

## **MICROBIX BIOSYSTEMS INC.**

### **Disclosure, Insider Trading and Blackout Policy**

#### **GENERAL**

It is fundamental that everyone investing in securities of Microbix Biosystems Inc. (the "Corporation") have equal access to information that may affect their investment decisions.

#### **OBJECTIVES**

The objectives of this policy are to:

- ensure that communications to the investing public about the Corporation are:
  - (a) timely, informative and accurate;
  - (b) consistent and broadly disseminated in accordance with all applicable legal and regulatory requirements;
- create a level playing field for all investors;
- prevent insiders from unfairly benefiting from insider information; and
- provide the directors, officers and employees of the Corporation with clear guidelines regarding trading in securities of the Corporation.

The consistent application of "best practices" in the disclosure of material information will enhance the Corporation's credibility with analysts and investors, contribute to the fairness and efficiency of the capital markets and investor confidence in those markets, and minimize the risk of non-compliance with securities legislation.

#### **SCOPE**

This disclosure policy extends to all employees of the Corporation and its wholly owned subsidiaries, the board of directors and those authorized to speak on behalf of the Corporation. It covers disclosure in documents filed with the securities commissions and written statements made in annual and quarterly reports, news releases, letters to the shareholders, speeches and presentations by senior management or other persons speaking on behalf of the Corporation and information contained on the Corporation's Website and other electronic communications. It extends to oral statements made in meetings and telephone conversations with analysts and investors, interviews with the media as well as press conferences and conference calls.

This policy confirms in writing the Corporation's existing practices. Its goal is to raise awareness of the Corporation's approach among the board of directors, senior management, employees and others who have non-public material information about the Corporation.

### **AUDIT COMMITTEE RESPONSIBILITY**

The Audit Committee is accountable for the implementation of the Corporation's disclosure practices and for setting benchmarks to determine when current developments justify public disclosure. The Committee may choose to delegate some responsibilities to management. The Committee or its delegates are responsible for the following:

- ensuring that this policy is enforced;
- training all directors, officers, management and staff about disclosure policies;
- reviewing and authorizing the information that will be disclosed (including electronic, written and oral disclosure) before its release; and
- updating this disclosure policy from time to time as circumstances require.

It is essential that the Audit Committee be fully apprised of all material information (as defined below) in order to evaluate and discuss those events to determine the appropriateness and timing for public release of information and how that information will be controlled. More specifically, the Audit Committee will review all disclosure including, but not limited to:

- press releases
- MD&A and President's letter
- website
- financials
- proposed content of any analyst meetings or conference calls
- material to be circulated to prospective investors, in connection with company financing activities
- sales literature

### **COMPANY SPOKESPERSON**

The President and Chief Executive Officer of the Corporation is authorized to speak on behalf of the Corporation to analysts, the media and investors. Having a designated spokesperson helps to reduce the risk of:

- unauthorized disclosures;
- inconsistent statements by different people; and
- statements which are inconsistent with the public disclosure record of the Corporation.

On occasion, The President and Chief Executive Officer may designate others to speak on behalf of the Corporation in his stead or to respond to specific inquiries. Unless specifically requested by the spokesperson, employees must not, under any

circumstances, respond to inquiries from the investment community, the media or others. All such inquiries shall be referred to the President.

The spokesperson is in a position that enables him to be fully apprised of Corporation's developments. It is essential that he be kept fully informed of all important and imminent changes regarding the Corporation in order to evaluate and discuss those events on behalf of the Corporation.

The Chief Financial Officer or the Senior Vice President, Business Development are the primary contacts with the TSX Market Surveillance Division of Market Regulation Services departments.

### **TIMELY DISCLOSURE**

The Corporation is required by law to immediately disclose a "material change" in its business by issuing and filing a press release describing the change.

Announcements of material changes should be factual and balanced. Unfavorable news must be disclosed just as promptly and completely as favorable news.

### **MATERIALITY**

Securities legislation defines a "material fact" as follows: "material fact, where used in relation to securities issued or proposed to be issued means a fact that significantly affects, or would reasonably be expected to have a significant effect on, the market price or value of such securities".

