority to act. If a proxy submitted by mail or fax is not dated, it will be deemed to bear the date on which it was sent to you.

If you are voting your Shares by proxy, the completed and signed proxy form or your phone or internet vote must be received by CST by 5:00 p.m. ET on February 27, 2015 (the “**proxy cut-off**”) before the time set for the Meeting, or any adjournment or postponement thereof, if applicable.

#### ***Appointment of Proxy Holder***

Unless you specify a different proxy holder or specify how you want your Shares to be voted, the Microbix representatives whose names are pre-printed on the form of proxy will vote your Shares:

- **FOR** the election as Directors each of the nominees listed in this Information Circular;
- **FOR** the appointment of Collins Barrow Toronto LLP as auditor of the Company and the authorization of the Directors to fix the remuneration of the auditor;
- **FOR** the approval of the Stock Option Plan/Amendment Resolution as set out in the Information Circular; and
- **FOR** the approval of the Warrant Amendment Resolution as set out in the Information Circular.



**You have the right to appoint someone else (who need not be a Shareholder) as your proxy holder; however, if you do, that person must vote your Shares in person on your behalf at the Meeting. To appoint someone else as your proxy holder, insert the person's name in the blank space provided on the form of proxy or complete, sign, date and submit another proper form of proxy naming that person as your proxy holder.**

If you choose to vote by proxy, you are giving the person (referred as a "proxy holder") or people named on your form of proxy, the authority to vote your Shares on your behalf at the Meeting.

You may indicate on the form of proxy how you want your proxy holder to vote your Shares, or you can let your proxy holder decide for you. If you do not specify on the form of proxy how you want your Shares to be voted, your proxy holder will have the discretion to vote your Shares as they see fit.

The form of proxy accompanying this Information Circular gives the proxy holder discretion with respect to any amendments or changes to matters described in the Notice of Annual and Special Meeting and with respect to any other matters which may properly come before the Meeting. As of the date of this Information Circular, the Company is not aware of any amendments, changes or other matters to be addressed at the Meeting.

### ***Voting in Person***

If you attend in person, you do not need to complete or return your form of proxy. When you arrive at the Meeting, a CST representative will register your attendance before you enter the Meeting. If you vote in person at the Meeting and had previously completed and returned your form of proxy, your proxy will be automatically revoked and any votes you cast at the Meeting will count.

### ***Revoking a Vote Made by Proxy***

You have the right to revoke a proxy as to any matter on which a vote has not already been cast pursuant to its authority by one of the following methods:

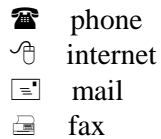
- Vote again by phone or internet not later than the last business day preceding the date of the Meeting, or any adjournment or postponement thereof if applicable;
- Deliver another completed and signed form of proxy, dated later than the first form of proxy, by mail or fax such that it is received by CST not later than the last business day preceding the date of the Meeting, or any adjournment or postponement thereof if applicable;
- Personally attend the Meeting and vote your Shares; or
- In any other manner permitted by law.

### **How to Vote – Non-Registered Shareholders**

If you are a non-registered Shareholder and CST has sent these materials directly to you on behalf of Microbix, your name, address and information about your holdings of Shares has been obtained in accordance with applicable securities regulatory requirements from the intermediary holding the Shares on your behalf. By choosing to send these materials directly to you, Microbix (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you and (ii) executing your proper voting instructions.

### ***Submitting Voting Instructions***

There are four ways to submit your vote by Voting Instruction Form:



in accordance with the instructions on the form of proxy/Voting Instruction Form.

If you are a non-registered Shareholder and have received a form of proxy from CST, you must complete and submit your vote by phone, internet, mail or fax, in accordance with the instructions on the Voting Instruction Form. On receipt of a properly completed and submitted form, a legal form of proxy will be submitted on your behalf.

You must complete, sign and date your form of proxy or make sure your phone or internet vote is received by CST by the established proxy cut-off date before the time set for the Meeting, or any adjournment or postponement thereof, if applicable. If a form of proxy submitted by mail or fax is not dated, it will be deemed to bear the date on which it was sent to you.

If you are a non-registered Shareholder and have received a Voting Instruction Form from Broadridge, please complete and submit your vote by phone, internet or mail in accordance with the instructions provided to you on the form prior to the deadline specified by Broadridge. Voting by fax is not available in this instance.

In some cases, you may have received a form of proxy instead of a Voting Instruction Form, even though you are a non-registered Shareholder. Such a form of proxy will likely be stamped by the securities dealer, broker, bank, trust company or other nominee or intermediary holding your Shares and be restricted as to the number of Shares to which it relates. In this case, you must complete the form of proxy and submit it to CST as described above under “How to Vote – Registered Shareholders – Submitting Votes by Proxy”.

### ***Voting in Person***

If you have received a Voting Instruction Form and wish to attend the Meeting in person or have someone else (who need not be a Shareholder) attend on your behalf, you must complete, sign and return the Voting Instruction Form in accordance with the instructions on the form in that regard. Unless prohibited by law, the person you designate to attend the Meeting will have full authority to present matters to the Meeting and vote all matters presented at the Meeting, even if those matters are not set out in the Voting Instruction Form or this Information Circular. You, or such other designated person if applicable, must then vote your Shares in person at the Meeting.

If you have received a form of proxy instead of a Voting Instruction Form and wish to attend the Meeting in person or have someone else attend on your behalf, you must insert your name, or the name of the person you wish to attend on your behalf, in the blank space provided on the form of proxy. You must make sure that your completed and signed proxy form is received by CST by the established proxy cut-off date before the time set for the Meeting, or any adjournment or postponement thereof if applicable. You, or such other designated person if applicable, must then vote your Shares in person at the Meeting.

When you or your designated person arrives at the Meeting, a CST representative will register such attendance before you or your designated person enters the Meeting.

### ***Revoking a Voting Instruction Form or Proxy***

If you wish to revoke a Voting Instruction Form or a form of proxy as to any matter on which a vote has not already been cast pursuant to its authority and you received your form of proxy from CST, you may vote again by phone or internet, or by delivering another completed and signed form of proxy dated later than the first form of proxy by mail or fax to CST, not later in any case than the last business day preceding the date of the Meeting, or any adjournment or postponement thereof if applicable. If you received your Voting Instruction Form from Broadridge, and voted by phone or internet, you may vote again by phone or internet prior to the deadline specified by Broadridge. If you received your Voting Instruction Form from Broadridge and voted by mail, please contact your account service provider at your intermediary for instructions should you wish to revoke your Voting Instruction Form. If you received a form of proxy from your securities dealer, broker, bank, trust company or other nominee or intermediary, please refer to “How to Vote – Registered Shareholders – Revoking a Vote Made by Proxy” above. In any case, you must comply with any applicable requirements relating to the revocation of votes made by Voting Instruction Form or proxy.

## **PARTICULARS OF MATTERS TO BE ACTED UPON AT THE MEETING**

### **PRESENTATION OF AUDITED FINANCIAL STATEMENTS**

The annual report, the annual financial statements for the fiscal year ended September 30, 2014 and the report of the auditors thereon will be submitted to the Meeting of Shareholders. Receipt at such Meeting of the auditors’ report and the Company’s financial statements for its last completed fiscal period will not constitute approval or disapproval of any matters referred to therein.

Shareholders may request a copy of the Company’s annual financial statements, interim financial statements and the corresponding MD&A. Enclosed with this information circular is a Request Form which may be completed and delivered to the Company’s registrar and transfer agent, CST Trust Company, P.O. Box 700, Station B, Montreal, Quebec, H3B 3K3, or via hand delivery to 320 Bay Street, 3<sup>rd</sup> Floor, Toronto, Ontario, M5H 4A6.

### **ELECTION OF DIRECTORS**

The board of directors (the “Board” or the “Board of Directors”) currently consists of eight (8) directors to be elected annually. The Articles of Amalgamation provide for a minimum of three (3) and a maximum of ten (10) directors. The Board of Directors has determined that the number of directors of the Company shall be fixed at eight (8). The following table states the names of all the persons proposed to be nominated by management for election as directors, all other positions and offices with the Company now held by them, their principal occupations, businesses or employments, the period or periods of service as directors of the Company and the number of voting securities of the Company beneficially owned, directly or indirectly, or over which control or direction is exercised by each of them as of the date hereof.

<b>Name and Principal Occupation within the past 5 years, province/state and country of residence</b>	<b>Position with the Corporation</b>	<b>Director Since</b>	<b>No. of Voting Securities Owned, Controlled or Directed as at January 23, 2015 <sup>(1)</sup></b>
<b>Peter M. Blecher</b> Medical Doctor Department of Emergency Medicine Lakeridge Health Hospital Ontario, Canada	Director	December 6, 2005	434,615
<b>Mark A. Cochran</b> Managing Director Johns Hopkins Medicine JHHC – Solutions Maryland, USA	Director	October 16, 2002	302,610
<b>Vaughn C. Embro-Pantalony</b> <sup>(3)(4)</sup> President and Chief Executive Officer, Microbix Biosystems, Inc. Ontario, Canada	President, Chief Executive Officer, and Director	February 6, 2007	864,852
<b>William J. Gastle</b> <sup>(3)(4)</sup> Executive Chairman, Microbix Biosystems, Inc. Ontario, Canada	Executive Chairman and Director	October 1, 1990	5,426,109 <sup>(2)</sup>
<b>Andrew C. Pollock</b> <sup>(3) (4)</sup> President & Chief Executive Officer Handfish Inc. Ontario, Canada	Director	March 14, 2006	152,000
<b>Joseph D. Renner</b> <sup>(4)</sup> President & Chief Executive Officer Zydus Pharmaceuticals New Jersey, USA	Director	February 25, 2003	4,713,815
<b>Martin Marino</b> <sup>(3)(4)</sup> Pharmaceutical Executive, Ontario, Canada Previously, Global General Counsel, Merck Generics Group, Germany	Director	February 17, 2009	290,000
<b>Cameron Groome</b> <sup>(3)</sup> President & Chief Executive Officer, Avivagen, Ontario, Canada	Director	March 8, 2012	40,000

*Notes:*

- (1) *The information as to voting securities beneficially owned, controlled or directed, not being within the knowledge of the Company, has been furnished by the respective nominees individually.*
- (2) *An additional 100,592 common shares are held by Mr. Gastle's son. Mr. Gastle disclaims any beneficial interest in or control over those shares.*
- (3) *Member of the Audit Committee.*
- (4) *Member of the Compensation Committee*

The Board has adopted a policy providing that in an uncontested election of directors, any nominee who receives a greater number of votes “Withheld” than votes “For” will submit his or her resignation to the board promptly following the Meeting. The Human Resources and Compensation Committee will consider the offer of resignation and, except in extraordinary circumstances, will be expected to recommend that the Board accept the resignation, if applicable. The Board may: (1) leave a vacancy on the Board until the Corporation’s next annual meeting; (2) fill the vacancy by appointing a new director whom the Board considers to merit the confidence of the shareholders; or (3) call a special meeting of shareholders to consider new Board nominee(s) to fill the vacant position(s).

**PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED SEPARATELY FOR THE ELECTION OF EACH OF THE ABOVE-NAMED NOMINEES, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT THE SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT THEREOF.** Management has no reason to believe that any of the nominees will be unable to serve as a director but, **IF A NOMINEE IS FOR ANY REASON UNAVAILABLE TO SERVE AS A DIRECTOR, PROXIES IN FAVOUR OF MANAGEMENT WILL BE VOTED SEPARATELY IN FAVOUR OF EACH OF THE REMAINING NOMINEES AND MAY BE VOTED FOR A SUBSTITUTE NOMINEE UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT OF THE ELECTION OF DIRECTORS.**

#### **APPOINTMENT OF AUDITORS**

Management of the Company proposes to nominate Collins Barrow Toronto LLP (“Collins Barrow”) of Collins Barrow Place, 11 King Street West, Suite 700, Toronto, Ontario, M5H 4C7, as auditors of the Company to hold office until the close of the next annual meeting of shareholders. It is proposed that the remuneration to be paid to the auditor be fixed by the directors.

Effective August 12, 2014, BDO Canada LLP, Chartered Public Accountants (“BDO” or the “Former Auditor”) resigned as auditor at the request of the Company, and the directors, by resolution appointed Collins Barrow as the auditor of the Company. There were no reservations in the Former Auditor’s reports for the two most recently completed fiscal years ending on the date of the Former Auditor’s resignation. There were no “reportable events” (as that term is defined in s. 4.11 of National Instrument 51-102 *Continuous Disclosure Obligations*) between the Company and the Former Auditor. The resignation of the Former Auditor as auditor of the Company was approved by the Company audit committee and its board of directors.

It is proposed that Collins Barrow be appointed as the auditors of the Company to hold office until the next annual meeting of shareholders or until their successor is appointed, at remuneration to be fixed by the Board of Directors. The Notice of Change of Auditor required pursuant to National Instrument 51-102 is attached hereto as Schedule “C” together with the letters of Collins Barrow and the Former Auditor respecting the change of auditor. Collins Barrow was first appointed auditor of the Corporation in August, 2014. Collins Barrow Toronto LLP conducted the audit of the Company’s financial statements for the fiscal year ended September 30, 2014.

**PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED IN FAVOUR OF THE APPOINTMENT OF COLLINS BARROW TORONTO LLP, CHARTERED ACCOUNTANTS, AS AUDITORS OF THE COMPANY TO HOLD OFFICE UNTIL THE NEXT ANNUAL MEETING OF SHAREHOLDERS OR UNTIL THEIR SUCCESSOR IS APPOINTED, AND THE AUTHORIZATION OF THE DIRECTORS TO FIX THEIR REMUNERATION, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT THEREOF.**

#### **Auditors Fees**

The following table summarizes the fees billed to the Company for services provided by its external auditors, during the fiscal year ended September 30, 2014:

<b>Fiscal Year</b>	<b>Audit Fees</b>	<b>Audit Related Fees</b>	<b>Tax Fees</b>	<b>Other Fees</b>
2014	\$45,000	nil	\$5,000	nil

The following table summarizes the fees billed to the Company for services provided by its previous external auditors, BDO Canada LLP, Chartered Accountants, during the fiscal year ended September 30, 2013:

<b>Fiscal Year</b>	<b>Audit Fees</b>	<b>Audit Related Fees</b>	<b>Tax Fees</b>	<b>Other Fees</b>
2013	\$65,888	\$39,830	\$2,100	\$48,608

#### **AMENDMENT OF STOCK OPTION PLAN**

On January 16, 2015, the Board of Directors approved the amended and restated Microbix Biosystems Inc. Stock Option Plan (the “**Plan**”), subject to shareholder approval. The Plan was amended to:

- a) provide to the vesting of options in the event of a change of control; and
- b) allow the exercise of vested options in the event of resignation by an non-executive director.

The Purpose of the Stock Option Plan is to provide a means whereby the Company may, through the grant of options to purchase common shares of the Company to officers, directors, employees and service providers of the Company, and of any affiliate or subsidiary of the Company, motivate officers, directors, employees and other service providers (including officers and directors who are not employees) to exert their best efforts on behalf of the Company, and any affiliate or subsidiary, and closely align the personal interest of such officers, directors and employees and service providers with those of the shareholders. Options may be granted by the Company from time to time to officers, directors, key employees and service providers or to a personal holding Company controlled by such optionees or to registered retirement savings plan established by such optionees of the Company, or of any affiliate or subsidiary of the Company, to purchase common shares (such persons, Company and plans shall be considered to be the class of the eligible optionees hereunder). For further details on the terms of the Stock Option Plan, please see “*Equity Compensation Plan Information – Stock Option Plan*” below.

The Plan was last amended and approved by shareholders on March 5, 2013 to allow up to 12,000,000 common shares, representing approximately 15.14% of the Company’s issued and outstanding shares as of the date hereof, which may be issued upon the exercise of options granted under the Existing Plan.

As of the date hereof, only 1,613,500 common shares, representing approximately 2.0% of the Company's issued and outstanding common shares as of the date hereof, remain available for issuance under the Plan. The Board of Directors considers the amended Plan a way of ensuring the Board of Directors continues to have the flexibility to grant stock options as required in order to serve the purposes of the Plan while limiting to a reasonable level the potential dilution for current shareholders of the Company.

The Board of Directors approved, subject to the approval of the Toronto Stock Exchange ("TSX") and subject to the approval of the shareholders of the Company, an amended and restated stock option plan (the "Stock Option Plan") to, among other things, to include a Change of Control provision. A Change of Control is defined to include, among other things: any transaction whereby a person acquires 20% or more of the Corporation's common shares; the sale of all or substantially all the assets of the Corporation; a merger, reorganization or amalgamation; or the removal of more than half of the incumbent directors by the shareholders. Upon an announcement of a Change of Control, all issued but unvested options shall vest in order to allow optionees to participate in the Change of Control transaction to the extent of the common shares acquired upon the exercise of such options. If the Change of Control is not completed or an optionee does exchange optioned shares pursuant to a Change of Control transaction, such optioned shares must be returned to the Corporation in exchange for a refund of the exercise price.

The Board of Directors has also amended the Plan to allow non-executive directors to exercise their options after they cease to be directors of the Company.

The amended Stock Option Plan has been conditionally approved by the TSX. See *Executive Compensation – Stock Option Plan* for a summary of the material provisions of the Stock Option Plan, as amended. A copy of the Stock Option Plan with the recent amendments is attached as Schedule "D" hereto.

### **Recommendation of the Board of Directors**

The Board of Directors has determined that the proposed amendments to the Stock Option Plan, including, a change of control provision and changes to vesting provisions for certain directors, will facilitate the future grant of options to motivate officers, directors, employees and other service providers (including officers and directors who are not employees) to exert their best efforts on behalf of the Company, and any affiliate or subsidiary, and closely align the personal interest of such officers, directors and employees and service providers with those of the shareholders.

Pursuant to the policies of the TSX, approval of the Option Plan Amendment Resolution set out below by a majority of the votes cast at the Meeting is required.

At the Meeting, shareholders will be asked to approve the following Stock Option Plan Amendment Resolution:

#### **"BE IT RESOLVED AS A RESOLUTION OF SHAREHOLDERS:**

- 1. The amended Microbix Biosystems Inc. Stock Option Plan adopted by the Board of Directors of the Company on January 16, 2015, and attached as Schedule "D" to the Management Information Circular of the Company dated January 23, 2015, be and is hereby approved;**
- 2. The board of directors of the Company may revoke this resolution before it is acted upon without further board approval; and**

3. Any one officer or director of the Company is hereby authorized and directed to do all such acts and things and to execute and deliver all such instruments and documents as may be necessary to give full effect to this resolution. If the Stock Option Plan Amendment Resolution is not adopted at the Meeting, the stock option plan will continue in full force and effect without any amendment to its terms.”

**PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED IN FAVOUR OF THE APPROVAL OF THE STOCK OPTION PLAN AS SET OUT IN THE RESOLUTION ABOVE, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT THEREOF.**

### **APPROVAL OF AMENDMENTS TO WARRANTS HELD BY INSIDERS**

On April 16, 2014, the TSX advised the Company that it had accepted Notice of the Company’s proposal to amend an aggregate of 2,990,641 outstanding warrants. The warrants were issued to both arm’s length investors and insiders of the Company in connection with the March 29, 2012 non-brokered private placement financing of the Company. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.40 per share. The amendment to the warrants extended the expiry date of the warrants from March 29, 2014 to March 29, 2015. All of the terms of the insider warrants remain unchanged. An aggregate of 370,370 warrants (the “**Insider Warrants**”) representing 0.47% of the Company’s issued and outstanding shares are held by two (2) insiders of the Company, Vaughn Embro-Pantalony (President and Chief Executive Officer and a director) and Joseph Renner (a director). Mr. Embro-Pantalony currently holds 864,852 shares of the Company and Mr. Renner owns 4,713,815 shares of the Company. If these insiders exercise all of their respective Warrants, Mr. Embro-Pantalony would hold 1,050,037 representing 1.32% of the Company’s issued and outstanding shares, and Mr. Renner would hold 4,889,000 shares of the Company representing 6.17% of the Company’s issued and outstanding shares. The exercise of all of the Insider Warrants would not materially affect control of the Company. The TSX acceptance of the amendment to the warrants was conditional, among other things, the Company obtaining disinterested shareholder approval to amend the Insider Warrants, as the exercise price of the Insider Warrants is below the current market price of the Company’s shares. The volume weighted average price for the 5 days immediately preceding the date of this circular is \$0.73.

