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News Release

Microbix Reports Full Year and Fourth Quarter Results

Record Sales of \$10.2 Million Achieved for Fiscal 2017

TORONTO, December 21, 2017 - Microbix Biosystems Inc. (TSX: MBX), an innovator of biological products and technologies, reports financial results for its fiscal year and fourth quarter ended 30 September, 2017 ("2017" and "Q4").

Management Discussion

In 2017, the Company achieved a number of notable milestones, including attaining record sales of over \$10 million. Operational achievements included renewing and expanding agreements with key customers, validating the production of our highest-grossing product in a new, efficient bioreactor production platform, achieving the first sales of bioreactor product and preserving the full scope of opportunity for its emerging quality assessment product lines (e.g., REDx Controls™).

However, financial results did not meet initial targets for the year, either on revenues or profits. Negative operational variances were largely due to the following: expenses associated with an unanticipated legal dispute (since resolved to Microbix' satisfaction as disclosed on October 11), excess second-half (H2) production expenses and a product shipment delay (both related to a processing issue that has been resolved) and management transition costs (CFO in H1, CEO in H2). Collectively, these matters increased annual expenses by approximately \$1.4 million and reduced 2017 revenues by over \$0.6 million. None of the foregoing matters, or a debt restructuring and a settlement cost, are expected to recur in fiscal 2018.

2017 is therefore best considered as a positioning year, with steps completed that management believes will transform Microbix from single to double-digit sales growth and to sustained profits. Such steps include its announced enlargement of a key customer contract, equity financing and capacity expansion.

2017 Financial Results

Revenues for 2017 were \$10,185,798, a 7% increase compared to fiscal 2016. Most revenues were derived from sales of antigen products, with growth driven by increased orders from longstanding customers. The balance of revenue was derived from royalties on an out-licensed technology, which totaled \$293,939.

Gross margin for the year was 47%, down from 52% in 2016 due to the processing issue in H2 that resulted in increased materials requirements, reprocessing expenses and QC/QA costs. Gross margin contribution was \$4,812,373, down by \$167,671 from fiscal 2016. Operating expenses (excluding debt restructuring and a past settlement cost) increased by \$1,480,270 compared to the same period last year, largely due to non-recurring costs relating to a now-resolved legal dispute, bioreactor validation and two senior management changes.

Non-cash financial restructuring costs and costs of a settlement related to a past asset sale impacted profit for the period, reducing it by \$2,730,554 and helping to drive a net loss for the period of \$3,780,088. Cash provided by operating activities remained positive for the period at \$297,047.

Q4 Financial Results

Total Q4 revenue was \$2,813,282, a decrease of 19% compared to the same quarter of fiscal 2016. The decrease was largely due to the delay of over \$0.6 million in revenues from fiscal Q4 2017 into Q1 2018. Most revenues were derived from sales of antigen products, which are principally used in the manufacture of diagnostic tests for infectious diseases. The balance of revenue was derived from royalties on an out-licensed technology, which totaled \$93,662.

Gross margin for Q4 was 39%, a substantial decrease from the 54% achieved in Q3, with the decrease largely caused by the abovementioned processing issue that temporarily impacted both costs and sales. The gross margin contribution for Q4 was likewise reduced, coming in at \$1,085,063.

In total, Microbix experienced a net loss for the period of \$1,009,911, versus a profit of \$862,930 in the fourth quarter of fiscal 2017. Net change in cash for the quarter of (\$109,486), was down from Q4 2016 of \$325.

Financial Highlights

	Year Ended September 30		3 Months Ended September 30	
	2017	2016	2017	2016
Revenue	\$ 10,185,798	\$ 9,517,137	\$ 2,813,282	\$ 3,470,580
Gross Margin	4,812,373	4,980,044	1,085,063	2,132,555
Net Comprehensive Operating income (Loss) (Before Debt Restructuring and Settlement Costs)	(1,499,534)	148,407	(917,673)	555,930
Net Comprehensive Operating Income (Loss)	(4,230,088)	148,407	(1,009,911)	555,930
Net Comprehensive Income (Loss)	(3,780,088)	748,407	(1,009,911)	862,930
Net Comprehensive Income (Loss) per share	(0.045)	0.009	(0.012)	0.010
Cash Provided by Operating Activities	297,047	913,308	(447,812)	367,235
Net Change in Cash	49,045	(98,765)	(109,486)	325
Total Assets	26,437,611	25,247,463		
Total Shareholders' Equity	15,174,683	15,291,741		

Corporate Updates

Viral and Bacterial Antigens

The Company is continuing to upgrade its manufacturing capacity and quality processes to support sales growth of its antigen products and the launch of a new line of quality assurance products for the diagnostics industry. Microbix' increasing production capability, including a 500% increase in bioreactor capacity, is intended to support the growing needs of its customers – particularly as public-health related immunoassays become more widely used in Asia-Pacific markets.

Kinlytic® urokinase

In April, Microbix consulted with the U.S. Food and Drug Administration (the "FDA") regarding its plans to return the thrombolytic biologic drug, Kinlytic® urokinase, to market. The Company believes the results of its consultation to be positive and has since been working on detailed costing of the project. Formal partnering outreach with such regulatory and cost clarifications is intended to begin in the New Year.

LumiSort™ cell-sorting technology

Ongoing litigation between the major participants in the animal genetics industry has slowed the progress of partnering discussions relating to this asset. Microbix continues to support the development of its intellectual property relating to LumiSort and is also beginning to explore other commercial applications of the technology.

About Microbix Biosystems

Microbix Biosystems Inc. specializes in the development of proprietary biological and technology solutions for human health and well-being. The Company manufactures a wide range of critical biological materials for the global diagnostics industry, notably antigens used in immunoassays or quality assurance and proficiency testing controls. The Company also applies its biological expertise and technology platforms to create other innovative products and technologies. Currently it is commercializing two such proprietary products, (1) Kinlytic® urokinase, a biologic thrombolytic drug used to treat blood clots and (2) LumiSort™ cell-sorting, a technology platform for ultra-rapid and efficient sorting of somatic cells that can be used to enrich cell populations of interest, such as in sexing semen. Established in 1988, Microbix is a publicly traded company, listed on the Toronto Stock Exchange and headquartered in Mississauga, Ontario, Canada.

Forward-Looking Information

This news release includes “forward-looking information,” as such term is defined in applicable securities laws. Forward-looking information includes, without limitation, management’s discussion of financial results or the outlook for the business, the risks associated with its financial results and stability, its biologicals business, development projects such as those referenced herein, operations in foreign jurisdictions, engineering and construction generally, production (including control over costs, quality, quantity and timeliness of delivery of products), foreign currency and exchange rates, maintaining adequate working capital and raising further capital on acceptable terms or at all, and other similar statements concerning anticipated future events, conditions or results that are not historical facts. These statements reflect management’s current estimates, beliefs, intentions and expectations; they are not guarantees of future performance. The Company cautions that all forward looking information is inherently uncertain and that actual performance may be affected by a number of material factors, many of which are beyond the Company’s control. Accordingly, actual future events, conditions and results may differ materially from the estimates, beliefs, intentions and expectations expressed or implied in the forward-looking information. All statements are made as of the date of this news release and represent the Company’s judgement as of the date of this new release, and the Company is under no obligation to update or alter any forward-looking information.

Please visit www.sedar.com for recent Microbix filings.

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