



Better Fuel For  
A Cleaner World

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**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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**For the three months ended December 31, 2015 and 2014**

**(unaudited)**

These condensed consolidated interim financial statements and the notes thereto have not been reviewed by the Company's external auditors.

# **BIOX** Corporation

Three month periods ended December 31, 2015 and 2014

## Table of contents

Condensed consolidated interim statements of comprehensive income .....	1
Condensed consolidated interim statements of changes in equity .....	2
Condensed consolidated interim statements of financial position .....	3
Condensed consolidated interim statements of cash flows .....	4
Notes to the condensed consolidated interim financial statements .....	5-19

# BIOX Corporation

## Condensed consolidated interim statements of comprehensive income

Three month periods ended December 31, 2015 and 2014

(Unaudited)

(Expressed in thousands of Canadian dollars, except share and per share amounts)

	2015	2014
	\$	\$
<b>Revenue (Notes 5 and 6)</b>	<b>25,743</b>	27,408
Cost of sales		
Direct expenses	<b>18,909</b>	20,538
Production facility depreciation and amortization	<b>974</b>	956
	<b>19,883</b>	21,494
Gross margin	<b>5,860</b>	5,914
Operating expenses		
General and administrative	<b>1,476</b>	1,152
Depreciation and amortization of equipment and intangible assets	<b>56</b>	60
Share-based compensation	<b>112</b>	23
	<b>1,644</b>	1,235
Operating income	<b>4,216</b>	4,679
Other expenses		
Financing cost (Notes 7, 11, 12 and 14)	<b>238</b>	319
Gain on revaluation of asset retirement obligation (Note 14)	<b>(329)</b>	-
Foreign exchange loss	<b>124</b>	57
	<b>33</b>	376
Net income before interest income and income taxes	<b>4,183</b>	4,303
Interest income	<b>10</b>	9
Net income for the period	<b>4,193</b>	4,312
Other comprehensive loss		
Foreign currency translation gain (loss)	<b>35</b>	(88)
<b>Comprehensive income</b>	<b>4,228</b>	4,224
<b>Income per common share</b>		
Basic	<b>0.09</b>	0.09
Diluted	<b>0.09</b>	0.09
<b>Weighted average number of common shares outstanding (Note 15)</b>		
Basic	<b>46,026,950</b>	45,710,967
Diluted	<b>46,532,877</b>	45,727,634

The accompanying notes to the condensed consolidated interim financial statements are an integral part of this financial statement.

# BIOX Corporation

## Condensed consolidated interim statements of changes in equity

Three month periods ended December 31, 2015 and 2014

(Unaudited)

(Expressed in thousands of Canadian dollars, except share and per share amounts)

	Common share capital		Warrants reserve (Note 16)	Equity reserve	Accumulated other comprehensive loss	Deficit	Total equity
	Shares #	Amount \$					
Balance, September 30, 2014	45,710,967	167,773	3,151	2,965	(252)	(137,313)	36,324
Share-based compensation	-	-	-	23	-	-	23
Net income	-	-	-	-	-	4,312	4,312
Foreign currency translation loss	-	-	-	-	(88)	-	(88)
Balance, December 31, 2014	45,710,967	167,773	3,151	2,988	(340)	(133,001)	40,571
<b>Balance, September 30, 2015</b>	<b>46,025,124</b>	<b>168,130</b>	-	<b>1,968</b>	<b>(659)</b>	<b>(136,474)</b>	<b>32,965</b>
Share-based compensation	-	-	-	113	-	-	113
Share purchase	7,000	4	-	(2)	-	-	2
Net loss	-	-	-	-	-	4,193	4,193
Foreign currency translation loss	-	-	-	-	35	-	35
<b>Balance, December 31, 2015</b>	<b>46,032,124</b>	<b>168,134</b>	-	<b>2,079</b>	<b>(624)</b>	<b>(132,281)</b>	<b>37,308</b>

The accompanying notes to the condensed consolidated interim financial statements are an integral part of this financial statement.

# BIOX Corporation

## Condensed consolidated interim statements of financial position

As at December 31, 2015 and September 30, 2015

(Unaudited)

(Expressed in thousands of Canadian dollars)

	December 31, 2015	September 30, 2015
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents (Note 7)	6,600	7,709
Accounts receivable (Notes 5 and 6)	10,376	3,635
Prepaid expenses	845	617
Inventory (Note 8)	3,907	3,086
	<b>21,728</b>	15,047
Restricted cash (Note 7)	-	260
Property, plant and equipment (Note 9)	24,733	26,205
Intangible assets (Note 10)	383	409
Deferred income tax assets	13,223	13,223
	<b>60,067</b>	55,144
<b>Liabilities</b>		
Current liabilities		
Accounts payable and other liabilities	4,900	4,687
Demand loan (Note 11)	2,000	-
Current portion of long-term debt (Note 12)	1,500	1,500
Current portion of finance leases	18	22
Current portion of provisions (Note 14)	1,504	1,450
	<b>9,922</b>	7,659
Finance leases	3	6
Long-term debt (Note 12)	8,231	8,605
Provisions (Note 14)	4,603	5,909
	<b>22,759</b>	22,179
<b>Equity</b>		
Common share capital (Note 15)	168,134	168,130
Equity reserve	2,079	1,968
Accumulated other comprehensive loss	(624)	(659)
Deficit	(132,281)	(136,474)
	<b>37,308</b>	32,965
	<b>60,067</b>	55,144

The accompanying notes to the condensed consolidated interim financial statements are an integral part of this financial statement.