In making materiality judgements, it is necessary to take into account a number of factors that cannot be captured in a simple bright-line standard or test. These include the nature of the information itself, the volatility of the Corporation's securities and prevailing market conditions.

The Corporation should monitor the market's reaction to information that is publicly disclosed. Ongoing monitoring and assessment of market reaction to different disclosure will be helpful when making materiality judgements in the future.

Since determining what is "material" in the context of the Corporation involves making subjective judgments, it may not always be clear when disclosure must be made. A rule of thumb that may be used to determine if information is material is to consider as material any information which a reasonable investor would likely consider important in making an investment decision. As a guiding principle, if there is any doubt about whether particular information is material, securities regulators encourage companies to err on the side of materiality and release information publicly.

In case of uncertainty whether certain information is material, the Corporation will consult it's counsel and, in appropriate circumstances, the Market Surveillance Division

of Market Regulation Services Inc. (a body established to provide market regulation services to the TSX including administration of the TSX's timely disclosure requirements) (the "Market Surveillance Division") for assistance.

### Examples of Potentially Material Information

The following are examples of the types of events or information which may be material. This list is not exhaustive and is not a substitute for exercising judgement in making materiality determinations.

#### *Changes in Corporate Structure*

- changes in share ownership that may affect control of the Corporation
- major reorganizations, amalgamations, or mergers
- take-over bids, issuer bids, or insider bids

#### *Changes in Capital Structure*

- the public or private sale of additional securities
- planned repurchases or redemptions of securities
- planned splits of common shares or offerings of warrants or rights to buy shares
- any share consolidation, share exchange, or stock dividend
- changes in the Corporation's dividend payments or policies
- the possible initiation of a proxy fight
- material modifications to rights of security holders

#### *Changes in Financial Results*

- a significant increase or decrease in near-term earnings prospects
- unexpected changes in the financial results for any periods
- shifts in financial circumstances, such as cash flow reductions, major asset write-offs or write-downs
- changes in the value or composition of the Corporation's assets
- any material change in the Corporation's accounting policy

#### *Changes in Business and Operations*

- any development that affects the Corporation's resources, technology, products or markets
- a significant change in capital investment plans or corporate objectives
- major labour disputes or disputes with major contractors or suppliers
- significant new contracts, products, patents, or services or significant losses of contracts or business
- significant discoveries by resource companies

- changes to the board of directors or executive management, including the departure of the Corporation's CEO, CFO, COO or president (or persons in equivalent positions)
- the commencement of, or developments in, material legal proceedings or regulatory matters
- waivers of corporate ethics and conduct rules for officers, directors, and other key employees
- any notice that reliance on a prior audit is no longer permissible
- de-listing of the Corporation's securities or their movement from one quotation system or exchange to another

#### *Acquisitions and Dispositions*

- significant acquisitions or dispositions of assets, property or joint venture interests
- acquisitions of other companies, including a take-over bid for, or merger with, another company

#### *Changes in Credit Arrangements*

- the borrowing or lending of a significant amount of money
- any mortgaging or encumbering of the Corporation's assets
- defaults under debt obligations, agreements to restructure debt, or planned enforcement procedures by a bank or any other creditors
- changes in rating agency decisions
- significant new credit arrangements

#### **IMMEDIATE DISCLOSURE**

The Corporation must disclose material information concerning its business and affairs upon the information becoming known to management. In the case of information previously known but not disclosed, it must be disclosed forthwith upon it becoming apparent that the information is material.

A significant announcement is to be released immediately. Release of certain announcements may be delayed until the close of trading subject to the approval of the Market Surveillance Division.

Any announcement made about the Corporation's intention to proceed with a transaction must be made at the time that the transaction is approved by the Corporation's board of directors. Subsequent updates must be provided at least every 30 days. In certain cases, announcements may have to be made at the date the letter of intent is entered into even if it is non-binding.

### Press Releases

As soon as the Audit Committee determines that a fact is material it will authorize the issuance of a press release. If a statement is inadvertently made in a select forum, the Corporation will immediately issue a press release in order to fully disclose that information.

