DYADIC INTERNATIONAL, INC.

A Delaware Corporation

140 Intracoastal Pointe Drive, Suite 404
Jupiter, Florida 33477

Telephone: (561) 743-8333
Facsimile: (561) 743-8343

SIC Code: 2860

Federal EIN: 45-0486747

ANNUAL REPORT

For the year ended December 31, 2014

ISSUER'S EQUITY SECURITIES

COMMON STOCK

$0.001 Par Value Per Share
100,000,000 Shares Authorized
34,142,505 Shares Issued and Outstanding as of December 31, 2014
OTCQX: DYAI

Dyadic International, Inc. is responsible for the content of this Annual Report. The securities described in this document are not registered with, and the information contained in this Annual Report has not been filed with, or approved by, the U.S. Securities and Exchange Commission.

All references to "the Company," "the Issuer," "Dyadic," "we," "us" or "our" refers to Dyadic International, Inc. and its consolidated subsidiaries, unless the context otherwise indicates.

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Cautionary Note Regarding Forward-Looking Statements

Information (other than historical facts) set forth in this annual report for the year ended December 31, 2014 (the "Annual Report") contains forward-looking statements, which involve a number of risks and uncertainties that could cause our actual results to differ materially from those reflected in the forward-looking statements. Forward-looking statements generally can be identified by use of the words "expect," "should," "intend," "anticipate," "will," "project," "may," "might," potential" or "continue" and other similar terms or variations of them or similar terminology. Dyadic cautions readers that any forward-looking information is not a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking information. Such statements reflect the current views of our management with respect to our operations, results of operations and future financial performance. Forward-looking statements involve a number of risks, uncertainties or other factors beyond Dyadic's control. These factors include, but are not limited to, our ability to implement our strategic initiatives, execute and achieve our research and development objectives, obtain new license agreements, our dependence on our licensees for research and development funding, milestones and royalties for the products and/or processes that utilize licensed rights, our ability to maintain uninterrupted access to toll manufacturing at the quantities needed and at a competitive cost structure, our ability to hire and maintain, as well as our reliance on qualified employees and professionals, economic, political and market conditions and price fluctuations, government and industry regulation, U.S. and global competition and other factors. The forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account the information currently available to us. These statements are only predictions based upon our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time and it is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. Before investing in our common stock, investors should be aware that the occurrence of the events described under the caption "Risk Factors" and elsewhere in this Annual Report could have a material adverse effect on our business, results of operations and financial condition.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are potentially attainable, we cannot guarantee that the future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or occur. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this Annual Report to conform these statements to actual results or to changes in our expectations.

PART A. GENERAL COMPANY INFORMATION

Item 1 The exact name of the issuer and its predecessor (if any). The name of the issuer is Dyadic International, Inc.

Item 2 The address of the issuer's principal executive offices.

The address of the issuer is:	140 Intracoastal Pointe Drive, Suite 404 Jupiter, Florida 33477
The telephone and facsimile is:	Telephone: (561) 743-8333 Facsimile: (561) 743-8343
The issuer's website:	Dyadic's corporate website, www.dyadic.com, contains general information about us and our products and services. We also maintain www.dyadic.nl. The information contained on such websites shall not be deemed incorporated by reference herein.

Investor relations contact: Thomas Dubinski
Vice President and Chief Financial Officer
140 Intracoastal Pointe Drive, Suite 404
Jupiter, Florida 33477
Telephone: (561) 743-8333
Mobile: (847) 420-9837
Facsimile: (561) 743-8343
Email: tdubinski@dyadic.com

Item 3 The jurisdiction(s) and date of the issuer's incorporation or organization.

The Company was incorporated in the State of Delaware in September 2002.

PART B. SHARE STRUCTURE

Item 4 The exact title and class of securities outstanding.

As of December 31, 2014, Dyadic had two classes of capital stock authorized, common stock and preferred stock. Our common stock is traded on the OTCQX U.S. Premier, a segment of the OTC marketplace. There were no shares of preferred stock outstanding as of the reported period. The trading symbol for Dyadic's common stock assigned by the Financial Industry Regulatory Authority, Inc. is "DYAI."

The CUSIP number for our common stock is 26745T-10-1.

Item 5 Par or stated value and description of the security.

A. Par or Stated Value

1. Dyadic's preferred stock has a par value of $0.0001 per share.

2. Dyadic's common stock has a par value of $0.001 per share.

B. Common or Preferred Stock

The following descriptions of our capital stock are summaries and are qualified by reference to the Company's certificate of incorporation and bylaws, which are posted to the OTC Markets website as Exhibits 2.1 and 2.2.

Dividend Rights

The holders of our common stock are entitled to dividends in the amounts and at times as may be declared by the board of directors out of funds legally available therefor.

Voting Rights

Holders of our common stock are entitled to one vote per share in the election of directors and on all other matters on which stockholders are entitled or permitted to vote. Holders of our common stock are not entitled to cumulative voting rights.

Preemption Rights

Holders of our common stock have no preemptive rights.

Liquidation Rights

Upon liquidation or dissolution, holders of our common stock are entitled to share ratably in all net assets available for distribution to stockholders after we have paid, or provided for payment of, all of our debts and liabilities.

Other Rights of the Common Stockholders

Holders of our common stock have no redemption or conversion rights. There are no sinking fund provisions applicable to our common stock. The rights, preferences and privileges of the holders of our common stock are subject to the rights of the holders of shares of any series of preferred stock that we may issue in the future.

Our board of directors has the authority to issue preferred stock in one or more classes or series and to fix the designations, powers, preferences and rights, and the qualifications, limitations or restrictions thereof, including dividend rights, conversion right, voting rights, terms of redemption, liquidation preferences and the number of shares constituting any class or series, without further vote or action by the stockholders. Although we have no present plans to issue any other shares of preferred stock, the issuance of shares of preferred stock, or the issuance of rights to purchase such shares, could decrease the amount of earnings and assets available for distribution to the holders of common stock, could adversely affect the rights and powers, including voting rights, of the common stock, and could have the effect of delaying, deterring or preventing a change of control of us or an unsolicited acquisition proposal.

Except as described above in this Item 5, the common stockholders have no other material rights.

Stock Options

As of December 31, 2014, we had outstanding options to purchase an aggregate of 4,102,125 shares of our common stock with exercise prices ranging from $0.15 to $2.73 per share, with an approximate weighted average exercise price of $1.68 per share. Options outstanding that were exercisable at December 31, 2014 totaled 2,393,167.

Convertible Notes

On August 23, 2010, the Company completed the private placement of $4,000,000 aggregate principal of convertible subordinated secured promissory notes (the "2010 Notes") with ten investors. The 2010 Notes pay interest quarterly at 8% per annum and were convertible at the holder's option after January 1, 2011, into unregistered shares of the Company's common stock at a price of $1.82 per share, which was equal to 120% of the average closing price of the Company's common stock for the 30-day period preceding August 23, 2010. On October 14, 2014, the Company extended the maturity date of the 2010 Notes to January 1, 2016. In conjunction with the extension of the 2010 Convertible Debt, the share conversion price has been reduced from $1.82 to $1.48. The conversion price was equal to the market closing price of the Company's common stock on that day. The extended Convertible Debt also includes a warrant provision in the event Dyadic elects to call the Convertible Debt early, in whole or in part, after March 31, 2015 and prior to the January 1, 2016 maturity date. Should the Convertible Debt holder(s), upon such call notice, elect not to convert their notes into common shares, Dyadic will pay the Convertible Debt holders' their current outstanding Convertible Debt balance, and issue warrants to purchase common stock equal to 25% of the redeemed Convertible Debt balance at $1.48 per common share. If such warrants are issued, the warrants will have a three year term. The debt extension and the change in the conversion price resulted in extinguishment accounting in accordance with ASC 470-50 as the change in fair market value was in excess of 10% of the original value of the note. The extinguishment accounting had no impact on the financial statements as no discount was recorded on the original issuance. All other terms and conditions of the 2010 Convertible Debt remain unchanged. The Company will not affect any conversion of the 2010 Notes, to the extent that after giving effect to such conversion, any holder would beneficially own in excess of 4.9% of the Company's outstanding common stock (the "Beneficial Ownership Limitation"). The Beneficial Ownership Limitation may be waived by the holder upon not less than 61 days prior notice. The 2010 Notes are subordinated to the Note, and are collateralized by substantially all of the assets of the Company.

Further, in October 2011, the Company completed the private placement of $3,000,000 aggregate principal of convertible subordinated secured promissory notes (the "2011 Notes") with five investors. The 2011 Notes pay interest quarterly at 8% per annum and are convertible at the holder's option into unregistered shares of the Company's common stock at a price equal to $1.28 per share. The 2011 Notes are subordinated to the Note, and are collateralized by substantially all of the assets of the Company. The Company will not affect any conversion of the 2011 Notes, to the extent that after giving effect to such conversion, any holder would beneficially own in excess of 4.9% of the Company's outstanding common stock. The Beneficial Ownership Limitation may be waived by the holder upon not less than 61 days prior notice. On October 14, 2014, the Company extended the maturity date of the 2011 Notes to January 1, 2016. The extended convertible debt also includes a warrant provision in the event Dyadic elects to call the convertible debt early, in whole or in part, after March 31, 2015 and prior to January 1, 2016 maturity date. Should the Convertible Debt holder(s), upon such call notice, elect not to convert their notes into common shares, Dyadic will pay the Convertible Debt holders' their current outstanding Convertible Debt balance, and issue warrants to purchase common stock equal to 25% of the redeemed Convertible Debt balance at $1.48 per common share. The $1.48 was the market closing price of Dyadic's stock on the date of the transaction. If such warrants are issued, the warrants will have a three year term. The debt extension resulted in extinguishment accounting in accordance with ASC 470-50 as the change in fair market value was in excess of 10% of the original value of the note. The extinguishment accounting had no impact on the financial statements as no discount was recorded on the original issuance.

As of December 31, 2014, we had outstanding an aggregate amount of $6,846,505 convertible notes and accrued interest, which are convertible into 4,937,579 shares of common stock.

Item 6 The number of shares or total amount of the securities outstanding for each class of securities authorized.

As of December 31, 2014, Dyadic had 100,000,000 shares of common stock authorized. As of December 31, 2014 and 2013, there were shares of common stock issued and outstanding of 34,142,505 and 34,028,245, respectively. There were 5,000,000 shares of preferred stock authorized and no shares of preferred stock outstanding as of the reported periods.

The following tables show the amount of the securities outstanding for each class of securities authorized:

Common stock:

	As of Year Ended December 31		
	2014	**2013**	**2012**
(i) Number of shares authorized	100,000,000	100,000,000	100,000,000
(ii) Number of shares outstanding	34,028,245	34,028,245	31,656,245
(iii) Number of shares freely tradable (public float)	18,290,102	19,512,656	19,512,656
(iv) Number of unaffiliated beneficial holders of freely tradable shares	(1)	(2)	(3)
(v) Number of holders of record	52	61	99

(1) As of December 31, 2014 there were greater than 2,600 beneficial shareholders owning at least 100 shares of the Company's common stock and 52 shareholders of record.

(2) As of December 31, 2013 there were greater than 2,400 beneficial shareholders owning at least 100 shares of the Company's common stock and 61 shareholders of record.

(3) As of December 31, 2012, there were an estimated 99 holders of record of our issued and outstanding common stock. We believe that, as of December 31, 2012, there were significantly more beneficial holders than record holders of our common stock.

Preferred stock:

	As of Year Ended December 31		
	2014	**2013**	**2012**
(i) Number of shares authorized	5,000,000	5,000,000	5,000,000
(ii) Number of shares outstanding	0	0	0
(iii) Number of shares freely tradable (public float)	0	0	0
(iv) Number of unaffiliated beneficial holders of freely tradable shares	0	0	0
(v) Number of holders of record	0	0	0

Item 7 The name and address of the transfer agent.

Name and address of transfer agent:	Continental Stock Transfer & Trust Company 17 Battery Place, 18th Floor New York, NY 10004
Telephone number:	(212) 509-4000

Continental Stock Transfer & Trust Company is registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and is regulated by the U.S. Securities and Exchange Commission (the "SEC" or "Commission").

PART C. BUSINESS INFORMATION

Item 8 The nature of the issuer's business.

A. Business

Dyadic is a global biotechnology company headquartered in Jupiter, Florida with operations in the United States and The Netherlands. Dyadic uses its patented and proprietary technologies to conduct research, development and commercial activities for the discovery, development, manufacture and sale of enzymes and other proteins for the bioenergy, bio-based chemicals, biopharmaceuticals and industrial enzymes industries. Dyadic recognizes substantially all of its revenues from (1) licensing its patented and proprietary technologies; (2) selling its proprietary enzymes; and (3) conducting research and development activities for third parties.

Dyadic's activities relating to selling proprietary enzymes focuses on utilizing its patented and proprietary fungal strains and associated technologies. In particular, Dyadic uses its *Trichoderma* and C1 (*Myceliopthora thermophila*) fungal strains in the production of its industrial enzymes. Dyadic manufactures, purchases, and sells liquid and dry enzyme products to global customers for use within the animal feed, pulp and paper, starch and alcohol, food and brewing, textiles and biofuels industries.

For new product development and third party research, Dyadic utilizes an integrated technology platform based on its patented and proprietary C1 Platform Technology, which enables the development and large-scale manufacture of low cost enzymes and other proteins for diverse market opportunities. The C1 Platform Technology can also be used to screen for the discovery of novel genes and proteins. Dyadic actively pursues licensing arrangements and other commercial opportunities to leverage the value of these technologies by providing its partners and collaborators with the benefits of developing, manufacturing and/or utilizing the enzymes and other proteins, using the C1 Platform Technology.

For further description of the Issuer's business, see Note 1 to our Consolidated Financial Statements dated December 31, 2014 and 2013, which are posted to the OTC Markets website entitled Annual Report – 2014 Consolidated Financial Statements (audited) dated March 11, 2015.

1. The form of organization of the issuer.

The Issuer is a Delaware corporation.

2. The year that the issuer (or any predecessor) was organized.

The Issuer was formed in September 2002.

3. The issuer's fiscal year end date.

The Issuer's fiscal year end date is December 31.

4. Whether the issuer (or any predecessor) has been in bankruptcy, receivership or any similar proceeding.

The Issuer has not been in, and is not in the process of, any bankruptcy, receivership or any similar proceeding within the last three years.

5. Any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets.

The Issuer has not undergone any material merger, consolidation, or purchase or sale of a significant amount of assets within the last three years. The Company has reclassified certain 2013 cost amounts previously reported to conform to the 2014 consolidated financial statement presentation.

6. Any default of the terms of any note, loan, lease, or other indebtedness or financing arrangement requiring the issuer to make payments;

The Issuer has not experienced any default of the terms of any note, loan, lease, or other indebtedness or financing arrangement requiring the Issuer to make payments within the last three years.

7. Any change of control.

The Issuer has not experienced any change of control within the last three years.

8. Any increase of 10% or more of the same class of outstanding equity securities.

The Issuer has not experienced any increase of 10% or more of the same class of outstanding equity securities within the last three years.

9. Any past, pending or anticipated stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization.

There are no past or pending stock splits, stock dividends, recapitalizations, mergers, acquisitions, spin-offs, or reorganizations within the last three years. The Company may consider a reverse stock split in the future if one was necessary or appropriate to meet the minimum listing standards required for listing its common stock on a national stock exchange. Any such stock split would require approval by the Company's board of directors and stockholders.

10. Any delisting of the issuer's securities by any securities exchange or deletion from the OTC Bulletin Board.

The Company and its directors, including Chief Executive Officer Mark A. Emalfarb, were party to several securities class action lawsuits, the first of which was filed in October 2007, arising out of activities related to an investigation of alleged improprieties at the Company's former Asian subsidiaries, which were abandoned in May 2007. These lawsuits were subsequently consolidated into one class action lawsuit. A related matter was filed in November 2007 by a strategic investor against the Company and Mr. Emalfarb, a director and officer, with respect to a purchase of the Company's common stock in November 2006. All of those matters, including a related matter with the Company's insurance carrier, have been settled or dismissed. Additional information about these matters can be

found in the Note 5 to our Consolidated Financial Statements dated December 31, 2014 and 2013, which are posted to the OTC Markets website entitled Annual Report – 2014 Consolidated Financial Statements (audited) dated March 11, 2015.

In connection with these events, in January 2008, the Company's common stock was delisted by the American Stock Exchange ("AMEX") for failure to file periodic reports with the SEC. In June 2009, the Company settled an administrative proceeding brought by the SEC, without admitting or denying the SEC's findings, arising out of the investigation into the Company's former Asian subsidiaries noted above and the resulting failure to file periodic reports with the SEC. No directors or officers were a party to the SEC cease and desist order.

11. Any current, past, pending or threatened legal proceedings or administrative actions either by or against the issuer that could have a material effect on the issuer's business, financial condition, or operations and any current, past or pending trading suspensions by a securities regulator. State the names of the principal parties, the nature and current status of the matters, and the amounts involved.

The Company is currently engaged in litigation with three former professional service providers. In 2009, the Company sued its former professional service providers in connection with the events relating to alleged improprieties at the Company's former Asian subsidiaries. One of the defendants settled, while claims against the remaining defendants are pending. For further discussion regarding these pending legal proceedings, see "Other Business Risk That We Face - Our lawsuit against our former professional service providers may not be successful and we may be required to pay substantial legal fees if we do not prevail." and also Note 5 to our Consolidated Financial Statements dated December 31, 2014 and 2013, which are posted to the OTC Markets website entitled Annual Report – 2014 Consolidated Financial Statements (audited) dated March 11, 2015.

B. Business of Issuer

For a description of the Issuer's business, see above and also Note 1 to our Consolidated Financial Statements dated December 31, 2014 and 2013, which are posted to the OTC Markets website entitled Annual Report – 2014 Consolidated Financial Statements (audited) dated March 11, 2015.

1. The issuer's primary and secondary SIC Codes.

The Issuer's primary SIC Code is 2860. The Issuer does not have a secondary SIC Code.

2. If the issuer has never conducted operations, is in the development stage, or is currently conducting operations.

The Issuer is currently conducting operations.

3. Whether the issuer has at any time been a "shell company."

The Issuer has not at any time been a "shell company."

4. The names of any parent, subsidiary, or affiliate of the issuer, and its business purpose, its method of operation, its ownership, and whether it is included in the financial statements attached to this Annual Report.