# BIOX Corporation

## Condensed consolidated interim statements of cash flows

Three month periods ended December 31, 2015 and 2014

(Unaudited)

(Expressed in thousands of Canadian dollars, except share and per share amounts)

	2015	2014
	\$	\$
<b>Operating activities</b>		
Net income	4,193	4,312
Add items not involving cash		
Production facility depreciation and amortization	974	956
Depreciation and amortization of equipment and intangible assets	56	60
Financing costs	144	163
Provision for unutilized tank storage	-	(226)
Unrealized foreign exchange gain	-	(665)
Share-based compensation	112	23
Gain on revaluation of provisions (Note 14)	(329)	-
Accretion of provisions (Note 14)	89	88
	5,239	4,711
Net change in non-cash working capital balances related to operations (Note 18)	(7,822)	(5,799)
	(2,583)	(1,088)
<b>Investing activities</b>		
Purchase of property, plant and equipment	(192)	(116)
Decrease in restricted cash (Note 7)	260	437
	68	321
<b>Financing activities</b>		
Payments on tank lease provision (Note 14)	(375)	-
Payments on finance leases	(11)	(7)
Repayment of debt financing (Note 12)	(375)	-
Proceeds from demand loan (Note 11)	2,000	-
Issuance of common shares (Note 15)	2	-
Interest paid	(140)	(162)
	1,101	(169)
Effect of exchange rate changes on:		
Cash held in foreign currency	305	577
Net decrease in cash and cash equivalents during the period	(1,109)	(359)
Cash and cash equivalents, beginning of period	7,709	7,212
<b>Cash and cash equivalents, end of period</b>	<b>6,600</b>	<b>6,853</b>

The accompanying notes to the condensed consolidated interim financial statements are an integral part of this financial statement.

# BIOX Corporation

## Notes to the condensed consolidated interim financial statements

Three month periods ended December 31, 2015 and 2014

(Unaudited)

(All information in thousands of Canadian dollars except for share and per share amounts)

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### 1. Nature of the business

BIOX Corporation ("BIOX" or the "Company") was incorporated on September 26, 2000 under the Canada Business Corporations Act ("CBCA") and commenced operations thereafter. The address of the Company's principal executive office is 585 Wentworth Street North, Hamilton, Ontario. The Company is publicly listed with its shares traded on the Toronto Stock Exchange under the symbol BX.

The Company has developed a manufacturing process for the production of biodiesel fuel from recycled vegetable oils, agricultural seed oils, yellow greases and tallow. Since inception, the efforts of the Company have been devoted to the development of the technology and the knowledge to achieve this goal. During April 2007, the Company completed the construction and commissioning of a commercial plant with a nameplate capacity of 67 million litres per year and commenced commercial operations. The Company started producing at full targeted capacity at the beginning of the third quarter of fiscal 2008.

The Company earns revenue from the sale of biodiesel and its by-products.

### 2. Basis of presentation

#### *Statement of compliance*

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 Interim Financial Reporting, and do not include all information required for full annual financial statements by International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and should be read in conjunction with the Company's audited consolidated financial statements for the year ended September 30, 2015.

These condensed consolidated interim financial statements (the "financial statements") were approved by the Board of Directors on February 4, 2016.

#### *Basis of consolidation*

The financial statements include the accounts of BIOX Corporation and its wholly-owned subsidiaries, BIOX Canada Limited ("BCL"), BIOX USA Limited ("BUSA"), and BIOX Bayonne LLC ("BBL"). Intercompany transactions, balances, revenues and expenses have been eliminated on consolidation.

#### *Basis of measurement*

The Company has followed the same basis of presentation, accounting policies and method of computation for these financial statements as disclosed in the annual audited consolidated financial statements for the year ended September 30, 2015.

These financial statements have been prepared on the historical cost basis except for certain financial instruments that are reflected at their fair values.

The financial statements are presented in Canadian dollars, which is the Company's and its subsidiaries' functional currency, except for BUSA where the functional currency is US dollars.

### 3. Significant accounting policies

These condensed consolidated interim financial statements reflect the accounting policies applied by the Company in its consolidated financial statements for the year ended September 30, 2015.

# BIOX Corporation

## Notes to the condensed consolidated interim financial statements

Three month periods ended December 31, 2015 and 2014

(Unaudited)

(All information in thousands of Canadian dollars except for share and per share amounts)

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### 3. Significant accounting policies (continued)

#### Future changes to accounting standards

The following changes to IFRS are not expected to have a significant impact on our financial statements.

