MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended September 30, 2016

December 15, 2016

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For the year ended September 30, 2016

This Management's Discussion and Analysis ("MD&A") has been prepared as of December 15, 2016.

The purpose of this MD&A is to provide the reader with an overview of the consolidated financial position, operating results, and cash flows of BIOX Corporation ("BIOX") for the year ended September 30, 2016. This MD&A of BIOX's financial condition and results of operations should be read together with BIOX's audited consolidated financial statements for the years ended September 30, 2016 and 2015, and related notes that have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Except as otherwise noted, the financial information contained in this MD&A and our consolidated financial statements have been prepared in accordance with IFRS. For a description of accounting policies applied, refer to Note 3 of the consolidated financial statements.

*BIOX reports its results in Canadian dollars. Certain amounts included in this MD&A are rounded, to make reading easier. References in this MD&A to the "**Company**", "**we**", "**us**" **or** "**our**" mean BIOX and its subsidiaries. Additional information relating to BIOX, including its annual information form (when filed by BIOX), is available on SEDAR at www.sedar.com.*

FORWARD LOOKING STATEMENTS

Certain statements in this MD&A constitute "forward-looking" statements that involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, objectives or achievements of the Company, or industry results, to be materially different from any future results, performance, objectives or achievements expressed or implied by such forward-looking statements. These statements reflect BIOX's current views regarding future events and operating performance and are based on information currently available to BIOX, and speak only as of the date of this MD&A. These forward–looking statements involve a number of risks, uncertainties and assumptions and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such performance or results will be achieved. Those assumptions and risks include, but are not limited to, the fact that BIOX's results of operations and business outlook are highly dependent on a mix of legislation and producer payment programs and tax credits, and commodity prices, all of which are subject to significant volatility and uncertainty. There can be no assurance that forward looking statements will be accurate as many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including factors described in this MD&A and those discussed in BIOX's publicly available disclosure documents, as filed by BIOX on SEDAR (www.sedar.com) and updated herein. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described in this MD&A as intended, planned, anticipated, believed, estimated or expected. Accordingly, readers should not place undue reliance on forward looking statements. All subsequent forward looking statements, whether written or oral, attributable to BIOX or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Unless required by applicable securities law, BIOX does not intend and does not assume any obligation to update these forward-looking statements.

OUR BUSINESS

We are a renewable energy company that currently operates a 67 million litre nameplate capacity continuous flow biodiesel production facility in Hamilton, Ontario. We produce biodiesel using our own technology and unique, proprietary and patented process. We produce biodiesel which meets or exceeds American Society of Testing Materials ("ASTM") quality standards for on road fuels using multiple feedstocks.

Our production process converts both triglycerides and free fatty acids ("FFA") in a two-step, single-phase, continuous process at atmospheric pressures in near ambient temperatures. Through the addition of a co-solvent, we convert first the FFA and then the triglycerides into methyl esters without any pre-treatment step. Our biodiesel production process results in conversion yields of greater than 99% of available triglycerides and FFAs even when using higher FFA feedstock such as animal fats, used cooking oils, corn oil from ethanol production or crude palm oil. The "feedstock conversion yield" is the extent to which feedstock is fully converted into methyl esters. Of the methyl esters produced in the process, approximately 90% to 95% is produced to meet on road ASTM standards, depending on the feedstock used, with the balance consisting of a lower grade form of fuel oil, which we refer to as "bioheavies". Our ability to produce a higher percentage of on road ASTM grade biodiesel varies according to the qualities of the feedstock used in our production process. We recapture and recycle 99.97% of the co-solvent used in the production process.

In June 2016, the Company acquired a 50 million litre nameplate capacity biodiesel production facility in Sombra, Ontario. The Company will continue to perform upgrades on the facility over the next nine months to improve the facility's efficiency and we expect the facility to be in production by the fourth quarter of fiscal 2017. In connection with these upgrades, BIOX obtained a CAD $1.8 million mortgage on the facility.

In June 2016, the Company invested in a joint venture, in which it has a 50% ownership interest, to acquire and operate a 90 million US gallon nameplate capacity biodiesel facility in Houston, Texas. The facility began commissioning of the plant in the last quarter of BIOX's 2016 fiscal year and expects to be in production by BIOX's first quarter of fiscal 2017.

For more information regarding the Sombra facility and investment in the joint venture, see "*Financial Position*", "*Capital Expenditures*", and "*Outlook*" included in this MD&A.

SELECTED ANNUAL INFORMATION

The following table below provides selected consolidated financial information for the three most recently completed financial years (in thousands, except per share amounts):

For the year ended September 30,	2016	2015	2014
	($)	**($)**	**($)**
Sales	114,773	75,352	67,547
Operating income (loss)	2,155	(777)	(14,664)
Net loss	(3,409)	(3,041)	(26,692)
per share, basic	(0.07)	(0.07)	(0.58)
per share, diluted	(0.07)	(0.07)	(0.58)
Total assets	65,860	55,144	63,239
Total long-term liabilities	16,373	14,520	17,723
Cash dividends paid, per share	-	-	-

Sales

Sales increased by $39.4 million to $114.8 million for the year ended September 30, 2016 compared with $75.4 million for the year ended September 30, 2015. The increase is partially due to the reinstatement of the biodiesel tax incentive, which allowed us to collect U.S. $6.7 million in refundable tax credits from the U.S. Internal Revenue Services (the "IRS") related to sales to our customers in calendar 2015. The primary reason for the increase in sales over the prior year is the increase in the amount of third-party product sold. BIOX recognized an additional $41.2 million in the current year as a result of its plans to control and distribute product purchased from third parties compared with $2.6 million in 2015. Sales of biodiesel were 98.2 million litres during the year ended September 30, 2016, a 54% increase from the 63.6 million litres sold during the year ended September 30, 2015 primarily due to the 38.9 million litres of third party product sold compared to the 3.3 million litres of third party product sold in 2015. Although it is management's intention to take advantage of future opportunities to control and distribute third party product on an ongoing basis, the Company is not expecting to see similar results in upcoming years related to the sale of third party product. It will be turning its focus to its new acquisitions and investments. The average price of biodiesel sold during the year ended September 30, 2016 was $1.04 per litre, an increase of 8% compared with an average price per litre of biodiesel sold of $0.96 for the year ended September 30, 2015.

Sales increased by $7.9 million to $75.4 million for the year ended September 30, 2015 compared with $67.5 million for the year ended September 30, 2014. The increase was due to a higher volume of biodiesel sold offset by lower revenue per litre of biodiesel for the year ended September 30, 2015 compared with the year ended September 30, 2014, and the reinstatement of the biodiesel tax incentive which allowed us to collect in 2015 approximately U.S. $6.5 million in refundable tax credits from the IRS related to sales to our customers in calendar 2014. Sales of biodiesel were 63.6 million litres during the year ended September 30, 2015, a 17% increase from the 54.5 million litres sold during the year ended September 30, 2014. The average price of biodiesel sold during the year ended September 30, 2015 was $0.96 per litre, a decrease of 16% compared with an average price per litre of biodiesel sold of $1.14 for the year ended September 30, 2014.

Net income or loss

Net loss increased by $0.4 million to $3.4 million for fiscal 2016 compared with $3.0 million in fiscal 2015. The increased net loss was primarily due to the Company's recognition of its share of losses in its investment in its new joint venture and lower than expected margins this year which was offset by $9.2 million (US$6.9 million)[1] collected in respect of refundable tax credits from our customers and the IRS related to sales to our customers in calendar 2015. Operating income for fiscal 2016 increased to $2.2 million compared with a net loss of $0.8 million in fiscal 2015. The increased operating income was primarily due to the decrease in the provision for unutilized tank leases as well as the $9.2 million (US $6.9 million)[1] in refundable tax credits from our customers and the IRS recognized during the year ended September 30, 2016 related to sales to our customers in calendar 2015, as well as a reduction in depreciation on our Hamilton production facility due to the extension of our land lease during the current year.

Net loss decreased by $23.7 million to $3.0 million for fiscal 2015 compared with $26.7 million in fiscal 2014. The decreased net loss was primarily due to a decrease in the initial tank lease provision due to the sublease of a portion of the tanks effective June 1, 2015 through to December 20, 2017 and no change to the impairment charge on non-current assets that was recorded in the prior year. Operating loss for fiscal 2015 decreased to $0.8 million compared with $14.7 million in fiscal 2014. The decreased operating loss was primarily due to the decrease in the provision for unutilized tank leases as well as the $7.6 million (U.S. $6.5 million)[2] in refundable tax credits from our customers and the IRS recognized during the year ended September 30, 2015 related to sales to our customers in calendar 2014.