The Issuer is a Delaware holding company that holds all of the outstanding stock of Dyadic International (USA), Inc., a Florida corporation ("Dyadic-Florida"). Dyadic-Florida owns all of the outstanding stock of Geneva Investment Holdings Limited, a company organized under the laws of the British Virgin Islands ("Geneva"), Dyadic Nederland BV, a company organized under the laws of the Netherlands ("Dyadic NL") and Dyadic International Sp. z o.o., a company organized under the laws of Poland ("Dyadic-Poland"). Geneva is also the parent corporation of Puridet Asia Limited, a Chinese subsidiary which we abandoned in 2007 and excluded from the Dyadic's financial statements. In April 2001, Dyadic-Florida formed Dyadic-Poland for the purpose of managing and coordinating the Company's contract manufacturing of industrial enzymes in Poland and to assist in the marketing and distribution of those products. Dyadic-Poland ceased operations in 2010 and is now a dormant company under Polish law. In January

2003, Dyadic-Florida formed Dyadic NL for the development, use and marketing of the Company's patented and proprietary C1 Platform Technology.

The Issuer's subsidiaries are included in its consolidated financial statements referenced in this Annual Report.

5. The effect of existing or probable governmental regulations on the business.

The Issuer develops products derived from both genetically modified organisms ("GMOs") and non-GMOs that are subject to regulation by federal, state, local and foreign government agencies. The agencies administering existing or future applicable regulation or legislation may not allow the Issuer to produce and/or market products derived from GMOs in a timely manner or under technically or commercially feasible conditions. The U.S. Food and Drug Administration ("FDA") may subject the Issuer's products to lengthy reviews and unfavorable determinations due to safety concerns or changes in the FDA's current regulatory policy. The European Union ("EU") also has regulations regarding the development, production and, marketing of products from GMOs, which are generally more restrictive than present U.S. regulations. Further, the Issuer is subject to regulations in the other countries in which it operates outside of the U.S. and EU, which may have different rules and regulations depending on the jurisdiction. Additionally, governmental regulation of biofuels may impact the Issuer's biofuels business and the operations of its customers in the biofuels sector. For further discussion, see "Risks Specific to Our Industrial Enzyme Business."

In addition, any changes to the Federal Renewable Fuel Standard (the "RFS") may negatively impact our biofuels business and our licensees in the U.S. biofuels industry, such as Abengoa Bioenergy New Technologies, Inc. ("Abengoa"). The RFS, a renewable fuel program established and administered by the Environmental Protection Agency ("EPA"), established renewable fuels volume mandates for automotive fuels in the U.S. The RFS has historically been modified since its establishment under the Energy Policy Act of 2005, and the RFS may continue to be adjusted in the future. The RFS program is not a direct subsidy, however the guaranteed market created by the RFS is expected to stimulate growth of the biofuels industry and to raise prices above where they would have been in the absence of the mandate.

6. An estimate of the amount spent during each of the last two fiscal years on research and development activities, and, if applicable, the extent to which the cost of such activities are borne directly by customers.

See the line item relating to research and development expenses included in our Consolidated Statements of Operations in our Consolidated Financial Statements dated December 31, 2014 and 2013, which are posted to the OTC Markets website entitled Annual Report – 2014 Consolidated Financial Statements (audited) dated March 11, 2015 The Company intends to continue its investment in research and development, however at lower levels. During the year ended December 31, 2014, the Company completed the first expansion of its Dutch laboratory facility and approved a second expansion in February of 2015.

7. Costs and effects of compliance with environmental laws (federal, state and local).

The costs and effects of compliance with federal, state and local environmental laws have not been material to date. However, our contract manufacturer(s) are subject to such compliance with environmental laws and this may have a negative impact on our manufacturing costs, product availability and business.

8. The number of total employees and number of full-time employees.

As of December 31, 2014, Dyadic had a total of 57 full-time employees. The Company reviews staffing periodically to assess its needs as it expands its business and grow its capabilities. We remain flexible as to our staffing to allow us to take advantage of opportunities, if and when they present themselves. As we move forward, we will attempt to align our staffing in research and development, sales and business development to achieve our targeted goal of cash flow breakeven by 2016. Further, The Company anticipates hiring additional financial reporting staff, if and when, a decision is made to pursue a national exchange listing, which will require it to become a full reporting company under the Exchange Act.

Item 9 The nature of products or services offered.

A. Principal products or services, and their markets.

See the discussion above and also under Note 1 to our Consolidated Financial Statements dated December 31, 2014 and 2013 which are posted to the OTC Markets website entitled Annual Report – 2014 Consolidated Financial Statements (audited) dated March 11, 2015.

B. Distribution methods of the products or services.

We sell enzyme products to approximately 100 industrial customers in 35 countries serving the animal feed, pulp and paper, textile, food and beverage, and biofuel and bio-based chemical end markets. We rely primarily on our direct sales force for distribution of our products and services in the United States market and on contracts with exclusive sales agents and distributors for international markets. Direct salespeople are our employees and are paid a salary plus commissions on sales they make within their assigned territories. Contracted sales agents are paid a base rate of compensation plus commissions on sales they make within their assigned territories. We rely on distributors to purchase products and formulations from us and resell our products and services to third parties, either as-is or in combination with their products. We work with small companies as well with large multinational corporations who incorporate our product as part of their formulations and who also re-label our products under their labels.

C. Status of any publicly announced new product or service.

As a global biotechnology company, we regularly announce new products and services, which we publicize through press releases available on our website. See discussion under Note 1 to our Consolidated Financial Statements dated December 31, 2014 and 2013 which are posted to the OTC Markets website entitled Annual Report – 2014 Consolidated Financial Statements (audited) dated March 11, 2015.

D. Competitive business conditions, the issuer's competitive position in the industries, and methods of competition.

The different industries in which we operate have different risks. We also have the associated risks of our research and development efforts, as well as those of our licensees and collaborators. See the discussion in this Annual Report under the sections entitled "Risks Related to Our Businesses," and particularly "Risks Specific to Our Industrial Enzyme Business," "Risks Related to Our Biopharmaceutical Business", "Risks Related to Our Biofuel and Bio-Based Chemicals Products" and "Other Business Risks That We Face".

E. Sources and availability of raw materials and the names of principal suppliers.

We and our licensees are dependent upon certain suppliers for raw materials, which are available for sale but subject to pricing and availability fluctuations. EnMex, S.A. de C.V. is our principal supplier, which produces substantially all of our industrial enzyme product needs. Our licensees also utilize various contract manufactures for the production of their products.

F. Dependence on one or a few major customers.

We are dependent on a few major customers. For the year ended December 31, 2014 (i) our top two customers accounted for approximately 16% and 10%, respectively, of net product sales, (ii) our top two customers accounted for approximately 55% and 16%, respectively, of research and development revenue, (iii) our licensing revenue came from two customers, and (iv) there were four customers that accounted for approximately 18%, 13%, 11% and 10%, respectively, of total accounts receivable.

G. Patents, trademarks, licenses, franchises, concessions, royalty agreements or labor contracts, including their duration.

As of December 31, 2014, our patent portfolio consists of 16 U.S. patents, 31 foreign patents, including claims that cover the Dyadic C1 Platform Technology, and 24 U.S. and foreign filed and pending patent applications, which we believe provide broad protection for Dyadic, including its products and commercial applications. We also rely heavily on trade secrets to protect our technologies. We review our intellectual property portfolio on an ongoing basis, and we file claims on new innovations and let other intellectual property rights expire as we deem appropriate.

See the descriptions of our material agreements under Item 18.

H. The need for any government approval of principal products or services and the status of any requested government approvals.

We require FDA approval for some of our existing products and we will need FDA approval for most if not all of our future products in the U.S. The EU is attempting to replace country-by-country regulatory procedures with a consistent EU regulatory standard. Some country-by-country regulatory oversight remains in the EU. Various other regions of the world accept either U.S. or a European clearance, together with a filing of associated data and information for their review of a new biologically-derived enzyme product, however, other jurisdictions do not accept U.S. or EU clearance and have their own specific rules with which we must comply. Our licensees are also subject to the rules of the U.S., EU and other countries. We currently have no pending approvals with the FDA or similar regulatory body in the EU or elsewhere.

Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully consider the following material risks, together with the other matters described in this Annual Report and in our financial statements and the related notes thereto in evaluating our current business and future performance. We cannot assure you that any of the events discussed in the risk factors below will not occur. If we are not able to successfully address any of the following risks or difficulties, we could experience significant changes in our business, operations and financial performance. In such circumstances, the trading price of our common stock could decline, and in some cases, such declines could be significant and you could lose part or all of your investment. In addition to the risks described below, other unforeseeable risks and uncertainties or factors that we currently believe are immaterial may also adversely affect our operating results, and there may be other risks that may arise in the future. Certain statements contained in this Registration Statement (including certain statements used in the discussion of our risk factors) constitute forward-looking statements. Please refer to the section entitled "Cautionary Note Regarding Forward-Looking Statements" appearing on page 3 of this Annual Report for important limitations and guidelines regarding reliance on forward-looking statements.

Risks Related to Our Businesses

In addition to our more established industrial enzyme business, we have expanded our focus and have begun to leverage our technology into markets that are new to us, including biofuels, bio-based chemicals and biopharmaceuticals, which may make it difficult to evaluate our current business and predict our future performance.

As we leverage our existing technologies into markets that are new to us, a portion of our business is subject to the execution and integration risks early-stage companies customarily face with new technologies, products and markets. These risks are related to our ability to successfully develop our new technologies, products and processes, assemble adequate production and R&D capabilities, comply with regulatory requirements, construct effective channels of distribution and manage growth. Additionally, we are subject to competition from much larger companies who have greater resources than us. Also, the market for cellulosic sugars, biofuels and bio-based chemicals is a market that is not yet established and is only beginning to emerge and there is a risk that it will not succeed and not grow at the rates projected whether delayed or at all.

With respect to our expansion into the biopharmaceutical market, we face risks inherent in adapting our technology to new markets and processes. We have not yet commercialized any products for the biopharmaceuticals market, and we may never be able to do so. We do not currently have the qualified personnel with experience or expertise in research and development of biopharmaceuticals nor the personnel with marketing, sales and licensing experience in these areas.

We do not know when or if we and/or our licensees and collaborators will complete any of our product development efforts, obtain regulatory approval for any product candidates incorporating our technologies or successfully commercialize any approved products. Even if we and/or our licensees and collaborators are successful in developing products that are approved for marketing, we will not be successful unless these products gain regulatory approval and market acceptance.

Because of the numerous risks and uncertainties associated with feed, food, pharmaceutical and certain other biological product development, and regulatory registration we are unable to accurately predict the timing or amount of increased expenses or when, or if, we will be able to achieve certain product launches and/or profitability. In addition, our expenses could increase if we are required by the U.S. Food and Drug Administration, or FDA, or other domestic and foreign regulatory authorities, to perform studies or trials in addition to those currently expected, or if there are any delays in completing our safety studies such as toxicology & pathogenicity studies, clinical trials, preclinical studies, animal or human studies or the development of any of our product candidates. The amount of our future net losses will depend, in part, on the rate of increase in our expenses, our ability to launch new products, generate revenues and our ability to raise additional capital. These net losses have had, and will continue to have, an adverse effect on our stockholders' equity and working capital.

As a result of the evolving nature of this portion of our business and any change to our business focus that we may make as we move forward, our operating history in past periods may not provide a reliable basis to evaluate our current business or predict our future performance. Any assessments of our current business and predictions regarding our future success or viability may not be as accurate as they could be if we had a longer operating history in these new lines of business because of the developing and risky nature of some of our businesses, such as feed, beverage and food, biofuels and biopharmaceuticals. We have encountered and will continue to encounter risks and difficulties frequently experienced by early stage companies in expanding and upgrading our intellectual property, regulatory, marketing, sales and R&D capabilities, accounting and financial reporting and internal controls infrastructure, both domestically and in our international subsidiaries, and the rapidly evolving industries in which we operate today and in the future. We are at risk of our licensees timely and accurately reporting their progress to us, and the necessary information we may need for timely and or accurately reporting the financial impact that such untimely or inaccurate numbers may have on our financial statements which may include, but is not limited to, the following; milestones, facility fees, royalties, sales or production slowdowns, technological difficulties or delays, competing technologies, intellectual property and products and processes or other items that may have impact on our financial results. If we or our licensees do not adequately address these risks successfully, our business will be harmed. Our licensees may cease to pursue their research and commercialization efforts, such as that announced by Codexis related to its biofuel business. Abengoa, one of our licensees, has delayed the commercialization of its Hugoton, Kansas cellulosic ethanol facility. Further delays, and/or the inability to demonstrate commercial viability of Abengoa's cellulosic ethanol capabilities will negatively impact our business and our financial results. The delay or inability of our other licensees to commercialize products and processes will also negatively impact our business and our financial results.

We have a history of net losses, and we may not maintain profitability.

We have an accumulated deficit of approximately $84.5 million at December 31, 2014. To date, we have derived revenue and royalties from the licensing of our C1 Expression System to third parties, the operation of our industrial enzyme business and the collection of R&D fees from third parties. Our net income relies strongly on licensing partnerships and other collaborations. We believe that it is likely that if we do not sign another license deal, we will incur losses in the near term primarily because of our planned levels of R&D and additional general and

administrative expenditures that will be necessary to grow the Bioenergy, Enzyme and Biopharmaceutical businesses and continued expenses and cost associated with the lawsuit against our former outside legal counsel and other related events. With that said, our ability to attain profitability will depend on the rate of growth and margin improvements of our industrial enzyme business, our ability to generate new licensing arrangements, our ability to generate R&D funding, the receipt of future potential milestone, royalty and other payments from our licensees, and our level of expenses among other potential unforeseen circumstances.

We do not currently derive material revenue from the operation of our biopharmaceutical business. Revenue related to the pharmaceutical industry is uncertain as current and future collaborations will depend on our ability to continue to refine and optimize the C1 Expression System to address the needs of the pharmaceutical and biotech industries. Future revenue from collaborations is uncertain and will depend upon our ability to maintain our current collaborations, enter into new collaborations and to meet R&D and commercialization objectives under new and existing agreements.

Similarly, commercialization of our cellulosic sugar enzyme products for the biofuel and bio-based chemicals markets will be highly contingent on our ability to find new licensees, partnerships and collaborators, and their ability to commercialize new technologies, reduce overall biofuel and bio-based chemical production costs and build new facilities**.** In particular, we are reliant on the success of our licensee, Abengoa, which began initial operations of its first cellulosic ethanol manufacturing facility in the fourth quarter of 2014, and our collaborator CIMV, which expects to build a demonstration facility in 2016. We anticipate payment of a license fee with CIMV will occur prior to on-site production at a commercial scale facility, which we expect will occur no earlier than 2017 or 2018. For our biofuel and bio-based chemical business in the U.S., we, our collaborators and licensees, are reliant upon the continuation of the RFS program administered by the EPA, which has encouraged the production and use of biofuels in recent years. While the RFS program is not a direct subsidy, the guaranteed market created by the RFS is expected to stimulate growth of the biofuels industry. Any revisions to, or reductions of, the RFS could negatively impact our biofuels business and that of our licensees.

Also, the market for cellulosic sugars, biofuels and biobased chemicals is a market that is not yet established and is only beginning to emerge. There is a risk that it will not succeed and not grow at the rates projected, whether delayed or at all.

In addition, while we anticipate expanding our industrial enzyme business in existing and new markets, our level of growth and profitability will be directly impacted by how successfully we develop and launch new products, competitor offerings and overall market conditions.

The R&D efforts needed to enhance our core technologies utilized in all three of our key business areas will require significant funding and increased staffing; therefore, we expect an increase in our near-term operating and research expenses. Consequently, we will require significant additional revenue to achieve profitability. We cannot provide assurance that we will maintain revenues at current levels or grow revenues or maintain or improve our profit margins. If we fail to maintain or increase revenues and profit margins, the market price of our common stock will likely decrease. Further competition may force us to reduce our profit margins which may affect our ability to generate cash flow.

We may need substantial additional capital in the future to fund our business.

Our future capital requirements may be substantial, particularly as we continue to develop the C1 Expression System and our other proprietary technologies and products to commercialize industrial enzymes, biopharmaceutical products, enzymes for the biofuel and bio-based chemicals market. Further, we must continue to develop the C1 Expression System to expand its production capabilities through continued strain development, fermentation optimization and work on our high-throughput screening process. We believe that, with the receipt of expected milestone payments, timely collection of our accounts receivables, further reductions in our inventory, entering into an additional license or sale of existing assets, and the potential settlement of one or more of the defendants in our

professional liability lawsuit, we will have sufficient cash available on hand to fund our operations and meet our obligations for at least the next year. Our need for additional capital will depend on many factors, including (i) the financial success of our industrial enzyme business, (ii) the receipt of milestones, royalties and other payments from our licensees, and in particular in the short term Abengoa as it begins to commercialize and produce Cellulosic Ethanol, (iii) our ability to obtain payments from biopharmaceutical business customers through collaborative agreements, (iv) the results of our R&D efforts with BASF and other parties and the anticipated receipt of additional research funding, milestones, and other payments, (v) the extent to which we can obtain additional collaborative partnerships for commercialization of our enzymes in the biofuel and bio-based chemicals market, (vi) the extent to which we can obtain additional collaborative partnerships and/or licensees for the development and production of enzymes and other proteins for a variety of other industries, (vii) the progress and scope of our collaborative and independent R&D projects, such as but not limited to the project progress, and if the project will be continued with our animal nutrition licensee, (viii) the effect of any acquisitions of other businesses that we may make in the future, (ix) the filing, prosecution and enforcement of patent claims (x) the length and outcome of the ongoing litigation against our former legal counsel, and (xi) the ability to refinance and extend our convertible debt and shareholder loan.

If our capital resources are insufficient to meet our capital requirements, we will have to raise additional funds to continue the development of our technologies and complete the development and commercialization of products, if any, resulting from our technologies. If acquisition of additional funds is not possible or if we engage in future equity financings, dilution to our existing stockholders may result. If we raise debt financing, we may be subject to restrictive covenants that limit our ability to conduct our business. We may not be able to raise sufficient additional funds on terms that are favorable to us, if at all. If we fail to raise sufficient funds and incur losses, our ability to fund our operations, take advantage of strategic opportunities, develop products or technologies, or otherwise respond to competitive pressures could be significantly limited. If this happens, we may be forced to delay or terminate research or development programs or the commercialization of products resulting from our technologies, curtail or cease operations or obtain funds through collaborative and licensing arrangements that may require us to relinquish commercial rights, sell certain assets of the company which will limit future opportunities, or grant licenses on terms that are not favorable to us. Without sufficient funding or revenue, we may have to curtail, cease, or dispose of, one or more of our operations and we would be forced to reduce our employee headcount.

We may not be able to extend our existing debt.