#### IFRS 9

In July 2014, the IASB issued the final version of *IFRS 9 – Financial Instruments – Classification and Measurement*, setting out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. IFRS 9 replaces *IAS 39 – Financial Instruments: Recognition and Measurement*. The new standard establishes a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. It also provides guidance on an entity's own credit risk related to financial liabilities and has modified the hedge accounting model to better link the economics of risk management with its accounting treatment. Additional disclosures will also be required under the new standard. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. We are currently evaluating the impact of IFRS 9 on our financial statements.

#### IFRS 15

In May 2014, the IASB issued *IFRS 15 – Revenue from Contracts with Customers*, specifying how and when an IFRS report will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principals based five-step model to be applied to all contacts with customers. The standard applies to all annual reporting periods beginning on or after January 1, 2017. We are currently evaluating the impact of IFRS 15 on our financial statements.

#### IAS 16

Effective for annual periods beginning on or after January 1, 2016, *IAS 16 – Property, Plant and Equipment* and *IAS 38 – Intangible Assets*, clarifies that the use of revenue-based methods to calculate the depreciation of a tangible asset is not appropriate because revenue generated by an activity that includes the use of a tangible asset general reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption for an intangible asset, however, can be rebutted in certain limited circumstances. The Company does not expect that the new standard will have a material impact on the Company's financial statements.

### 4. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Actual results could differ from those estimates. Significant accounts that require estimates as the basis for determining the stated amounts include accounting for doubtful accounts receivables valuation, inventories, property, plant and equipment and intangible asset useful lives and impairment, provision for asset retirement obligations and unutilized tank leases, income taxes and share-based payments. These estimations depend upon subjective or complex judgments about matters that may be uncertain, and changes in those estimates could materially impact the consolidated financial statements. There have been no significant changes in the critical accounting estimates and judgments since year end.

# BIOX Corporation

## Notes to the condensed consolidated interim financial statements

Three month periods ended December 31, 2015 and 2014

(Unaudited)

(All information in thousands of Canadian dollars except for share and per share amounts)

### 5. Revenue

	2015	2014
	\$	\$
Product revenue	<b>16,587</b>	18,447
ecoEnergy for Biofuels Producer payment incentive (i)	-	1,393
Internal Revenue Service ("IRS") Blender Tax Credit (ii)	<b>9,156</b>	7,568
	<b>25,743</b>	27,408

- (i) The Company has qualified for production incentives under the Canadian Federal government's ecoEnergy for Biofuels program. This program supports the production of renewable alternatives to gasoline and diesel, and encourages the development of a competitive domestic industry for renewable fuels. The program came into effect on April 1, 2008 and provides up to \$0.26 per litre of eligible production sold. March 31, 2015 marked the end of the seventh and final year of the program at an effective rate of \$0.08 per litre. In order to qualify, biodiesel sold must meet an international quality standard and must be produced in Canada. In addition, a number of conditions must be met for a project to qualify. The Company has met all of the qualifying criteria including environmental assessment, and has been fully approved to participate in the program. The production incentive runs for seven years for each project, nine years overall.

During the three month period ended December 31, 2014, the Company recognized incentive revenues from the program and submitted producer payment claims totaling \$1,393. There was no such revenue recognized in the current year.

- (ii) The Company has earned refundable IRS Blender Tax Credits through its wholly-owned subsidiary, BIOX USA Limited. The tax credits provide for biodiesel/agri-biodiesel in "The Tax Increase Prevention Act of 2014", effective December 19, 2014. The Act included provision for the reinstatement of the biodiesel tax incentive through to December 31, 2014 and it also made the incentive retroactive to January 1, 2014. As such, the Company recognized \$4,993 of retroactive revenue related to fiscal 2014 in the three month period ended December 31, 2014.

The U.S. biodiesel tax incentive expired again on December 31, 2014. On December 18, 2015 President Obama signed into law tax extenders legislation that included the biodiesel tax incentive. The reinstatement of the biodiesel tax incentive is through to December 31, 2016 and it also made the incentive retroactive to January 1, 2015. The reinstatement of the biodiesel tax incentive allows us to recognize \$6,895 of retroactive revenue related to fiscal 2015 in the three month period ended December 31, 2015. As at December 31, 2015, \$6,962 (September 30, 2015 - \$nil) of such claims were outstanding, and included in accounts receivable.

During the three month period ended December 31, 2015, the Company recognized revenues of \$2,261 from the program (2014 - \$2,575). As at December 31, 2015, \$2,284 (September 30, 2015 - \$nil) of such claims were outstanding, and included in accounts receivable.