The insiders holding Insider Warrants collectively hold 5,578,667 shares in the Company. The votes attaching to such 5,578,667 shares will be excluded in determining whether disinterested shareholder approval is obtained to amend the term of the Insider Warrants.

At the Meeting, shareholders, other shareholders holding Insider Warrants will be asked to approve the following resolutions (the “**Warrant Amendment Resolution**”) approving an amendment to the terms of the Insider Warrants, to extend the expiry date of the Insider Warrant to March 29, 2015:

#### **“BE IT RESOLVED THAT:**

1. The amendment to the terms of the 370,370 outstanding share purchase warrants of the Company dated March 29, 2012 held by insiders of the Company, extending the expiry date of such warrants from March 29, 2014 to March 29, 2015 be and is hereby approved;



2. **The board of directors of the Company may revoke this resolution before it is acted upon without further board approval; and**
3. **Any one officer or director of the Company is hereby authorized and directed to do all such acts and things and to execute and deliver all such instruments and documents as may be necessary to give full effect to this resolution.”**

**PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED IN FAVOUR OF THE APPROVAL OF THE WARRANT AMENDMENT RESOLUTION AS SET OUT IN THE RESOLUTION ABOVE, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT THEREOF.**

## **STATEMENT OF EXECUTIVE COMPENSATION**

### **COMPENSATION DISCUSSION AND ANALYSIS**

This section of the Information Circular explains how the Company’s executive compensation program is designed and operated with respect to the individuals who were, at September 30, 2014, the Chief Executive Officer, the Chief Financial Officer and the next three most highly compensated executive officers whose total compensation was, individually, more than \$150,000, and such other individuals as required by applicable legislation (collectively, the “Named Executive Officers”) of the Company.

The Human Resources and Compensation Committee (the “**Compensation Committee**”) of the Board of Directors reviews and makes recommendations to the Board of Directors with respect to all matters pertaining to the appointment, compensation and benefits of senior management of the Company.

The Compensation Committee of the Board of Directors is composed of Mr. Joseph Renner, Mr. Martin Marino, Mr. Andrew Pollock, Mr. Vaughn Embro-Pantalony and Mr. William Gastle. Mr. Renner, Mr. Andrew Pollock and Mr. Marino are independent directors. Mr. Marino is the Chairman of the Compensation Committee.

The philosophy of the Compensation Committee is to determine compensation of the Company’s executive officers relative to the performance of the Company in executing on its objectives. The Company uses remuneration to encourage, compensate and reward employees on the basis of the achievement of daily and long-term corporate and personal goals. Compensation is directly tied to both corporate and individual performance. The base level of compensation is used to attract and retain key individuals with skills and experience required in the Company. Awarding of options to acquire Common Shares is designed to maximize shareholder value in the longer term. The Compensation Committee makes recommendations to the Board of Directors with respect to compensation of executive officers.

The Compensation Committee meets on an annual basis to plan the total compensation changes for the new fiscal year. The Compensation Committee takes into account the business projections and the actual business result with respect to compensation planning for the Company in the next year. There are two main areas of consideration: executive management and the employees. Changes are designed to encourage and reward accomplishments on individual and Company goals, in both the short and long term.

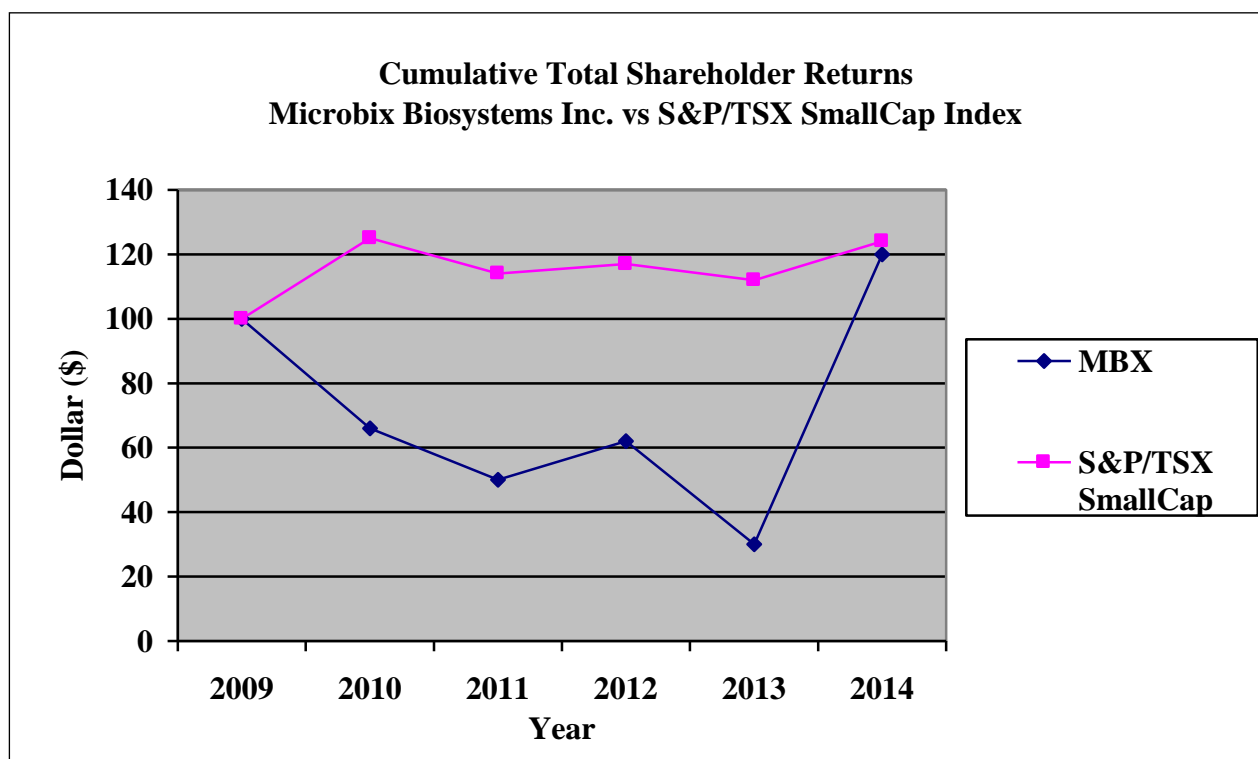
The level of base salary for each employee is determined by the level of responsibility and relative importance of the position in the Company, together with comparative industrial norms. Options are granted to employees as incentive to preserve and maximize shareholder value in the longer term, as a reward for individual success and as a way of encouraging future performance. The Compensation Committee recommends aggregate amounts for both compensation increases and any option grants, and management is responsible for the allocation and distribution among the staff.

The Board of Directors has delegated the authority to grant options to Vaughn Embro-Pantalony through recommendations from the Compensation Committee and the senior management of the Company. Stock options for employees, consultants and directors are granted annually as part of the compensation incentive and additionally as required by business circumstances.

The compensation for the executive management, including the CEO, CFO, and Vice President positions, is based on the achievement of business goals. The Company uses a leading corporate analysis report to ensure that compensation is competitive and in the range of market value.

## SHARE PERFORMANCE GRAPH

The following graph compares the yearly percentage in the cumulative total shareholder return of the common shares of the Company for the period from September 30, 2009 to September 30, 2014 with the cumulative total return of the S&P/TSX SmallCap Index for the same period. <sup>(1)</sup>



	2009	2010	2011	2012	2013	2014
<b>MBX</b>	\$100	66	50	62	30	120
<b>S&amp;P/TSX Small Cap Index</b>	\$100	125	114	117	112	125

Notes:

(1) Assumes \$100 invested in the Company's common shares on September 30, 2009 and in the S&P/TSX SmallCap Index, which assumes dividend reinvestment.

## COMPENSATION SUMMARY

The following table sets out all compensation paid, payable, awarded, granted or otherwise provided, directly or indirectly, by the Company, in Canadian dollars, to the individuals who were at September 30, 2014, the Chief Executive Officer, Chief Financial Officer, and the next three most highly compensated executive officers whose total compensation was, individually, more than \$150,000, for the three most recently completed fiscal years of the Company.

**Summary Compensation Table**

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Non-equity Annual Incentive Programs (\$)	All Other <sup>(5)</sup> Compensation (\$)	LTIP <sup>(1)</sup> Payout (\$)	Total Compensation (\$)
Vaughn Embro-Pantalony President & CEO <sup>(3)</sup>	2014	217,000	--	--	--	210,000	--	427,000
	2013	212,375	--	--	--	--	--	212,375
	2012	--	--	--	--	--	--	--
William J. Gastle, Executive Chairman	2014	190,917	--	8,400 <sup>(2)</sup>	--	99,300	--	298,617
	2013	197,319	--	8,077 <sup>(2)</sup>	--	--	--	205,396
	2012	224,686	--	8,077 <sup>(2)</sup>	--	--	--	232,763
Charles S. Wallace Chief Financial Officer <sup>(4)</sup>	2014	190,808	--	--	--	--	--	190,808
	2013	14,113	--	--	--	--	--	14,113
	2012	--	--	--	--	--	--	--
Phillip Casselli, Senior Vice-President, Sales & Business Dev.	2014	174,837	--	6,000 <sup>(2)</sup>	--	66,000	--	246,837
	2013	177,469	--	6,000 <sup>(2)</sup>	--	--	--	183,469
	2012	175,151	--	6,000 <sup>(2)</sup>	--	--	--	181,151
Kevin Cassidy, Vice President, Biopharmaceuticals	2014	150,721	--	--	--	50,700	--	201,421
	2013	152,990	--	--	--	--	--	152,990
	2012	150,992	--	--	--	--	--	150,992

Notes:

(1) Long-term incentive plans.

(2) Automobile allowance.

(3) Vaughn Embro-Pantalony was appointed President and Chief Executive Officer of the Company November 16, 2012 and is remunerated through a services contract.

(4) Charles S. Wallace was appointed Chief Financial Officer on September 1, 2013 and is remunerated through a services contract.

(5) Value of unexercised in-the-money options.