All $8.1 million of our outstanding debt is currently due on January 1, 2016. According to the terms and conditions of the debt agreements, $6.7 million of the total debt can be converted into Dyadic common stock at preset prices. The convertible debt also includes a warrant provision in the event the Company elects to call the convertible debt early, in whole or in part, after March 31, 2015 and prior to the January 1, 2016 maturity date. Should the Convertible Debt holder(s), upon such call notice, elect not to convert their notes into common shares, Dyadic will pay the Convertible Debt holders' their current outstanding Convertible Debt balance, and issue warrants to purchase common stock equal to 25% of the redeemed Convertible Debt balance at $1.48 per common share. If such warrants are issued, the warrants will have a three year term. The remaining $1.4 million of debt does not have this conversion feature and is not subject to this call provision. If we are unable to repay this debt and/or rollover the debt, if necessary, our business would be adversely impacted.

If we fail to maintain or successfully manage our existing, or enter into new, strategic collaborations, we may not be able to develop and commercialize many of our products and achieve or sustain profitability.

Our ability to enter into, maintain and manage collaborations in our target markets is fundamental to the success of our business. We currently have collaborations in both R&D and supply and/or distribution agreements with various strategic partners. We currently rely on our partners, in part, for manufacturing and sales or marketing services, application and regulatory knowhow, and we intend to continue to do so for the foreseeable future. In addition, we intend to enter into additional strategic collaborations to develop, produce, market and sell other products we develop. However, we may not be successful in entering into collaborative arrangements with third parties for the development, production, sale and marketing of our new and existing products. Any failure to enter into collaborative arrangements on favorable terms could delay or hinder our ability to develop and commercialize our products and

could increase our costs of development and commercialization. We may have to give exclusive rights in certain fields, in order to attain additional funding, which could restrict our ability to further license our C1 technology and other technologies in certain fields to other parties.

Reductions in collaborators' R&D budgets may affect the sales of our businesses.

Fluctuations in the R&D budgets of our customers, licensees and research partners could have a significant impact on the demand for our products. R&D budgets fluctuate due to changes in available resources, consolidation in the pharmaceutical, energy and other industries, spending priorities and institutional budgetary policies. We also periodically receive research funding from government agencies. These governmental agencies experience fluctuations in their R&D budgets, which may negatively impact our ability to receive funding from such agencies. Our businesses could be seriously damaged by significant decreases in life sciences and/or renewable fuels, animal feed and food R&D expenditures by government agencies and existing and potential partners.

Conflicts with our collaborators and/or licensees could harm our business.

An important part of our strategy includes involvement in proprietary research programs. We may pursue opportunities in fields that could conflict with those of our collaborators and licensees. Moreover, disagreements with our collaborators or licensees could develop over rights to our intellectual property, over further licensing of our technologies to other parties in certain fields, or for other reasons. Any conflict with our collaborators or licensees could reduce our ability to obtain future collaboration agreements and negatively impact our relationship with existing collaborators or licensees, which could reduce our sales. We were previously in a dispute with one of our licensees, Codexis, Inc. ("Codexis"), regarding a license agreement entered into by and between the Company and Codexis, dated as of November 14, 2008 (the "Codexis License Agreement"). On July 30, 2014, Dyadic notified Codexis of Codexis' apparent breach of the Codexis License Agreement through at least its marketing of the "CodeXyme" enzyme product to third parties for use in biofuels other than Shell Oil. Dyadic believes the use and marketing of CodeXyme by and to third parties other that Shell in biofuels is a violation of the Codexis License Agreement. Codexis has assured us that, amongst other things, it has ceased any marketing or sale of enzymes for use in the synthesis of cellulosic fuels and, more generally, that it was stopping work on its advanced biofuels program. Based on these representations by Codexis, Dyadic agreed to withdraw its July 30, 2014 Notice of Breach on March 10, 2014. Dyadic's withdrawal was made without prejudice to any of its rights under the Codexis License Agreement. The parties are continuing to have discussions relating to potential collaboration opportunities in the space.

Some of our collaborators, including our distributors which reformulate our products, or licensees could also become competitors in the future. Our collaborators and/or licensees could develop competing products, preclude us from entering into collaborations or license agreements with their competitors, and fail to obtain timely regulatory approvals, terminate their agreements with us prematurely or fail to devote sufficient resources to the development and commercialization of products. Any of these developments could harm our product development efforts.

If issues arise with our collaborators and/or licensees, we will need to either commercialize products resulting from our proprietary programs directly or through licensing to other companies. We may lose revenue or incur losses. Similarly, we may lose revenue or incur losses if we are unable to license our technology to new licensees on commercially reasonable terms, or are unable to develop the capability to market and sell these products on our own.

Public views on ethical and social issues may limit use of our technologies and reduce our sales.

Our success will depend in part upon our ability to develop products discovered, developed and manufactured through the C1 Expression System. Governmental authorities could, for social, ethical or other purposes, limit the use of genetic processes or prohibit the practice of using a modified C1 organism. Concerns about the C1 Expression System, particularly the use of genes from nature for commercial purposes, and resulting products, could adversely affect their market acceptance.

The commercial success of our and our licensees' potential products will depend in part on public acceptance of the use of genetically engineered products including enzymes, drugs and other protein products produced in this manner. Claims, whether true or not, that genetically engineered products are unsafe for consumption or pose a danger to the environment may influence public attitudes. Our and our licensees' genetically engineered products may not gain public acceptance in the industrial, pharmaceutical or bioenergy industries. Negative public reaction to GMOs and products could result in greater government regulation of genetic research and resulting products, including stricter labeling laws or other regulations, and could cause a decrease in the demand for our products. If we and/or our collaborators are not able to overcome the ethical, legal, and social concerns or other requirements relating to genetic engineering, some or all of our products and processes may not be accepted. Any of the risks discussed below could result in expenses, delays, or other impediments to our and our licensees' programs or the public acceptance and commercialization of products and processes dependent on our technologies or inventions. Our and our licensees' ability to develop and commercialize one or more of our technologies, products, or processes could be limited by the following factors:

- Public attitudes about the safety and environmental hazards of, and ethical concerns over, genetic research and genetically engineered products and processes, which could influence public acceptance of our and our licensees' technologies, products and processes;

- Public attitudes about organic products;

- Public attitudes regarding, and potential changes to laws governing, ownership of genetic material which could harm our intellectual property rights with respect to our genetic material and discourage collaborative partners or licensees from supporting, developing, or commercializing our products, processes and technologies; and

- Government reaction to negative publicity or other influences concerning GMOs, which could result in greater government regulation of genetic research and derivative products, including labeling requirements.

The subject of GMOs and products derived from them has received negative publicity, which has aroused public debate in the United States and other countries. This adverse publicity could lead to greater regulation and trade restrictions on imports and exports of genetically altered products.

We must continually offer new products and technologies.

The industrial enzymes and biotechnology industries are characterized by rapid technological change, and the area of gene research is a rapidly evolving field. Our future success will depend on our ability to maintain a competitive position with respect to technological advances. Rapid technological development by others could cause our products and technologies to become obsolete.

Any products we or our collaborators or licensees develop through our C1 Expression System will compete in highly competitive markets. Many of the organizations competing with us in the markets for such products have more capital resources, larger R&D and marketing staff, facilities and capabilities, and greater experience in the regulatory approval, manufacturing and commercialization of products. Accordingly, our competitors may be able to develop technologies and products more rapidly. If a competitor develops superior technology or more cost-effective alternatives to our and our collaborators' or licensees' products or processes, our business, operating results and financial condition could be seriously harmed.

Customers may prefer existing or future technologies over the C1 Expression System. Well-known and highly competitive biotechnology companies offer comparable technologies for the same products and services as our industrial enzyme, biopharmaceutical, biofuel and bio-based chemicals businesses. These companies may develop

technologies that are superior alternatives to ours or our collaborators and licensees. We anticipate that we, our collaborators and licensees will continue to encounter increased competition as new companies enter these markets and as development of biological products evolves.

Customers may expect the continued need for improving the C1 Technology platform itself, and for its use in various applications including industrial enzyme, biopharmaceutical, biofuel and bio-based chemical markets, and the need for continued capital for continued development and advancement of our research and development efforts and technologies.

We could fail to manage our growth, which would impair our business.

Our business plan provides that we anticipate growing at a rapid rate. Our long term success depends on our ability to efficiently and effectively implement, among other things:

- Ability to maintain, and gain additional strategic partners and technology licensees;
- Ability to file, maintain and defend our intellectual property and to protect our proprietary information and trade secrets;
- Develop technology, products and processes that do not infringe on the intellectual property of third parties;
- Recruit and hire the required employees necessary to maintain and grow our business and to advance our technologies;
- Technical success of our and our licensees' or collaborators' research and product development programs;
- Operational and financial control systems;
- Recruiting and training programs;
- Access to additional manufacturing capacity;
- Access to additional growth capital;
- Recruit and maintain board members and scientific advisory board members; and
- Scientific risks and uncertainties that may arise during our R&D programs.

Our ability to offer products and services successfully and to implement our business plan in a rapidly evolving global market requires effective planning, reporting and management processes. We expect that we will need to continue to improve our financial and managerial controls, reporting systems and procedures, implement new and broader internal controls, improve and upgrade our R&D capabilities and employees, expand our internal R&D spending, in addition to expanding and training our global workforce. We will also need to continue to manufacture our products efficiently and to control or adjust expenses related to R&D, marketing, sales and other administrative activities in response to changes in sales. If we are not successful in efficiently developing new products, and in the manufacturing of our products or managing such expenses, there could be an adverse impact on our operations, financial performance and the continued viability of our business.

We are dependent on several key customers and any decrease in sales to these customers could harm our operating results.

We have significant customer concentration. Although we have approximately 100 industrial enzyme customers, 26% and 29% of our industrial enzymes product sales came from our top two customers in the year ended December 31, 2014 and 2013, respectively. Our R&D revenue comes from a relatively small number of customers, with 71% of revenue coming from the top two customers in the year ended December 31, 2014 and 82% of revenue coming from the top four customers in the year ending December 31, 2013. The Company had two licensing customers in the year ended December 31, 2014 and one licensing customer in the year ended December 31, 2013. While our current Licensees may generate milestone, royalty and research revenue in the future, we expect that upfront license fee to be non-recurring.

As of December 31, 2014, there were four customers that accounted for approximately 18%, 13%, 11% and 10%, respectively, of total accounts receivable. As of December 31, 2013, there were two customers that accounted for approximately 13% and 12%, respectively, of total accounts receivable. Losing a few of these top customers could significantly harm our business, as gaining new customers often has a long sales cycle.

We rely on our collaborators and other third parties to deliver timely and accurate information in order to accurately report our financial results in the time frame and manner required by law.

We need to receive timely, accurate and complete information from a number of third parties in order to accurately report our financial results on a timely basis. We rely on such third parties to provide us with complete and accurate information regarding revenues, expenses and payments owed to or by us on a timely basis. For example, our licensees are required to provide us with certain information; the failure for us to obtain such information may affect the accurate or timely reporting of such information. We will need to establish the proper controls related to obtaining and reporting information from our licensees related to when milestones are earned, if any, when royalties are earned, if any, as well as other types of potential revenues such as facility fees. If the information that we receive is not accurate, our consolidated financial statements may be materially incorrect and may require restatement. Although we may have contractual rights to receive information, such provisions may not ensure that we receive information that is accurate or timely. As a result, we may have difficulty completing accurate and timely financial disclosures, which could have an adverse effect on our business.

Risks Specific to Our Industrial Enzyme Business

Our market share growth depends on costly new product introductions and market acceptance.

The future success of our industrial enzyme business will depend greatly on our ability to continuously develop, register, and introduce new and better performing products in a timely manner that address the evolving requirements of our target markets and customers. There is no assurance that these new products will perform better, save our customers money over existing products of ours or our competitors, or provide them with other benefits, or be registered or gain market acceptance. We are relying on our C1 Expression System and our other proprietary technologies to expand the product line of our industrial enzyme business and improve our gross margins on those products. If we fail to develop new and better performing products, continue to make fermentation yield improvements on our existing production processes (or productivity gains) or gain registration, and market acceptance of new product introductions, we could fail to recoup an adequate return on our R&D investment and lose market share to our competitors, which may be difficult or impossible to regain. Any inability, for technological, regulatory, or other reasons, to successfully develop and launch new products, could reduce our rate of growth or otherwise negatively impact our business.

The dynamic nature of our target markets and the unpredictable nature of the development process may affect our ability to meet the requirements of the marketplace or achieve market acceptance. Some of the factors affecting market acceptance of our products include:

- Availability, quality, performance and price of competitive products;
- Functionality and cost of new and existing products;
- Timing of product introduction, performance and pricing compared to our competitors;
- Scientists' and customers' opinions of our products' utility and our ability to effectively incorporate their feedback into future products;
- Status as a GMO in food and animal feed and other markets;
- The impact of our Intellectual property, and that of our competitors
- We are competing against much larger companies; and
- Timing, costs and receipt of regulatory approvals.

The expenses or losses associated with unsuccessful product development activities or lack of market acceptance of our new products could seriously harm our business, financial condition and results of operations.

Our dependence on a sole contract manufacturer could harm our business.

Our manufacturing capabilities, and any current or future arrangements with third parties for these activities, may not be adequate for the successful commercialization of our industrial enzyme products. Our industrial enzyme business currently relies on one contract manufacturer for all of its manufacturing. If we require additional manufacturing capacity and are unable to obtain it in sufficient quantity or in a timely manner, we may not be able to increase our sales, or may be required to make substantial capital investments to build additional production capacity.

We are dependent upon the performance and production capacity of our third-party manufacturing partner. We do not have a long term supply contract in place with our contract manufacturer and instead submit orders on a purchase order basis. However, our contract manufacturer has been producing a number of our products since September 2008. In the absence of a supply agreement, our contract manufacturer will be under no obligation to manufacture our products and could elect to discontinue their manufacture at any time or raise their tolling rates such that our margins would be negatively impacted. If we require additional manufacturing capacity and are unable to obtain it in sufficient quantity, we may not be able to increase our sales, or we may be required to make substantial capital investments to build that capacity or to contract with other manufacturers on terms that may be less favorable than the terms we currently have with our supplier. If we choose to build our own manufacturing facility, it could take several years or longer before our facility is able to produce commercial volumes of our products. Any resources we expend on acquiring or building internal manufacturing capabilities could be at the expense of other potentially more profitable opportunities. In addition, if we contract with other manufacturers, we may experience delays of several months in qualifying them, which could harm our relationships with our collaborators or customers and could negatively affect our revenues or operating results.

Our industrial enzyme business faces risks due to interruptions or changes that affect the ability of our sole contract manufacturer to meet our anticipated future growth, its manufacturing responsibilities, the occurrence of which could adversely impact the availability, launch and/or sales of our products in the future. In such an event that manufacturing is interrupted, we would have to locate additional capacity with another contract manufacturing facility or operate our own enzyme manufacturing plant in a short period of time. Our alternative sources of supply, which may be unavailable on commercially acceptable terms, may cause delays in our ability to deliver products to our customers, increase our costs and decrease our profit margins.

In addition, our toll manufacturer is limited in the types of GMOs it can use, which may limit our ability to launch new products or have our existing products manufactured at their facility. The toll manufacturer is subject to different rules relating to the manufacture of GMOs and also has its own internal policies which may prevent it from acting as our supplier in the future. Therefore, we may need to locate another supplier to produce some of our products.

Our toll manufacturer is located in Mexico City, Mexico. The facility is subject to political unrest, earthquakes, fires and other acts of nature that may exist in that region of the world.

To mitigate these concerns, we have undergone an evaluation of additional contract manufacturers over the past year, and have determined a number of alternatives exist in a variety of locations. These alternate contract manufacturers may require capital investment and time to qualify production of our products and substantial disruption to our business could still result from any delays or disruptions to our toll manufacturer.

If such an event took place, that we had to build our own or assist in the retrofitting of an enzyme manufacturing facility, we would need to raise additional capital through equity or debt. This would restrict our ability to fund product development and technology and application research.

Regulations may limit or impair our and our collaborators' and licensees' ability to sell genetically engineered products in the future.

We, our collaborators and licensees develop enzyme products using both non-genetically engineered microorganisms (non-GMO), as well as those that have undergone some degree of genetic modification. Products derived from GMOs may in some instances be subject to bans or additional regulation by federal, state, local and foreign government agencies. These agencies administering existing or future applicable regulation or legislation may not allow us or our collaborators and licensees to produce and market our products derived from GMOs in a timely manner or under technically or commercially feasible conditions.

In addition, regulatory action or private litigation relating to GMO products could result in expenses, delays or other impediments to our product development programs or the commercialization of resulting products. The FDA currently applies the same regulatory standards to products made through genetic engineering as those applied to products developed through traditional methodologies. Depending on a product's application and regardless of its GMO status, it may be subject to lengthy FDA reviews and unfavorable FDA determinations due to safety concerns or changes in the FDA's current regulatory policy. The EPA regulates biologically-derived enzyme-related chemical substances not within the FDA's jurisdiction. An unfavorable EPA ruling could delay commercialization or require modification of the production process or product in question, resulting in higher manufacturing costs, thereby making the product uneconomical. The EU also has regulations regarding the development, production and, marketing of products from GMOs, which are generally more restrictive than present U.S. regulations. For example, among other requirements, EU animal feed registration requires in-vivo efficacy testing, as well as toxicological testing of all enzyme products, including products from non-GMO microorganisms.

Further, we our collaborators and licensees are subject to regulations in the other countries in which we operate outside of the U.S. and EU, which may have different rules and regulations depending on the jurisdiction. Different countries have different rules regarding which products qualify as GMO and which are non-GMO. If any of these countries expand the definition of GMO and increase the regulatory burden on GMO products, our business could be harmed.

Other changes in regulatory requirements, laws and policies, or evolving interpretations of existing regulatory requirements, laws and policies, may result in increased compliance costs, delays, capital expenditures and other financial obligations that could adversely affect our business or financial results.

Our results of operations may be adversely affected by environmental, health and safety laws, regulations and liabilities.

We are subject to various federal, state and local environmental laws and regulations, including those relating to the discharge of materials into the air, water and ground, the generation, storage, handling, use, transportation and disposal of hazardous materials, and the health and safety of our employees. In addition, some of these laws and regulations require our contemplated facilities to operate under permits that are subject to renewal or modification. These laws, regulations and permits can often require expensive pollution control equipment or operational changes to limit actual or potential impacts to the environment. A violation of these laws and regulations or permit conditions can result in substantial fines, natural resource damages, criminal sanctions, permit revocations and/or facility shutdowns.

Furthermore, as we operate our business, we may become liable for the investigation and cleanup of environmental contamination at each of the properties that we lease or operate and at off-site locations where we may arrange for the disposal of hazardous substances. If these substances have been or are disposed of or released at sites that undergo investigation and/or remediation by regulatory agencies, we may be responsible under the Comprehensive Environmental Response, Compensation and Liability Act, or other environmental laws for all or part of the costs of investigation and/or remediation, and for damages to natural resources. We may also be subject to

related claims by private parties alleging property damage and personal injury due to exposure to hazardous or other materials at or from those properties. Some of these matters may require expending significant amounts for investigation, cleanup, or other costs.