# BIOX Corporation

## Notes to the condensed consolidated interim financial statements

Three month periods ended December 31, 2015 and 2014

(Unaudited)

(All information in thousands of Canadian dollars except for share and per share amounts)

### 6. Segment information

The Company has locations in Canada and the United States. Current operations are based primarily in Canada. The Company's main production facility is located in Hamilton, Ontario and is included in the Operating segment under BCL. Although BCL generates revenue, the majority of the product processed by the production facility is sold through intercompany transactions to the US subsidiary, BUSA, which are eliminated upon consolidation. BUSA holds no property, plant or equipment but generates the majority of revenues as it takes the product purchased through intercompany sales from the Canadian subsidiary and distributes the product to its US customers. The Canadian subsidiary recognized \$284 in revenue during the three month period ended December 31, 2015 (three month period ended December 31, 2014 - \$1,893) while the US subsidiary recognized \$25,459 during the same period (three month period ended December 31, 2014 - \$25,515).

Each month, the chief operating decision makers review the consolidated profitability of the Canadian and US segments, considered the Operating Segment, as both segments distribute the same products, produced by the Canadian segment, to the same type or class of customer. When making decisions on expansion and day to day operations, management evaluates not only the profitability of the overall operations of the Company, but also the aggregate profitability of the manufacturing and distribution companies, or the Canadian and US segments. This information is used for purposes of resource allocation and the assessment of segment performance.

For both the three month periods ended December 31, 2015 and December 31, 2014, two customers accounted for approximately 33% of the consolidated revenues and 7% (September 30, 2015 - 30%) of the accounts receivable as at December 31, 2015. The Producer Payment claims for the ecoEnergy for Biofuels program (Note 5(i)) and the IRS Blender Tax Credit (Note 5(ii)) accounted for 36% (three month period ended December 31, 2014 - 82%) of the consolidated revenues and approximately 89% (September 30, 2014 - 25%) of the consolidated accounts receivable as at December 31, 2015.

	Three months ended December 31, 2015		
	Operating	Corporate	Total
	\$	\$	\$
Revenue from external customers	25,743	-	25,743
Direct expenses	18,909	-	18,909
Production facility depreciation and amortization	974	-	974
	5,860	-	5,860
General and administrative	14	1,462	1,476
Depreciation and amortization of equipment and intangibles	2	54	56
Share-based compensation	-	112	112
	16	1,628	1,644
Operating income (loss)	5,844	(1,628)	4,216
Interest income			10
Financing cost			(238)
Gain on revaluation of asset retirement obligation			329
Foreign exchange loss			(124)
Income for the period			4,193
Foreign currency translation gain			35
Comprehensive income for the period			4,228

# BIOX Corporation

Notes to the condensed consolidated interim financial statements

Three month periods ended December 31, 2015 and 2014

(Unaudited)

(All information in thousands of Canadian dollars except for share and per share amounts)

## 6. Segment information (continued)

	As at December 31, 2015		
	Operating	Corporate	Total
	\$	\$	\$
Total assets	43,996	16,071	60,067
Total liabilities	19,431	3,328	22,759
Property, plant and equipment	24,326	407	24,733
Additions to property, plant and equipment	294	-	294

	Three months December 31, 2014		
	Operating	Corporate	Total
	\$	\$	\$
Revenue from external customers	27,408	-	27,408
Direct expenses	20,538	-	20,538
Production facility depreciation and amortization	956	-	956
	5,914	-	5,914
General and administrative	191	961	1,152
Depreciation and amortization of equipment and intangibles	3	57	60
Share-based compensation		23	23
	194	1,041	1,235
Operating income (loss)	5,720	(1,041)	4,679
Interest income			9
Financing cost			(319)
Foreign exchange loss			(57)
Income for the period			4,312
Foreign currency translation loss			(88)
Comprehensive income for the period			4,224

	As at September 30, 2015		
	Operating	Corporate	Total
	\$	\$	\$
Total assets	36,406	18,738	55,144
Total liabilities	18,475	3,704	22,179
Property, plant and equipment	25,771	434	26,205
Additions to property, plant and equipment	773	-	773

# BIOX Corporation

## Notes to the condensed consolidated interim financial statements

Three month periods ended December 31, 2015 and 2014

(Unaudited)

(All information in thousands of Canadian dollars except for share and per share amounts)

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### 7. Cash and cash equivalents

Cash and cash equivalents at December 31, 2015 include cash accounts, including a liquid Premium Investment Account yielding a rate of 0.65% (September 30, 2015 – 0.80%), and a securities investment account.

Cash and cash equivalents and restricted cash at September 30, 2015 include cash accounts, including a liquid Premium Investment Account yielding a rate of 1.20%, a securities investment account, and a short-term guaranteed investment certificate ("GIC") in the amount of \$260 held as security for a letter of credit in the amount of US\$200 related to definitive agreements to secure the site and related infrastructure for expansion plans. As such, \$260 has been recorded to restricted cash as at September 30, 2015.

The financing costs related to letters of credit for the three month period ended December 31, 2015 were less than \$1 (three month period ended December 31, 2014 - \$4) and are included in financing cost.