## INCENTIVE PLAN AWARDS

### Outstanding option-based awards and share-based awards as at September 30, 2014

NEO Name	Option-based Awards				Share-based Awards <sup>(1)</sup>	
	Number of securities underlying unexercised options <sup>(2)</sup>	Option exercise price <sup>(3)</sup>	Option expiration date	Value of unexercised in-the-money options <sup>(4)</sup>	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested
	(#)	(\$)		(\$)	(#)	(\$)
Vaughn Embro-Pantalony	50,000	\$0.39	13-Jan-15	9,000	-	-
	200,000	\$0.36	19-Mar-15	42,000	-	-
	125,000	\$0.29	22-Feb-17	35,000	-	-
	400,000	\$0.26	19-Dec-17	124,000	-	-
William J. Gastle	260,000	\$0.39	13-Jan-15	46,800	-	-
	250,000	\$0.36	14-Jun-16	52,500	-	-
Philip Casselli	100,000	\$0.30	28-Jun-17	27,000	-	-
	100,000	\$0.36	14-Jun-16	21,000	-	-
	100,000	\$0.39	13-Jan-15	18,000	-	-
Kevin Cassidy	100,000	\$0.30	28-Jun-17	27,000	-	-
	100,000	\$0.36	14-Jun-16	21,000	-	-
	15,000	\$0.39	13-Jan-15	2,700	-	-

**Notes:**

- (1) The Corporation does not have a share-based awards plan.
- (2) The securities underlying the stock options of the Company are Common Shares. The issuer of the stock options is the Company. For further details concerning the terms of the Plan and options granted thereunder, reference is made to the section below entitled "Stock Option Plan".
- (3) The exercise price of an option granted under the Plan is generally the closing sale price of the Common Shares on the TSX on the trading day immediately preceding the date of grant.
- (4) The value of unexercised in-the-money options is calculated as the difference between the closing price of the Corporation's Common Shares on the TSX on September 30, 2014 of \$0.57 and the underlying option exercise price, multiplied by the number of options outstanding. This value has not been, and may never be, realized by the NEO. The actual gains, if any, on exercise will depend on the value of the Common Shares on the TSX on the date of the option exercise.

## PENSION PLAN BENEFITS

The Corporation does not have any pension plans that provide for payments or benefits at, following, or in connection with retirement or provide for retirement or deferred compensation plans.

## COMPENSATION OF DIRECTORS

### Material Factors Necessary to Understand Director Compensation

The Board reviews and approves changes to the Company's director compensation arrangements from time to time to ensure they remain competitive in light of the time commitments required from directors and align directors' interests with those of the Company's shareholders.

The Company has adopted a compensation scheme for non-executive directors that pays each non-executive director a fee of \$1,000 per meeting.

Directors are also eligible to participate in the Company's Stock Option Plan and are awarded stock options under the Plan from time to time as compensation for their services as directors. For further details concerning the terms of the Plan, please see the section of this Information Circular below entitled "*Summary of Stock Option Plan*".

Directors are also reimbursed for travel and other expenses incurred in attending meetings and the performance of their duties.

During the financial year ended September 30, 2014, the directors (excluding NEOs who are directors and are not entitled to any additional compensation for their service as directors) received compensation set out in this Information Circular.

### Director Option-based Awards

#### Outstanding option-based awards and share-based awards as at September 30, 2014

Name	Option-based Awards				Share-based Awards <sup>(1)</sup>	
	Number of securities underlying unexercised options (2) (#)	Option exercise price (3) (\$)	Option expiration date	Value of unexercised in-the-money options (4) (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Peter M. Blecher	50,000	\$ 0.39	Jan 13/15	9,000	-	-
	100,000	\$ 0.36	Mar 19/15	18,000	-	-
Mark A. Cochran	200,000	\$ 0.39	Jan 13/15	36,000	-	-
	100,000	\$ 0.36	Mar 19/15	18,000	-	-
Martin Marino	50,000	\$ 0.39	Jan 13/15	9,000	-	-
	200,000	\$ 0.36	Mar 19/15	36,000	-	-
Andrew Pollock	50,000	\$ 0.39	Jan 13/15	9,000	-	-
	100,000	\$ 0.36	Mar 19/15	18,000	-	-
Joseph D. Renner	50,000	\$ 0.39	Jan 13/15	9,000	-	-
	500,000	\$ 0.36	Mar 19/15	90,000	-	-
Cameron Groome	200,000	\$ 0.30	Mar 23/17	54,000	-	-

Notes:

- (1) *The Company does not have a share-based awards plan.*
- (2) *The securities underlying the stock options of the Company are Common Shares. The issuer of the stock options is the Company. For further details concerning the terms of the Plan and options granted thereunder, reference is made to the section above entitled "Stock Option Plan".*
- (3) *The exercise price of an option granted under the Plan is generally the closing sale price of the Common Shares on the TSX on the trading day immediately preceding the date of grant.*

Any options held by directors that vested during the year had an exercise price higher than the market price at the time of vesting and therefore no dollar amount would have been realized if the options had been exercised on the date of vesting.

The Board considers option grants to directors at the time a director joins the Board and annually thereafter. Option grants to directors are intended as a long term incentive and vest in equal portions over a period of three years.

Any options held by a director that vested during the year that had an exercise price higher than the market price at the time of vesting were valued at zero as no dollar amount would have been realized if the options had been exercised on the date of vesting.

The Company annually renews and purchases insurance coverage for directors' and officers' liability. The premium is fully paid by the Company and for the current year was \$36,913. The directors' and officers' liability is \$10,000,000 U.S.

## EQUITY COMPENSATION PLAN INFORMATION

The following table sets out information as of September 30, 2014, the year end of the Company's most recently completed financial year with respect to compensation plans under which equity securities of the Company are authorized for issuance. The only compensation plan under which equity securities of the Company are authorized for issuance is the Stock Option Plan, which has been approved by shareholders.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options warrants and rights <sup>(1)</sup> (a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights <sup>(1)</sup> (b)</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a) <sup>(1)</sup> (c)</b>
Equity compensation plans approved by security holders	4,354,000	\$0.36	4,598,500
Equity compensation plans not approved by security holders	None	N/A	N/A
<b>Total</b>	<b>4,354,000</b>	<b>\$0.36</b>	<b>4,598,500</b>

### Summary of Stock Option Plan

On January 26, 1995, the shareholders approved a stock option plan, which was subsequently amended, most recently on March 5, 2013 (the "Plan") providing for the granting of stock options. Pursuant to the Plan, the Board of Directors may, from time to time, at its discretion, and in accordance with the requirements of the TSX, on which securities of the Company are traded, grant options

to purchase common shares of the Company. As of the date hereof, 12,000,000 options are authorized under the Plan, representing 15.13% of the number of issued and outstanding shares of the Company. Of this fixed maximum, 4,464,500 options have been exercised, representing approximately 5.6% of the Company's issued and outstanding common shares as of the date hereof, and are not available for future grants under the current fixed maximum amount, leaving 5,922,000 options currently granted and outstanding as of the date hereof under the Plan, which represents approximately 7.5% of the issued and outstanding shares of the Company as of the date hereof. As of the date hereof, 1,613,500 options, representing approximately 2.0% of the Company's issued and outstanding shares as of the date hereof, are available for grant under the Plan. Any common shares subject to an option which have been granted under the Plan, which expires or terminates without having been fully exercised may be made the subject of a further option under the Plan.

### *Eligibility*

The Plan provides that options may be granted by the Board of Directors to officers, directors, employees and service providers of the Company, and of any affiliate or subsidiary of the Company (the "Participants"). The Plan is intended to encourage ownership of common shares of the Company by Participants and to thereby provide additional incentive for the Participants to promote the success and business of the Company.

### *Exercise Price*

The exercise price of common shares that are the subject of any option may be fixed by the directors of the Company, or their appointee, but under no circumstances will any price be less than the market price of the common shares at the time of the grant. The "market price" per common share at any time shall be the closing sale price of common shares on The Toronto Stock Exchange (the "TSX") on the business day immediately prior to the day on which the market price is to be determined. If there is no sale of board lots of common shares on such day, then the market price will be the average of the bid and asked prices on the TSX for the business day immediately prior to the day that the market price is to be determined, or if there are no bid and asked prices on the TSX on such day, then the market price will be the five-day weighted average of the closing prices for board lots of common shares on the TSX based on the five business days immediately prior to the day on which the market price is to be determined. If the common shares are listed and posted for trading on another stock exchange but not on the TSX, references to the TSX in the foregoing definition should be read as the other exchange. If the common shares are not listed and posted for trading on a stock exchange, the market price of the common shares shall be the fair market value as determined by the Board of Directors.

### *Insider Participation Limit*

The Stock Option Plan provides that the number of common shares which may be issuable, at any time, under the Plan and under any other employee stock option plan or other share compensation arrangements of the Company to insiders (as defined in the TSX Company Manual) of the Company, and of any affiliate or subsidiary of the Company, shall not exceed 10% of the Company's total issued and outstanding securities. The Plan further provides the number of common shares which may be issued within a one-year period pursuant to the Plan and under any other employee stock option plans or other share compensation arrangements of the Company to insiders of the Company, and of any affiliate or subsidiary of the Company, shall not exceed 10% of the outstanding issue; and the Stock Option Plan further provides that the number of common shares which may be issued within a one year period to any one insider (and such insider's associates) of the Company pursuant to the Stock Option Plan and under any other employee stock option plans or other share compensation arrangements shall not exceed 5% of the outstanding shares of the Company.

### *Term, Vesting and Blackout*

The period of exercise of any option shall not extend beyond a period of ten years from the date of grant of the option, subject to earlier expiry in the event of death, disability or termination of employment, office, directorship or service, as the case may be. The period within which an option or portion thereof may be exercised by a Participant in each case is determined by the Board of Directors. Subject to certain conditions, options may be exercised within 12 months of death of an optionee. In employment, office, directorship or service due to disability, options may be exercised for a period of 6 months from the date of such termination. In the event of termination of employment, office, directorship (other than non-executive directors) or service for any reason other than death or disability, options may be exercised for a period of 3 months from the date of such termination. Non-executive directors may exercise vested options following resignation.