In addition, new laws, new interpretations of existing laws, increased government enforcement of environmental laws, or other developments could require us or our contract manufacturers to make additional significant expenditures. Continued government and public emphasis on environmental issues can be expected to result in increased future investments for environmental controls at ethanol production facilities relating to our biofuels business. Present and future environmental laws and regulations and interpretations thereof, more vigorous enforcement of policies and discovery of currently unknown conditions may require substantial expenditures that could have a material adverse effect our results of operations and financial position. Additionally, any such developments may have a negative impact on our contract manufacturers, which could harm our business.

Risks Related to Our Biopharmaceutical Business

We may fail to commercialize the Dyadic Expression System for the expression of therapeutic proteins, antibodies and vaccines.

Although our industrial enzyme and biofuel and bio-based chemical businesses have developed and sold products utilizing our C1 Expression System, our C1-based technologies applied in the biopharmaceutical market have not yet completed commercialization of therapeutic proteins, antibodies and vaccines. Currently, our most advanced project, with Sanofi, needs further research and development in order to continue forward. We have no assurances from Sanofi that they will continue funding or advancing this vaccine research program beyond Q1, 2015. We have delivered to Sanofi protein from such research program that has shown in in-vitro tests to stimulate agglutination and we expect Sanofi will perform in-vivo testing to determine, among other things, the level and type of immunogenic response of this protein and from those results Sanofi will determine what, if any, future funding, research support and direction this program will take. If our expression system does not reach performance end points, as we expect it will, we may be forced to terminate our biopharmaceutical business operations. Even if we or our collaborators successfully develop a commercial product using our C1 Expression System, we may not generate significant licensing, royalty or milestone revenue and achieve profitability in our business. Additionally, even if the C1 Expression System fulfills its role in the development or production of a pharmaceutical product, the ultimate product may be delayed or never approved by the FDA or other governmental regulatory bodies.

To date, drug companies have developed and commercialized only a small number of gene-based products in comparison to the total number of drug molecules available in the marketplace. Our biopharmaceutical business must be evaluated as having the same risks as those inherent to early-stage biotechnology companies because the application of our C1 Expression System for the expression of pre-clinical and clinical quantities of therapeutic proteins, antibodies and vaccines is still in development. Furthermore, we may not be able to expand the capabilities of our technology to produce commercial volumes of therapeutic proteins, antibodies and vaccines at reasonable costs or that have the necessary qualities and other properties required in the pharmaceutical industry.

Successful development of the Dyadic C1 Expression System for these purposes will require significant research, development and capital investment, including testing, to prove its efficacy and cost-effectiveness. In general, our experience has been that each step in the process has taken longer and costs more to accomplish than originally projected and we anticipate that this is likely to remain the case with respect to the continuing development efforts of our biopharmaceutical business.

Commercialization of our products, including the C1 Expression System for therapeutic proteins, antibodies and vaccines depends on collaborations.

Since we do not currently possess the experience, knowledge or financial resources necessary to develop and commercialize potential drug products that may result from the use of the C1 Expression System, or to complete the potential approval processes required for these products, we must enter into strategic partnerships to develop and commercialize drug products. If we are not able to find collaborators in the future, the biopharmaceutical business may not be able to develop the C1 Expression System for therapeutic protein products, antibodies and vaccines. Further, our business model relies on a revenue stream derived from collaboration projects with our customers to express therapeutic proteins, antibodies and vaccines prior to pre-clinical trials. A large portion of our anticipated return on investment depends on those therapeutic proteins, antibodies and vaccines progressing through drug development and into commercially successful drugs. Apart from risks relating to whether our biopharmaceutical business can capture such customers, or capture them on satisfactory terms, we will also have no control over post-collaboration project drug development and commercialization. Additionally, as we have in the past, we expect to expend a greater portion of our resources on further developing the C1 Platform Technology for potential use in producing therapeutic protein products, antibodies and vaccines

We have limited or no control over the resources that any collaborator or licensee may devote to our programs.

Any of our current or future collaborators or licensees may not perform, breach or terminate their agreements with us or otherwise fail to conduct their required activities successfully and in a timely manner. Potential therapeutic products developed by us or with our domestic and global partners are subject to a lengthy and uncertain regulatory process. In the United States, the FDA must approve any therapeutic product before it can be marketed. Prior to filing a new drug application or biologic license application with the FDA, our collaborators must also subject the product candidate to extensive testing, including animal and human clinical trials. This process can take many years and require substantial expenditures. Our collaborators or licensees may elect not to develop products arising out of our collaborative or license arrangements or may choose not to devote sufficient resources to the development, manufacture, market or sale of these products. Further, if conflicts should arise between Dyadic and our customers, or among them and third parties, it could discourage or impede the activities of our biopharmaceutical business. If any of these events occur, we or our collaborators or licensees may not develop our technologies or commercialize our products.

While we anticipate that many of our collaborators or licensees will have experience submitting an application to the FDA or other applicable regulatory authorities, we have no such experience. Neither we nor any collaborator or licensee has yet submitted an application with the FDA or any other regulatory authority for any product candidate generated through the use of our C1 Expression System as it relates to the development and manufacture of pharmaceutical products. The FDA may not have substantial experience with technology similar to ours, which could result in delays or regulatory action against us. We, our collaborators and licensees, may not be able to able to obtain regulatory approval for our products, which would harm our business.

Our C1 Expression System has been tested for use in the manufacturing of an enzyme in the production of wine, beer and fruit juices, and is generally regarded as safe, and has generated promising safety and toxicity data for that enzyme. A risk nonetheless exists that the C1 Expression System will produce therapeutic products and enzymes that have safety and toxicity issues associated with them. Our C1 Expression System may be subject to lengthy regulatory reviews and unfavorable regulatory determinations if it raises safety questions which cannot be satisfactorily answered or if results from studies do not meet regulatory requirements. An unfavorable regulatory ruling could be difficult to resolve and could delay or possibly prevent a product from being commercialized, which would harm our business. Additionally, future products produced by us or our licensees or collaborators using our C1 Expression System may not be approved by the FDA or other regulatory agencies in the U.S. or worldwide. There is no assurance that safety and toxicity issues will not arise in current or future product development and manufacturing programs due to fermentation or genetic changes in the C1 strain and fermentation process.

If these therapeutic protein products, antibodies or vaccines are not approved by regulators, we or our customers or collaborators and licensees will not be able to commercialize them, and we may not receive milestone and royalty payments which are based upon the successful advancement of these products through the drug development and approval process. Even after investing significant time and expense, any regulatory approval may also impose limitations on the uses for which we can market a product, and any marketed product and its manufacturer are subject to continual review. Discovery of previously unknown problems with a product or manufacturer may result in new restrictions on the product, manufacturer and manufacturing facility, including withdrawal of the product from the market. In certain countries, regulatory agencies also set or approve prices, which may decrease our margins or harm our business.

Risks Related to Our Biofuel and Bio-Based Chemicals Products

We or our collaborators and licensees may fail to develop commercially viable enzymes to convert lignocellulose into fermentable sugars.

Our biofuel and bio-based chemicals businesses must be evaluated as having the same risks as those inherent in early-stage biotechnology companies. Our enzymes for converting lignocellulose into fermentable sugars, or cellulosic ethanol, are in late stage development to achieve required cost-efficiencies; however, we may fail in developing more cost-efficient enzymes. Further, we may be able to develop commercially viable enzymes for only some alternative types of biomass, which may or may not be those with the greatest market potential. Successful development of the C1 Expression System to discover, develop and produce commercially viable enzymes for the cellulosic ethanol market will require significant development and investment, including testing, to prove its efficacy and cost-effectiveness. In general, our experience has been that the cost and length of this process is unpredictable and we anticipate that this is likely to remain the case with respect to the development efforts of our biofuel and bio-based chemicals businesses.

Demand for Cellulosic Ethanol may not increase as expected, which would harm our business.

If the expected increase in cellulosic ethanol demand does not occur or is delayed even further, the demand for our enzymes would be diminished or delayed. As of 2014, the first commercial cellulosic ethanol plants began limited operation, and there is an additional amount of capacity currently being added, including three new commercial-scale bio-refineries are expected to come online in fourth quarter 2014 from Abengoa, a Dyadic licensee, DuPont and POET. Future demand could be impaired due to a number of factors, including the success of these commercial plants and others, regulatory developments and reduced U.S. gasoline consumption. Reduced gasoline consumption could occur as a result of increased gasoline or oil prices, causing businesses and consumers to limit driving or acquire vehicles with more favorable gasoline mileage. Conversely, future demand for cellulosic ethanol may be negatively affected by falling gasoline prices caused by the current decline natural crude oil as well as the decline in the price of natural gas. Widespread adoption of electric vehicles may also offer long-term demand of biofuels.

The market price of ethanol is volatile and subject to significant fluctuations, which may cause our profitability from the production of cellulosic ethanol to fluctuate significantly.

The market price of ethanol is dependent upon many factors, including the price of food crops such as corn, wheat and sugar cane, as well as gasoline, which is in turn dependent upon the price of petroleum. Petroleum prices are highly volatile and difficult to forecast due to frequent changes in global politics and the world economy. The distribution of petroleum throughout the world is affected by incidents in unstable political environments, such as Iraq, Iran, Kuwait, Saudi Arabia, Nigeria, Venezuela, and the former U.S.S.R. The industrialized world substantially depends upon oil from these areas, and any disruption or other reduction in oil supply can cause significant fluctuations in the prices of oil and gasoline. We cannot predict the future price of oil or gasoline and the market may establish unprofitable prices for the sale of ethanol due to significant fluctuations in market prices. If the prices of gasoline and petroleum decline, we believe that the demand for and price of ethanol may be adversely affected, causing our

profitability to fluctuate significantly.

The U.S. Ethanol Industry is highly dependent upon a myriad of federal and state legislation and regulations and any changes in such legislation or regulation could materially and adversely affect the demand for the services and products in the biofuel and bio-based chemicals markets.

We believe there is increased momentum within the U.S. Congress to enact legislation to revise the RFS. It is possible that some form of reform legislation, potentially including a lowering of the yearly mandates for corn ethanol and/or cellulosic fuels, may pass into law. Any revisions of the RFS may negatively affect the economics of our biofuel and bio-based chemicals businesses in the U.S.

Alternative technologies may not require microbial produced enzymes.

Research is being conducted under the auspices of major seed producers, the U.S. federal government and the National Corn Growers Association, to develop methods of biofuel and bio-based chemical production that does not use enzymes to convert lignocellulose into fermentable sugars. Additionally, there are other emerging non-enzymatic technologies being developed for the production of Cellulosic Ethanol. If they are successful, these new methods may supplant or greatly reduce the need for enzymes in the biofuel and bio-based chemical end market, which would harm our business.

The price of alternative feedstock's such as corn, wheat and sugar cane have come down dramatically and this makes first generation biofuel and biobased chemicals made from food based sugars more competitive than they were in the past and there is no guaranty that such commodities will return to the price levels that will make second generation cellulosic sugar competitive with first generation sugars from such crops, without subsidies.

Further advancements in agronomy have led to and are expected to lead to better yields and even lower cost of first generation sugar from corn, wheat, sugar cane or other energy crops may limit demand for 2nd generation biofuels.

Also, the market for cellulosic sugars, biofuels and biobased chemicals is a market that is not yet established and is only beginning to emerge. There is a risk that it will not succeed and not grow at the rates projected, whether delayed or at all.

Other Business Risks That We Face

Changes in global economic and financial markets may have a negative effect on our business.

Our business is subject to a variety of market forces including, but not limited to, domestic and international economic, political and social conditions. Many of these forces are uncertain and beyond our control. Any change in market conditions that negatively impacts our operations or the demand of our current or prospective customers could adversely affect our business operations.

In addition, any such changes in the global financial markets may make it difficult to accurately forecast operating results. In the past, these factors have had, and may continue to have, a negative effect on our business, results of operations, financial condition and liquidity. In the event of a downturn in global economic activity, current or potential customers may go out of business, may be unable to fund purchases or determine to reduce purchases, all of which could lead to reduced demand for our products, reduced gross margins, and increase customer payment delays or defaults. Further, suppliers may not be able to supply us with needed raw materials on a timely basis, may increase prices or go out of business, which could result in our inability to meet consumer demand or affect our gross margins. We are also limited in our ability to reduce costs to offset the results of a prolonged or severe economic

downturn given certain fixed costs associated with our operations and difficulties if we overstrained our resources. The timing and nature of a sustained recovery in the credit and financial markets remains uncertain, and there can be no assurance that market conditions will significantly improve in the near future or that our results will not continue to be materially and adversely affected.

If we lose key personnel, including key management or board personnel, or are unable to attract and retain additional personnel, it could delay our product development programs, harm our R&D efforts, and we may be unable to pursue collaborations or develop our own products.

Our planned activities will require ongoing recruiting and retention of additional expertise in specific industries and areas applicable to the products being developed through our technologies. These activities will not only require the development of additional expertise by existing management personnel, but also the addition of new management, sales, marketing, regulatory, and scientific personnel. The inability to acquire or develop this expertise or the loss of principal members of our management, sales, and scientific staff could impair the growth, if any, of our business. Although we believe we will be successful in attracting and retaining qualified management and scientific personnel, competition for experienced personnel from numerous companies, academic institutions and other research facilities may limit our ability to do so on acceptable terms. Failure to attract and retain qualified personnel would inhibit our ability to pursue collaborations and develop our products or core technologies.

Personnel changes may disrupt our operations. Hiring and training new personnel will entail costs and may divert our resources and attention from revenue-generating efforts. In addition, we periodically engage consultants to assist us in our business and operations, these consultants operate as independent contractors, and we, therefore, do not have as much control over their activities as we do over the activities of our employees. Our consultants may be affiliated with or employed by other parties, and some may have consulting or other advisory arrangements with other entities that may conflict or compete with their obligations to us.

Our lawsuit against our former professional service providers may not be successful and we may be required to pay substantial legal fees if we do not prevail.

We are currently engaged in litigation with three former professional service providers. In 2009, we sued our former professional service providers in connection with the events relating to alleged improprieties at our former Asian subsidiaries, which we abandoned in May 2007. While Jenkens & Gilchrist, P.C., one of the defendants, has already settled, claims against the remaining defendants remain pending. Jenkens & Gilchrist, P.C. settled with us for $525,000 on August 8, 2012. While we believe we will prevail against the remaining defendants, we may fail to succeed in our lawsuit and be required to pay the legal fees for opposing counsel, which may be substantial. In addition, we may not reach a settlement agreement or may reject settlement offers that we deem unsatisfactory. The lawsuit is a substantial distraction for our management which takes up significant amounts of their time and resources, and additionally may discourage investors from investing in our stock. If we are not successful in prosecuting the lawsuit against our former professional service providers, our business may be harmed. On September 23, 2014, the court entered orders denying all defense motions for summary judgment that had been heard by the court by that date and granting our request to not allow the defendants to claim a particular affirmative defense to our claims.

The Company continues to vigorously prosecute this litigation which is now in its final phases of pretrial motion practice. The fact discovery is complete. One expert deposition remains to be taken on April 1 and 2, 2015. All summary judgment motions have been filed and the deadline for serving additional summary judgment motions has passed. The Court has ruled on all summary judgment motions, including recent Orders dated February 27, 2015 related to the Moscowitz Defendants Motion for Partial Summary Judgment, and on March 12, 2015 on the Greenberg, Traurig P.A.'s, Greenberg Traurig, LLP's and Robert I. Schwimmer Defendants' Motion for Partial Summary Judgment. We believe the rulings have been favorable to the Company. The Court is holding Case Management and Scheduling Conferences on March 30, 2015 and April 20, 2015 to schedule hearing time on motions to exclude experts and motions in limine. The Court has not yet set a trial date for 2015.

Inability to protect our intellectual property could harm our ability to compete.

Our success will depend in part on our ability to obtain patents and maintain adequate protection of our other intellectual property for our technologies and products in the United States and other countries. If we do not adequately protect our intellectual property, competitors may be able to practice our technologies and erode our competitive advantage. The laws of some foreign countries do not protect proprietary rights to the same extent as the laws of the United States, and many companies have encountered significant problems in protecting their proprietary rights in these foreign countries. These problems can be caused by, for example, a lack of rules and methods for defending intellectual property rights.

Our current patent portfolio consists of 16 U.S. patents, 31 foreign patents, including claims that cover the C1 Expression System and 24 U.S. and foreign filed and pending patent applications which we believe provide broad protection for Dyadic, including its products and commercial applications. However, the patent positions of biotechnology companies, including our patent position, are generally uncertain and involve complex legal and factual questions. We will be able to protect our proprietary rights from unauthorized use by third parties only to the extent that our proprietary technologies are covered by valid and enforceable patents or are effectively maintained as trade secrets. We intend to apply for patents covering both our technologies and our products, as we deem appropriate. However, existing and future patent applications may be challenged and are not guaranteed to result in the issuing of patents. Even if a patent is obtained, any existing and future patents may not be sufficiently broad to prevent others from practicing our technologies or from developing competing products. Others, including our collaborators, may independently develop similar or alternative technologies or design around our patented technologies. In addition, our collaborators or other third parties may challenge or invalidate our patents, or our patents may fail to provide us with any competitive advantages. If any third party is able to gain intellectual property protections for technology similar to our own, they may be successful in blocking us and our licensees from commercializing our products.

Not all of our proprietary technology is eligible for patent protection and a significant portion of our various proprietary technologies rely upon trade secret protection. We have taken security measures to protect our proprietary information including confidentiality agreements with employees, collaborators and consultants. Nevertheless, these measures may not provide adequate protection for our trade secrets or other proprietary information as employees, collaborators or consultants may still disclose our proprietary information. In addition, others may independently develop substantially equivalent proprietary information or techniques or otherwise gain access to our trade secrets.

The enforceability of patents involves numerous technical issues and, therefore, the extent of enforceability cannot be guaranteed. Issued patents and patents issuing from pending applications may be challenged, invalidated or circumvented. Moreover, the United States Leahy-Smith America Invents Act, enacted in September 2011, brought significant changes to the U.S. patent system, which include a change to a "first to file" system from a "first to invent" system and changes to the procedures for challenging issued patents and disputing patent applications during the examination process, among other things. The effects of these changes on our patent portfolio and business have yet to be determined, as the final substantive provisions of the America Invents Act took effect on March 16, 2013. The United States Patent and Trademark Office (the "USPTO"), only recently finalized the rules relating to these changes and the courts have yet to address the new provisions. These changes could increase the costs and uncertainties surrounding the prosecution of our patent applications and the enforcement or defense of our patent rights. Additional uncertainty may result from legal precedent handed down by the United States Court of Appeals for the Federal Circuit and United States Supreme Court as they determine legal issues concerning the scope and construction of patent claims and inconsistent interpretation of patent laws by the lower courts. Accordingly, we cannot ensure that any of our pending patent applications will result in issued patents, or even if issued, predict the breadth of the claims upheld in our and other companies' patents. Given that the degree of future protection for our proprietary rights is uncertain, we cannot ensure that we were the first to invent the inventions covered by our pending patent applications, we were the first to file patent applications for these inventions or the patents we have obtained.