Total Assets

As at September 30, 2016, we had $65.9 million in total assets, compared with $55.1 million in total assets at September 30, 2015. The increase in total assets was primarily due to the acquisition of a

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[1] Bank of Canada Rate Close December 31, 2016
[2] Bank of Canada Rate Close December 31, 2015

biodiesel production facility in Sombra, Ontario and the investment in the joint venture in Houston, Texas, both occurring in June 2016.

As at September 30, 2015, we had $55.1 million in total assets, compared with $63.2 million in total assets at September 30, 2014. The decrease in total assets was primarily due to a $4 million in inventory compared to the prior year due to a decrease in the available tank space held by the Company as well as a decrease in property, plant and equipment as the amortization was greater than the capital additions in the current year.

Long-Term Liabilities

Long-term liabilities outstanding were $16.4 million at September 30, 2016 compared with $14.5 million at September 30, 2015. The increase in this balance reflects an increase in financing, specifically secured promissory notes, related to the investment in the joint venture in June 2016.

Long-term liabilities outstanding were $14.5 million at September 30, 2015 compared with $17.7 million at September 30, 2014. The decrease in this balance reflects a decrease in the provision for unutilized tank leases due to the sublease of a portion of the tanks effective June 1, 2015 through to December 20, 2017.

RESULTS OF OPERATIONS

The Company's operating results for fiscal 2016 cover the period from October 1, 2015 to September 30, 2016, and are compared to its operating results for the period from October 1, 2014 to September 30, 2015.

Operating Income Prior to Non-Cash Items [3]

Operating income prior to non-cash items was $5.4 million for the year ended September 30, 2016 compared to $1.2 million in fiscal 2015. The increase in operating income prior to non-cash items for the year ended September 30, 2016 was primarily due to the reinstatement of the biodiesel tax incentive that allowed us to collect U.S. $6.7 million in refundable tax credits from the U.S. Internal Revenue Services related to sales to our customers in calendar 2015.

The following table presents a reconciliation of operating income prior to non-cash items to net loss for the periods ended September 30, 2016 and 2015:

[3] *Operating income prior to non-cash items is defined as operating income less production facility depreciation and amortization, and less depreciation and amortization of equipment and intangibles, share-based compensation, gain on revaluation of asset retirement obligation, and provision for unutilized tank storage. Management uses this measurement to monitor the operating cash flow of BIOX's business and believes this information is useful supplemental information to a reader of financial statements. This measurement may not be comparable to similar measures presented by other issuers. Investors are cautioned that operating income prior to non-cash items should not be construed as an alternative to net income determined in accordance with IFRS as an indicator of BIOX's performance.*

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2016

(in thousands)

		For the period ended September 30,	
		2016	2015
		$	$
Operating income before non-cash items		**5,396**	1,221
Deduct:	Production facility depreciation and amortization	**(2,834)**	(3,864)
	Depreciation and amortization of equipment and intangible assets	**(216)**	(229)
	Gain on revaluation of asset retirement obligation	**329**	-
	Share-based compensation	**(499)**	(89)
	Provision for unutilized tank storage	**(21)**	2,184
Operating income (loss)		**2,155**	(777)
Income tax expense		**(2,833)**	(1,359)
Loss on investment in joint venture		**(899)**	-
Financing cost, foreign exchange (loss) gain, and interest income		**(1,832)**	(905)
Net loss		**(3,409)**	(3,041)

Production

Production of methyl esters was 64.1 million litres for the year ended September 30, 2016 compared with 60.5 million litres in fiscal 2015. The ratio of biodiesel to total methyl esters produced was 93.1% for the year ended September 30, 2016, compared with 92.8% in fiscal 2015.

Sales

Sales were $114.8 million for year ended September 30, 2016 compared to $75.4 million in fiscal 2015. Sales for the year ended September 30, 2016 include the recognition of $41.2 million of resale revenue resulting from management's strategy to distribute and control more product, as well as the recognition of US $6.7 million (CAD $9.2 million)[1] of refundable tax credits from our customers and the IRS related to sales to our customers in calendar 2015, due to the retroactive reinstatement of the U.S. biodiesel tax incentive, compared to US $6.5 million (CAD $7.5 million)[2] in fiscal 2015.

Of the retroactive revenue received, CAD $6.9 million is related to sales in fiscal 2015 while the remaining CAD $2.3 million is related to sales in the first quarter of fiscal 2016. Of the retroactive revenue received in the first quarter of fiscal 2015, CAD $5.0 million was related to sales in fiscal 2014 while the remaining CAD $2.6 million was related to sales in the first quarter of fiscal 2015. The 54% increase in sales volume was primarily the result of an increase in the amount of third party product sold. BIOX is recognizing results from its plans to control and distribute product purchased from third parties. During the year ended September 30, 2016, BIOX sold 98.2 million litres. Of that product sold, 38.9 million litres were purchased from third parties. During the year ended September 30, 2015, BIOX sold 63.5 million litres of biodiesel of which 3.3 million litres were purchased from third parties. Although it is management's intention to take advantage of future opportunities to control and distribute third party product on and ongoing basis, the Company is not expecting to see similar results in upcoming years related to the sale of third party product. It will be turning its focus to its new acquisitions and investments.

These increases are offset by a decrease in revenue from the ecoEnergy for Biofuels program. BIOX's participation in this program expired March 31, 2015. There was no such revenue recognized in the year ended September 30, 2016.

We sold 3.7 million litres of bioheavies for the year ended September 30, 2016 compared with 5.4 million litres in fiscal 2015.

We sold 5.6 million pounds of technical grade glycerin for the year ended September 30, 2016 compared with 6.1 million pounds in fiscal 2015.

Cost of Sales

Direct expenses were $103.9 million for the year ended September 30, 2016 compared with $69.5 million in fiscal 2015. The increase in direct expenses was primarily the result of the purchase of biodiesel produced by third parties in line with the Company's plans to control and distribute more product.

Feedstock costs accounted for 44% of the total direct costs for the year ended September 30, 2016 compared with 66% for the corresponding period in 2015. Total direct cost of sales was $1.021 per litre for the year ended September 30, 2016 compared with $1.008 per litre in fiscal 2015. The decrease in feedstock costs over fiscal 2015 is due to the purchase of biodiesel produced by third parties as discussed above.

Production facility depreciation and amortization was $2.8 million for the year ended September 30, 2016 compared with $3.9 million for the corresponding period in 2015. The decrease over the prior year is due to the Company's amendment of its land lease agreement to include a Company option to renew for an additional ten years. This allowed us to extend the useful lives of certain long-lived assets.

Operating Expenses

General and administrative expenses were $5.4 million for the year ended September 30, 2016 compared with $4.6 million in fiscal 2015. General and administrative costs for the year ended September 30, 2016 include $0.4 million in non-recurring costs related to management restructuring incurred in the first quarter of fiscal 2016. The increase over the prior year is due to additional costs incurred related to the new location in Sombra, Ontario, and an increase in consulting fees related to other management's growth strategies.

Depreciation and amortization of equipment and intangible assets were $0.2 million for both the years ended September 30, 2016 and 2015.

Gain on revaluation of asset retirement obligation for the year ended September 30, 2016 was $0.3 million. During the year, the Company amended its land lease agreement to include a Company option to renew for an additional ten years. This resulted in a reduction of the obligation related to the asset retirement. As the reduction was greater than the net book value of the land remediation recognized in plant, property and equipment, a gain of $0.3 million was recognized.

Share-based compensation expense was $0.5 million for the year ended September 30, 2016, compared to less than $0.1 million in fiscal 2015. At September 30, 2016, there were 1,855,000 stock options outstanding. Share-based compensation expense was related to 120,000 options we issued to certain of our employees on December 8, 2011, 120,000 options issued to certain of our employees on February 15, 2013, 190,000 options issued to certain of our employees on December 13, 2013, 1,173,750 options issued to certain of our employees and the Directors on December 14, 2015 and 251,250 on August 10, 2016. These options are exercisable at prices ranging from $0.32 to $1.38 per share for a period of 5 years from the date of grant. The options vest daily over a three-year period and have been valued at an average of $0.61 per option as determined under the Black-Scholes option pricing model.

During the year ended September 30, 2016, the Company increased the tank lease provision by less than $0.1 million when the monthly tank lease rates increased in accordance with the terms of the lease.

This increase was booked to Expansion planning and development. Also during the year ended September 30, 2016, the Company incurred legal and consulting costs related to its expansion plans. On June 17, 2016, the Company acquired a 50 million litre nameplate capacity biodiesel facility in Sombra, Ontario. On June 30, 2016, the Company invested in a joint venture in which the Company has joint control and holds a 50% ownership interest. Total costs related to these acquisitions and other work for year ended September 30, 2016 was just over $0.1 million and was recorded in Expansion planning and development.