If the expiry date of an option falls on or within nine (9) trading days immediately following the date upon which the optionee is prohibited from exercising such option due to a black out period or other trading restriction imposed by the Company, then the expiry date of such option shall be extended to the tenth (10<sup>th</sup>) trading day following the date the relevant black out period is lifted.

Options vest after three months from the date of grant or such longer period as determined by the Board of Directors, provided the Participant shall have remained in the employ or as an officer or director of or provided services to the Company for at least three months.

### *Assignment*

Options granted under the Plan are not assignable or transferable other than by will or by the laws of descent and distribution.

### *Amendments to the Plan*

The Board of Directors has the discretion to make certain amendments to the Plan without having to obtain shareholder approval. Without limiting the scope of the foregoing, the Plan provides that, for greater certainty, the Board may make the following amendments to the Plan or any option thereunder without shareholder approval: (i) minor amendments of a housekeeping or clerical nature; (ii) amendments to the vesting provisions of the Plan or any option granted under the Plan; (iii) a change to the early termination provisions of an option or of the Plan, (iv) additions or modifications of a provision relating to financial assistance; and (v) the suspension of termination of the Plan.

However, the Board of Directors may not, without the prior approval of the shareholders of the Company, make any amendment to the Plan in respect of:

- (1) the maximum number of shares of the Company which are reserved for issuance under the Plan (and under any other share compensation agreement of the Company);
- (2) a reduction in the exercise price for options held by insiders; or
- (3) an extension to the terms of options held by insiders.



### *Early Expiry*

In the event an optionee's employment, office, directorship with or service to the Company is terminated, other than by reason of death or permanent disability, such optionee may exercise his or her options for a period within 90 days of the date of termination of the optionee's employment, office, directorship or services, as the case may be.

### **INDEBTEDNESS OF EXECUTIVE OFFICERS, DIRECTORS AND EMPLOYEES**

As at the date hereof, none of the executive officers, directors, employees and former executive officers, directors and employees of the Company are indebted to the Company.

### **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

The Company has developed under the stewardship of the Board of Directors, which works closely with management, making decisions as a whole rather than through a system of committees. The Company has two (2) formal committees: the Audit Committee; and the Compensation Committee. The Board holds formal meetings as required at least once per fiscal quarter to consider the Company's business and financial performance, the appointment of officers and approval of shareholder communications. Additional meetings are held as needed to consider specific issues that arise from time to time. During the fiscal year ended September 30, 2014, the Board met five times.

Working groups of directors as ad hoc committees may be formed as required to investigate business developments or other operational matters. Historically, the Chairman and Chief Executive Officer has consulted with individual directors on an informal basis, usually weekly. Because there are only two senior executives, members of the Board of Directors often provide direct assistance and participate closely in operational and strategic decisions before they are submitted to the Board as a whole. In this regard, the Board is very much a "working board" in the sense that Board members are often directly involved in management issues. Management also prepares reports to the Board in respect of operations and matters, which require pre-approval by the Board. All material items of a capital nature, as well as material expenditures, borrowings, annual financial statements and shareholder communications, require Board pre-approval. The Audit Committee reviews all disclosure of financial information such as annual and interim financial statements and related press releases prior to dissemination.

The Chief Executive Officer reports to the Board on the Company's progress by comparing actual results to the prior year and to annual forecasts. Management is responsible for risk identification, risk management, succession planning, human resource management and public communication, under the overall direction of the Chief Executive Officer who reports to and accepts direction in these areas from the Board. The Board of Directors reviews the performance of the Chief Executive Officer informally on an ongoing basis. The Board, directly and through its Audit Committee, assesses the integrity of the Company's internal control and management information systems.

The Company does not have a significant shareholder with the ability to exercise a majority of the votes for the election of directors. Six of the eight members of the Board of Directors are independent, being free from any interest and any business or other relationship which could reasonably be perceived to materially interfere with the director's ability to act with a view to the best interests of the Company, other than interests or relationships arising from shareholdings. The non-independent directors are Mr. Gastle, by virtue of his position as Executive Chairman of the Company and Mr. Embro-Pantalony by virtue of his position as President and Chief Executive Officer of the Company.

The Board has not appointed a nominating committee to appoint and assess directors, nor has it implemented a formal process for assessing directors. Appointments to the Board of Directors are discussed by the Board as a whole with a view to reflecting the interest of shareholders and the needs of the Company. Assessments of directors are conducted in the same way. New directors are provided with an orientation program consisting of informal meetings with other Board members, management, the Company's legal counsel and/or auditors, depending upon the new directors' appointments and wishes. The Board considers that the current size of the Board is appropriate for the Company's size, complexity and stage of development.

The Board has considered the compensation of directors in light of risks and responsibilities. Non-Executive Directors are granted stock options, as well they receive cash remuneration. See "Compensation of Directors" above.

The Audit Committee is composed of Mr. Martin Marino as Chairman and Directors Vaughn Embro-Pantalony, William Gastle, Cameron Groome and Andrew Pollock. Messrs. Marino, Groome and Pollock are independent directors. The Audit Committee is responsible for the Company's financial and other internal control systems and reporting. It has direct access to external auditors, and is in close contact with the financial management of the Company. The Company has adopted an Audit Committee Charter, a copy of which is annexed to this information circular as **Schedule "A"**.

The Compensation Committee is composed of Messrs. Renner, Marino, Pollock, Embro-Pantalony and Gastle. The Compensation Committee is responsible for overseeing compensation, promotions and appointments of senior management of the Company and of the Board of Directors.

Annexed to this information circular as **Schedule "B"**, is a disclosure of the Company's approach to corporate governance in the form required by National Instrument 58-101.

## **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

No person who has been a director or an officer of the Company at any time since the beginning of its last completed financial year or any associate of any such director or officer has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, other than the election of directors or the appointment of auditors, except as disclosed in this Information Circular.

## **OTHER MATTERS WHICH MAY COME BEFORE THE MEETING**

The management knows of no matters to come before the Meeting of shareholders other than as set forth in the Notice of Meeting. **HOWEVER, IF OTHER MATTERS WHICH ARE NOT KNOWN TO THE MANAGEMENT SHOULD PROPERLY COME BEFORE THE MEETING, THE ACCOMPANYING PROXY WILL BE VOTED ON SUCH MATTERS IN ACCORDANCE WITH THE BEST JUDGMENT OF THE PERSONS VOTING THE PROXY.**

## ADDITIONAL INFORMATION

Additional information relating to the Company is on SEDAR at [www.sedar.com](http://www.sedar.com). Security holders may contact the Company to request copies of the Company's financial statements and Management's Discussion and Analysis ("MDA") by completing the Request Form sent to shareholders with this information circular and mailing it to Canadian Stock Transfer Company Inc., P.O. Box 700, Station B, Montreal, Quebec, H3B 3K3 or via hand delivery to 320 Bay Street, 3<sup>rd</sup> Floor, Toronto, Ontario, M5H 4A6. Financial information is provided in the Company's comparative financial statements and MD&A for its most recently completed financial year ended September 30, 2014.

## GENERAL

Except where otherwise indicated, information contained herein is given as of January 23, 2015.

**DATED** this 23rd day of January, 2015.

By Order of the Board of Directors of

Microbix Biosystems Inc.

By: "Vaughn Embro-Pantalony"  
Vaughn Embro-Pantalony,  
Chief Executive Officer

## **Schedule “A”**

### **AUDIT COMMITTEE CHARTER**

#### **Role**

The purpose of the Audit Committee of the Board of Directors (the “Board”) of Microbix Biosystems Inc. (the “Company”) is to assist the Board in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing, and reporting practices of the Company, and such other duties as directed by the Board. The Audit Committee’s role includes a particular focus on the qualitative aspects of financial reporting to shareholders, on the Company’s processes to manage business and financial risk, and on compliance with applicable legal, ethical and regulatory requirements.

#### **Membership**

The membership of the Audit Committee shall consist of at least three directors who are (or within a reasonable period of time become) financially literate and generally knowledgeable in financial and auditing matters, including at least one member with accounting or related financial management expertise. Each member of the Audit Committee must be financially literate, that is having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements. Each member shall be independent, meaning that the member shall be free of any direct or indirect material relationship with the Company. A material relationship means a relationship that, in the view of the Board, could reasonably interfere with the exercise of the member’s independent judgment. The provisions and requirements of Multilateral Instrument 52-110 “Audit Committee” related to determining the independence of individuals shall apply to members of the Audit Committee. In addition, each member of the Audit Committee shall be an “unrelated director” within the meaning of the rules of the Toronto Stock Exchange (the “TSX”).

The Chair of the Audit Committee shall be appointed by the full Board.

#### **Communications and Reporting**

The Committee is expected to maintain free and open communication with the external auditors, the internal accounting staff, and the Company’s management. This communication shall include private executive sessions, at least annually, with each of these parties. The Committee chairperson shall report on Audit Committee activities to the full Board.

#### **Authority**

In discharging its oversight role, the Audit Committee is empowered to investigate any matter brought to its attention, with full power to retain outside counsel or other advisors and experts for this purpose. The Audit Committee shall be empowered to set and pay the compensation for any such advisors employed by the Audit Committee. The Audit Committee shall have the authority to communicate directly with the internal and external auditors of the Company.

## **Responsibilities**

### **Oversight**

The Audit Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management of the Company and the external auditor regarding financial reporting.

### **Recommend Auditor**

The Audit Committee must recommend to the Board the external auditor to be nominated (subject to shareholder approval) for the purpose of preparing and issuing an auditor's report or performing other audit, review or attest services for the Company and the compensation of the external auditor.

### **Pre-Approve Non-Audit Services**

The Audit Committee must pre-approve all non-audit services to be provided to the Company (or any of its subsidiary entities) by the Company's external auditor.

### **Review Financial Disclosure**

The Audit Committee must review the Company's financial statements, management's discussion and analysis (MD&A) and annual and interim financial press releases before the Company publicly discloses this information.

The Audit Committee must be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, and must periodically assess the adequacy of those procedures.

### **Whistle Blower Procedures**

The Audit Committee must establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employee's of the Company of concerns regarding questionable accounting or auditing matters.