### 8. Inventory

	December 31, 2015	September 30, 2015
	\$	\$
Raw materials	1,373	1,707
Work in process	47	41
Finished goods	2,439	1,308
Renewable identification numbers (i)	48	30
	<b>3,907</b>	<b>3,086</b>

The amount of inventories recognized as an expense in cost of sales for the three month period ended December 31, 2015 was \$19,883 (three month period ended December 31, 2014 - \$21,494). The Company recorded a write-down of inventory of \$40 for the three month period ended December 31, 2015 (three month period ended December 31, 2014 - \$191) which was recognized as an expense in cost of sales for the period. There is a first ranking security interest on all finished goods and raw materials inventory for the Demand Loan (Note 11).

- (i) As of December 31, 2015, the Company was holding 48,608 2014 RINs (September 30, 2015 – 48,608 2014 RINs). RIN inventory is valued at the lower of cost or net realizable value.

# BIOX Corporation

## Notes to the condensed consolidated interim financial statements

Three month periods ended December 31, 2015 and 2014

(Unaudited)

(All information in thousands of Canadian dollars except for share and per share amounts)

### 9. Property, plant and equipment

Property, plant and equipment consist of the following:

	Computer hardware and software	Furniture and equipment	Vehicles	Leasehold Improve- ments	Production facility and compo- nents	Land re- mediation	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>							
Balance as at							
September 30, 2014	638	256	87	177	57,729	1,987	60,874
Assets acquired	-	-	-	9	764	-	773
Disposals	(318)	-	-	(1)	(95)	-	(414)
Balance as at							
September 30, 2015	320	256	87	185	58,398	1,987	61,233
Assets acquired	-	-	-	-	294	-	294
Disposals	-	-	-	-	(11)	(1,091)	(1,102)
<b>Balance as at</b>							
<b>December 31, 2015</b>	<b>320</b>	<b>256</b>	<b>87</b>	<b>185</b>	<b>58,681</b>	<b>896</b>	<b>60,425</b>
<b>Accumulated depreciation and impairment losses</b>							
Balance as at							
September 30, 2014	638	233	52	64	29,313	1,116	31,416
Depreciation	-	15	27	13	3,850	87	3,992
Disposals	(318)	-	-	-	(62)	-	(380)
Balance as at							
September 30, 2015	320	248	79	77	33,101	1,203	35,028
Depreciation	-	2	7	4	970	22	1,004
Disposals	-	-	-	-	(11)	(329)	(340)
<b>Balance as at</b>							
<b>December 31, 2015</b>	<b>320</b>	<b>250</b>	<b>86</b>	<b>81</b>	<b>34,060</b>	<b>896</b>	<b>35,693</b>
<b>Carrying amounts</b>							
At September 30, 2015	-	8	8	108	25,297	784	26,205
<b>At December 31, 2015</b>	<b>-</b>	<b>6</b>	<b>1</b>	<b>104</b>	<b>24,621</b>	<b>-</b>	<b>24,733</b>

There is a first ranking security interest on all property, plant and equipment for the long-term debt (Note 12).

At the end of each reporting period, the chief operating decision makers review the consolidated profitability of the Company.

For the purposes of assessing impairment, the Company's assets are grouped and tested as one cash generating unit ("CGU").

# BIOX Corporation

Notes to the condensed consolidated interim financial statements

Three month periods ended December 31, 2015 and 2014

(Unaudited)

(All information in thousands of Canadian dollars except for share and per share amounts)

## 10. Intangible assets

	Intellectual property	Patents	Trademarks	Total
	\$	\$	\$	\$
Cost				
Balance as at September 30, 2014	2,047	252	17	2,316
Assets acquired	-	-	-	-
Disposals	-	-	-	-
Balance as at September 30, 2015	2,047	252	17	2,316
Assets acquired	-	-	-	-
Disposals	-	-	-	-
<b>Balance as at December 31, 2015</b>	<b>2,047</b>	<b>252</b>	<b>17</b>	<b>2,316</b>
Accumulated depreciation and impairment losses				
Balance as at September 30, 2014	1,600	188	13	1,801
Depreciation	92	13	1	106
Balance as at September 30, 2015	1,692	201	14	1,907
Depreciation	23	3	-	26
<b>Balance as at December 31, 2015</b>	<b>1,715</b>	<b>204</b>	<b>14</b>	<b>1,933</b>
Carrying amounts				
At September 30, 2015	355	51	3	409
<b>At December 31, 2015</b>	<b>332</b>	<b>48</b>	<b>3</b>	<b>383</b>

Intangible assets represent the cost, including legal fees, of acquiring the trademarks, patents and intellectual property associated with the biodiesel conversion process as well as patent application costs and legal fees relating to the application for patents in various jurisdictions. The acquired patents and intellectual property were purchased from a company controlled by the University of Toronto Innovations Foundation and Dr. David Boocock by way of a patent assignment agreement dated August 30, 2002.

There is a first ranking security interest on all intangible assets as prescribed under the terms of the long-term debt (Note 12).