Operating Income (Loss)

Operating income was $2.2 million for the year ended September 30, 2016 compared with an operating loss of $0.8 million in fiscal 2015. The increase in operating income during the year ended September 30, 2016 was primarily due to the reinstatement of the biodiesel tax incentive that allowed us to collect U.S. $6.7 million in refundable tax credits from our customers and the IRS related to sales to our customers in calendar 2015.

Other Expenses

Financing costs were $1.6 million for the year ended September 30, 2016 compared to $1.2 million in fiscal 2015. The increase in financing expense for the year ended September 30, 2016 was primarily due to interest and standby charges of $0.7 million incurred related to the short-term financing that the Company acquired for purposes of funding its investment in a joint venture to acquire and operate a 90 million US gallon nameplate capacity biodiesel facility in Houston, Texas.

World Energy BIOX Biofuels LLC ("WEBB") is a joint venture in which the Company has joint control and holds a 50% ownership interest. On June 30, 2016, WEBB acquired a 90 million gallon nameplate capacity biodiesel production facility in Houston, Texas with each of BIOX and World Energy contributing US $10.0 million to WEBB. The facility began commissioning of the plant in the last quarter of BIOX's 2016 fiscal year and expects to be in production in BIOX's first quarter of fiscal 2017. WEBB is structured as a separate vehicle and the Company has a residual interest in the net assets of WEBB. During the year ended September 30, 2016, WEBB recognized losses from its commissioning phase, as such, BIOX recognized a loss on investment of $0.9 million.

Loss on foreign exchange was $0.3 million for the year ended September 30, 2016 compared with a gain on foreign exchange of $0.3 million in fiscal 2015.

Net Loss

Net loss was $3.4 million for the year ended September 30, 2016 compared to $3.0 million in fiscal 2015. The increase in net loss for the year ended September 30, 2016 was primarily due to a decrease in margins, an increase in the tax expense, offset by the reinstatement of the biodiesel tax incentive that allowed us to collect U.S. $6.7 million in refundable tax credits from the U.S. Internal Revenue Services related to sales to our customers in calendar 2015.

Basic and Diluted Loss per Common Share

Basic and diluted loss per common share was $0.07 per common share for both the years ended September 30, 2016 and 2015.

Both the basic and diluted per-share figures for the year ended September 30, 2016 is based on the weighted average number of 46,076,603 shares outstanding compared with 45,744,628 in fiscal 2015. As of the date of this report, 46,098,043 common shares were outstanding.

LIQUIDITY AND CAPITAL RESOURCES

To date, we have funded our operations primarily through the private placement of equity securities, shareholder and third-party loans, convertible debentures, government assistance, federal and provincial investment tax credits on qualified Scientific Research and Experimental Development expenditures, and interest income on cash balances. We believe that our future cash flow from operations combined with our current financial resources should be sufficient to enable us to meet ongoing requirements for capital expenditures and working capital requirements. However, our financial needs may change and in such event our ability to satisfy our obligations will be dependent upon our future results of operations and our ability to raise additional capital, which, in turn, will be subject to financial, tax, business and other factors, including those beyond our control. If we are unable to obtain required additional financing on acceptable terms, or at all, or we fail to generate sufficient cash flow from operations, we may be forced to restrain our growth plans or cut back existing operations. Our ability to execute our longer-term growth plans is dependent upon our ability to raise additional capital to fund our expansion plans. Although we generated positive cash flow from our Hamilton production facility over the last six fiscal years, we have not generated sufficient positive cash flow on a consistent basis from the commencement of commercial operations to September 30, 2016 to cover corporate overhead costs and interest and principal repayments on our outstanding loan obligations. Our ability to do so going forward is highly dependent upon raw material costs and petroleum diesel prices, biodiesel prices, and other factors, over which we have no control.

Operating Activities

For the year ended September 30, 2016, cash generated by operating activities totalled $7.2 million compared with $2.4 million in fiscal 2015. The increase is due to the factors that resulted in the increased operating income, outlined in the "Results of Operations" section of this MD&A.

Investing Activities

For the year ended September 30, 2016, cash used in investing activities was $22.4 million compared with cash generated by investing activities of $0.4 million in fiscal 2015. The increase in cash used in investing activities for the year ended September 30, 2016 was due to an increase in capital additions during the period due to the acquisition of a biodiesel production facility in Sombra, Ontario, as well as an investment in the joint venture in Houston, Texas. There were no significant acquisitions in the corresponding period in 2015.

Financing Activities

For year ended September 30, 2016, cash generated by financing activities was $10.7 million compared with cash used of $3.3 million in fiscal 2015. The increase in cash generated for the year ended September 30, 2016 was primarily due to financing received by insiders to fund our acquisition of a biodiesel production facility in Sombra, Ontario and an investment in the joint venture in Houston, Texas. See "*Financial Position*" included in this MD&A for further details on this funding.

FINANCIAL POSITION

Assets

As at September 30, 2016, we had $65.9 million in total assets, compared with $55.1 million in total assets at September 30, 2015. The increase in total assets is primarily due to the acquisition of a biodiesel production facility in Sombra, Ontario, as well as an investment in the joint venture in Houston, Texas.

Cash

Our cash balance at September 30, 2016 was $3.5 million compared to $7.7 million at September 30, 2015. The decrease in cash during the period is due to the acquisition of a biodiesel facility in Sombra, Ontario as well as an investment in a joint venture in Houston, Texas. Our working capital balance at September 30, 2016 was in a negative position of $6.1 million compared with a positive position of $7.6 million at September 30, 2015. The reason for the decrease in the working capital is due to the short-term nature of the financing obtained from insiders related to the acquisition of a production facility in Sombra, Ontario and the investment in the joint venture in Houston, Texas.

Restricted cash

Restricted cash at September 30, 2016 was $1.2 million compared to $0.3 million as at September 30, 2015. Restricted cash at September 30, 2016 represents a segregated fund kept in accordance with the terms of our loan facility with Farm Credit Canada ("FCC"), which states that the Company must maintain a segregated balance of $1.2 million in the case where our cash balance falls below $5.0 million. The Company was in this position as at September 30, 2016. Restricted cash at September 30, 2015 represented a letter of credit related to tank storage for the previously proposed New York Harbor project, which was released during the three-month period ended December 31, 2015.

Accounts receivable

Our accounts receivable balance at September 30, 2016 was $2.9 million compared with $3.6 million at September 30, 2015. The decrease in accounts receivable is primarily due to the timing of receipts from our customers.

Inventory

Inventory at September 30, 2016 was $3.8 million compared with $3.1 million at September 30, 2015. The increase in inventory is due to the timing of title transfer of our product to our customers. Our finished goods inventory levels have historically fluctuated, and may in the future fluctuate, as a result of market conditions for biodiesel and petroleum diesel. Those fluctuations have been, and may in the future be, material. In the longer-term we may, from time to time, choose to maintain high levels of finished goods inventory in order to maximize the selling price and gross margin we achieve on sales of our biodiesel, and doing so may adversely impact our total sales and gross margins and cause fluctuations in our financial results. At September 30, 2016, we held 1.7 million litres of feedstock inventory with a value of $1.2 million compared with 2.3 million litres with a value of $1.5 million at September 30, 2015.

Investment in joint venture

Investment in joint venture, as at September 30, 2016, is $13.0 million. There were no such investments as at September 30, 2015. WEBB is a joint venture in which the Company has joint control with World Energy and holds a 50% ownership interest. On June 30, 2016, WEBB acquired a 90 million US gallon nameplate capacity biodiesel production facility in Houston, Texas with each of BIOX and World Energy contributing US $10.0 million to WEBB. The facility is performing commissioning of the plant and has started production as of the date of this report. WEBB is structured as a separate vehicle and the Company has a residual interest in the net assets of WEBB. Accordingly, the Company has classified its interest in WEBB as a joint venture.