If the TSX is open for trading at the time of a proposed announcement, prior notice of the news release must be provided to the Market Surveillance Division to allow a cease trading if deemed necessary.

Annual and interim financial results will be publicly released promptly following board approval of the financial statements.

Press releases will be disseminated through an approved news wire service that provides simultaneous national and/or international distribution and concurrently filed on SEDAR. Press releases will be transmitted to all stock exchange members, relevant regulatory bodies, major news agencies, national financial media and the local media in areas where the Corporation has its headquarters and operations.

Press releases will be posted on the Corporation's Website promptly after its dissemination. The press release page of the Website shall include a notice that advises the reader that the information posted was accurate at the time of posting but may be superseded by subsequent press releases.

No news release can be disseminated until it has been deemed suitable by the Audit Committee. In making this determination, the Audit Committee must apply the following principles:

- The information must be factual, with appropriate due diligence having been performed by directors, officers or other employees of the Corporation or third party advisors, and must include any information the omission of which would make the rest of the disclosure misleading.
- The information must present a balanced point of view.
- The news release must contain sufficient detail to enable the media and investors to understand the substance and importance of the information being disclosed.
- The news release must clearly and accurately communicate the nature of the information.
- The news release must contain the name and contact information of spokespersons from whom further information may be obtained.

- Disclosure shall not be made of an intention to proceed with a transaction or activity unless the Corporation has the ability to carry out the intent.
- The news release must comply with applicable laws.

### **EXTERNAL POLITICAL, ECONOMIC AND SOCIAL DEVELOPMENTS**

There is no requirement for the Corporation to interpret the impact of external political, economic and social developments on its affairs. However, if an external development will have or has had a direct effect on the business and affairs of the Corporation that is both material and uncharacteristic of the effect generally experienced by other companies engaged in the same business or industry, the Corporation may explain, where practical, the particular impact on the Corporation. For example, a change in government policy that affects most companies in a particular industry does not require an announcement, but if it affects only one or a few companies in a material way, such companies should make an announcement.

### **MAINTAINING CONFIDENTIALITY**

All employees privy to material information are prohibited from communicating such information to anyone else, unless such disclosure is necessary for purposes of their employment. Efforts will be made by the Corporation to limit access to such material information only to those people who need to know such information and such persons will be advised of their obligation to keep the information confidential.

Email communication leaves a physical trace of its passage that may be subject to decryption attempts. All employees, directors and officers of the Corporation should exercise caution whenever non-public material information is to be transmitted over the Internet.

Outside consultants privy to non-public material information concerning the Corporation must be advised that they are prohibited from disclosing such information other than in the necessary course of their mandate and that they may not trade in the Corporation's securities until the information is publicly disclosed. Such outside consultants must confirm their commitment to non-disclosure.

In order to prevent the inadvertent use or disclosure of material information, the procedures set forth below should be observed by all employees, directors, officers and outside consultants retained by the Corporation:

- documents and files containing material information must be kept in a safe place to which access is restricted to individuals who must consult such documents in the necessary course of their activities and code names should be used when necessary;

- no conversations regarding material information must take place in areas where it is susceptible of being overheard (such as elevators, public hallways, crowded restaurants, airplanes, taxis);
- no open or detailed conversations regarding non-public material information must take place by wireless telephones or other wireless devices, except where adequate communication security is in place;
- confidential documents should not be read or displayed in public places and should not be discarded in places where others can retrieve them;
- employees must not discuss material information with friends or relatives, including spouses or partners. Employees must abstain from discussions about or recommending the purchase or sale of the securities of the Corporation;
- transmission of documents by electronic means, such as by fax or from one computer to another, should be made only where it is reasonable to believe that the transmission can be made and received under secure conditions;
- unnecessary copying of confidential documents should be avoided and documents containing non-public material information should be promptly removed from conference rooms and work areas after meetings. Extra copies of confidential documents should be shredded or otherwise destroyed; and
- where feasible, access to confidential electronic data should be restricted through the use of passwords.

#### **UNINTENTIONAL DISCLOSURE**

If the Corporation inadvertently provides non-public material information to a person or during a meeting, it will immediately disseminate the disclosed information and it will determine whether it is appropriate to request that trading in the shares of the Corporation be ceased pending dissemination. Pending the public dissemination of the material information, the Corporation shall inform those parties who have knowledge of the information that the information is material and that it has not been generally disclosed.