# BIOX Corporation

## Notes to the condensed consolidated interim financial statements

Three month periods ended December 31, 2015 and 2014

(Unaudited)

(All information in thousands of Canadian dollars except for share and per share amounts)

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### 11. Demand loan

In January 2013, the Company entered into a demand, revolving operating facility in the amount of \$5,000 with a Canadian Chartered Bank. The facility bears interest on any advanced portions at a rate of the bank's prime plus 1.25% per annum. Interest, finance and set-up charges related to the demand loan for the three month period ended December 31, 2015 of \$nil were charged to financing cost (three month period ended December 31, 2014 - \$12). The operating facility is secured with finished goods and raw material inventory to a maximum of \$2,500 and accounts receivable balances. As at December 31, 2015, \$2,000 has been drawn on this facility (September 30, 2015 - \$nil).

### 12. Long-term debt

During the fiscal year ended September 30, 2011, the Company entered into a \$15,000 term debt agreement with Farm Credit Canada ("FCC"). The loan was issued August 4, 2011 for a term of 5 years with a 10 year amortization at an interest rate equal to FCC prime variable rate plus 2.0%. Payments of \$125 of principal plus the variable interest are paid monthly, with the first principal payment due January 1, 2012. An amount of \$12,585 was advanced to the Company immediately, with the remaining \$2,415 to be advanced upon the completion of the glycerin refinement system, received in October 2012. The debt is secured by all assets of BIOX Canada Limited as well as by a guarantee from BIOX Corporation. In addition, if the Company's cash balance falls below \$5,000, the Company must fund and maintain a segregated reserve fund in the amount of \$1,174 in trust for FCC. Until such time, all cash is held in current assets.

On December 24, 2014, FCC amended the repayment terms of this loan and increase the amortization period. Principal payments on this loan are due as follows, excluding financing cost:

	\$
2016	1,125
2017	<u>8,625</u>

During fiscal 2017, nine principal payments of \$125 will be due at the beginning of each month, and the unpaid principal balance of \$7,500 will be due at the end of the 5 year term on June 1, 2017.

During the three month period ended December 31, 2015 interest charges of \$145 (three month period ended December 31, 2014 - \$164) were incurred and included in financing cost. The balance of the loan as at December 31, 2015 was \$9,750 (September 30, 2015 - \$10,125). Interest payable on the debt as at December 31, 2015 is \$51 (September 30, 2015 - \$47).

All charges related to the financing were netted against the financing and are being deferred and amortized over its five-year amortization period. During the three month period ended December 31, 2015, \$1 (three month period ended December 31, 2014 - \$1) was amortized and is included in financing cost.

The estimated fair value of the term loan at December 31, 2015 is \$9,750 (September 30, 2015- \$10,125) and has been determined based on management's best estimate of fair value to renegotiate debt with similar terms at year end. As interest rates charged by the lender approximate market rates, the fair value of the term loan determined by management is equal to its carrying value.

# BIOX Corporation

## Notes to the condensed consolidated interim financial statements

Three month periods ended December 31, 2015 and 2014

(Unaudited)

(All information in thousands of Canadian dollars except for share and per share amounts)

### 13. Leases

The Company leases property, tanks, vehicles and operating offices under operating or finance lease arrangements. The tank leases have renewal options for additional terms.

Determining whether a lease arrangement is classified as finance or operating requires judgment with respect to the fair value of the leased asset, the economic life of the lease, the discount rate and the allocation of leasehold interests between the land and building elements of property leases.

#### *Operating leases*

Future minimum lease payments relating to the Company's operating leases are as follows:

	\$
2016	2,764
2017	3,576
2018	1,535
2019	265
2020	236
Thereafter	971

The Company recorded \$233 as an expense for the three month period ended December 31, 2015 (three month period ended December 31, 2014 - \$281) in the statements of comprehensive loss with respect to operating leases.

### 14. Provisions

	As at December 31, 2015		
	Asset retirement obligation (i)	Unutilized tank storage (ii)	Total
	\$	\$	\$
Balance at September 30, 2015	4,214	3,145	7,359
Adjustment to provision	(1,091)	-	(1,091)
Tank lease payments	-	(375)	(375)
Accretion expense	64	25	89
Effect of change in foreign currency	-	125	125
Balance at December 31, 2015	3,187	2,920	6,107
Less: current portion	-	1,504	1,504
Long-term portion	3,187	1,416	4,603

# BIOX Corporation

## Notes to the condensed consolidated interim financial statements

Three month periods ended December 31, 2015 and 2014

(Unaudited)

(All information in thousands of Canadian dollars except for share and per share amounts)

### 14. Provisions (continued)

	As at September 30, 2015		
	Asset retirement obligation (i)	Unutilized tank storage (ii)	Total
	\$	\$	\$
Balance at September 30, 2014	3,862	6,116	9,978
Adjustment to provision	-	(2,184)	(2,184)
Tank lease payments	-	(1,915)	(1,915)
Accretion expense	352	161	513
Effect of change in foreign currency	-	967	967
Balance at September 30, 2015	4,214	3,145	7,359
Less: current portion	-	1,450	1,450
Long-term portion	4,214	1,695	5,909

- (i) The total estimated asset retirement costs at December 31, 2015 of \$5,971 (September 30, 2015 - \$5,971) have been discounted at an average rate of 6% (September 30, 2015 - 9%) over a period to the end of the term of the land lease. During the three month period ended December 31, 2015, the Company amended its land lease agreement to include an option to renew for an additional 10 years. This has resulted in a \$1,091 reduction of the obligation related to the asset retirement as the remediation requirement has been extended for an additional 10 years. There was no such amendment in the prior year.