Property, plant and equipment and intangible assets

Property, plant and equipment balance was $30.1 million at September 30, 2016 compared to $26.2 million at September 30, 2015. Intangible assets balance was $0.3 million at September 30, 2016 compared to $0.4 million at September 30, 2015. Our capital expenditures consist primarily of production facility assets. The primary reason for the increase of property, plant and equipment during the year is the purchase of the biodiesel production facility in Sombra, Ontario. The breakdown of gross and net capital asset and intangible asset balances at September 30, 2016 was as follows:

	Gross	Net
	($)	($)
Computer hardware and software	329	7
Furniture and equipment	256	-
Vehicles	38	7
Leasehold improvements	185	95
Hamilton Production facility	59,644	23,654
Sombra Production Facility	6,305	6,305
Land remediation	918	23
Intangible assets	2,316	304
Total	**69,991**	**30,395**

Deferred Tax Asset

Deferred tax asset as of September 30, 2016 was $10.2 million compared to $13.2 million as at September 30, 2015. We decreased the deferred tax asset by $3.0 million for the year ended September 30, 2016 compared to a decrease of $1.4 million for the year ended September 30, 2015, due to the application of income earned by the parent company, BIOX Corporation, against its tax losses.

Accounts payable and other liabilities

Accounts payable and other liabilities at September 30, 2016 were $7.1 million compared with $4.7 million at September 30, 2015. The increase in accounts payable and other liabilities was due to timing differences related to the accounts payable cycle.

Short-term debt

Our short-term debt balance as at September 30, 2016 was $8.3 million. There was no such debt as at September 30, 2015. Included in short-term debt was both a secured bridge note and a mortgage from FCC.

On June 30, 2016, the Company entered into a secured bridge note facility in the amount of US$5.0 million (the "Bridge Note") with a shareholder to partially fund the investment in the new joint venture in Houston, Texas. As at September 30, 2016, the estimated fair value of the Bridge Note was $6.6 million. There was no such facility as at September 30, 2015. The Bridge Note was issued for a term of six months at a climbing interest rate as follows: (a) 12% per annum to and including August 31, 2016; (b) 14% per annum from September 1, 2016 to and including September 30, 2016; (c) 16% per annum from October 1, 2016 to and including October 31, 2016; and (d) 18% per annum from November 1, 2016 onward, with an interest payable monthly. The Bridge Note is secured by an interest in the assets of the joint venture.

Subsequent to the end of the fiscal year ended September 30 2016, the Bridge Note was amended to provide that (i) commencing as of October 1, 2016, the outstanding amount under the Bridge Note, up to and including December 31, 2016 will bear interest at the rates set out above, provided that such interest on such amounts shall compound monthly; and (ii) commencing as of October 1, 2016, all accrued interest in respect of the Bridge Note shall be payable by BIOX, subject to the early repayment provisions contained in the Bridge Note, on December 31, 2016 or on such earlier date as the Bridge

Note may become due in accordance with the provisions thereof. It is anticipated that an aggregate of US$5.2 million will be due and payable under the Bridge Note upon maturity and the Board of Directors of the Company has approved the issuance to the holder of the Bridge Note of a new secured bridge note on January 1, 2017 in the principal amount of US$5.2 million (the "New Bridge Note") which will be issued in full replacement of the Bridge Note, following which the Bridge Note will be cancelled. The New Bridge Note will be issued for a three month term and will bear interest at a rate of 12% per annum, accruing daily and compounded monthly. All accrued and unpaid interest under the New Bridge Note will be payable, subject to the early repayment provisions to be contained in the New Bridge Note, on March 31, 2017 or on such earlier date as the New Bridge Note may become due in accordance with the provisions thereof. The issuance of the New Bridge Note in replacement of the Bridge Note is subject to the approval of the holder of the Bridge Note.

On August 29, 2016, FCC extended a $1.8 million mortgage to the Company. The mortgage was issued for a term of 1 year at an interest rate of 4.75% per annum. Interest payments will be made on a monthly basis with the full balance of the principal due on September 1, 2017. The debt is secured by a mortgage on the Sombra, Ontario facility.

Current portion of long-term debt and long-term debt

Current portion of long-term debt and long-term debt outstanding as at September 30, 2016 was $8.6 million compared to $10.1 million as at September 30, 2015.

Current portion of provisions and provisions

Current portion of provisions is for a portion of the storage tanks under lease related to our previously planned plant in New York Harbor that remain unused. We have recorded a total tank lease provision as at September 30, 2016 of $1.8 million compared with $3.1 million as at September 30, 2015. The provision is based on the estimated net cost to the Company for the balance of the lease obligation. Of the $1.8 million of provisions, $1.4 million is included in Current portion of provisions with the remaining $0.4 million included in Provisions.

Provision for the asset retirement obligation at September 30, 2016 was $3.4 million compared with $4.2 million at September 30, 2015. The decrease in the obligation is due to the addition to the land lease of a ten-year renewal option. This has allowed for a reduction of the obligation related to asset retirement as the remediation requirement has been extended for an additional ten years.

Secured promissory notes

Secured promissory notes as at September 30, 2016 was $5.6 million. There were no such debt instruments in fiscal 2015. On June 30, 2016, shareholders extended to the Company an aggregated amount of US$5.0 million to complete the investment in the new joint venture in Houston, Texas. The amount is evidenced by secured promissory notes (the "Notes") due June 30, 2018. The Notes bear interest at a rate of 12% per annum payable quarterly in arrears on the last day of each calendar month. The interest rate is fixed until the maturity date of the Notes. The Notes are secured by an interest in the assets of the joint venture. In connection with the issuance of the Notes, the Company issued to the holders of the Notes an aggregate of 4,400,000 Warrants (as hereinafter defined – see "Warrant Reserve"). The estimated fair value of the Notes at September 30, 2016 is $5.6 million and has been determined based on management's best estimate of fair value to renegotiate debt with similar terms at year end. Upon initial recognition, the debt component of $5.6 million of Secured promissory notes was calculated by discounting the future cash flows of interest and principal at a rate of 21%, which represents management's best estimate of the rate that would be obtained on a debt with similar terms without the issuance of the Warrants.

Warrant reserve

Warrant reserve as at September 30, 2016 is $1.0 million. There was no such reserve as at September 30, 2015. In connection with the issuance of the Notes in fiscal 2016, the Company issued to the holders of the Notes, warrants ("Warrants") to acquire an aggregate of 4,400,000 common shares of the Company, with each Warrant exercisable to acquire one common share at a price of $0.673 until June 30, 2018. The Warrants were approved by the shareholders of the Company at a special meeting of the shareholders held on August 24, 2016.

Equity and outstanding share data

Our authorized share capital currently consists of an unlimited number of common shares. At September 30, 2016, and at the date of this report, we had outstanding 46,098,043 common shares, options to purchase up to 1,855,000 common shares and warrants to purchase up to 4,400,000 common shares. At September 30, 2015, we had outstanding 46,025,124 common shares and options to purchase up to 962,919 common shares. We had equity at September 30, 2016 of $31.1 million compared with $33.0 million at September 30, 2015.

CAPITAL EXPENDITURES

On June 17, 2016, the Company acquired a 50 million litre nameplate capacity biodiesel production facility in Sombra, Ontario for US$4.5 million. The Sombra facility is located on a 21-acre facility near Sarnia, Ontario with excellent logistics, including on site rail. Originally constructed in 2009, the facility has not achieved nameplate capacity due to working capital and market challenges, and is currently not in production. The Company will expend an additional $5.0 million over the next nine months on upgrades to the facility that will improve the facility's efficiency and enable the use of a broader range of feedstock, specifically lower carbon intensity feedstocks, such as animal fats and recycled cooking oils.

We anticipate that a significant majority of our capital expenditures will continue to be made on our production facility assets. There are no off balance sheet arrangements.

RELATED PARTY TRANSACTIONS

In the normal course of business, we may enter into transactions with related parties on terms similar to those of unrelated parties. We use the exchange amount as the measurement basis for these related party transactions.

During the year ended September 30, 2016, we used the consulting services of one of our directors. Costs incurred during this period were less than $0.1 million. During the year ended September 30, 2016, the Company obtained both short-term and long-term loan facilities from related parties to fund our investment in the joint venture in Houston, Texas. These facilities, consisting of the Bridge Note and the Notes, were obtained from insiders of the Company. For further details on these facilities, see "*Financial Position*" included in this MD&A.

Compensation of Key Management Personnel

Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the Company. The Company considers key management to be the members of the Board of Directors and senior executives of the Company including the Chief Executive Officer, the Executive Vice President of Corporate Operations and Strategy, the Vice President of Operations, and the Vice President of Finance and Corporate Secretary. Key management personnel are considered to be related parties under IFRS. Information related to remuneration of key management personnel for the year ended September 30, 2016 is contained in Note 26 to the consolidated financial statements.

COMMITMENTS

Our consolidated contractual obligations relate to long-term debt, and lease payments as summarized below. We had no other indebtedness or off-balance sheet arrangements as at September 30, 2016.