### **Reliance on Management and Auditors**

The Audit Committee relies on the expertise and knowledge of management, the internal auditors, and the external auditor in carrying out its oversight responsibilities. Management of the Company is responsible for determining the Company's financial statements are complete, accurate, and in accordance with generally accepted accounting principles. The external auditor is responsible for auditing the Company's financial statements. The Audit Committee should assure itself that the Company's internal policies, procedures and controls are adequate and are being implemented and followed.

### Relationship with Auditors

The Audit Committee is also responsible for ensuring that the Company's external auditors submit on a periodic basis to the Committee a formal written statement delineating all relationships between the external auditors and the Company and actively engaging in a dialogue with the external auditors with respect to any disclosure relationships or services that may impact the objectivity and independence of the external auditors and for taking appropriate action to ensure the independence of the external auditors within the meaning of applicable Canadian law.

The Audit Committee must review and approve the Company's hiring policy regarding partners, employees and former partners and employees of the present and former external auditor of the Company.

### Guidelines for Audit Committee

With respect to the exercise of its duties and responsibilities, the Audit Committee should, among other things:

- (1) report regularly to the Board on its activities, as appropriate;
- (2) exercise reasonable diligence in gathering and considering all material information;
- (3) remain flexible, so that it may be in a position to best react or respond to changing circumstances or conditions;
- (4) understand and weigh alternative courses of conduct that may be available;
- (5) focus on weighing the benefit versus harm to the Company and its shareholders when considering alternative recommendations or courses of action;
- (6) if the Audit Committee deems it appropriate, secure independent expert advice and understand the expert's findings and the basis for such findings, including retaining independent counsel, accountants or others to assist the Audit Committee in fulfilling its duties and responsibilities; and
- (7) provide management and the Company's independent auditors with appropriate opportunities to meet privately with the Audit Committee.

### Meetings

The Audit Committee shall meet with such frequency and at such intervals as it shall determine is necessary to carry out its duties and responsibilities. As part of its purpose to foster open communications, the Audit Committee shall meet at least annually with management and the Company's external auditors in separate executive sessions to discuss any matters that the Audit Committee or each of these groups or persons believe should be discussed privately. In addition, the Audit Committee should meet or confer with the external auditors and management to review the Company's interim consolidated financial statements and related filings prior to their filing with the Ontario Securities Commission, or any other regulatory body. The Audit Committee Chairman should work with the Chief Financial Officer and management to establish the agendas for Audit Committee meetings. The Audit Committee, in its discretion, may ask members of management or others to attend its meetings (or portions thereof) and to provide pertinent information as necessary. The Audit Committee shall maintain

minutes of its meetings and records relating to those meetings and the Audit Committee's activities and provide copies of such minutes to the Board to be included in the minute books of the Company.

#### **Disclosure and Review of Charter**

This Charter shall be published in the Company's annual report, information circular or annual information form of the Company as required by law. The Audit Committee should review and assess annually the adequacy of this Charter as required by the applicable rules of the TSX or applicable Canadian securities regulators.

## Schedule “B”

### CORPORATE GOVERNANCE DISCLOSURE

#### **Board of Directors**

Six of the eight members of the Board are independent directors. These independent directors are Dr. Peter Blecher, Dr. Mark Cochran, Martin Marino, Andrew C. Pollock, Joseph D. Renner, and Cameron Groome. William J. Gastle is not independent as he was appointed Executive Chairman of the Company on November 16, 2012. Vaughn Embro-Pantalony is not independent as he was appointed President and Chief Executive Officer on November 16, 2012.

Mr. Gastle is the Executive Chairman of the Board of Directors of the Company. As he is not an independent director, Andrew Pollock has been appointed the Lead Director and is an independent director. Mr. Gastle is responsible for chairing meetings of the Board and calls meetings of the Board as required between the regularly scheduled quarterly meetings, as issues of substance arise. Mr. Gastle is responsible for the management, development and effective performance of the Board and provides leadership to the Board for all aspects of the Board’s work.

The Lead Director of the Board acts in an advisory capacity to the Chairman and to other officers in all matters concerning the interests of the Board and relationships between management and the Board.

In fiscal 2014, the full Board met five (5) times with attendance as noted below. Regular Board meetings are called on a quarterly basis. Special Board Meetings are called for specific strategic business reasons. The Board is consulted on a frequent and informal basis by management, which is done extraordinarily to regular meetings.

Name	Date of Meeting				
	Dec 23, 2013	Feb 13, 2014	May 13, 2014	Jun 18, 2014	Aug 12, 2014
Andrew Pollock	x		x	x	x
Joe Renner	x	x	x	x	
Mark Cochran	x	x	x	x	x
Peter Blecher	x	x	x	x	x
Vaughn Embro-Pantalony	x	x	x	x	x
William Gastle	x	x	x	x	x
Martin Marino	x	x	x	x	x
Cameron Groome	x		x	x	x

During the fiscal year ended September 30, 2014, the Audit Committee met four (4) times; the Human Resources and Compensation Committee met once.

The Board functions independently as a majority of the members of the Board are not involved in management. Also, when appropriate, the Board excuses management from meetings and conducts business and makes decisions exclusive of management.



## **Mandate for the Board of Directors of Microbix Biosystems Inc.**

### **Overview**

The “Mandate for the Board” (the “**Board Mandate**”) is intended to be consistent with the responsibility of a Board of company the size of Microbix. The Board has the responsibility to oversee the conduct of the business of the Company and to oversee the activities of management who are responsible for the day-to-day conduct of the business of the Company. The Board has formerly operated informally by delegating certain of its authorities to management and by reserving certain powers to itself. The Board inherently retains the responsibility of managing its own affairs including reviewing candidates for election to the Board, constituting committees of the full Board and determining compensation for the directors. The Board may constitute, seek the advice of and delegate powers, duties and responsibilities to committees of the Board.

### **Objectives**

The Board’s fundamental objectives are to enhance and preserve long-term shareholder value, to ensure the Company meets its obligations on an ongoing basis and that the Company operates in a reliable and safe manner and meet all regulatory requirements. In performing its functions, the Board should also consider the legitimate interests its other stakeholders such as employees, and customers may have in the Company. In broad terms, the stewardship of the Company involves the Board in strategic planning, financial reporting, risk management and mitigation, senior management determination, communication planning and internal control integrity.

The Board may also perform any other activities consistent with this Board Mandate, the *Business Corporation’s Act* (Ontario), the Company’s constating documents and any other governing laws as the Board determines necessary or appropriate.

### **Committees**

The Board, as a whole, receives advice and the results of the review of matters referred to committees by the Board, from the two Committees of the Board. Terms of reference are provided by the Board when Committees are appointed annually. The Board selects Directors for Committees, who in its judgment, have the qualifications for appointment and are willing to serve. The terms of reference for each committee Chairman are provided upon appointment unless they are assumed by virtue of his qualifications and performance in the position held previously. Reporting responsibilities are understood to be the Board and the function of the Chairman and his key responsibilities are reviewed annually. Appointment to committees is for indefinite terms.

The Board has not developed a formal position description for the Chief Executive Officer. His position is reviewed annually by the Compensation Committee and considered by the Board as a whole, annually.

The Board reviews a strategic plan which takes into account the opportunities and risks of the business annually in consultation with the Chief Executive Officer.

The Board has appointed a Chair. The role and responsibilities of the Chairman is to oversee the administration of Board matters including but not limited to scheduling meetings, preparing documentation for Board review, consulting with legal counsel, setting meeting dates and communicating with Directors regularly to ensure all issues of concern to the Board are addressed in meetings.

In the event the Chairman is also an officer or executive of the Company, the Board shall appoint a Lead Director who shall not be an officer or executive of the Company. The Lead Director shall act in an advisory capacity to Chairman and Chief Executive Officer and to the Board of Directors and shall be independent of management.

#### Orientation and Continuing Education

The Company shall have a process of orientation and education for new members of the Board. When a new member joins the Board, the member shall have a meeting with the management of the Company. This meeting shall include an orientation of the business, strategy, financials and history of the Company as well as a question and answer period. The new member shall also meet with the Board and with each Committee, to which the new board member is appointed, to discuss with the Board/Committee its mandates, policies and procedures. New Board members shall also be given a copy of the Company's Governance Policies. Any further orientation and/or education shall be determined on an ad hoc basis dependent on the needs of the new member.

#### Ethical Business Conduct

The Board has adopted a written Code of Business Conduct and Ethics (the “**Code**”), which applies to all directors, officers and employees of the Company, including but not limited to, the chief executive officer, chief financial officer, controller and persons performing similar functions. A copy of the Code is available from the Company upon request and is available at [www.sedar.com](http://www.sedar.com).

The Board shall appoint the Corporate Secretary and General Counsel as Compliance Officer under the Code. The Company will circulate the Code to all officers, directors and employees of the Company. Management of the Company will certify to the Board quarterly on compliance with the Code.

Conflicts of interest and potential conflicts of interest which the directors and officers of the Company may be subject in connection with the operations of the Company, if any, are subject to the procedures provided under the *Business Corporations Act* (Ontario).

#### Nomination of Directors

The Board as a whole determines who shall be nominated for election to the Board.

Nominations are reviewed in respect of the governance of the Company; qualifications are assessed on an individual basis. Directors are generally selected from professionals with expertise that the Board believes would strengthen the expertise needed in the course of the business of the Company. The Board reviews its size on an on-going basis, and at least annually, with a view to determining the impact of the number of directors upon effectiveness. As the Company has traditionally had Directors who are not residents or citizens of Canada, the category of foreign Directors is considered when appointing new Board Members.

#### Compensation

The Compensation Committee reviews the adequacy and form of compensation of directors and officers at least on an annual basis. The Compensation Committee reports its findings to the full Board and recommends compensation, which is appropriate for the responsibilities and risks assumed by the directors.

The Compensation Committee's primary duties and responsibilities are to review and make recommendations to the Board in respect of: (a) human resource policies, practices and structures (to monitor consistency with the Company's goals and near and long term strategies, support of operational effectiveness and efficiency, and maximization of human resources potential); (b) compensation policies and guidelines; (c) management incentive and perquisite plans and any non-standard remuneration plans; (d) senior management, executive officer appointments and their compensation; (e) management succession plans, management training and development plans, termination policies and termination arrangements; (f) the Company's senior human resource (organizational) structure; and (g) Board compensation matters. The Compensation Committee makes recommendations with respect to the compensation of the executive officers and the Board to the Board, which gives final approval with respect to any executive compensation and directors' compensation matters and issues.