In addition, Dyadic continues to review our existing patent portfolio. Based on our analysis of annuity fees against potential commercial opportunities and patent enforceability, we have abandoned certain patents in some countries. There is a risk that we are abandoning potentially valuable patents.

Litigation or other proceedings or third-party claims of intellectual property infringement could require us to spend significant time and resources and could prevent us from commercializing our technologies or impact our stock price.

Our commercial success depends in part on neither infringing patents and proprietary rights of third parties, nor breaching any licenses that we have entered into with regard to our technologies and products. Others have filed, and in the future are likely to file, patent applications covering genes or gene fragments and other intellectual property that we may wish to utilize with C1 Expression System or products and systems that are similar to those developed with its use. If these patent applications result in issued patents and we wish to use the claimed technology, we may need to obtain a license from the appropriate third party.

Third parties may assert that we are employing their proprietary technology without authorization. In addition, third parties may obtain patents in the future and claim that use of our technologies infringes these patents. We could incur substantial costs and diversion of management and technical personnel in defending ourselves against any of these claims or enforcing our patents and other intellectual property rights. Parties making claims against us may be able to obtain injunctive or other equitable relief, which could effectively block our ability to further develop, commercialize and sell products, and could result in the award of substantial damages against us. If a claim of infringement against us is successful, we may be required to pay damages and obtain one or more licenses from third parties. In the event that we are unable to obtain these licenses at a reasonable cost, we could encounter delays in product commercialization while we attempt to develop alternative methods or products. Defense of any lawsuit or failure to obtain any of these licenses could prevent us from commercializing available products.

We do not fully monitor the public disclosures of other companies operating in our industry regarding their technological development efforts. If we did evaluate the public disclosures of these companies in connection with their technological development efforts and determined that they violated our intellectual property or other rights, we would anticipate taking appropriate action, which could include litigation. The outcome of any action we take to protect our rights may not be resolved in our favor or may not be resolved for a lengthy period of time resulting in substantial costs and diversion of management and technical personnel.

In addition, unauthorized parties may attempt to copy or otherwise obtain and use our products or technology. Monitoring unauthorized use of our intellectual property is difficult, and we cannot be certain that the steps we have taken will prevent unauthorized use of our technologies, particularly in certain foreign countries where the local laws may not protect our proprietary rights as fully as in the United States. Moreover, third parties could practice our inventions in territories where we do not have patent protection. Such third parties may then try to import into the United States or other territories products, or information leading to potentially competing products, made using our inventions in countries where we do not have patent protection for those inventions. If competitors are able to use our technologies, our ability to compete effectively could be harmed. Moreover, others may independently develop and obtain patents for technologies that are similar to or superior to our technologies. If that happens, we may need to license these technologies, and we may not be able to obtain licenses on reasonable terms, if at all, which could harm our business.

In the normal course of our business we generate patentable technologies that we believe will be of value to us. In this case, we carry out detailed patent review and if appropriate, submit a patent application. Once this application is accepted, Dyadic is then required to pay a “maintenance” fee in each jurisdiction in which that patent was filed. From time-to-time, during our patent portfolio reviews, we will decide to abandon one, or maybe several patents that we do not see as having commercial viability or value to Dyadic now or in the future.

We may not be able to enforce our intellectual property rights throughout the world.

The laws of some foreign countries do not protect intellectual property rights to the same extent as the laws of the United States. Many companies have encountered significant problems in protecting and defending intellectual property rights in certain foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, particularly those relating to synthetic biology. This could make it difficult for us to stop the infringement of our patents or misappropriation of our other intellectual property rights. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business. Accordingly, our efforts to protect our intellectual property rights in such countries may be inadequate.

We may be forced to sue third parties for patent infringement or to enforce our agreements with our licensees and collaborators.

Any litigation or proceedings that we were to initiate against a third party to enforce a patent claiming one of our technologies could result in significant legal fees and other expenses, diversion of management's time, and disruption in our business. In addition, the outcome of any such patent, contract or related litigation is unpredictable. There is a chance that the defendant could counterclaim alleging that our patent is invalid and/or unenforceable. In the event that a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would be unable to exclude others from practicing the inventions claimed therein. Even if our patent rights are found to be valid and enforceable, patent claims that survive litigation could result in loss of patent scope. Loss of patent protection or changes in patent terms could harm our ability to compete and have an adverse impact on our business, financial condition and results of operations. In addition, in the event of any disputes with our collaborators or licensees, we may be required to take legal action to enforce our agreements. If we are unable to protect our rights under our licensing, collaboration or other agreements, our business may be harmed.

Confidentiality agreements with employees and others may not adequately prevent disclosures of trade secrets and other proprietary information.

We rely in part on trade secret protection to protect our confidential and proprietary information and processes. However, trade secrets are difficult to protect. We have taken measures to protect our trade secrets and proprietary information, but these measures may not be effective. We require employees and consultants to execute confidentiality agreements upon the commencement of an employment or consulting arrangement with us. These agreements generally require that all confidential information developed by the individual or made known to the individual by us during the course of the individual's relationship with us be kept confidential and not disclosed to third parties. These agreements also generally provide that inventions conceived by the individual in the course of rendering services to us shall be our exclusive property. Nevertheless, our proprietary information may be disclosed, third parties could reverse engineer our biocatalysts and others may independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

We may be sued for product liability.

We may be held liable if any product we develop, or any product which is made with the use or incorporation of, any of our technologies, causes injury or is found otherwise unsuitable during product testing, manufacturing, marketing or sale. These claims could be brought by various parties, including other companies who purchase products from our collaborators or by the end users of the products.

While we maintain product liability insurance, it may not fully cover all of our potential liabilities and our liability could in some cases exceed our total assets, which would have a material adverse effect on our business, results of operations, financial condition and cash flows, or cause us to go out of business. Further, insurance coverage

is expensive and may be difficult to obtain, and may not be available to us or to our collaborators in the future on acceptable terms, or at all. Inability to obtain sufficient insurance coverage at an acceptable cost to protect against potential product liability claims could prevent or inhibit the commercialization of products developed by us, or our collaborators.

International unrest or foreign currency fluctuations could adversely affect our results.

For the year ended December 31, 2014 and 2013, international sales accounted for approximately 78% and 74% of our net sales, respectively. Our key international markets are the European Union, Eastern Europe, Canada, Mexico and China. Our international sales are made through international distributors and their wholly owned subsidiaries, and direct to end-user plants with payments to us, in many cases, denominated in currencies other than U.S. dollars. In the conduct of our business, in certain instances, we are required to pay our obligations in currencies other than U.S. dollars. Accordingly, we are exposed to changes in currency exchange rates with respect to our international sales and payment obligations. We incurred a currency loss of $147,000 and a gain of $83,000, for the year ended December 31, 2014 and 2013, respectively.

Fluctuations in currency exchange rates have in the past and may in the future negatively affect our ability to price competitively against products denominated in local currencies. Also, changes in foreign currency exchange rates may have an adverse effect on our financial position and results of operations as expressed in U.S. dollars. Our management monitors foreign currency exposures and may, in the ordinary course of business, enter into foreign currency forward contracts or options contracts related to specific foreign currency transactions or anticipated cash flows. We do not hedge, and have no current plans to hedge in the future, the translation of financial statements of consolidated subsidiaries whose local books and records are maintained in foreign currency.

In addition, the imposition of duties or other trade barriers, trade embargoes, acts of terrorism, wars and other events outside our control may adversely affect international commerce and impinge on our ability to manufacture, transport or sell our products in international markets.

Significant fluctuations in commodity availability and price could have a negative effect on demand for our enzyme products.

Our product lines may be directly or indirectly dependent upon the pricing of commodities and, therefore, may be subject to changes in availability and price of commodities such as oil, soybean meal, corn, corn stover, wheat, wheat straw, barley, sucrose, bagasse and ethanol in our biofuel processing product line, and poultry and animal health in our nutrition product line. Competitive conditions, government regulations, natural disasters and other events could limit the production of our customers' products that use our enzymes. In addition, concerns about international crises, such as the spread of severe acute respiratory syndrome ("SARS"), avian influenza, or bird flu, and West Nile viruses, have impacted our business in the past and may have an adverse effect on the world economy. These concerns could adversely affect our sales, profitability and business operations, or the operations of our collaborators, our contract manufacturer and our suppliers. As a result, the price and availability of the raw materials used, or the end products which our enzymes are used to produce, may fluctuate substantially, and could significantly impact both the demand for, and average sales price of, our enzymes. Such fluctuations may result in reduced volumes of our enzymes being used, or may result in our enzymes not being used at all. We have experienced fluctuations in the pricing and availability of raw materials used in the fermentation process; such fluctuations may negatively impact our business. Any of these factors may materially and adversely affect our business, financial conditions and results of operations.

The price of alternative feedstock such as corn, wheat and sugar cane have come down dramatically and this makes first generation biofuel and biobased chemical made from food based sugars more competitive than they were in the past and there is no guaranty that such commodities will return to the price levels that will make second generation cellulosic sugars competitive with first generation sugar from such crops, without subsides.

Further advancements in agronomy have led to and are expected to lead to better yields and even lower cost of first generation sugar from corn, wheat, sugar cane or other energy crops may limit demand for 2nd generation biofuels.

In 2009, we entered into a cease and desist order with the SEC relating to, among other things, our internal controls. If we fail to improve or maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, shareholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our common stock.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to satisfy our reporting obligations and impair our ability to prevent or detect fraud.

On June 4, 2009, we entered into a cease and desist order with the SEC relating to our alleged ineffective internal controls at our Asian subsidiaries, which we abandoned in 2007. In April 2007, we became aware of alleged improprieties at our Asian subsidiaries. In connection with these events, we entered into a cease and desist order with the SEC. Since entering into the cease and desist order, the Company has worked to remediate and improve its internal controls and has a new Chief Financial Officer and auditor in place. For example, the Company has centralized financial reporting, the Company's audit committee meets quarterly and an independent financial expert consults with our audit committee to the review the Company's financial statements. The process of implementing our internal controls and complying with required procedures is expensive and time consuming, and requires significant attention from management. We cannot be certain that these measures will ensure that we implement and maintain adequate controls over our financial processes and reporting in the future.

In addition, any testing conducted by us, or any subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other areas for further attention or improvement. Because of its inherent limitations, internal control over financial reporting may not prevent or detect fraud or misstatements. Inferior internal controls or further regulatory action could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock and could materially and adversely affect our business.

Our ability to use our net operating loss carryforwards ("NOLs") to offset future taxable income may be subject to certain limitations.

In general, under Section 382 of the Internal Revenue Code, a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its NOLs, to offset future taxable income. If the Internal Revenue Service challenges our analysis that our existing NOLs are not subject to limitations arising from previous ownership changes, our ability to utilize NOLs could be limited by Section 382 of the Internal Revenue Code. Future changes in our stock ownership, some of which are outside of our control, could result in an ownership change under Section 382 of the Internal Revenue Code. Furthermore, our ability to utilize NOLs of companies that we may acquire in the future may be subject to limitations. For these reasons, we may not be able to utilize a material portion of the NOLs reflected in our financial statements, even if we attain profitability.

Risks Related to Our Common Stock

The price of our shares of common stock is likely to be volatile, and you could lose all or part of your investment.

The trading price of our common stock has been, and is likely to continue to be, volatile. Since January 1, 2014 through December 31, 2014, the price of our common stock has fluctuated from a high of $1.87 per share to a low of $0.80 per share. The trading prices of biotechnology and renewable energy company stocks in general tend to experience extreme price fluctuations. The valuations of many biotechnology and renewable energy companies without consistent product sales and earnings are extraordinarily high based on conventional valuation standards such as price-to-earnings and price-to-sales ratios. These trading prices and valuations may not be sustained. Any negative change in the public's perception of the prospects of biotechnology and renewable energy companies could depress our stock price regardless of our results of operations. Other broad market and industry factors such as market fluctuations, as well as general political and economic conditions such as war, recession or changes in interest and currency rates may also decrease the trading price of our common stock. Other factors that may result in fluctuations in our stock price include, but are not limited to, the following:

- Announcements of new technological innovations, patents or new products or processes by us or our competitors;
- Announcements by us or our licensees and collaborators relating to our relationships or either of our relationships with other third parties;
- Changes in financial estimates by securities analysts;
- Conditions or trends in the biotechnology industry;
- Changes in the market valuations of other biotechnology companies;
- Limitations on the markets into which we can leverage our C1 Expression System;
- Actual or anticipated changes in our growth rate relative to our competitors;
- Developments in domestic and international governmental policy or regulations;
- Announcements by us or our competitors of significant acquisitions, divestures, strategic partnerships, license agreements, joint ventures or capital commitments;
- The position of our cash, cash equivalents and marketable securities;
- Any changes in the terms and conditions of our debt, or the non-renewal of our debt;
- Developments in patent or other proprietary rights held by us or by others;
- Negative effects related to the stock or business performance of our licensees, or the abandonment of projects using our technology by our licensees;
- Scientific risks inherent to emerging technologies such as our C1 Expression System;
- Set-backs, and/or failures, and or delays in our or our licensees' R&D and commercialization programs;
- Delays or failure to receive regulatory approvals by us and/or our licensees;
- Loss or expiration of our intellectual property rights;
- Lawsuits initiated by or against us;
- Period-to-period fluctuations in our operating results;
- Future royalties from product sales, if any, by our strategic partners;
- Sales of our common stock or other securities in the open market;
- Stock buy-back programs;
- Stock splits; and
- Setbacks, and/or failures, delays or negative result in our lawsuit we filed against our former professional service providers.

In the past, stockholders have often instituted securities class action litigation after periods of volatility in the market price of a company's securities. In 2007, a stockholder filed a securities class action suit against us, which we settled on July 27, 2010. If a stockholder files a securities class action suit against us, as previously occurred in 2007, we would incur substantial legal fees and our management's attention and resources would be diverted from operating our business to responding to litigation.

The market price of our common stock has in the past been, and is likely to continue to be, subject to significant fluctuations. In addition to events related to our operating performance, the stock markets in general have experienced substantial volatility related to general economic conditions and may continue to experience volatility for some time. These broad market fluctuations may also adversely affect the trading price of our common stock.

Our quarterly and annual operating results may be volatile.

Our quarterly and annual operating results have fluctuated in the past and are likely to do so in the future. These fluctuations could cause our stock price to vary significantly or decline. Some of the factors that could impact our operating results include:

- Expiration of research contracts with collaborators and/or licensees, which may not be renewed or replaced;
- Setbacks or failures in our and our collaborators and licensees research, development and commercialization efforts;
- The success rate of our discovery, and development efforts leading to milestones and royalties;
- The timing and willingness of collaborators and licensees to commercialize their products which would result in royalties;
- General and industry specific economic conditions, which may affect our collaborators' and licensees' R&D expenditures;
- The adoption and acceptance of our industrial enzymes and other products by customers of our industrial enzyme business;
- The adoption and acceptance of the Dyadic C1 Expression System by bioenergy, biotechnology and pharmaceutical companies;
- The introduction by our competitors of new industrial enzyme products or lower prices of existing products to our industrial enzyme business's customers;
- The addition or loss of one or more of the collaborative partners or licensees we are working with to commercialize our products in the biofuel and bio-based chemicals markets, biopharmaceutical, as well as for our food and animal health and nutrition businesses;
- Ability to file, maintain and defend our intellectual property and to protect our proprietary information and trade secrets;
- Develop technology, products and processes that do not infringe on the intellectual property of third parties;
- The introduction by our competitors of new expression technologies competitive with our C1 Expression System and new screening technologies competitive with our HTS technology;
- The ability to enter into new licenses and generate revenue from such licenses;
- Scientific risk associated with emerging technologies such as our C1 Expression System;
- Disruption in our manufacturing capacity or failure to bring on the additional manufacturing capacity required to meet our projected growth;
- Uncertainty regarding the timing of upfront license fees for new C1 Expression System license agreements or expanded license agreements;
- Delays or failure to receive milestones and royalties and other payments; and
- The expenses incurred as a result of our lawsuit we filed against our former professional service providers which have and are anticipated to fluctuate greatly quarter to quarter.

A large portion of our expenses are relatively fixed, including expenses for personnel, facilities and equipment. Accordingly, if sales decline or do not grow as anticipated due to the expiration of research contracts or government research grants, we fail to obtain new contracts, or other factors, we may not be able to correspondingly reduce our operating expenses. Failure to achieve anticipated levels of sales could, therefore, significantly harm our operating results for a particular fiscal period. The Company incurred $1.4 million in professional service fees related to the expert witnesses and court reporter in our lawsuit against our former professional service providers in the year ended December 31, 2014. The court ordered mediation was held on November 10th and 11th, 2014. The Court has not yet set a trial date for 2015, however at this time we anticipate that the trial will be scheduled in the second half of 2015. Since our current legal counsel is working under a contingency arrangement, and the case is far along, we expect the legal costs to be significantly lower in 2015.

Due to the possibility of fluctuations in our revenues and expenses, we believe that quarter-to-quarter comparisons of our operating results are not necessarily a good indication of our future performance. Our operating results in some quarters may not meet the expectations of stock market analysts and investors causing our stock price to possibly decline.

We do not expect to pay cash dividends in the future.

We have never paid cash dividends on our stock and do not anticipate paying cash dividends on our stock in the foreseeable future. The payment of dividends on our shares, if ever, will depend on our earnings, financial condition and other business and economic factors deemed relevant for consideration by our board of directors. If we do not pay dividends, our stock may be less valuable because a return on investment will only occur if and to the extent that our stock price appreciates, and if the price of our stock does not appreciate, then there will be no return on investment.

Our anti-takeover defense provisions may deter potential acquirers and depress our stock price.

Certain provisions of our certificate of incorporation, bylaws and Delaware law, as well as certain agreements we have with our executives, could be used by our incumbent management to make it substantially more difficult for a third party to acquire control of us. These provisions include the following:

- We may issue preferred stock with rights senior to those of our common stock;
- We have a classified board of directors;
- Action by written consent by stockholders is not permitted;
- Our board of directors has the exclusive right to fill vacancies and set the number of directors Cumulative voting by our stockholders is not allowed; and
- We require advance notice for nomination of directors by our stockholders and for stockholder proposals.