(in thousands of dollars)

	Payments due by Period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
	($)	($)	($)	($)	($)
Accounts payable	4,594	4,594			
Short-term debt	8,330	8,330			
Long-term debt	8,625	1,500	7,125	-	-
Promissory notes	6,559	-	6,559	-	-
Finance lease obligations	6	6	-	-	-
Operating leases	8,790	3,383	2,001	557	2,849
Purchase obligations	431	431	-	-	-
Total Contractual Obligations	37,335	18,244	15,685	557	2,849

SUPPLEMENTARY FINANCIAL INFORMATION

Selected Unaudited Consolidated Quarterly Financial Information

The following table presents selected unaudited consolidated quarterly financial information for each of the eight periods indicated. Our quarterly operating results have historically fluctuated significantly as a result of a variety of factors. Therefore, we believe that our past operating results and period-to-period comparisons should not be relied upon as an indication of our future performance. See "*Risk Factors*".

(in thousands, except per share amounts)	Three Months Ended							
	Dec 31 2014	Mar 31 2015	Jun 30 2015	Sep 30 2015	Dec 31 2015	Mar 31 2016	Jun 30 2016	Sep 30 2016
	($)	($)	($)	($)	($)	($)	($)	($)
Sales	27,408	16,067	13,509	18,368	25,743	21,426	39,663	27,941
Operating income (loss)	4,679	(2,199)	(414)	(2,843)	4,545	(3,239)	(190)	1,039
Net income (loss)	4,312	(2,002)	(1,006)	(4,345)	4,193	(5,604)	(1,183)	(815)
Net income (loss) per share, basic	0.09	(0.04)	(0.02)	(0.09)	0.09	(0.12)	(0.03)	(0.01)
Net income (loss) per share, diluted	0.09	(0.04)	(0.02)	(0.09)	0.09	(0.12)	(0.03)	(0.01)

Fluctuations in quarterly results have primarily been the result of the impact of changes in the ecoENERGY for Biofuels program, the delayed reinstatement in 2015 of the U.S. biodiesel tax credit, and changes in market conditions and supply/demand imbalances in the biodiesel industry.

FOURTH-QUARTER RESULTS

Operating Income (Loss) Prior to Non-Cash Items

The following table presents a reconciliation of operating income (loss) prior to non-cash items to net loss for the three months ended September 30, 2016 and 2015:

(in thousands)

		Three months ended September 30,	
		2016	2015
		$	$
Operating income (loss) before non-cash items		**1,204**	(1,767)
Deduct:	Production facility depreciation and amortization	**28**	(991)
	Depreciation and amortization of equipment and intangible assets	**(50)**	(56)
	Share-based compensation	**(143)**	(29)
Operating income (loss)		**1,039**	(2,843)
Income tax expense		**(297)**	(1,359)
Loss on investment in joint venture		**(899)**	-
Financing cost, foreign exchange (loss) gain, and interest income		**(658)**	(143)
Net loss		**(815)**	(4,345)

Operating income prior to non-cash items was $1.2 million for the three-month period ended September 30, 2016 compared with operating loss prior to non-cash items of $1.8 million for the corresponding period in 2015. The change was primarily due to significantly higher gross margins achieved in the fourth quarter of fiscal 016 compared with the same period in 2015, as a result of factors outlined above in the *"Fourth Quarter Results - Sales"* and *"Cost of Sales"* sections of this MD&A.

Production

Production of methyl esters was 16.2 million litres for three-month period ended September 30, 2016 compared to 15.5 million litres for the corresponding period in fiscal 2015. The ratio of biodiesel to total methyl esters produced was 93.7% compared with 93.2% for the corresponding period in 2015.

Sales

Sales were $27.9 million for the three-month period ended September 30, 2016 compared with $18.4 million for the three month period ended September 30, 2015. We sold 22.9 million litres of biodiesel in the fourth quarter of fiscal 2016 compared with 18.3 million litres for the corresponding period in 2015.

The primary reason for the increase in sales over the prior year is due to BIOX recognizing results from its plans to control and distribute product purchased from third parties as well as an increase in the average sales price over the prior year. BIOX recognized an additional $6.9 million of revenue from product purchased from a third party during the quarter ended September 30, 2016 as compared to $2.0 million during the corresponding period in 2015. Average revenue per litre of biodiesel sold was

$1.14 for the three-month period ended September 30, 2016 compared with $0.97 per litre, for the corresponding period in 2015. The 18% increase in average revenue per litre of biodiesel sold was primarily due to changes in market conditions which resulted in higher prices and gross margins in the fourth quarter of 2016.

We sold 1.5 million litres of bioheavies for the three-month period ended September 30, 2016 compared with 1.0 million litres for the corresponding period in 2015.

We sold 1.2 million pounds of technical grade glycerin for the three-month period ended September 30, 2016 compared with 1.8 million pounds for the corresponding period in 2015.

Cost of Sales

Direct expenses were $25.1 million for the three-month period ended September 30, 2016 compared with $19.1 million for the corresponding period in 2015. Total direct cost of sales was $0.99 per litre for both the three-month periods ended September 30, 2016 and 2015.

Production facility depreciation and amortization was $nil for the three-month period ended September 30, 2016 compared to $1.0 million for the corresponding period in 2015. The decrease is due to an adjustment related to the extension of our land lease resulting in an increase in the useful lives of our long-lived assets.

Operating Expenses

General and administrative expenses were $1.6 million for the three-month period ended September 30, 2016 compared to $1.1 million for the corresponding period in fiscal 2015. The increase is due to an increase in consulting fees related to management's growth strategies.

Amortization of furniture, equipment and intangible assets was less than $0.1 million for both the three-month periods ended September 30, 2016 and 2015.

Share-based compensation expense was just over $0.1 million for the three-month period ended September 30, 2016 compared to less than $0.1 million for the corresponding for the corresponding period in fiscal 2015. The increase is due to the issuance of additional stock options during the three-month period ended September 30, 2016.

Operating Income (loss)

Operating income was $1.0 million for the three-month period ended September 30, 2016 compared with an operating loss of $2.9 million for the corresponding period in fiscal 2015. The change was primarily due to higher gross margins achieved in 2016 compared with 2015 as a result of the factors outlined above in the *"Fourth Quarter Results – Sales"* and *"Cost of Sales"* sections of this MD&A.

Other Expenses

Financing costs were $0.6 million for the three-month period ended September 30, 2016 compared to $0.3 million for the corresponding period in fiscal 2015. The increase is due to the transaction and interest costs related to the Bridge Note and the Notes extended by shareholders.

During the year ended September 30, 2016, WEBB recognized losses from its commissioning phase, as such, BIOX recognized a loss on investment of $0.9 million. There were no such losses in the corresponding period of 2015.

Foreign exchange loss was less than $0.1 million for the three-month period ended September 30, 2016 compared with a foreign exchange gain of $0.1 million for the corresponding period in fiscal 2015.

Net Loss

Net loss was $0.8 million for the three-month period ended September 30, 2016 compared to $4.3 million for the corresponding period in fiscal 2015. The decreased net loss in 2016 compared to 2015 was the result of significantly higher gross margins achieved in the fourth quarter of fiscal 2016 compared with the same period in 2015, as a result of factors outlined above in the *"Fourth Quarter Results - Sales"* and *"Cost of Sales"* sections of this MD&A.

Basic and Diluted Loss Per Common Share

Loss per common share outstanding and per diluted common share was $0.01 for the three-month period ended September 30, 2016 compared with $0.09 for the corresponding period in 2015.

Basic and diluted per-share figures are based on the weighted average number of 46,076,603 shares for the three-month period ended September 30, 2016 and 45,744,628 for the three-month period ended September 30, 2015.

OVERVIEW

Effective July 1, 2010, the Renewable Fuels Standard in the United States, or RFS2, specifically provides for a renewable component in U.S. diesel fuel. To qualify as an Advanced Biofuel, which Biomass-based diesel is, the fuel must reduce greenhouse gas, or GHG, emissions by 50% compared to petroleum diesel. On November 30, 2015, the EPA announced its final RVO volumes for 2014 through 2017 above the initial November 2013 proposal for Biomass-based diesel as follows: 2014 – 1.63 billion US gallons; 2015 – 1.80 billion US gallons; 2016 – 1.90 billion US gallons; proposed 2017 – 2.00 billion US gallons. For the 2018 year, the EPA has proposed an RVO volume of 2.10 billion. For more information regarding the U.S. Renewable Fuel Standard, see "*Outlook*" included in this MD&A.