#### **FORWARD LOOKING INFORMATION**

“Forward-looking information” is information based on prospective results of operations, the financial position or changes in the financial position, elaborated from reasonable assumptions.

In disclosing all forward-looking information, the Corporation undertakes to do the following:

- the forward-looking information will be broadly disseminated by press release or other appropriate means;
- the information will be identified as forward-looking;
- assumptions used in the preparation of the forward-looking information will be identified;
- the forward-looking information will be accompanied by a statement that identifies, in specific terms, the risks and uncertainties that may cause the actual results to differ from those set out in the forward-looking information; and
- the forward-looking information will be accompanied by a statement that specifies that the Corporation does not undertake to update or revise the forward-looking information.

### **INSIDER TRADING POLICIES**

The Corporation has adopted an insider trading policy attached hereto as Schedule “A”, that provides for the Audit Committee to monitor the trading activity of all insiders, officers, and senior employees. An insider is defined as an individual who may routinely be in possession of material undisclosed information. The insider trading policy prohibits purchases and sales at any time by insiders and employees who are in possession of such non-public material information.

The Audit Committee will review all insider trading activity on a quarterly basis.

### **QUIET PERIODS**

The Corporation has established a quarterly quiet period, during which no earnings guidance or comments with respect to the current quarter's operations or expected results will be provided to analysts, investors or other market professionals. The quiet period runs between the end of the quarter and the release of the quarterly earnings announcement.

The Corporation need not stop all communications with analysts or investors during the quiet period; however, communications should be limited to responding to inquiries concerning publicly available or non-material information.

### **BLACKOUT PERIODS**

There is a routinely scheduled blackout period every fiscal quarter pending the announcement of the Company's earnings for that period. During this time officers, directors and certain employees, depending upon the circumstances and the information disclosed to individuals in the Company, will be precluded from trading in the Corporation's stock. This routine quarterly earnings blackout is determined as follows:

- The Company is obligated to disclose its quarterly earnings 45 days following the end of each of the first three a fiscal quarters and 90 days following the fourth quarter..
- The quarterly blackout period for each of the first three quarters will extend from the 24<sup>th</sup> day following the end of the fiscal quarter until 48 hours after the earnings announcement is published.
- The quarterly blackout period for the fourth quarter and annual results will extend from the 69<sup>th</sup> day following the end of the fiscal quarter until 48 hours after the earnings announcement is published.
- Any such blackout period can be expanded, at the discretion of the CEO, after consultation with the Audit Committee, if an extraordinary disclosure issue arises earlier in the financial closing cycle.

A special blackout period may be declared that could vary in length depending upon the circumstances of the disclosure. The Audit Committee may impose a special blackout period on insiders in circumstances where they believe, in good faith, that there is a high probability that a foreseeable outcome for a near term event is likely to have a material effect on the value of the Corporation's stock, such that trading by insiders during the period leading up to the near term event, would give the appearance to the market that insider activity must have been heavily influenced by insider knowledge of the foreseeable outcome for the pending near term event.

#### **OPTIONS GRANTS AFFECTED BY BLACKOUT PERIODS**

Subject to compliance with all regulatory requirements, the Corporation may extend the date of option expiry, for options expiring within a blackout period, to a date that is not more than 10 days following the end of the relevant blackout period.

#### **ELECTRONIC COMMUNICATION**

This policy also applies to all electronic communications.

The Audit Committee, or its designate is responsible for updating the investor relations section of the Corporation's Website and is responsible for monitoring all information relating to the Corporation placed on the Website to ensure that it is accurate, complete, up-to-date and in compliance with relevant securities laws.

#### **CHAT ROOMS, BULLETIN BOARDS AND E-MAILS**

No officer, director or employee of the Corporation shall participate in, host or link to chat rooms or bulletin boards. This disclosure policy prohibits employees from discussing corporate matters in these forums. This will help to protect the Corporation from the

liability that could arise from the well-intentioned, but sporadic, efforts of employees to correct rumours or defend the Corporation. The Corporation's employees are required to report any discussion pertaining to the Corporation which they find on the Internet. As our Website allows viewers to send you e-mail messages, remember the risk of selective disclosure when responding.