These provisions may discourage certain types of transactions involving an actual or potential change in control. These provisions may also limit our stockholders' ability to approve transactions that they may deem to be in their best interests and discourage transactions in which our stockholders might otherwise receive a premium for their shares over the current market price.

Concentration of ownership among our existing officers, directors and principal stockholders may prevent other stockholders from influencing significant corporate decisions and depress our stock price.

Our officers, directors and principal stockholders together control approximately 57% of our beneficial ownership as of December 31, 2014. Our Founder and Chief Executive Officer Mark Emalfarb, through the Mark A. Emalfarb Trust under agreement dated October 1, 1987, as amended (the "MAE Trust") of which he is the trustee and

beneficiary, owned approximately 12.6% of our outstanding common stock as of December 31, 2014. Pursuant to a divorce decree dated March 18, 2014, 3,427,688 shares of Dyadic common stock, and 207,904 stock options previously held by the Mark A Emalfarb Trust were transferred to Lisa K. Emalfarb in April 2014. Lisa K. Emalfarb as a result, owned approximately 10.5% of our outstanding common stock as of December 31, 2014. Further, the Francisco Trust U/A/D February 28, 1996 (the "Francisco Trust"), whose beneficiaries are the descendants and spouse of Mark A. Emalfarb, owned approximately 12.7% of our outstanding common stock as of December 31, 2014. We have historically been partially controlled, managed and partially funded by Mark A. Emalfarb, our Chief Executive Officer, and affiliates of Mr. Emalfarb. Collectively, Mr. Emalfarb and stockholders affiliated with Mr. Emalfarb controlled approximately 25.3% of our common stock.

Mr. Emalfarb may be able to control or significantly influence all matters requiring approval by our shareholders, including the election of directors and the approval of mergers or other business combination transactions. The interests of Mr. Emalfarb may not always coincide with the interests of other shareholders, and he may take actions that advance his personal interests and are contrary to the desires of our other shareholders.

If our existing officers, directors and principal stockholders act together, they will be able to exert a significant degree of influence over our management and affairs and over matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. In addition, this concentration of ownership may delay or prevent a change in control and might affect the market price of our shares, even when a change may be in the best interests of all stockholders. Certain of our principal stockholders may elect to increase their holdings of our common stock, which may have the impact of delaying or preventing a change of control. Moreover, the interests of this concentration of ownership may not always coincide with our interests or the interests of other stockholders, and, accordingly, they could cause us to enter into transactions or agreements, which we would not otherwise consider.

We are indebted to our largest stockholders.

As of December 31, 2014, we owed Lisa K. Emalfarb, the MAE Trust and the Francisco Trust indebtedness of approximately $1.4 million under a secured note payable, $1.0 million under certain convertible subordinated debt and $0.5 million under certain convertible subordinated debt, respectively. All of our assets are mortgaged or pledged to secure the notes payable owed to the Lisa K. Emalfarb. Pursuant to a divorce decree dated March 18, 2014, the $1.4 million note was transferred to Lisa K. Emalfarb on April 1, 2014. All of our assets are also pledged for convertible subordinated debt of $6.7 million as of December 31, 2014, owed by the Company to certain debt holders. The Pinnacle Family Trust holds $3.7 million of the convertible subordinated debt. Approximately $1.9 million of the 2010 Notes and the 2011 Notes are held by four related interests, which include members of management and the board of directors, as well as another related party. If we were unable to generate sufficient cash flow or otherwise obtain funds necessary to pay this indebtedness when due, we would be in default and these debt holders would have the right to foreclose on the liens and security interests that secure the debt. Further, this indebtedness is transferable to third parties. In addition, we may decide to refinance our related party indebtedness through secured borrowings from banks or other commercial lenders. Any transferee or new lender that is not a related party may not have the same attitude about any failure on our part to meet our binding repayment obligations as the existing related party note holders. The maturity date of this debt has been extended each year including 2013, 2014, 2015 and most recently to 2016, but there is no guaranty that we will be able to extend the maturity date of this debt in the future. The extended Convertible Debt in the amount of $6.7 million also includes a warrant provision in the event Dyadic elects to call the Convertible Debt early, in whole or in part, after March 31, 2015 and prior to the January 1, 2016 maturity date. Should the Convertible Debt holder(s), upon such call notice, elect not to convert their notes into common shares, Dyadic will pay the Convertible Debt holders' their current outstanding Convertible Debt balance, and issue warrants to purchase common stock equal to 25% of the redeemed Convertible Debt balance at $1.48 per common share.

If securities or industry analysts do not commence the publication of research or reports about our business, or publish negative reports about our business, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our stock or change their opinion of our stock in a negative manner, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our stock price or trading volume to decline.

Future sales of shares of our common stock may negatively affect our stock price.

The sale of additional shares of our common stock, or the perception that such sales could occur, could harm the prevailing market price of shares of our common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

As of December 31, 2014, there were 34,142,505 shares of our common stock outstanding. Approximately 57% of these shares are beneficially owned or controlled by our executive officers, directors and principal stockholders. Shares held by our affiliates and certain of our directors, officers and employees are "restricted securities" as defined by Rule 144 ("Rule 144") of the Securities Act of 1933, as amended (the "Securities Act") and subject to certain restrictions on resale. Restricted securities may be sold in the public market only if they are registered under the Securities Act or are sold pursuant to an exemption from registration such as Rule 144.

Our common stock has a relatively small public float. As a result, sales of substantial amounts of shares of our common stock, or even the potential for such sales, may materially and adversely affect prevailing market prices for our common stock. In addition, any adverse effect on the market price of our common stock could make it difficult for us to raise additional capital through sales of equity securities. Further, our licensee Abengoa is a significant holder of shares of our common stock. Abengoa owns 2,136,752 shares of our common stock. Abengoa purchased such shares on October 26, 2006. Because Abengoa has held such shares for over one year, they may engage in future sales under Rule 144, which could negatively affect our stock price.

Pursuant to a divorce decree dated March 18, 2014, Lisa K. Emalfarb, the former spouse of Mark A. Emalfarb, received 3,427,688 shares of common stock and 207,904 stock options, which were transferred in April 2014 from common stock held by the MAE Trust, as well as, certain options to purchase additional shares earned by Mr. Emalfarb prior to November 30, 2012. Shares of our common stock held by Ms. Emalfarb may be considered "restricted securities" as defined under Rule 144 and may only be sold pursuant to an effective registration statement or an exemption from registration, if available. Rule 144 provides that a person who is not an affiliate and has held restricted securities for a prescribed period of at least six months if purchased from a reporting issuer or 12 months if purchased from a non-reporting Company, may, under certain conditions, sell all or any of his or her shares without volume limitation, in brokerage transactions. However, Ms. Emalfarb may be able to "tack" her holding period pursuant to Rule 144 and therefore sell her shares immediately and not be subject to any holding period pursuant to Rule 144. Ms. Emalfarb may be deemed to be an "affiliate," in which case she may not sell shares in excess of 1% of the Company's outstanding common stock each three months. Additionally, for non-reporting issuers, if Ms. Emalfarb is deemed to be an "affiliate," certain company information, including information regarding the nature of its business, the identity of its officers and directors, and its financial statements, must be publicly available for her to sell her shares under Rule 144. As a result of revisions to Rule 144 which became effective on February 15, 2008, there is no limit on the amount of restricted securities that may be sold by a non-affiliate (i.e., a stockholder who has not been an officer, director or control person for at least 90 consecutive days) after the restricted securities have been held by the owner for the aforementioned prescribed period of time. A sale by Ms. Emalfarb under Rule 144 or under any other exemption from the Securities Act, if available, or pursuant to registration of shares of common stock, may have a depressive effect upon the price of our common stock.

We incurred significant costs as a result of our up listing on the OTCQX U.S. Premier marketplace, and those costs will increase proportionately higher if, as and when we become a fully reporting company and our management will be required to devote substantial time to compliance requirements.

As a company quoted on the OTCQX U.S. Premier marketplace, we incur significant legal, accounting and other expenses that we did not incur previously. In addition, the OTCQX Alternative Reporting Standards impose various requirements on companies that require our management and other personnel to devote a substantial amount of time to compliance initiatives. These costs will further increase if, as and when we become a fully reporting company under the Exchange Act.

We may in the future seek to list our common stock on the NASDAQ Stock Market or another stock exchange. However, we do not currently meet the listing standards for listing on any national securities exchange. During the period that our common stock is quoted on the OTCQX U.S. Premier or any other over-the-counter system, an investor may find it more difficult to dispose of shares or obtain accurate quotations as to the market value of our common stock than would be the case if and when we list on the NASDAQ Stock Market or another stock exchange.

In addition, if we fail to meet the criteria set forth in certain SEC regulations, various requirements would be imposed by law on broker-dealers who sell our securities to persons other than established customers and accredited investors. Consequently, such regulations may deter broker-dealers from recommending or selling our common stock, which may further affect its liquidity. This would also make it more difficult for us to raise additional capital.

We may not be able to meet the initial listing standards of any stock exchange, correctly predict the timing of such listing or, if listed, maintain such a listing.

We will incur significant costs as a result of operating as a public company, and our management will be required to devote substantial time to compliance initiatives.

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Exchange Act, the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as related rules implemented by the SEC, impose various requirements on public companies that require our management and other personnel to devote a substantial amount of time to compliance initiatives.

In addition, the Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. In particular, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management evaluate effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Our compliance with Section 404 requires that we incur substantial accounting expense and expend significant management time on compliance-related issues. Moreover, if we are not able to maintain compliance with the requirements of Section 404, our stock price could decline, and we could face sanctions or investigations, or other material adverse effects on our business, reputation, results of operations, financial condition or liquidity.

Item 10 The nature and extent of the issuer's facilities.

The Company's corporate headquarters are located at 140 Intracoastal Pointe Drive, Suite 404, Jupiter, Florida. The Company occupies approximately 4,900 square feet. The lease expires on December 31, 2015.

The Company leases a quality assurance laboratory facility at 500 Commerce Way, Unit #5, Jupiter, Florida 33458, which consists of approximately 3,500 square feet. The lease is currently on a month-to-month basis.

The Company closed the Greensboro, North Carolina laboratory facility and a storage building in April 2014. The facility consisted of approximately 3,150 square feet. There are no further costs or expenses due on this facility.

The Company's research and development facility in The Netherlands is located at Nieuwe Kanaal 7-S Wageningen, The Netherlands 6709 PA. The facility consists of approximately 15,000 square feet. The lease expires on December 31, 2019. During the year ended December 31, 2014, the Company completed the first expansion of its Dutch laboratory facility and approved a second expansion in February of 2015.

PART D. MANAGEMENT STRUCTURE AND FINANCIAL INFORMATION

Item 11 The name of the chief executive officer, members of the board of directors, as well as control persons.

The following table provides information regarding our executive officers and certain key employees, and directors as of the date of this document:

Name	Age	Position(s)	Director Since
Mark A. Emalfarb(3)	59	Chairman, President, Chief Executive Officer	2004
Danai E. Brooks	37	Executive Vice President and Chief Operating Officer	---
Thomas L. Dubinski	58	Vice President and Chief Financial Officer	---
Richard H. Jundzil	42	Vice President, Operations	---
Thomas M. O'Shaughnessy	55	Vice President, Sales and Marketing	---
Wim van der Wilden	64	General Manager, Dyadic Netherlands	---
Frank P. Gerardi(1)(2)	69	Director	2008
Robert D. Burke, MD(1)(2)	59	Director	2008
Seth J. Herbst, MD(3)(4)	57	Director	2008
Stephen J. Warner (1)(4)	74	Director	2004
Michael P. Tarnok(1)(2)	60	Director	2014

(1) Member of the Audit Committee.
(2) Member of the Compensation Committee.
(3) Member of the Nominating Committee.
(4) Member of the Conflicts Committee.

Mark A. Emalfarb, President, Chief Executive Officer and Director

Mark A. Emalfarb is the founder of Dyadic. He has been a member of Dyadic's board of directors and has served as its Chairman since October 2004 until April 2007 and from June 2008 until January 2015. Since founding the predecessor to Dyadic in 1979, Mr. Emalfarb has served as a Director, President and Chief Executive Officer and has successfully led and managed the evolution of Dyadic from its origins as a pioneer and leader in providing ingredients used in the stone-washing of blue jeans to the discovery, development, manufacturing and commercialization of specialty enzymes used in various industrial applications and the development of an integrated technology platform based on Dyadic's patented and proprietary C1 fungal microorganism. Mr. Emalfarb is an inventor of over 25 U.S. and foreign biotechnology patents and patent applications resulting from discoveries related to the Company's patented and proprietary C1 fungus, and has been the architect behind its formation of several strategic research and development, manufacturing and marketing relationships with U.S. and international partners. Mr. Emalfarb earned his B.A. degree from the University of Iowa in 1977. Mr. Emalfarb receives compensation from the Issuer as described in this Item 11 below. For Mr. Emalfarb's beneficial ownership information, see Item 14.

Danai E. Brooks, Executive Vice President and Chief Operating Officer

Danai E. Brooks joined Dyadic in June 2013 as Executive Vice President and Chief Operating Officer. Prior to Dyadic, Mr. Brooks served as Vice President in J.P. Morgan's investment bank. While at J.P. Morgan, Mr. Brooks advised clients across a broad spectrum of sectors, including chemicals, renewable energy and industrials. He has also held senior operational, engineering and manufacturing positions with Dell Inc., Mars Inc. and Ford Motor Company. Mr. Brooks started his career as an industrial engineer at Ford Motor Company, where he worked in vehicle operations, new product launch and production supervision roles. At Dell, Mr. Brooks was an Operations Manager in charge of the production and assembly of servers and desktops. While at Mars, he led efforts to implement lean manufacturing in their North American facilities. Mr. Brooks received a B.S. in Industrial Engineering and Master of Engineering from Cornell University in 1999, a Master of Engineering Management from Northwestern University and an MBA from Northwestern's Kellogg School of Management in 2006. Mr. Brooks receives compensation from the Issuer as described in this Item 11 below and beneficially owns 166,667 options to purchase shares of common stock and 42,167 restricted stock units.

Thomas L. Dubinski, Vice President and Chief Financial Officer

Thomas L. Dubinski joined Dyadic in August 2014 as our Vice President and Chief Financial Officer. Mr. Dubinski has held various financial positions of increasing responsibility in the healthcare and biotechnology industries. Prior to Dyadic, Mr. Dubinski served as a management consultant for CFO Services from January 2012 to July 2014 where he advised public and private clients on financial strategy and operations. He was Finance Officer at Walgreens, Infusion and Respiratory Services from September 2010 to November 2011, and Corporate Assistant Controller from June 2007 to August 2010. Mr. Dubinski has also held senior finance and accounting positions at Novartis Medical Nutrition, MTS and Abbott Laboratories. Mr. Dubinski earned his B.S. degree in Accounting from the University of Illinois, Urbana-Champaign and he is a certified public accountant in the state of Illinois. Mr. Dubinski receives compensation from the Issuer as described in this Item 11 below and beneficially owns no securities of the Issuer.

Richard H. Jundzil, Vice President, Operations

Richard H. Jundzil has been Dyadic's Vice President of Operations since May 2010, Director of Development & Quality since September 2008 and has held various laboratory, quality and regulatory positions of increasing responsibility since joining the company in August 2003. Mr. Jundzil has over 20 years of quality and operations experience in the biotechnology industry. He is also able to use his significant experience in process engineering and project management in the management of Dyadic's production and distribution of industrial enzyme products. Prior to joining Dyadic, Mr. Jundzil worked for 10 years at Genzyme Corporation, a Sanofi company, as both a researcher and process engineer producing enzymes for patients with rare genetic diseases. Mr. Jundzil earned a certificate as a Biotechnology Technician from Middlesex College in 1993, studied at Boston University and has earned a Bachelor of Science degree in Quality Systems Management from The National Graduate School. Mr. Jundzil receives compensation from the Issuer as described in this Item 11 below and beneficially owns 240,000 options to purchase shares of common stock.

Thomas M. O'Shaughnessy, Vice President, Sales and Marketing

Thomas M. O'Shaughnessy has been Dyadic's Vice President of Sales & Marketing since joining the company in May 2010. Mr. O'Shaughnessy has over 23 years of sales, marketing and business development experience in the chemical industry. He began his career with the General Electric Company where he spent 12 years in various sales and marketing positions of increasing responsibility and leadership. From 1996 to 2002, he served as Business Development Manager at Occidental Chemical Corporation, one of the largest chemical companies in the United States. For the past eight years prior to joining the Company, Mr. O'Shaughnessy served as the Global Business Manager for Momentive Specialty Chemicals (formerly Hexion Specialty Chemicals), the world's largest producer of thermosetting resins, performance adhesives, UV-curable coatings and the building-block chemical, formaldehyde, for various wood and industrial markets. He is Six Sigma certified and earned a B.S. degree in computer sciences with a minor in marketing from Plattsburgh State University in 1982. Mr. O'Shaughnessy receives

compensation from the Issuer as described in this Item 11 below and beneficially owns 206,250 options to purchase shares of common stock.

Wim van der Wilden, General Manager, Dyadic Netherlands

Wim van der Wilden has been General Manager of Dyadic Netherlands since its founding in 2002 and leads our Research & Development operations. Prior to joining Dyadic, he worked at The Netherlands Organization for Applied Scientific Research (TNO) as Director of the Food and Biotechnology division and Director of Marketing and Sales. Prior to TNO, he co-founded Cosmoferm, a spin-off company of Gist-brocades, which was acquired by Evonik in 1998. Dr. van der Wilden began his career in the industry at Gist-brocades (later part of DSM), where he held senior level positions in charge of Research & Development for Baking and Pharmaceuticals. Dr. van der Wilden received a B.S. in Biology and Chemistry from Wageningen University in the Netherlands in 1973 and a PhD at ETH-Zurich, Switzerland in 1977. He performed his post-doctoral studies at the University of California San Diego and Ruhr-Universitat Bochum in Germany. Dr. van der Wilden is also active as Business Director of the Kluyver Centre for Genomics and Industrial Fermentation and a member of the International Nomenclature Committee of the Personal Care Products Council. Mr. van der Wilden receives compensation from the Issuer and beneficially owns 3,750 shares of common stock of the Issuer as described in this Item 11 below and 246,250 options to purchase shares of common stock.

Summary Compensation Table

The following table sets forth information regarding compensation earned by our executive officers who were serving as executive officers as of the date of this report.