Our wholly-owned subsidiaries are registered with the US EPA as a Foreign Renewable Fuel Producer (BIOX Canada Limited), and as a Renewable Fuel Importer and RIN Generator (BIOX USA Limited). The EPA created the RIN system to track renewable fuel production and compliance with RFS2 by petroleum refiners and petroleum fuel importers ("Obligated Parties"), as RINs are used by Obligated Parties to demonstrate compliance with the RFS2. As a registered RIN Generator, we generate 1.5 RINs for each gallon of biodiesel sold in the U.S. Under the RFS2 regulations, RINs may be separated from the physical biodiesel and once separated they can be sold as a separate commodity or held in inventory for sale at a later date. Obligated Parties can obtain RINs by purchasing renewable fuel with RINs attached, buying RINs that have been separated from the physical product, or by producing renewable fuels themselves. The value of RINs is significant in the price of biodiesel, or as a separate commodity. As of December 14, 2016 Biomass-based diesel separated RINs were valued at US $1.09 per RIN or the equivalent of US $1.63 per US gallon.

On December 19, 2014, legislation was passed in the United States that provided for the retroactive reinstatement of the U.S. federal excise tax incentive (or "blender") program which had ended on December 31, 2013. The reinstatement of the biodiesel tax incentive allows us to collect approximately US $6.5 million in refundable tax credits from our customers and the IRS related to sales to our customers during calendar 2014 during fiscal 2015. The U.S. biodiesel tax incentive expired on December 31, 2014. On December 18, 2015, legislation was passed that provided for a two year extension of the Blender Tax Credit incentive that includes a retroactive incentive for 2015, and which is set to expire December 31, 2016. The retroactive reinstatement and extension of the biodiesel tax incentive provides greater certainty for producers, refiners, and importers. The retroactive reinstatement allowed us to recognize and collect approximately US $6.7 million in refundable tax credits from our customers and the IRS related to sales to our customers during calendar 2015. Extending the tax incentive through 2016 is expected to allow us to capture additional value on product sold in the U.S. market. There is uncertainty as to whether this incentive will be renewed on a go-forward basis. For more information regarding the U.S. biodiesel tax incentive, see "*Outlook*" included in this MD&A.

In June 2008, Bill C-33, an amendment to the Canadian Environmental Protection Act, was given Royal assent. Included in Bill C-33 is the requirement for a minimum of 2% renewable content in the Canadian petroleum diesel fuel pool by no later than 2012. Biodiesel qualifies as renewable content and therefore can be used to comply with the requirement. BIOX Canada Limited is registered under the Canadian Environmental Protection Act as a renewable fuel producer and therefore its production qualifies as renewable content under the program. After staggering the start dates for various provinces, since January 1, 2015 the minimum 2% requirement has been in effect across Canada. Each distillate compliance period runs on a 12-month calendar year basis. The 2% blending volumes are averaged over the compliance period.

On April 1, 2014, the Ontario Government implemented the Greener Diesel, Renewable Fuel Content Requirement for Petroleum Diesel Fuel regulation, based on fuel percentage and carbon intensity, for all diesel fuel sold in Ontario. The regulation requires producers and importers of petroleum products to ensure that petroleum diesel and blended diesel suitable for use in a diesel engine that is placed in the Ontario market contain biomass-based diesel on an average adjusted volume basis in accordance with a compliance formula. For more information regarding this regulation, see *"Outlook"* included in this MD&A.

With the exception of a temporary suspension of the production of biodiesel between October 25, 2012 and February 1, 2013 due to unfavourable market conditions within the U.S. biodiesel market at that time, our Hamilton production facility has been operating both production trains simultaneously since April 2008, and we have produced approximately 471 million litres of on-specification biodiesel to September 30, 2016. For more information regarding Hamilton plant operations, see "*Outlook*" included in this MD&A.

For discussion on our current year expansion activities, please see the "*Overview*" section of this MD&A.

Business Strategy

Key elements of our strategy include:

- *Focus on expanding our business in strategic locations*. We intend to expand our business through increasing the volume of biodiesel we produce, control and distribute in strategic locations. We plan to focus on markets that are the most attractive to BIOX, taking into account a number of factors, such as the nature of legislation or policies promoting the use of biodiesel and other renewable fuels, existing petroleum storage and distribution infrastructure, availability of feedstock, and economic and political stability.

- *Continue to focus on process improvement and research and development*. We will continue to refine our production technology and develop process improvements aimed at increasing efficiency and effectiveness. We will also continue to conduct research and development, including supporting research initiatives at educational institutions and enhancing our in-house research and development program. Our research and development will focus on areas such as new sources of feedstock, new technologies and increasing the value of by-products.

- *Continue to monitor emerging biodiesel markets and other related opportunities*. In addition to owning and operating additional production facilities, other profitable business models may develop in emerging biodiesel markets and related markets, including opportunities to license BIOX's patented biodiesel production process.

Key Performance Indicators and Non-IFRS Measures

We measure our performance through key indicators that include litres of methyl esters produced, the production yields, and sales volume. We also measure our performance through operating income prior to non-cash items, which is defined as operating income or loss less production facility depreciation and amortization, depreciation and amortization of furniture, equipment and intangible assets, share-based compensation, gain on revaluation of asset retirement obligations, and provision for unutilized tank storage. Our management uses this measurement to monitor the operating cash flow of our business. We believe that this measure is important, as it provides management and the reader with additional information about our cash generation capabilities and facilitates comparison of results over different periods, and is therefore useful supplemental information to a reader of this MD&A. Operating income prior to non-cash items is not a performance measure recognized under IFRS, and therefore is not likely to be comparable to similar measures presented by other issuers. Investors are cautioned that operating income prior to non-cash items should not be construed as an alternative to net income determined in accordance with IFRS. For a reconciliation of operating income prior to non-cash items to net income, see "*Results of Operations*" included in this MD&A.

Sources of Revenue and Revenue Recognition Policy

We derive revenue primarily from the sale of our principal products, compliance units and biodiesel. We also sell bioheavies and technical grade glycerin, which are by-products of the production of biodiesel. We commenced commercial production of biodiesel at our Hamilton facility in April 2007. As of September 30, 2016, we had sold approximately 522 million litres of biodiesel, including 470 million litres produced by BIOX and 52 million litres acquired from third parties, and 45 million litres of our bioheavies. Commissioning of the glycerin refinement system was completed during the year ended September 30, 2013 and we sold 21.5 million pounds of technical grade glycerin as of September 30, 2016.

The sale price of our biodiesel to our customers is based upon the posted rates for B100 Biodiesel including the value of RINs, or the posted rates for CME ULSD plus the value of RINs, and a negotiated premium or discount that reflects market conditions and applicable tax incentives which vary by jurisdiction. The premium or discount achieved relative to the posted rates is dependent upon the costs and margin of our customers, which in turn are impacted by market factors including changes in supply and demand. The premium or discount that we have historically achieved has fluctuated, and will fluctuate, as a result of the factors referred to above and those discussed below and therefore past operating results should not be relied upon as an indication of our future performance.

We previously received payments under Natural Resources Canada's ecoEnergy for Biofuels Program for qualified sales of biodiesel. The program provides an operating incentive to facilities that produce renewable alternatives to gasoline and diesel in Canada. The program runs from April 1, 2008 to March 31, 2017 and recipients are entitled to receive incentives for up to seven consecutive years. The incentive for the BIOX Canada facility ended on March 31, 2015.

Revenue from the sale of our products is recognized when the significant risks and rewards of ownership of, and the continuing managerial involvement with, the product have been transferred to the buyer, the amount of revenue and the costs incurred or to be incurred with respect to the sale can be measured reliably, and the economic benefits associated with the sale will flow to the Company. Revenue is measured at the fair value of consideration received or receivable.

Cost of Sales

Our cost of sales consists of direct expenses, which include raw materials and production costs, and production facility depreciation and amortization.

Raw material costs include the cost of feedstocks such as tallow, yellow greases, recycled vegetable oils, and agricultural seed oils, and methanol and other chemicals used to produce biodiesel. Feedstock costs make up the majority of our direct cost of sales, comprising 44% of direct cost of sales for the year ended September 30, 2016. As feedstock costs make up the vast majority of the cost to produce biodiesel, the key relationship impacting our profitability is the sale price of our biodiesel, which as discussed above is based on the B100 posted rates, the CME ULSD rack rate and RIN values plus a negotiated premium or discount, compared with our feedstock cost.

Production costs consist of employee salaries as well as other direct and indirect costs incurred at our Hamilton production facility such as energy, storage, maintenance, laboratory, transportation and related overhead. Production facility depreciation and amortization represents the allocation to income of the cost of production facility capital assets over their estimated useful lives. On April 17, 2007, our Hamilton facility commenced operations and as a result amortization of the plant commenced on a straight-line basis over the term of the land lease including the asset retirement obligation, with other shorter-life components being amortized over one to ten years.