### **HANDLING RUMOURS**

The Corporation has adopted a "no comment" policy with respect to market rumours; however, where trading in the securities of the Corporation appears to be heavily influenced by rumours, the Corporation may make a clarifying statement. If material information has been leaked and appears to be affecting trading activity in the Corporation's securities, immediate steps should be taken to ensure that a full public announcement is made. This includes contacting TSX and asking that trading be halted pending the issuance of a news release.

### **COMMUNICATION OF POLICY**

New directors, officers and employees will be provided with a copy of this policy and will be advised about its importance. This policy will be circulated to all employees upon its adoption and whenever changes are made.

### **ENFORCEMENT**

Any employee who violates this policy may face disciplinary action up to and including termination of his or her employment with the Corporation. The violation of this policy may also violate certain securities laws. If it appears that an employee may have committed an infraction, the Corporation may refer the matter to the appropriate regulatory authorities, which could lead to penalties, fines or imprisonment.

Any questions regarding this policy should be directed to the Audit Committee.

Reviewed & approved by the board of directors on August 12, 2014.

**Schedule “A”**  
**Microbix Biosystems Inc.**  
**Insider Trading Policy**

**GENERAL**

Securities legislation prohibits the Corporation and any person or company in a special relationship with the Corporation from informing, other than in the necessary course of business, anyone of a material fact or a material change before that material information has been generally disclosed. This prohibited activity is commonly known as “tipping”.

Securities legislation prohibits anyone in a special relationship with a reporting issuer from purchasing or selling securities of the reporting issuer with knowledge of a material fact or material change that is unknown to the general public, and if disclosed could affect the decision of an ordinary investor to trade in the security. This prohibited activity is commonly known as “insider trading”.

The purpose of this policy is to develop internal guidelines to control transactions involving securities of the Corporation by all persons in a special relationship with the Corporation and to ensure that all persons in a special relationship with the Corporation are aware of and comply with their legal obligations and this policy.

**APPLICATION OF POLICY**

This policy applies to all persons who have a special relationship with the Corporation. Persons with a special relationship include, but are not limited to:

- (a) insiders as defined under securities legislation and which include but are not limited to directors and senior officers of the Corporation;
- (b) directors, officers and employees;
- (c) person engaged in professional or business activities for or on behalf of the Corporation; and
- (d) anyone (a “tippee”) who learns of material information from someone that the tippee knows or should know is a person in a special relationship with the Corporation.

The “special relationship” definition is broad. The tipping prohibition is not limited to communications made by senior management, investor relations professionals and others who regularly communicate with analysts, institutional investors and market professionals. The tipping prohibition applies, for example, to unauthorized disclosures by non-management employees.

There is a potentially infinite chain of tippees who are caught by the prohibitions against tipping and insider trading. Because tippees are themselves considered to be in a special

relationship with a reporting issuer, material information may be third or fourth hand and still be subject to the prohibitions.

### **STATEMENT OF POLICY**

No person in a special relationship with the Corporation may buy or sell securities of the Corporation or tip someone else to buy or sell securities of the Corporation at any time when they have non-public material information.

No person in a special relationship with the Corporation may disclose non-public material information to third parties, except in the necessary course of business. When non-public material information is disclosed to third parties in the necessary course of business, the third party must understand that they cannot pass the information on to anyone else (other than in the necessary course of business), or trade on the information until it has been generally disclosed to the public. Obtaining a confidentiality agreement in these circumstances can be a good practice and may help to safeguard the confidentiality of the information. However, there is no exception to the prohibition against "tipping" for disclosures made pursuant to a confidentiality agreement. The only exception is for disclosures made in the "necessary course of business." Consequently, there must still be a determination, prior to disclosure supported by a confidentiality agreement, that such disclosure is in the "necessary course of business."