Summary Compensation Table for 2014

Name	Salary	Bonus	Stock Awards	Options Awards	Total
Mark A. Emalfarb (*)(4)(5)	$ 441,173	$	$	$ 55,698	$ 496,871
Danai Brooks (1)(2)(3)	$ 280,844	$ 35,000	$ 44,390	$ 86,779	$ 447,013
Thomas L. Dubinski(3)	$ 83,333	$	$	$ 260,000	$ 343,333
Richard Jundzil(1)(3)	$ 204,250	$ 50,000	$	$ 72,315	$ 326,565
Thomas O'Shaughnessy(1)(3)	$ 188,931	$ 25,000	$	$ 72,315	$ 286,246
Dr. Wim van der Wilden	$ 287,905	$	$	$	$ 287,905

(*) Mr. Emalfarb also serves on the Nominating Committee for which he receives no direct, indirect or incremental compensation.
(1) The bonuses were earned in 2013, but paid in April, 2014. No bonuses were awarded for 2014 as of the date of this report.
(2) This Stock Awards column represents the aggregate grant date fair value of the stock awards granted in 2014, in accordance with FASB ASC Topic 718. These amounts do not correspond to the actual value that will be recognized by the named executive officers. The assumptions used in the valuation of these awards are consistent with the valuation methodologies specified in the notes to our consolidated financial statements.
(3) This Option Awards column represents the grant date fair market value of each option granted in 2014, computed in accordance with FASB ASC Topic 718. These amounts do not correspond to the actual value that will be recognized by the named executive officers. The assumptions used in the valuation of these awards are consistent with the valuation methodologies specified in the notes to our consolidated financial statements.
(4) Included in Salary is compensation paid to Mr. Emalfarb is the sum of $12,891 for a car allowance and $3,282 for fuel reimbursement.
(5) Bonuses are normally given on a discretionary basis, however, given current liquidity, the Board of Directors decided not to award Mr. Emalfarb a bonus for 2013 which would have been paid in 2014. No bonus was awarded for 2014 as of the date of this report.

Board of Directors

Frank P. Gerardi, Director

Frank P. Gerardi has been on Dyadic's board of directors since June 2008. From February 2007 to the present, Mr. Gerardi has been a managing partner at QuantWorks, LLC, a registered investment advisor. From June 2003 to December 2006, Mr. Gerardi was the Chief Executive Officer of IGI, Inc. (now known as IGI Laboratories, Inc.), a public company that engages in the development, manufacture, filling, and packaging of topical, semi-solid, and liquid products for pharmaceutical, cosmeceutical, and cosmetic companies. Since 1986, he has also served as the President of Univest Management, Inc., a private management consulting company. Mr. Gerardi was a member of the New York Stock Exchange from 1969 to 1986. Mr. Gerardi has served on the boards of numerous New York Stock Exchange member firms and was a registered principal with the National Association of Securities Dealers (NASD). We believe that Mr. Gerardi is qualified to serve on our board of directors due to his experience in the pharmaceutical and biotechnology industries and his service on the board of other publicly traded companies. Mr. Gerardi beneficially owns 63,611 shares of common stock, 87,500 options to purchase shares of common stock and holds an additional $150,000 of debt convertible into 106,630 shares of common stock at $1.48 and $1.28.

Robert D. Burke, MD, Director

Robert D. Burke, MD has been on Dyadic's board of directors since June 2008 and is a board certified neuroradiologist. Dr. Burke is the founder and, from 1991 until July 2008, was the President of Midtown Imaging, LLC, an imaging center with multiple locations throughout Palm Beach County, Florida. From 1994 to 1996, Dr. Burke was the co-Founder and President of U.S. Diagnostic Inc., a publicly traded national diagnostic imaging company. Dr. Burke was on the board of directors of Stonegate Bank, a publicly traded bank serving Southeast Florida, from 2009 to April 2014. From January 2011 through June 2014, Dr. Burke was the owner of Advanced Diagnostic Group, an outpatient imaging service. Since July 2014, Dr. Burke has owned the Los Angeles based franchise stores of Brooklyn Water Bagels. Dr. Burke also serves on the board of directors and is the President of the Palm Beach County Chapter of the Leukemia & Lymphoma Society. He is also a member of the Scripps Clinic and Research Foundations Board of Scripps Florida. Dr. Burke earned his B.A. degree from the University of Louisville in 1977 and his medical degree from the University of Louisville School of Medicine in 1981. Dr. Burke completed his radiology residency at the University of Chicago and a fellowship in neuroradiology at the University of Rochester. We believe that Dr. Burke is qualified to serve on our board of directors due to his experience in the biotechnology and life science industries and as an entrepreneur executive and board member of publicly traded companies. Mr. Burke beneficially owns 480,000 shares of common stock and 87,500 options to purchase shares of common stock.

Seth J. Herbst, MD, Director

Seth J. Herbst, MD has been on Dyadic's board of directors since June 2008 and is a board certified obstetrician/gynecologist who is also board certified in advanced laparoscopic and minimally invasive gynecologic surgery. Dr. Herbst is the founder and President of the Institute for Women's Health and Body in May of 1997, an OB/GYN practice with multiple locations in Palm Beach County, Florida. He is the co-founder of Visions Clinical Research since 1999, which performs medical and surgical clinical trials throughout the United States. Dr. Herbst is also a consultant for multiple medical device companies in the United States and a member of medical advisory boards for these and other companies. He received his B.S. degree from American University in 1978 and his medical degree from Universidad del Noreste School of Medicine in Tampico, Mexico in 1983. Dr. Herbst completed his OB/GYN residency and was Chief Resident at Long Island College Hospital in Brooklyn, New York. We believe Dr. Herbst is qualified to serve on our board of directors due to his scientific expertise and extensive research experience. Mr. Herbst beneficially owns 262,500 shares of common stock and 117,500 options to purchase shares of common stock.

Stephen J. Warner, Director

Stephen J. Warner has been on Dyadic's board of directors since October 2004, and a director of the Company's wholly owned subsidiary, Dyadic International (USA), Inc. since August 2004. From June 2010 through February 2012, Mr. Warner served as the Chief Financial Officer of Gulfstar Energy Corporation, a public and later, private oil and gas production company based in Kentucky. From January 2012 to present, he has been a Managing Member and Chief Financial Officer of Search Automotive Technologies, LLC, a Florida based automotive aftermarket company. Mr. Warner has over 30 years of venture capital experience. In 1981, Mr. Warner founded Merrill Lynch Venture Capital Inc., a wholly owned subsidiary of Merrill Lynch & Co. Inc. in New York, and served as its President and Chief Executive Officer from 1981 to 1990. Under his leadership, Merrill Lynch Venture Capital managed over $250 million and made over 50 venture capital investments. From 1999 until 2004, Mr. Warner co-founded and served as Chairman and Chief Executive Officer of Crossbow Ventures Inc., a venture capital and private equity fund that invested in early and expansion stage technology companies primarily located in Florida and the Southeast, with over 20 venture capital investments in Florida. Mr. Warner has been on the board of directors of Brookhaven Medical, Inc., from July 2013 to present, a private, Atlanta based medical device company, a consultant and director with Navitas Land and Mineral Corporation from July 2011 to December 2013 and as director of Health Enhancement Products, Inc. from August 2010 to December 2011 and UCT Coatings Inc. from September 2001 to May 2014. Mr. Warner earned a B.S. degree from the Massachusetts Institute of Technology in 1962, an MBA from the Wharton School of Business at the University of Pennsylvania in 1966, and an LLB from the Blackstone School of Law (Correspondence) in 1967. We believe that Mr. Warner is qualified to serve on our board of director due to his experience in the various industries as a venture capitalist and his service on the board of other biotechnology companies. Mr. Warner beneficially owns 300,000 shares of common stock and 87,500 options to purchase shares of common stock.

Michael P. Tarnok, Director

Michael P. Tarnok joined Dyadic's board of directors June 12, 2014 and has served on the Company's audit and compensation committees, and on January 12, 2015 Mr. Tarnok was appointed Dyadic's Chairman of the Board of Directors. He has served on the Board of Directors of Keryx Biopharmaceuticals, Inc. since September 2007 and as Chairman of the Board Since June 2009. Mr. Tarnok served as interim chief executive officer from April 2009 to May 2009. He is a seasoned finance and operational executive with extensive pharmaceutical industry experience in a wide range of functional areas. Mr. Tarnok spent the majority of his career at Pfizer Inc., which he joined in 1989 as Finance Director-US Manufacturing and from 2000-2007 served as a Senior Vice President in Pfizer's US Pharmaceutical Division. In this position, Mr. Tarnok handled all financial responsibilities for the division including contracting, trade management, forecasting of significant product launches and Sarbanes-Oxley compliance. He also served as General Manager of the company's Greenstone generics division. Prior to joining Pfizer, Mr. Tarnok worked primarily in financial disciplines for ITT Rayonier, Inc., Celanese Corporation and Olivetti Corporation of America. Mr. Tarnok earned an M.B.A in Marketing from New York University and a B.S. in Accounting from St. John's University. Mr. Tarnok beneficially owns 7,500 options to purchase shares of common stock.

Compensation of Directors

The following table sets forth the total compensation for our non-employee directors as of the date of this report:

Name	Fees Earned or Paid in Cash ($)	Stock Option Awards (1)	All Other Compensation ($)
Robert D. Burke	$36,000	25,000	0
Frank P. Gerardi	$45,600	25,000	0
Seth J. Herbst	$36,000	25,000	0
Michael P. Tarnok	$19,800	30,000	0
Stephen J. Warner	$36,000	25,000	0

(1) Directors are each given 25,000 stock options as part of their base compensation. The grant date of options was March 3, 2014 with an exercise price of $1.76. Newly appointed Directors are issued 30,000 stock options in the first year. The grant date for the new Director was June 12, 2014 with an exercise price of $1.36. The options vest over four years.

Business Address

The business address for each of our directors and executive officer is c/o the Issuer, 140 Intracoastal Pointe Drive, Suite 404, Jupiter, Florida 33477.

Employment Agreements

Mark A. Emalfarb

We entered into an Employment Agreement with Mr. Emalfarb dated as of October 23, 2014 (the "Emalfarb Employment Agreement"). Pursuant to the Emalfarb Employment Agreement, Mr. Emalfarb has agreed to serve as our President and Chief Executive Officer. The Emalfarb Employment Agreement has an initial term of three years and automatic renewals of two years at the end of each term, unless either party provides a notice of non-renewal. Mr. Emalfarb's base salary is $425,000 and he is eligible for a discretionary annual bonus. Additionally, Mr. Emalfarb is entitled to a performance bonus equal to (i) 20% of the value of the first $4,000,000 of any new revenue streams generated by the Company during his employment, for a maximum of $800,000. Mr. Emalfarb is also eligible to receive benefits at the same level as other similarly situated employees of the Company. Mr. Emalfarb has agreed to certain restrictive covenants, including non-disclosure, non-solicit for three years following termination of employment and non-compete for three years following termination of employment.

Upon a termination by the Company without cause or a resignation by Mr. Emalfarb for good reason, in each case as defined in the Emalfarb Employment Agreement, subject to his timely execution of a release of claims in favor of the Company, Mr. Emalfarb will be entitled to the following severance benefits: (i) continued payment of his base salary and provision of other benefits for a period of three years following termination of employment and (ii) full vesting acceleration of all stock options.

Danai E. Brooks

We entered into an Employment Agreement with Mr. Brooks dated as of April 29, 2013 (the "Brooks Employment Agreement"). Pursuant to the Brooks Employment Agreement, Mr. Brooks has agreed to serve as our Executive Vice President and Chief Operating Officer. The Brooks Employment Agreement does not have a specific term, but will renew daily such that it remains effective for a twelve (12) month period at all time, unless we or Mr. Brooks provides notice of non-renewal. Mr. Brooks' base salary is $283,250 and he is eligible for an annual target bonus of up to 40% of his base salary. On April 29, 2013, in accordance with the terms of the Brooks Employment Agreement, our compensation committee of the board of directors granted Mr. Brooks (i) an option to purchase 400,000 shares of common stock at an exercise price of $1.83 per share that vests as to 1/48 of the shares subject to the option each monthly anniversary of the date Mr. Brooks commenced employment with us (the "Brooks Start Date"), subject to his continued service through each vesting date; and (ii) 69,000 restricted stock units that vests as to 1/36 of the restricted stock units each monthly anniversary of the Brooks Start Date, subject to his continued service through each vesting date. Under the Brooks Employment Agreement, Mr. Brooks is entitled to a retention bonus of $100,000 that is paid 50% on each of the second and third anniversaries of the Brooks Start Date. Mr. Brooks is also eligible to receive benefits at the same level as other similarly situated employees of the Company. Mr. Brooks has agreed to certain restrictive covenants, including non-disclosure for three years following termination of employment, non-solicit for one year following termination of employment and non-compete for one year following termination of employment.

Upon a change of control of the company, as defined in the Brooks Employment Agreement, if Mr. Brook's is still employed by the Company, he is entitled to (i) full vesting acceleration on all outstanding equity awards and (ii) a lump sum payment within 30 days of the closing of the change in control in an amount equal to the sum of one year of base salary and annual target bonus (assuming 100% satisfaction of all performance goals), in each case in effect for the year of the change of control.

Upon a termination by the Company without cause or a resignation by Mr. Brooks for good reason, in each case as defined in the Brooks Employment Agreement, subject to his timely execution of a release of claims in favor of the Company, Mr. Brooks will be entitled to the following severance benefits: (i) payment of full annual bonus potential for the year prior to termination and the year of termination; (ii) one year of base salary paid in twelve monthly installments; (iii) twelve months of Company-paid COBRA premiums.

Additionally, if the Company enters into a Transaction Agreement (as defined in the Brooks Employment Agreement) during Mr. Brooks employment or during the three month period following a termination without cause or a resignation for good reason, Mr. Brooks shall receive the following: (i) 2% of the aggregate licensing fee and technology transfer and/or access fees, paid in a lump sum within 30 days of the Company's receipt of payment and (ii) if the Company forms a joint venture and the other entity contributes capital in the form of cash to the joint venture, 2% of such cash capital contribution paid in a single lump sum within 30 days of such capital contribution.

Thomas L. Dubinski

We entered into an Employment Agreement with Mr. Dubinski dated as of August 1, 2014 (the "Dubinski Employment Agreement"). Pursuant to the Dubinski Employment Agreement, Mr. Dubinski has agreed to serve as our Vice President Finance and Chief Financial Officer. The Dubinski Employment Agreement does not have a specific term, but will renew daily such that it remains effective for a twelve (12)-month period at all time, unless we or Mr. Dubinski provides notice of non-renewal. Mr. Dubinski's base salary is $200,000 and he is eligible for an annual target bonus of up to 40% of his base salary. Mr. Dubinski is also eligible to receive benefits at the same level as other similarly situated employees of the Company. Mr. Dubinski has agreed to certain restrictive covenants, including non-disclosure for three years following termination of employment, non-Interference for two years following termination of employment and non-compete for one year following termination of employment.

Upon a change of control of the company, as defined in the Dubinski Employment Agreement, Mr. Dubinski's stock option grant(s) automatically vest and if the employee reigns for Good Reason within 24 months after the Change of Control, he is entitled to (i) annual base salary paid in twelve monthly installments, (ii) annual bonus, an amount equal to his bonus from the prior year and (iii) twelve months of Company-paid COBRA premiums.

Upon a termination by the Company without cause or a resignation by Mr. Dubinski for good reason, as defined in the Dubinski Employment Agreement, subject to his timely execution of a release of claims in favor of the Company, Mr. Dubinski will be entitled to the following severance benefits if such termination occurs on or before August 1, 2015: (i) pro rata annual bonus for the year of termination based on actual achievement, (ii) three months of base salary paid in three monthly installments and (iii) three months of Company-paid COBRA premiums. Mr. Dubinski will be entitled to the following severance benefits if such termination occurs after August 1, 2015: (i) pro rata annual bonus for the year of termination based on actual achievement (ii) six months of base salary paid in six monthly installments and (iii) six months of Company-paid COBRA premiums.

B. Legal/Disciplinary History

None.

C. Disclosure of Family Relationships

One of our principal stockholders, the Francisco Trust, which owns 12.7% of our common stock, is administered by Morley Alperstein as trustee. Morley Alperstein is the former father-in-law of Mark A. Emalfarb. The beneficiaries of the Francisco Trust are the descendants and spouse of Mr. Emalfarb. Apart from these relationships, there are no family relationships among or between our officers, directors and beneficial owners of more

than five percent (5%) of our common stock. In accordance with a divorce decree dated March 18, 2014, Lisa K Emalfarb, the former spouse of Mr. Emalfarb, is no longer a beneficiary of the Francisco Trust.

D. Disclosure of Related Party Transactions

See Note 4 to our Consolidated Financial Statements dated December 31, 2014 and 2013 for a discussion of notes payable to the MAE Trust and the Francisco Trust, as well as certain convertible subordinated debt owed to members of our management, members of our board of directors and another related party. Additional information about Mark A. Emalfarb's interest in certain disputes relating to the Company can be found in the Note 5 to our Consolidated Financial Statements dated December 31, 2014 and 2013, which are posted to the OTC Markets website entitled Annual Report – 2014 Consolidated Financial Statements (audited) dated March 11, 2015.

See Item 14 for additional information regarding beneficial owners of the Company.

Item 12 Financial information for the issuer's most recent fiscal period.

Copies of the audited Financial Statements of Dyadic International, Inc. for the year ended December 31, 2014 and 2013, including the Consolidated Balance Sheet as of December 31, 2014, Consolidated Statements of Operations, Consolidated Statements of Changes in Stockholders' Equity, Consolidated Statements of Cash Flows, and Notes to the Financial Statements, are posted to the OTC Markets website entitled Annual Report – 2014 Consolidated Financial Statements (audited) dated March 11, 2015.

The Company intends to post all reports on the OTC Markets website every quarter to disclose the financial condition of the Company and any changes that have occurred since the 2014 Initial Information and Disclosure Statement which was posted on the OTC Markets website on March 11, 2015.

Item 13 Similar financial information for such part of the two preceding fiscal years as the issuer or its predecessor has been in existence.

See Item 12 above. Additionally, the Company's audited Consolidated Financial Statements for the years ended December 31, 2013 and 2012 have also been posted the OTC Markets website and are hereby incorporated by reference.

Item 14 Beneficial Owners.

Name	Common Stock Owned	Percentage Owned
The Francisco Trust U/A/D February 28, 1996[(1)]	4,400,707	12.70%
Mark A. Emalfarb[(2)]	4,434,185	12.60%
Lisa K. Emalfarb[(3)]	3,610,866	10.50%
Pinnacle Fund[(4)]	2,707,118	7.30%
Abengoa BioEnergy[(5)]	2,136,752	6.30%

(1) Includes 4,010,082 shares held by the Francisco Trust. In addition, the Francisco Trust holds an additional $0.5 million of debt convertible into 390,625 shares of common stock at $1.28. The trustee of the Francisco Trust is Morley Alperstein and the beneficiaries thereof are the spouse and descendants of Mark A. Emalfarb. As of March 18, 2014, Lisa K Emalfarb, the former spouse of Mark A. Emalfarb, is no longer a beneficiary of the Francisco Trust. The address of the Francisco Trust is 17236 Gulf Pine Circle, Wellington, Florida 33414. Mr. Emalfarb disclaims beneficial ownership of such shares.