#### Assessments

The Board shall assess the effectiveness of the Board as a whole, committees of the Board, and the contribution of individual directors on an informal basis. The Lead Director considers the assessment reported to him by individual directors on an annual basis or more frequently from time to time as the need arises. The Lead Director takes appropriate action as required based on discussion with other directors.

#### Board of Directors

A majority of the Board shall be independent directors.

The Board shall hold regular meetings called on a quarterly basis. The Board shall be consulted on a frequent and informal basis by management, which shall occur in addition to regular meetings.

## Schedule "C"

### NOTICE OF CHANGE OF AUDITORS



Microbix

**Microbix Biosystems Inc.**  
265 Watline Ave.  
Mississauga, ON  
Canada L4Z 1P3  
Tel. 905-361-8910 Fax 905-361-8911

#### **MICROBIX BIOSYSTEMS INC. NOTICE OF CHANGE OF AUDITOR (National Instrument 51-102)**

TO: Alberta Securities Commission  
British Columbia Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers

AND TO: BDO Canada LLP, Chartered Public Accountants ("BDO")

AND TO: Collins Barrow Toronto LLP, Chartered Public Accountants ("Collins Barrow")

Microbix Biosystems Inc. (the "Corporation") hereby gives notice pursuant to with National Instrument 51-102 — *Continuous Disclosure Obligations* ("NI 51-102") as follows:

- (a) effective August 12, 2014 (the "Resignation Date") BDO resigned as the auditor of the Corporation at the request of the Corporation;
- (b) the Corporation proposes that Collins Barrow be appointed as auditor of the Corporation as effective August 12, 2014. As such the audit committee and the board of directors of the Corporation have considered and approved the resignation of BDO and the appointment of Collins Barrow as auditor of the Corporation;
- (c) there have been no modified opinions in the auditor's report on the Corporation's financial statements issued during the two most recently completed financial years; and
- (d) There have been, in the opinion of the Corporation, no "reportable events" as that term is defined in NI 51-102.

Dated at Toronto, Ontario this August 12, 2014.

**MICROBIX BIOSYSTEMS INC.**

Per: \_\_\_\_\_  
Name: Vaughn Embro-Pantalony  
Title: President and Chief Executive Officer



Tel: 416 865 0200  
Fax: 416 865 0887  
www.bdo.ca

BDO Canada LLP  
TD Bank Tower  
66 Wellington Street West  
Suite 3600, PO Box 131  
Toronto ON M5K 1H1 Canada

August 25, 2014

To: Alberta Securities Commission  
British Columbia Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers  
Toronto Stock Exchange

Re: Notice of Change of Auditors - Microbix Biosystems Inc.

Dear Sirs:

We have read the notice of change of auditors of Microbix Biosystems Inc. dated August 12, 2014 which we understand will be filed pursuant to Section 4.11 of National Instrument 51-102, and are in agreement with the statements contained in that notice based on our knowledge of the information contained therein at this time.

Yours truly,

*BDO Canada LLP*

BDO Canada LLP  
Chartered Accountants, Licensed Public 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](http://www.collinsbarrow.com)

August 22, 2014

To: Alberta Securities Commission  
British Columbia Securities Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers

Dear Sirs

Re: Notice of Change of Auditor – Microbix Biosystems Inc.

We have reviewed the information contained in the Notice of Change of Auditor of Microbix Biosystems Inc. dated August 12, 2014, (the "Notice"), which we understand will be filed pursuant to Section 4.11 of National Instrument 51-102. We agree with the statements made in the Notice based on our knowledge of such information at this time.

Yours very truly

*Collins Barrow Toronto LLP*

Collins Barrow LLP  
Chartered Accountants  
Toronto, Ontario

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## Schedule “D”

### AMENDED STOCK OPTION PLAN

MICROBIX BIOSYSTEMS INC.

#### STOCK OPTION PLAN (As amended to January 16, 2015)

##### A. Purpose

The Purpose of the Stock Option Plan (the “Plan”) of Microbix Biosystems Inc. (the “Corporation”) is to provide a means whereby the Corporation may, through the grant of options to purchase common shares of the Corporation (“common shares”) to officers, directors, employees and service providers of the Corporation, and of any affiliate or subsidiary of the Corporation, motivate officers, directors, employees and other service providers (including officers and directors who are not employees) to exert their best efforts on behalf of the Corporation, and any affiliate or subsidiary, and closely align the personal interest of such officers, directors and employees and service providers with those of the shareholders. Options may be granted by the Corporation from time to time to officers, directors, key employees and service providers or to personal holding corporation controlled by such optionees or to registered retirement savings plan established by such optionees of the Corporation, or of any affiliate or subsidiary of the Corporation, to purchase common shares (such persons, corporations and plans shall be considered to be the class of the eligible optionees hereunder).

##### B. Number of Shares Available Under Plan

Common shares to be issued upon exercise of an option granted under the Plan shall be reserved on the date of an option for the issuance upon exercise of such option.

(1) **Maximum Number.** Subject to adjustment as provided in Subparagraph D(8) below, the aggregate number of common shares which may be reserved for issuance under the Plan shall not exceed 12,000,000 common shares.

(2) **Insiders.** Notwithstanding anything else herein contained:

- (a) the number of common shares which may be issuable, at any time, under the Plan and under any other employee stock option plans or other share compensation arrangements of the Corporation to insiders (as defined in the TSX Company Manual) of the Corporation, and of any affiliate or subsidiary of the Corporation, shall not exceed 10% of the Corporation’s total issued and outstanding securities;
- (b) the number of common shares which may be issued within a one-year period pursuant to the Plan and under any other employee stock option plans or other share compensation arrangements of the Corporation to insiders of the Corporation, and of any affiliate

or subsidiary of the Corporation, shall not exceed 10% of the outstanding issue; and

- (c) the number of common shares which may be issued within a one-year period pursuant to the Plan and under any other employee stock option plans or other share compensation arrangements of the Corporation, to any one insider of the Corporation or of any affiliate or subsidiary of the Corporation, and such insider's associates shall not exceed 5% of the outstanding issue.

(3) **Individual.** The aggregate number of common shares which may be reserved for issuance to any one person under the Plan shall not exceed the number of common shares remaining after:

- (i) the aggregate number of common shares reserved for issuance under the Plan and under any other employee stock option plans or other share compensation arrangements of the Corporation held by such person on the date of the grant of the option;

is subtracted from

- (ii) 5% of the aggregate number of common shares issued and outstanding (on a non-diluted basis) on the date of the grant of such option.

(4) **Termination, Expiry, etc.** If any option granted under the Plan shall terminate, expire or, with the consent of the optionee, be cancelled as to any common shares, new options may thereafter be granted covering such common shares, subject to applicable regulatory requirements.

#### **C. Administration**

(1) **Supervision by Board.** The Plan shall be administered under the supervision of the board of directors of the Corporation or the compensation committee of the board of directors (both of which are referred to hereinafter as the "Board").

(2) **Powers of the Board.** Subject to the provisions of the Plan, the Board shall have the power to:

- (a) determine and designate from time to time those officers, directors employees and service providers of the Corporation, or of any affiliate or subsidiary of the Corporation, to whom options are to be granted and the number of common shares to be optioned to each such officer director, employee or service provider; and



- (b) determine the time or times when, and the manner in which, each option shall be exercisable and the duration of the exercise period.

(3) **Other Options and Purchase Plans.** An officer, director, employee or service provider who has been granted an option may, if the person is otherwise eligible, be granted an additional option under this Plan or any other option or purchase plans of the Corporation if the Board shall so determine.

(4) **Interpretation: Rules and Regulations.** The Board may interpret the Plan, prescribe and amend and rescind any rules and regulations necessary or appropriate for the administration of the Plan, and make such other determinations and take such other actions as it deems necessary or advisable. Without limiting the generality of the foregoing, the Board may, in its discretion, treat any portion of any period during which an optionee is on an approved leave of absence from the Corporation, or an affiliate or subsidiary of the Corporation, as a period of employment of such optionee by the Corporation, or such affiliate or subsidiary, as the case may be, for the purpose of accrual of the optionee's rights under the optionee's option. Any interpretation, determination or other action made or taken by the Board shall be final, binding and conclusive.

#### **D. Terms and Conditions**

Each option granted under the Plan shall be evidenced by an agreement, in a form approved by the Board, which shall be subject to the following express terms and conditions as the Board may deem appropriate:

(1) **Option Period.**

- (a) Each option agreement shall specify the period for which the option thereunder is exercisable (which in no event shall exceed 10 years from the date of the grant) and shall provide that the option shall expire at the end of such period (the "Expiry Date").
- (b) If the Expiry Date of any vested option falls on, or within nine (9) trading days, immediately following, the date upon which the optionee is prohibited from exercising such option due to a black out period or other trading restriction imposed by the Corporation ("Black Out Period"), then the Expiry Date of such option shall be automatically extended to the tenth (10<sup>th</sup>) trading day following the date the relevant Black Out Period is lifted, terminated or removed.

(2) **Option Price.** The option price per common share shall be determined by the Board at the time any option is granted but in no event shall such price be lower than the Market Price (as hereinafter defined) at the time of the grant.

“Market Price” means:

- (a) at any time during which the common shares are listed and posted for the trading on the Toronto Stock Exchange (the “TSX”). The closing sale price of the common shares on the TSX on the business day immediately prior to the day on which the Market Price is to be determined, or if there is no sale of board lots of common shares on such day, then the average of the bid and asked prices on the TSX for the business day immediately prior to the day on which the Market Price is to be determined, or if there are no bid and asked price on the TSX on such day, then the five-day weighted average of the closing prices for board lots of common shares on the TSX based on the five business days immediately prior to the day on which the Market Price is to be determined;
- (b) at any time during which the common shares are not listed and posted for trading on the TSX, but are quoted on any other stock exchange, the closing sale price for board lots of common shares on such exchange on the business day immediately prior to the day on which the Market Price is to be determined, or if there is no sale of board lots of common shares on such day, the average of the bid and asked prices on such exchange on such day, then the five-day weighted average for board lots of common shares on such exchange based on the five business days immediately prior to the day on which the Market Price is to be determined; and
- (c) at any other time, the fair market value of the common shares, as determined by the Board, with due regard being had to any over-the-counter sale prices, asked and bid prices, volume quotations, value of assets and liabilities of the Corporation, and income and prospects of the Corporation, as the Board shall in its sole discretion determine to be relevant.