The question of whether a particular disclosure is being made in the necessary course of business is a mixed question of law and fact that must be determined in each case and in light of the policy reasons for the tipping provisions. Tipping is prohibited so that everyone in the market has equal access to, and opportunity to act upon, material information. Insider trading and tipping prohibitions are designed to ensure that everyone who has access to non-public material information does not trade or assist in trading to the disadvantage of investors generally.

Examples of communications made in the ordinary course of business could include:

- vendors, suppliers, or strategic partners on issues such as research and development, sales and marketing, and supply contracts;
- employees, officers, and board members;
- lenders, legal counsel, auditors, underwriters, and financial and other professional advisors to the Corporation;
- parties to negotiations; and
- government agencies and non-government regulators.

### **GENERALLY DISCLOSED**

The tipping prohibition does not require the Corporation to release all material information to the marketplace. Instead, it prohibits the Corporation from disclosing non-public material information to anyone (other than in the "necessary course of business") before the Corporation generally discloses the information to the marketplace.

Securities legislation does not define the term "generally disclosed". Insider trading court decisions state that information has been generally disclosed if:

- the information has been disseminated in a manner calculated to effectively reach the marketplace; and
- public investors have been given a reasonable amount of time to analyze the information.

Except for "material changes," which must be disclosed by news release, securities legislation does not generally require a particular method of disclosure to satisfy the "generally disclosed" requirement.

The Corporation may satisfy the "generally disclosed" requirement by using one or a combination of the following disclosure methods:

- News releases distributed through a widely circulated news or wire service.
- Announcements made through press conferences or conference calls that interested members of the public may attend or listen to either in person, by telephone, or by other electronic transmission (including the Internet). The Corporation is required to provide the public with appropriate notice of the conference or call by news release. The notice should include the date and time of the conference or call, a general description of what is to be discussed, and the means of accessing the conference or call. The notice should also indicate for how long the Corporation will make a transcript or replay of the call available over its Website.

### **MONITORING INSIDER TRADING**

Insiders, officers and senior employees must report every trade he/she makes in securities of the Corporation within five (5) calendar days of the date of the trade to the Audit Committee or a person designated by the Audit Committee.

The Corporation may notify other persons from time to time that they may be subject to the notification requirement - if in the normal course of their duties, they are likely to have regular access to non-public material information. Examples of such persons could include administrative staff, legal advisors and investor relations representatives.

### **INSIDER REPORTING**

Every insider of the Corporation must file an insider trade report when they first become an insider of the Corporation, and thereafter within five (5) calendar days after a change occurs in their holdings of the Corporation. Before trading in securities of the Corporation, insiders, officers and employees are obligated to seek confirmation from the

Audit Committee or an officer appointed by the Audit Committee that a blackout period does not apply to him/her.

Initial Report

An insider must file an initial report on the System for Electronic Data on Insiders (SEDI) via the SEDI website at [www.sedi.ca](http://www.sedi.ca) within ten (10) calendar days after becoming an insider. That report must disclose any direct or indirect beneficial ownership of securities of the Corporation on the date he/she became an insider. All securities are reportable, including options to purchase securities. If an insider does not hold any securities of the Corporation on the date he/she became an insider of the Corporation, there is no requirement to file an insider report until such time as he/she makes the first trade in securities of the Corporation. A copy of this report must be provided to the Audit Committee.

The initial SEDI account can be set up by contacting Jim Boyle, the Corporation's securities lawyer at 1-416-867 8800 ext 1. Any trade in the Corporation's securities must be reported on SEDI within five (5) calendar days of the trade by filing an Insider Trade Report.

In order for the Corporation to accurately collect information that will be included in the Annual Information Schedule, the Corporation asks that all insiders as a matter of record advise the Corporation that 1) a trade has occurred, 2) that the transaction has been reported, and 3) the trade details. These should be forwarded to [maria.alcamo@microbic.com](mailto:maria.alcamo@microbic.com) or faxed to 416-234-1626 Attn: Maria Alcamo for recording.

Adopted: August 12, 2014

**ACKNOWLEDGEMENT RE: INSIDER TRADING POLICY**

By my signature below, I acknowledge that I have read and understand the Corporation's Insider Trading Policy and that I agree to abide by its provisions.

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_