Separated RINs in inventory are valued at the lower of cost and net realizable value based on the relative value of the separated RINs compared with the value of biodiesel sold with RINs attached. The cost of sales recorded for sales of RINless biodiesel and for separated RINs is the inventory value at the time of the sale.

Operating Expenses

General and administrative expenses consist primarily of salaries and related overhead costs plus insurance and administrative costs.

Depreciation and amortization of equipment and intangible assets represents the allocation to income of the cost of non-production facility capital assets over their estimated useful lives. Depreciation and amortization of equipment and intangible assets is for computer hardware and software, office equipment, leasehold improvements and intangible assets.

Share-based compensation costs consist of the non-cash charges for options issued under our long-term incentive plan. We account for stock options using the Black-Scholes option pricing model, an established methodology. Compensation expense for stock options granted is measured at the fair value at the grant date and is charged to operations over the vesting period of the options granted with a corresponding increase to equity reserve.

Expansion planning and development costs are costs related to our current and previous expansion plans that cannot be capitalized in accordance with IFRS, and costs related to ongoing lease obligations for unutilized tanks that were leased as part of the expansion plan project.

Other Expenses

Finance costs include costs associated with loans payable, including interest and loan fees, as well as amortization of charges related to our long-term debt, accretion costs related to our asset retirement obligation and unutilized tank lease provision.

Loss on investment in joint venture consists of BIOX's share of losses incurred by WEBB. BIOX has joint control of WEBB and holds a 50% ownership interest.

Significant Industry and Economic Factors Affecting Our Business

Our business is highly dependent upon the availability and price of raw materials. Since feedstock represents the majority of biodiesel's production cost, it is imperative that we be able to acquire raw materials at a reasonable cost in order to be competitive in the marketplace.

Our business is also impacted by the changing price of petroleum diesel. Since biodiesel can be substituted for petroleum diesel or blended with petroleum diesel, the market for biodiesel is impacted by fluctuations in the price of diesel fuel.

Our business is also significantly affected by government mandates and incentives. Governments in the European Union member states, the United States, Canada and elsewhere have encouraged the production and use of renewable fuels, such as biodiesel, through the introduction of renewable fuel standards, producer subsidies and tax incentives for producers and users. Changes to government mandates and incentives and the availability of producer subsidies have had, and could in the future have, a significant impact on our business, liquidity, financial condition and results of operations. For more information on government mandates, incentives and subsidies affecting, or which could affect, our business and industry in which we operate, see "*Outlook*" included in this MD&A.

We are required to comply with a complex and evolving body of environmental and occupational health and safety laws. These laws could have a significant impact on our existing operations as well as our expansion plans in terms of availability of suitable sites for future facilities and the time required to obtain necessary permits to construct additional production facilities to achieve our expansion plans.

Industry and economic factors affecting our business are substantially unchanged from those factors discussed in our MD&A for the year ended September 30, 2015 except as updated herein. For more information on government mandates, incentives and subsidies affecting, or which could affect, our business and industry in which we operate, see "*Outlook*" in this MD&A.

Critical Accounting Estimates

Significant assumptions about the future that management has made at the financial position date, that could result in a material adjustment to the carrying amounts of assets and liabilities in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- No provision for doubtful accounts has been recorded based on an assessment of our customers' credit risk;
- The carrying value of inventory is based on estimates and assumptions related to cost and net realizable value;
- The estimated fair value of the property, plant and equipment and intangible assets is based on numerous assumptions which may differ from actual fair values;
- Depreciation is based on estimates of useful lives determined with the exercise of judgment;
- Impairment of non-current assets is based on an assessment of the recoverable amount on those assets determined using extensive judgement regarding the Company's expectations for discounted future cash flows from operations;
- Provision for asset retirement obligations require extensive judgment regarding the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulations and remediation practices;

- Provision for unutilized leased tanks requires extensive judgement regarding the estimated timing of subleasing tanks and the estimated value at which the tanks can be subleased;

- Promissory notes and warrants are valued using an estimated rate of return. These estimates require extensive judgement about the application of the terms in the contract and similar agreements in the industry;

- The determination of the fair value of the liability component of the compound financial instrument requires management to make estimates regarding the interest rate that the Company would have obtained for a similar secured loan without the issuance of the detachable warrant; and

- The carrying amount of deferred tax assets are based on estimates and assumptions related to future profitability and recoverability of such assets, historical results and available tax planning strategies.

For a detailed discussion of the application of these and other accounting policies, see the notes to our consolidated financial statements for the year ended September 30, 2016.

Share-Based Compensation

We have an employee stock option plan and have accounted for stock options granted under that plan using the fair value method. Under this method, compensation expense for stock options granted is measured at the fair value at the grant date using the minimum value option valuation model and is charged to operations over the vesting period of the options granted with a corresponding increase to equity reserve. Upon completion of the amalgamation we effected on March 1, 2010, we adopted a new long-term incentive plan. Stock options granted under that plan have been, and will be, accounted for using the Black-Scholes model.

Warrant Reserve

Warrants are valued using the Black-Scholes model. As at September 30, 2015, no share purchase warrants were outstanding.

During the year ended September 30, 2016, as part of the issue of the Notes, the Company issued warrants to purchase 4,400,000 common shares of the Company. The warrants are exercisable at an exercise price of $0.673 per share until June 30, 2018. At September 30, 2016, 4,400,000 warrants were outstanding.

Provisions

We recognize the liability for an asset retirement that results from acquisition, construction, development or normal operations. The liability for an asset retirement is initially recorded at its fair value in the year in which the asset is acquired and when a reasonable estimate of fair value can be made. The corresponding cost is capitalized as part of the related asset and is amortized over the asset's useful life. In subsequent years, the liability is adjusted for changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of the undiscounted cash flows. The accretion of the liability to its fair value as a result of the passage of time is charged to earnings.

We recognize the liability for unutilized tank storage cost based on the estimated net cost to the Company for the estimated period of time that the tanks will continue to be the Company's responsibility.

Property, Plant and Equipment

Our property, plant and equipment consist primarily of production facility assets. Production facility costs consist of all costs incurred in connection with the construction, installation and commissioning of a facility to put it into its intended use. Determining when a production facility is available for use, and therefore capitalization of costs ends, requires judgment on the decision as to when the facility is capable of producing product on a consistent basis. Judgment is also required in the determination of what costs should be capitalized versus expensed during the construction and commissioning phase. Our Hamilton production facility was considered available for its intended use starting in April 2007 and, since April 2008, with the exception of the temporary suspension of production of biodiesel between October 25, 2012 and February 1, 2013 due to unfavourable market conditions within the U.S. biodiesel market at that time, the plant has been operating both production trains simultaneously each month and producing product on a consistent basis. For more information regarding Hamilton plant operations, see "*Outlook*" included in this MD&A.

In June 2016, the Company acquired a 50 million litre nameplate capacity biodiesel production facility in Sombra, Ontario. The Company will continue to perform upgrades on the facility over the next nine months that will improve the facility's efficiency and expect to be in production by the third quarter of fiscal 2017.

Depreciation and amortization of the Hamilton production facility costs commenced in April 2007. As well, the amortization of the asset retirement obligation commenced in April 2007 as it is directly related to the start of use of the production facility.

Income Taxes

We follow the liability method of tax allocation in accounting for income taxes. Under this method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the substantively enacted tax rates and laws that are expected to be in effect in the years in which the deferred income tax assets or liabilities are expected to be realized or settled. A deferred income tax asset is provided to the extent that it is more likely than not that those deferred income tax assets will not be realized. The factors used to assess the likelihood of realization are historical results, forecasts of future taxable income and available tax planning strategies that could be implemented to realize deferred income tax assets.

OUTLOOK

The U.S. RFS2, the full implementation of the biodiesel portion of the Canadian Renewable Fuel Content Regulations, and the commencement of the Ontario Greener Diesel mandate, are important elements to a sustainable biodiesel industry in Ontario and throughout North America. We are working on expanding our participation in the renewable fuel value chain, capturing more value through increasing the volume of biofuel we produce, control and distribute in strategic locations.

Ontario Greener Diesel Mandate

On April 1, 2014, the Ontario Government implemented the Greener Diesel, Renewable Fuel Content Requirement for Petroleum Diesel Fuel regulation, based on fuel percentage and carbon intensity, for all diesel fuel sold in Ontario.

The regulation requires producers and importers of petroleum products to ensure that petroleum diesel and blended diesel suitable for use in a diesel engine that is placed in the Ontario market contain biomass -based diesel on an average adjusted volume basis in accordance with a compliance formula.