(3) **Exercise of Option.** Subject to the provisions of Paragraph H below, no part of any option may be exercised until the optionee shall have remained in the employ or as an officer or director of or provided services to the Corporation, or of an affiliate or subsidiary of the Corporation, for such period after the date on which the option is granted as the board may specify in the option agreement, provided that such period shall in any event be no less than three months.

(4) **Payment of Purchase Price Upon Exercise.** The purchase price of the shares for which an option shall be exercised shall be paid in cash or by cheque to the Corporation at the time of exercise.

(5) **Exercise in the Event of Death or Termination of Employment.**

- (a) If an optionee shall die (i) while an employee, officer or director of or providing services to the Corporation, or any affiliate or subsidiary of the Corporation, or (ii) within 30 days after the termination of the optionee's employment, office, directorship with or service to the Corporation, or any affiliate or subsidiary of the Corporation, in accordance with clause (b) or (c) below, the optionee's option may be exercised, to the extent that the optionee shall have been entitled to do at the date of death, by the person or persons to whom the optionee's rights under the option pass by will or applicable law, or if no such person has a right, by the optionee's executors or administrators at any time, or from time to time, within 12 months from the date of death, but in no event later than the expiration date specified in accordance with Paragraph D(1) above.
- (b) If an optionee's (or, if the optionee is a personal holding company controlled by, or registered retirement savings plan established by, an officer, director, employee or service provider, then if such person's) employment, office or directorship with or service to the Corporation, or an affiliate or subsidiary of the Corporation, shall terminate because of the optionee's disability, the optionee may exercise the optionee's option, to the extent the optionee may be entitled to at the date of termination of the optionee's employment, office, directorship or services, at any time, or from time to time, within 6 months of the date of termination of the optionee's employment, office, directorship or services, but in no event later than the expiration date specified in accordance with Paragraph D(1) above.
- (c) Other than non-executive directors, if the optionee's (or, if the optionee is a personal holding company controlled by, or registered retirement savings plan established by, an officer, director, employee or service provider, then if such person's) employment, office or directorship with or service to the Corporation, or an affiliate or subsidiary of the Corporation, shall terminate for any other reason than the optionee's death or permanent disability, the optionee may exercise the optionee's option, to the extent the optionee may be entitled to at the date of termination of the optionee's employment, office, directorship or services, at any time, or from time to time, within 90 days of the date of termination of the optionee's employment, office, directorship or services, but in no event later than the expiration date specified in accordance with Paragraph D(1) above.

- (d) If a non-executive director optionee's directorship with the Corporation shall terminate for any other reason than the optionee's death or permanent disability, the optionee may exercise the optionee's option, to the extent the optionee may be entitled to at the date of termination of directorship, but in no event later than the expiration date specified in accordance with Paragraph D(1) above.
  - (e) In the event of termination in (a), (b) or (c) above, the Board shall have the discretion, in appropriate circumstances, to extend the period for exercise of the optionee's option but in no event later than the expiration of the date specified in accordance with Paragraph D(1) above.
- (6) **Non-transferability.** No option under the Plan shall be transferable or assignable other than by will or by the laws of descent and distribution. During the lifetime of the optionee, an option shall be exercisable only by such optionee.

(7) **Investment Representation, Listing and Regulation.**

- (a) No option shall be granted and no common shares shall be issued under the plan and until the Plan shall have been approved by the TSX, if such approval is required under the by-laws and rules of the TSX.
  - (b) Each option shall be subject to the requirements that if at any time the Board shall determine, in its discretion, that the registration, qualification or other approval of or in connection with the Plan or the common shares covered thereby is necessary or desirable under any provincial or federal law, then such option may not be exercised, in whole or in part, unless and until such registration, qualification or approval shall have been obtained free of any condition not acceptable to the Board. The optionee shall, to the extent applicable, cooperate with the Corporation in relation thereto and shall have no claim or cause of action against the Corporation or any of its officers, directors or shareholders as the result of any failure by the Corporation to take any steps to obtain any such registration, qualification or approval.
  - (c) The granting of options and the issuance of common shares under the Plan shall be carried out in accordance with applicable statutes and with regulations of governmental authorities and applicable stock exchanges.
- (8) **Adjustments in Event of Change of Common Shares.** Subject to any required approvals of applicable regulatory authorities and stock exchanges, in the event of any change in common shares by reason of any stock dividend, recapitalization,

merger, consolidation, split-up, combination or exchange of shares, or rights offering to purchase common shares at a price substantially below fair market value, or of any similar change affecting the common shares, the number and kind of shares which thereafter may be optioned and sold under the Plan and the number and kind of shares subject to option in outstanding option agreement and the purchase price per share thereof shall be appropriately adjusted consistent with such change in such manner as the Board may deem equitable to prevent substantial dilution or enlargement of the rights granted to, or available for, participants in the Plan.

(9) **Change of Control.** In this section,

(a) **“Change of Control”** means:

- (i) the acquisition, directly or indirectly, by any person or group of persons acting jointly or in concert, as such terms are defined in the *Securities Act* (Ontario), of Common Shares which, when added to all other Common Shares at the time held directly or indirectly by such person or persons acting jointly or in concert, constitutes for the first time in the aggregate 20% or more of the outstanding Common Shares;
- (ii) the removal, by resolution of the shareholders of the Corporation, of more than 51% of the then incumbent Board of Directors of the Corporation, or the election (or other reconstitution) of a majority of the members of the Corporation's Board of Directors who were not members of the Corporation's incumbent board at the time immediately preceding such election (or other reconstitution);
- (iii) the consummation of a sale of all or substantially all of the assets of the Corporation; or
- (iv) the consummation of a reorganization, amalgamation, plan of arrangement, merger or other form of transaction which has substantially the same effect as any of Sections (a)(i) to (a)(iii) above;

(b) **Effect of a Change of Control Transaction**

- (i) Upon the announcement of any form of transaction (a “Change of Control Transaction”) which, if completed, would constitute a Change of Control and under which Common Shares of the Corporation are to be exchanged, acquired or otherwise disposed of, including a take-over bid, or tender offer made for all or any of the issued and outstanding common shares, the Corporation shall, as soon as practicable

following the announcement of such Change of Control Transaction, notify each Optionee currently holding an option of the Change of Control Transaction, and all options of the Optionee which have not vested shall be deemed to be fully vested and exercisable solely for purposes of permitting the Participant to exercise such options in order to participate in the Change of Control Transaction in respect of the Common Shares (the "Optioned Shares") thereby acquired.

- (ii) Upon the completion of any other form of Change of Control not covered by Section (b)(i) above, all options of an Optionee which have not vested shall be deemed to be fully vested and exercisable.
- (iii) If:
  - (a) a Change of Control Transaction is not completed (or a Change of Control does not occur); or
  - (b) an Optionee does not cause his or her Optioned Shares to be exchanged or disposed of in a Change of Control Transaction of the nature described in Section (b)(i) above;

then the Optioned Shares shall be returned by the Optionee to the Corporation and reinstated as authorized but unissued Common Shares and the terms of the Option set forth in the Plan shall again apply to the Option. If any Optioned Shares are returned to the Corporation under this section, the Corporation shall refund the exercise price to the Optionee for such Optioned Shares. Other than in circumstances contemplated in Section (b)(ii), in no event shall the Optionee be entitled to dispose of the Option Shares otherwise than pursuant to a Change of Control Transaction.

(10) **Liquidation.** In the event the Board shall adopt a plan of complete liquidation, all options shall become immediately exercisable in full, notwithstanding that they may have been initially granted on an instalment basis.

(11) **No Rights as Shareholder.** No optionee shall have any rights as a shareholder with respect to any common shares subject to the optionee's option prior to the date of issuance to such optionee of a certificate or certificates for such shares.

(12) **No rights to Continued Employment.** The Plan and any option granted under the Plan shall not confer upon any optionee any right with respect to continuance of employment or an officer or director with or service provider to the Corporation, or

any affiliate or subsidiary of the Corporation, nor shall they interfere in any way with the right of the Corporation, or any affiliate or subsidiary of the Corporation, by which an optionee is employed, or of which the optionee is a director or service provider to terminate the optionee's employment or directorship or services at any time in accordance with applicable law.

**E. Amendment and Discontinuance**

Subject to applicable regulatory requirements, the Board may from time to time amend, suspend or discontinue the Plan provided, including, without limitation, amendments related to:

- (1) the vesting provisions of the Plan or any option granted under the Plan;
- (2) the early termination provisions of the Plan or any option issued under it;
- (3) the addition or modification of a provision relating to financial assistance;
- (4) the addition or modification of a cashless exercise feature, payable in cash or shares, which provides for a full deduction of the number of underlying shares from the reserve;
- (5) the suspension or termination of the Plan; or
- (6) any other amendment, whether fundamental or otherwise, not requiring shareholder approval under applicable law (including, without limitation, the rules, regulations and policies of the TSX).

Provided, however, that in no event shall the Board, without the prior approval of the shareholders of the Corporation, make any amendment to the Plan in respect of:

- (1) the maximum number of shares of the Corporation which are reserved for issuance under the Plan (and under any other share compensation agreement of the Corporation;
- (2) a reduction in the exercise price for options held by insiders; or
- (3) an extension to the terms of options held by insiders.

**F. Proceeds from Sales of Shares**

Any cash proceeds from the sale of shares issued upon exercise of the options shall be added to the general funds of the Corporation and shall thereafter be used from time to time for such corporate purposes as the Board may determine.

**G. Term of Plan**

Options may be granted only within 10 years from the date the Plan has been adopted by the Board.

**H. Shareholder Approval**

The Plan shall be presented to the Corporation's shareholders within 12 months of its adoption by the Board for approval by such shareholders. Options may be granted prior to such approval, but such options shall be contingent upon such approval being obtained and may not be exercised prior to such approval.

**I. Pre-Existing Plan Terminated**

The pre-existing stock option plan of the Corporation is terminated and options may no longer be issued thereunder.





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