As at December 31, 2015 the asset retirement costs of \$896 (September 30, 2015 - \$1,987) have been capitalized and included in property, plant and equipment. As the reduction of the obligation during the three month period ended December 31, 2015 is greater than the net book value of the land remediation recognized in Property, plant and equipment, a gain of \$329 has been recognized and recorded to Gain on revaluation of asset retirement obligation.

The net present value of the future remediation costs as at December 31, 2015 has been calculated to be \$3,187 (September 30, 2015 - \$4,214). The accretion expense for the three month period ended December 31, 2015 of \$64 (three month period ended December 31, 2014 - \$88) was charged to financing cost.

- (ii) The Company had entered into a third party agreement for the rental of tanks related to the previously planned development of a second plant. The agreement allows BIOX to sublease the tanks, or allows an alternate customer of the lessor to assume the tanks should BIOX not require the tanks during the term of the lease.

As these tanks are surplus to the needs of BIOX, a provision has been recorded at December 31, 2015 of \$2,920 (September 30, 2015 - \$3,145) representing the estimated net cost to the Company for the balance of the lease discounted at an average rate of 6% over the remaining term of the lease.

During the three month period ended December 31, 2015, tank lease payments of \$375 (three month period ended December 31, 2014 - \$519) were applied against the provision. The accretion expense for the three month period ended December 31, 2015 of \$25 (three month period ended December 31, 2014 - \$48) was charged to financing cost. The net present value of the provision as at December 31, 2015 has been calculated to be \$2,920 (September 30, 2015 - \$3,145).

# BIOX Corporation

## Notes to the condensed consolidated interim financial statements

Three month periods ended December 31, 2015 and 2014

(Unaudited)

(All information in thousands of Canadian dollars except for share and per share amounts)

### 15. Common share capital

The Company is authorized to issue an unlimited number of common shares. Common shares grant the holder the right to one vote and the right to receive dividends at the discretion of the Board of Directors, paid in equal or equivalent amounts per share on all of the common shares at the time outstanding without preference or distinction. (The total shares column in the table below is not disclosed in thousands).

*Authorized, unlimited*

Common shares

*Issued*

	#	\$
Balance, September 30, 2014	45,710,967	167,773
Share cancellation (i)	314,157	357
Balance, September 30, 2015	46,025,124	168,130
Issuance of common shares	7,000	4
<b>Balance, December 31, 2015</b>	<b>46,032,124</b>	<b>168,134</b>

(i) In August 2015, 314,157 common shares were issued upon the exercise of options granted under the Long-term Incentive Plan (Note 17) through a cashless transaction. A value allocated to these shares in the amount of \$357 was reallocated from Equity reserve to Common share capital. Further details of this transaction can be found in Note 17.

(ii) In December 2015, 7,000 common shares were issued upon the exercise of options granted under the Long-term Incentive Plan (Note 17) for cash proceeds of \$2. An additional value allocated to these shares in the amount of \$2 was reallocated from Equity reserve to Common share capital. Further details of this transaction can be found in Note 17.

*Earnings per share data*

	2015	2014
Net income for the period attributable to shareholders - basic and diluted	<b>4,193</b>	4,312
Basic weighted average number of shares outstanding	<b>46,026,950</b>	45,710,967
Dilutive weighted average number of shares outstanding	<b>46,532,877</b>	45,727,634
<b>Net loss attributable to shareholder per share - basic</b>	<b>0.09</b>	<b>0.09</b>
<b>Net loss attributable to shareholder per share - diluted</b>	<b>0.09</b>	<b>0.09</b>

The determination of the diluted weighted average number of common shares excludes 1,758,742 of long-term incentive plan participation units, if converted to equivalent shares of the Company, that were anti-dilutive for the three month period ended December 31, 2015 (three month period ended December 31, 2014 – 2,538,333 units).

# BIOX Corporation

## Notes to the condensed consolidated interim financial statements

Three month periods ended December 31, 2015 and 2014

(Unaudited)

(All information in thousands of Canadian dollars except for share and per share amounts)

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### 16. Warrants reserve

The fair value of share purchase warrants issued on March 2, 2010 of \$1.59 was calculated using the Black-Scholes model based on a stock price of \$2.00, an assumed expected life of 5 years, 100% expected volatility, a dividend rate of 0.0% and a risk-free rate of 2.5% for a total valuation of \$3,151. The share purchase warrants expired on March 2, 2015.