Once fully implemented, the regulation requires the use of an estimated 240 million litres of bio-based diesel per annum on an average GHG adjusted volume basis. The volume escalates over the implementation period of the regulation, starting at a level of 2% for the period from April 1, 2014 (at a 30% reduction in GHG emissions) to December 31, 2015, increasing to 3% (at a 50% reduction in GHG emissions) for January 1, 2016 to December 31, 2016 and then 4% (at a 70% reduction in GHG emissions) from January 1, 2017 onward.

Implementation of a renewable diesel mandate in Ontario provides us with market certainty right in our backyard and supports the significant capital investment that we have made at our Hamilton facility and our acquisition of the facility in Sombra.

Shell Canada Supply Agreement

On, March 27, 2013 we announced an agreement to supply biodiesel to Shell Canada Limited (Shell) by an inter-terminal pipeline from our Hamilton plant to Shell's distribution terminal. Our Hamilton plant is located immediately adjacent to the Shell distribution terminal which allowed for a pipeline to be installed connecting the two facilities, and provides the most efficient logistics for procuring renewable content. We believe that this direct supply agreement through inter-terminal pipeline is the first of its kind in North America between an obligated party and a biodiesel producer. The agreement provides Shell access to a secure, stable and logistically efficient supply of renewable content and demonstrates how the renewable fuels industry can work with the petroleum industry.

Shell invested in in-line blending infrastructure at its distribution terminal to blend renewable content in diesel and we invested alongside them to deliver biodiesel in the most efficient manner possible, through a pipe across the property line. The project was completed in August 2013 and sales under this agreement commenced prior to the end of August 2013.

2016 was our third full year blending season with Shell. We believe that over the longer term, our supply of biodiesel under this agreement has the potential to become a significant portion of our Hamilton production as the implementation of an Ontario mandate occurs.

U.S. Renewable Fuels Standard

Effective July 1, 2010, RFS2 specifically provides for a renewable component in U.S. diesel fuel. BIOX's wholly-owned subsidiaries are registered with the EPA as a Foreign Renewable Fuel Producer (BIOX Canada Limited), and as a Renewable Fuel Importer and RIN Generator (BIOX USA Limited). Registration under RFS2 provides BIOX with access to the U.S. renewable fuels market, including the ability to generate RINs, which are required for Obligated Parties in the U.S., which includes all refiners and importers of transportation fuel, to show compliance with RFS2. We generate 1.5 RINs for each US gallon of Biomass-based diesel sold in the U.S., and these 2016 Biomass-based diesel RINs are currently valued at approximately US $1.09 per RIN.

On November 30, 2015, the EPA announced its final RVO proposal for Biomass-based diesel as follows: 2014 – 1.63 billion U.S. gallons; 2015 – 1.80 billion U.S. gallons; 2016 – 1.90 billion U.S. gallons; 2017 – 2.00 billion U.S. gallons and proposed 2.10 billion U.S. gallons for 2018. This final announcement of the RVO levels for 2014, 2015, 2016 and 2017 as well as further increased volume for 2018 is an important signal for the sustainability of the biodiesel industry in the U.S.

U.S. biodiesel tax incentive

The U.S. biodiesel tax incentive provides parties that blend biodiesel with petroleum diesel with a US $1.00 refundable tax credit for each US gallon of biodiesel blended in the U.S.

The U.S. biodiesel tax incentive expired for the fourth time 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 passage of the legislation is significant as it provides greater certainty for producers, refiners and importers of biodiesel. In addition, the reinstatement of the biodiesel tax incentive allowed us to collect approximately US $6.7 million in refundable tax credits from our customers and the IRS related to sales to our customers during calendar 2015. The retroactive revenue was recognized in our financial results for the year ended September 30, 2016. There is uncertainty as to whether the tax incentive will be renewed on a go forward basis and such uncertainty could cause short term confusion in the market and pricing volatility.

Expansion Plans

We are focusing our efforts on expanding our business through increasing the volume of biodiesel we produce, control and distribute in strategic locations.

On June 17, 2016, the Company acquired a 50 million litre nameplate capacity biodiesel production facility in Sombra, Ontario from Methes Energies Canada Inc. for US $4.5 million. The Sombra facility is located on a 21-acre facility near Sarnia, Ontario with excellent logistics, including on site rail. Originally constructed in 2009, the facility has not achieved nameplate capacity due to working capital and market challenges, and is currently not in production. The Company will expend an additional CAD $5.0 million over the next nine months on upgrades to the facility that will improve the facility's efficiency and enable the use of a broader range of feedstock, specifically lower carbon intensity feedstocks, such as animal fats and recycled cooking oils.

Once production commences, the Sombra acquisition will represent a 75% increase in our production capacity and fits our strategy to control and distribute more gallons, leveraging our existing sales and marketing capabilities. We believe the Ontario market will play an increasingly important role in our distribution network. The implementation of the Greener Diesel program in Ontario, with its increasing blend rates and move toward lower carbon intensity fuels in 2017, makes Sombra an attractive asset to BIOX.

The GHG reduction aspects of the Ontario Greener Diesel mandate are an important differentiator for BIOX. Bio-based diesel produced by BIOX has the lowest carbon intensity in the province, reducing GHG emissions by more than 100% when compared to petroleum diesel. The Sombra facility, once upgraded to handle lower carbon intensity feedstocks, will produce at a comparable GHG emission efficiency to the bio-diesel produced by BIOX at its Hamilton facility.

On June 30, 2016, the Company acquired a 50% ownership interest in a joint venture with World Energy in which the joint venture acquired a 90 million US gallon (341 million litre) biodiesel production facility in Houston, Texas. Each of BIOX and World Energy contributed US$10.0 million to the World Energy BIOX Biofuels joint venture.

The Houston facility, formerly known as Green Earth Fuels, is located within the Kinder Morgan Liquids terminal on the Houston Ship Channel and is the third largest biodiesel production facility in North America. The facility is performing commissioning of the plant and expects to be in production within BIOX's first quarter of 2017.

DISCLOSURE CONTROLS AND PROCEDURES

There were no changes in the internal controls over financial reporting of BIOX during the period ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, the internal controls over financial reporting of BIOX.

On May 15, 2013, the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") released *Internal Control – Integrated Framework: 2013*, which is an update to the internal control framework previously issued in 1992. Management is currently operating under the 1992 Framework and is transitioning to the updated Framework. Management is not expecting any significant changes to the Company's internal control system based on this transition.

Management has designed internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and the Vice President, Finance and Corporate Secretary of BIOX have:

- Evaluated the design and effectiveness of the Company's internal controls over financial reporting based on the 1992 COSO Framework.

- Designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that

  (i) material information relating to BIOX, including its consolidated subsidiaries, is made known to the Chief Executive Officer and the Vice President, Finance and Corporate Secretary of BIOX by others within those entities, particularly during the period in which the interim filings are being prepared, and
  (ii) information required to be disclosed by BIOX in its annual filings, interim filings or other reports filed or submitted by it under applicable securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

- Evaluated the effectiveness of BIOX's disclosure controls and procedures (as defined in National Instrument 52-109). Based on that evaluation, those officers concluded that the design and operation of those disclosure controls and procedures were effective as at September 30, 2016.

- Evaluated the design and operation of the internal control over financial reporting (as defined in National Instrument 52-109) of BIOX as of September 30, 2016. Based on that evaluation, those officers have concluded that, as of September 30, 2016, such internal control over financial reporting were effective to provide reasonable assurance regarding the reliability of BIOX's financial reporting and the preparation of consolidated financial statements for external purposes in accordance with IFRS.

RISK FACTORS

An investment in our securities involves risks. Before making an investment decision with respect to our securities, you should carefully consider the risks and uncertainties described elsewhere in this MD&A and those described under the heading "*Risk Factors*" in BIOX's annual information form for the year ended September 30, 2015 and in the Company's other publically available disclosure documents filed by the Company on SEDAR (www.sedar.com). The risks and uncertainties described in the documents referred to in the preceding sentence and in other documents filed by us with Canadian securities regulatory authorities are not the only ones we may face. Those risks and uncertainties, together with additional risks and uncertainties not currently known to us or that we may deem immaterial, could impair our business, financial condition and results of operations. The market price of our securities could decline if one or more of these risks and uncertainties develop into actual events, and you may lose all or part of your investment.

INVESTOR INFORMATION

Stock Exchange Listing

The common shares of BIOX Corporation are listed on the TSX under the symbol BX.

Transfer Agent and Registrar

Computershare Investor Services Inc.

Auditors

Deloitte LLP

Investor Relations

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