### 17. Employee stock option plan

A long-term incentive plan ("LTIP") was established under the new amalgamated Company on the date of the Qualifying Transaction, March 1, 2010. The LTIP authorizes the issuance of up to 10% of the issued and outstanding Resulting Issuer Shares ("RIS") from time to time pursuant to the terms of such plan. A maximum of 100% of such shares will be available to insiders.

The exercise price of any stock option granted under the LTIP will be the market price of the common shares, being the closing price of the RIS on the Toronto Stock Exchange ("TSX") quoted on the date immediately before the date on which the option is granted or such other minimum price as is permitted by the TSX in accordance with its policies from time to time. The Board of Directors or the Compensation and Corporate Governance Committee may determine the option term for each option; provided, however, that the exercise period of any option may not exceed ten years from the date of the grant. It is current practice that stock options granted under the LTIP expire five years after the date of grant. Vesting for each option will also be determined by the Compensation and Corporate Governance Committee.

In accordance with this plan, the Board of Directors granted the following:

- (a) During the year ended September 30, 2015, 425,000 options expired. These options has an average exercise price of \$2.00 per option. The options expired on March 2, 2015, five years after the option grant date.
- (b) During the year ended September 30, 2015, 225,000 options were forfeited upon the departure of the previous Chairman of the Board of Directors. These options had an average exercise price of \$0.61 per option. The options were forfeited on June 22, 2015, three months following the departure of the Chairman.
- (c) During the year ended September 30, 2015, 314,157 options were exercised, 392,924 options were cancelled and 235,000 options were forfeited. The exercised, cancelled and forfeited options at an average exercise price of \$0.42, \$0.63 and \$1.41 per option, respectively.
- (d) During the three months ended December 31, 2015, 7,000 options were exercised with an exercise price of \$0.32 per option.
- (e) On December 14, 2015, 1,308,750 options were granted to certain employees of the Company and the members of the Board of Directors at an exercise price of \$0.60 per common share. These options vest quarterly over 3 years. On the grant date the value of the options was \$641 based on the number of options granted multiplied by \$0.49 which correspond to the fair value of option awards as determined under the Black-Scholes model with a risk free interest rate of 1.0%, an expected life of 5 years, a dividend rate of 0.0%, and 119% expected volatility of the Company since it listed on the Toronto Stock Exchange.

#### *Share-based compensation*

During the three month period ended December 31, 2015, share-based compensation of \$112 (three month period ended December 31, 2014 - \$23) was recorded as an expense and added to the equity reserve for the fair value of stock options granted, determined using the Black Scholes model.

# BIOX Corporation

Notes to the condensed consolidated interim financial statements

Three month periods ended December 31, 2015 and 2014

(Unaudited)

(All information in thousands of Canadian dollars except for share and per share amounts)

## 17. Employee stock option plan (continued)

	December 31, 2015		September 30, 2015	
	Options	Weighted average exercise price	Options	Weighted average exercise price
	#	\$	#	\$
Employee options outstanding, beginning of period	962,919	0.99	2,555,000	1.04
Granted	1,308,750	0.60	-	-
Exercised	(7,000)	0.32	(314,157)	0.42
Cancelled	-	-	(392,924)	0.63
Expired	-	-	(425,000)	2.00
Forfeiture	-	-	(460,000)	1.02
Employee options outstanding, end of period	2,264,669	0.77	962,919	0.99

The following table summarizes information about the Company's stock options outstanding and exercisable as at the dates noted below:

	Options outstanding			Options exercisable	
	Options	Weighted average remaining contractual life	Weighted average exercise price	Options	Weighted average exercise price
	#	(years)	\$	#	\$
September 30, 2015	325,000	0.36	1.44	325,000	1.44
	255,000	1.19	1.38	255,000	1.38
	138,750	2.38	0.42	103,334	0.42
	244,169	3.21	0.32	110,830	0.32
	962,919	1.79	0.99	794,164	1.13
December 31, 2015	325,000	0.11	1.44	325,000	1.44
	255,000	0.94	1.38	255,000	1.38
	138,750	2.13	0.42	132,084	0.42
	237,169	2.95	0.32	173,833	0.32
	1,308,750	4.96	0.60	109,059	0.60
	2,264,669	3.43	0.77	994,976	1.00

# BIOX Corporation

Notes to the condensed consolidated interim financial statements

Three month periods ended December 31, 2015 and 2014

(Unaudited)

(All information in thousands of Canadian dollars except for share and per share amounts)

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## 18. Consolidated statements of cash flows

The consolidated statements of cash flows include the following changes in non-cash working capital balances related to operations:

	2015	2014
	\$	\$
Accounts receivable	<b>(6,357)</b>	(7,838)
Prepaid expenses	<b>(227)</b>	176
Inventory	<b>(773)</b>	3,090
Deferred income tax asset	-	(35)
Accounts payable and other liabilities	<b>(465)</b>	(1,192)
Net change in non-cash working capital balances related to operations	<b>(7,822)</b>	(5,799)