(2) Includes 3,302,687 shares held by Mark A. Emalfarb beneficially through the MAE Trust, of which Mr. Emalfarb is the sole beneficiary and serves as sole trustee. In addition, Mr. Emalfarb holds 330,823 options to purchase shares of common stock and 125,000 restricted shares. Mr. Emalfarb holds an additional $1.0 million of debt convertible

into 675,676 shares of common stock at $1.48. The address of the MAE Trust is 193 Spyglass Court, Jupiter, FL 33477.

(3) As of December 31, 2014, Lisa K. Emalfarb held 3,291,688 shares. In addition, Ms. Emalfarb holds 194,178 options to purchase shares of common stock and 125,000 restricted shares which were received pursuant to a divorce decree dated March 18, 2014. Lisa K. Emalfarb, additionally has a beneficial interest in certain options to purchase 207,904 additional shares earned by Mr. Emalfarb prior to November 30, 2012.

(4) The Pinnacle Fund holds $1.8 and $1.9 million of debt convertible into 2,707,118 shares of common stock at $1.48 and $1.28, respectively.

(5) Includes 3,291,688 shares held by Abengoa BioEnergy.

Item 15 the name, address, telephone number, and email address of each of the following outside providers that advise the issuer on matters relating to operations, business development and disclosure.

1. Investment Banker

Salomon Kamalodine
B. Riley & Co.
Director - Investment Banking
11100 Santa Monica Boulevard, Suite 800
Los Angeles, CA 90025
Telephone: (310) 689-2217
Facsimilie: (310) 966-1448
Email: skamalodine@brileyco.com

2. Investor Relations

Thomas L. Dubinski
Chief Financial Officer
Dyadic International, Inc.
140 Intracoastal Pointe Drive, Suite 404
Jupiter, FL 33477
Telephone: (561) 743-8333
Facsimilie: (561) 743-8343
Email: tdubinski@dyadic.com

3. Counsel

Karen Dempsey
Orrick, Herrington & Sutcliffe LLP
1000 Marsh Road
Menlo Park, California 94025
Telephone: (415) 773-4140
Facsimilie: (415) 773-5759
Email: kdempsey@orrick.com

4. Accountant or Auditor

Karl Duell
Mayer Hoffman McCann P.C.
1675 N. Military Trail, Fifth Floor
Boca Raton, Florida 33486
Telephone: (561) 994-5050
Email: KDuell@CBIZ.com

5. Any other advisor(s) that assisted, advised, prepared or provided information with respect to this Annual Report - the information shall include the telephone number and email address of each advisor.

Not applicable.

Item 16 Management's Discussion and Analysis

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included in item 12 in this Annual Report. The discussion may contain forward-looking statements based on current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" or in other parts of this Annual Report.

Overview

Dyadic International, Inc. is a global biotechnology company based in Jupiter, Florida, with our research center in Wageningen, The Netherlands. We use our patented and proprietary technologies to conduct research, development and commercial activities for the discovery, development, manufacture and sale of enzymes and other proteins for the bioenergy, bio-based chemical, biopharmaceutical and industrial enzyme industries. Dyadic utilizes, among other proprietary technologies, the C1 Expression System, an integrated technology platform based on its patented and proprietary C1 microorganism. The C1 Expression System enables the development and large scale manufacture of low cost enzymes and other proteins for diverse market opportunities. The technology can also be used to screen for the discovery of novel genes.

Strategy

We expect to generate revenues by leveraging our C1 Expression System and other technologies by: (i) conducting R&D projects to develop C1-based products for ourselves and for third parties; (ii) entering into collaborations, license agreements, joint ventures or other business arrangements to collect technology access fees, milestone payments, royalties, profit sharing and other fees; (iii) selling enzyme products, produced using Trichoderma and our C1 Expression System, and buying and reselling enzymes we purchase from third parties to both current markets and future markets to customers, through distributors or for customer-collaborators; and/or (iv) obtaining grants from the United States government, foreign governments or other agencies. Our technologies have the potential for commercial applications in multi-billion dollar opportunities across diverse end markets, and we currently are focused on:

Biofuels and bio-based chemicals (including bioethanol, biodiesel, renewable plastics and polymers as replacements for petroleum-based products, and a variety of bio-based chemicals such as acrylic acid, succinic acid, butanediol, phthalate, solvents, and nutritious oils such as Omega 3). Our C1 enzyme technology is being developed for use in the conversion of natural fibers (biomass) into fermentable sugars, which are subsequently fermented into ethanol our other bio-based products. Our current product offering, the CMAX product line, along with the C1-based enzymes developed by our licensee Abengoa, are recognized for their excellent performance characteristics at

converting natural fibers (biomass) such as corn stover, and wheat straw into fermentable sugars and through our continued research efforts we expect to continue developing even better performing CMAX enzymes at lower manufacturing costs. As we are generally focused on a licensing and collaboration model in this nascent industry, with the first commercial scale facility using our C1 technology expected to come online this year. We do not currently have significant direct sales of our CMAX products, however, we have established our market position with our licensee Abengoa and our more recent collaborator CIMV:

- **Abengoa,** our licensee, began operations at its 25 million gallon advanced biofuels plant in Hugoton, Kansas in the fourth quarter of 2014. This opening of this facility generated a $500,000 milestone payment and we expect to begin earning initial royalties as the Hugoton plant starts up sometime mid-year 2015.

- **CIMV,** a recent collaborator of ours, is recognized as potentially having innovative technologies to process biomass, to create a fully integrated system to produce environmentally low impact biofuels and bio-based chemicals. Dyadic anticipates supplying enzymes to CIMV's planned 2016 demonstration plant and licensing its C1 technology for on-site production of enzymes at CIMV's future commercial scale plants

Biopharmaceuticals (including therapeutic proteins, vaccines, monoclonal antibodies, biogenerics and other biologics used in the treatment of many diseases) We believe that the biopharmaceutical industry is in need of novel expression systems like our C1 Expression System to address certain challenges in the market today in developing and producing biologics. Using novel expression systems such as C1, drug developers have another alternative organism that may be able to sufficiently express therapeutic proteins, vaccines, monoclonal antibodies and other biologics which may be stuck in their development programs because of the lack of expression levels with the more common expression systems. We believe that pharmaceutical companies might find C1, among the novel, cutting-edge expression systems available, and to potentially become one of the more attractive because of its long track record in industrial enzyme development and manufacturing, its robust growth and fermentation characteristics, and its ability to be readily programmed and easily scaled. However, using the C1 Expression System for biopharmaceutical applications should be considered an early-stage endeavor. We have been working with Sanofi Pasteur since 2011. The second project is an exploratory project which began in 2014.

- **Sanofi,** a collaborator, has worked with us to try and develop a method to produce a certain vaccine using the C1 expression system that is in the R&D phase. In addition to prior funded R&D, we have the potential for additional R&D funding, milestone payments and other opportunities should the research project be continued and the subsequent technology transfer be successful. Refer to "Risks Related to Our Biopharmaceutical Business".

Industrial (enzymes for the animal feed, pulp and paper, textiles, food and beverage and other end markets) Enzymes for industrial applications represent our oldest and largest business segment. Already a $5 billion global market in 2013, we believe enzymes will continue to replace existing technologies due to the precision that biocatalysts potentially demonstrate relative to existing chemical approaches. We currently operate a small enzyme business selling proprietary products to approximately 100 customers in 35 different countries. While the majority of our existing enzyme sales are from our historical non-GMO Trichoderma technology, we are currently focused on developing cutting-edge new products based on our C1 Expression System. While we may release next generation products for industrial applications such as textiles and pulp and paper sooner, we expect our major new product introductions to happen no earlier than 2017 due to development cycles and registration requirements for the animal feed and food and beverage industries. Our primary licensees, BASF and our confidential animal health company, represent two critical components to our strategy in the Industrial market.

- **BASF,** one of our licensees, is currently developing commercial products using the C1 Expression System by both funding research at Dyadic and through, we believe, their internal efforts. Products developed using the C1 Expression System for BASF will have access to one of the world's foremost sales, marketing and distribution organizations to commercialize these products in a number of end markets. For example, BASF is already a market leader in animal feed and detergent enzymes.

- **Our Animal Health Licensee** began work with Dyadic in 2011 to develop, manufacture and commercialize animal feed enzyme products. As part of this agreement, Dyadic has granted its partner a worldwide license to use the developed C1 fungal strains to manufacture and sell animal feed enzyme products. Dyadic will be eligible to receive additional research, development and commercial milestone payments as well as royalties based on its partners worldwide sales of products, which utilize the C1 Platform Technology. Under the agreement, Dyadic's partner has continued its research cooperation with Dyadic's R&D arm, Dyadic NL, which utilizes Dyadic's patented and proprietary C1 Platform Technology, to develop fungal strains that will meet the end point goals for expression and cost performance for animal health and nutrition applications. To date, despite achieving higher expression levels, the target performance objectives of our partner have not yet been achieved. Additional animal feed trials are ongoing to determine if these objectives can be met with the current enzyme developer in this research project and we are awaiting these results. It is likely that further research may be needed to be performed before our partner will make a decision regarding whether to proceed with registering a product that meets their performance and cost parameters, continue animal feed trials or possibly even abandon the initiative. If the current feed trials don't meet the licensee's targeted performance and cost parameters, our partner has not informed the Company yet whether or not they will continue funding the necessary additional research and development to achieve their criteria based on new potential strategies. It is still unclear as to the timing of their potential filing to register a product for animal nutrition; however, there is always a risk that they decide to abandon the project or when they do file their registrations that there may be delays of approval and/or non-registration due to unforeseen circumstances.

We believe in the saying that *"The expression system is not everything, but everything is nothing without a good expression system."* Based on our academic and commercial collaborations, we believe experts in academia and industry regard Dyadic's C1 Expression System to be among the foremost expression systems in the world. We have licensed, on a non-exclusive basis, our C1 Expression System to some of the world's largest and most renowned companies in their respective fields of applications. We believe that utilizing our C1 Expression System may be the critical differentiator in allowing Dyadic, our collaborators and licensees to compete against much larger rivals in these technology-driven markets.

Results of Operations

Year Ended December 31, 2014 Compared to the Year Ended December 31, 2013

Selected Financial Data

The following table sets forth the Company's operating information for the years ended December 31, 2014 and 2013:

	Year Ended December 31,	
	2014	**2013**
Statement of Operations Data:		
Product Related Revenue, Net	$ 9,779,232	$ 9,800,767
Licensing Revenue	700,000	6,000,000
Research and Development Revenue	2,044,166	1,333,974
Total Revenue	12,523,398	17,134,741
Gross Profit	4,347,471	7,411,093
Total Operating Expenses	9,672,408	6,854,591
Income (Loss) from Operations	(5,324,937)	556,502
Total Other Expense	(655,152)	(984,552)
Net Loss	(5,980,089)	(428,050)
Net Loss per Common Share, Basic and Diluted	$ (0.18)	$ (0.01)
Weighted Average Common Outstanding, Basic and Diluted	34,073,457	32,797,253

	Year Ended December 31,	
	2014	2013
Balance Sheet Data:		
Cash and Cash Equivalents	$ 2,617,914	$ 9,092,774
Accounts Receivable	1,044,990	1,788,031
Inventory	3,607,062	2,800,090
Total Assets	8,535,353	14,940,317
Current Liabilities Excluding Deferred Revenue	2,233,584	3,214,388
Deferred Revenue	430,803	914,769
Debt	8,135,728	8,242,941
Total Shareholders' Equity (Deficit)	$ (2,264,762)	$ 2,568,219

Revenue

	Year Ended December 31,	
Total Revenue by Type:	2014	2013
Product Related Revenue, Net	$ 9,779,232	$ 9,800,767
Licensing Revenue	700,000	6,000,000
Research and Development Revenue	2,044,166	1,333,974
Total Revenue	$ 12,523,398	$ 17,134,741

- Net product related revenue remained flat at $9.8 million. The sales for the period ending December 31, 2014 was driven by growth in the starch and alcohol markets offset by lower sales to the textile market.

- License fee revenue decreased $5.3 million due to the $6.0 million BASF upfront licensing fee in 2013 partially offset by 2014 milestone payments received; $500,000 from Abengoa related to their Hugoton, Kansas facility, and a $200,000 payment from BASF for achieving our first project milestone.

- Research and development revenue for 2014 increased to $2.0 million compared to $1.3 million for 2013. The increase was due to a higher number of externally funded projects performed at our expanded research facility in the Netherlands.

	Year Ended December 31,	
Total Revenue by Geography:	2014	2013
Americas	$ 3,681,630	$ 3,552,175
Asia Pacific	1,517,601	1,623,064
Europe	7,324,167	11,959,502
Total Revenue	$ 12,523,398	$ 17,134,741

The United States represents 10% or more of our total revenue in both 2014 and 2013. Revenue in the United States totaled $2,727,153 and $2,580,277 in 2014 and 2013, respectively. Belgium represents 10% or more of our total revenue in each period presented. Revenue in Belgium totaled $1,818,354 and $1,760,570 in 2014 and 2013, respectively. Germany represented 10% or more of our total revenue in 2014 and 2013. Revenue in Germany totaled $1,606,512 and $6,397,184 in 2014 and 2013, respectively.

- The increase in Americas revenue of approximately $72,000, or 2% reflects growth in the animal health and nutrition, starch and alcohol segments. The growth was offset by decreases in textile and pulp and paper markets. Additionally, America's revenues include $700,000 in licensing payments from milestones met during the year.

- The decrease in Asia Pacific revenue of $114,874, or 7%, is primarily due to rationalization of low margin products, specifically in the textile market.

- The decrease in European revenue of $4,569,430, or 39%, is primarily due to the $6,000,000 license agreement with BASF in 2013 as compared to $700,000 in license related payments in 2014 partially offset by growth in the animal health and nutrition, starch and alcohol segments.

Gross Profit

	Year Ended December 31,			
Gross Profit and Margin %:	**2014**		**2013**	
Gross Profit	$ 4,347,471		$ 7,411,093	
Gross Margin %	34.7	%	43.3	%

Gross profit decreased to $4.3 million in 2014 compared $7.4 million for the same period last year primarily due to reduction of the 100% margin BASF upfront license fee in 2013 of $6.0 million. Excluding the 2013 BASF upfront license fee, gross profit increased $2.9 million due to improved gross margins in our enzyme products due to fermentation and downstream processing improvements, lower raw material costs, new research and development projects and milestone payments achieved with Abengoa and BASF.

The gross margin decline of 8.6 % is due to the effects of the net reduction in 100% margin licensing revenue offset by improvement in enzyme product and research and development project margins discussed above.

Operating Expenses

	Year Ended December 31,			
Operating Expenses:	**2014**		**2013**	
General and Administrative Expenses	$ 6,113,658		$ 4,992,688	
Sales and Marketing Expenses	1,243,801		944,121	
Research and Development Costs	2,187,559		1,001,094	
Gain on Sale of Fixed Assets	(19,755)		-	
Foreign Currency Exchange (Gain) Loss, Net	147,145		(83,312)	
Total Selling, General and Administrative ("SG&A")	$ 9,672,408		$ 6,854,591	
SG&A as a Percent of Revenue	77.2	%	40.0	%

Operating expenses increased $2,817,817 or 41.1% versus the same period last year. The ratio of operating costs to sales is 77.2% reflecting an increase of 37.2 % versus the same period last year.

- General and Administration expense increased by $1,120,970 or 22% versus the same period last year primarily due to staff additions and related costs for new COO, CFO, Director of Research and Development and board member of $700,000, the impact of the 2013 bad debt recovery of $300,000, SEC Form 10 registration and related costs of $250,000, a patent abandonment charge of $100,000 and litigation costs of $100,000 partially offset by a reduction in non-litigation legal and third party advisory fees of $350,000.

- Sales and Marketing expense increased by 32% to $1,243,801 in 2014 versus the same period last year. The increase is primarily due to the addition of a Sales Director in Europe and in the USA to strengthen our sales leadership team.

- R&D expense increased by approximately $1,200,000 or 119% versus the same period last year. The increase reflects our continued investment in product development and C1 platform improvements.

- Foreign Currency Exchange (Gain) Loss, Net increased by $230,457 versus the same period last year reflects the US dollar strengthening versus the EURO.

Other Income (Expenses)

	Year Ended December 31,	
Other Income (Expense):	**2014**	**2013**
Interest Income	$ 28,055	$ 14,613
Interest Expense	(683,207)	(686,022)
Loss on Settlement of Litigation	-	(313,143)
Total Other Income (Expense)	$ (655,152)	$ (984,552)

Loss on Settlement of Litigation

On September 25, 2007, Mark A. Emalfarb commenced an arbitration proceeding (the "Emalfarb Arbitration") against the Company before the American Arbitration Association seeking monetary damages resulting from his termination for cause pursuant to his employment agreement dated as of April 1, 2001 (as amended, the "Employment Agreement"). This arbitration action asserts, among other things, that "cause" as defined in the Employment Agreement, did not exist and that his reputation had been damaged by the Company. On October 22, 2007, the Company filed an answering statement and motion to dismiss the arbitration. On April 1, 2008, Mr. Emalfarb responded to Dyadic's answering statement and motion to dismiss and filed a Supplemental Demand for Arbitration against Dyadic asserting various counts and demanding full recompense from the Company for damages relating to such termination. The Company's primary and excess insurance carriers denied coverage for the Emalfarb Arbitration based on their interpretation of exclusions and assertion of other coverage defenses contained in the Company's insurance policies.

In consideration for the contribution by the insurance carriers to the resolution of the stockholder class action litigation against the Company, which was resolved on July 27, 2010, all pending claims with such insurance carriers with respect to the Emalfarb Arbitration were released.

On October 22, 2014, in consideration for the dismissal of the arbitration proceedings, the Company agreed to reimburse Mr. Emalfarb approximately $313,000 for past expenses incurred. Such amount is included in other expense in the consolidated statements of operations for the year ended December 31, 2014. In addition to this reimbursement, Mr. Emalfarb will be entitled to receive 5% of the proceeds to the Company net of legal expenses up to $25 million and 8% of any net proceeds in excess of $25 million, but in any case the maximum amount payable will be $6 million of the net proceeds, if any, received by the Company related to the professional liability lawsuit against the Company's former outside legal counsel discussed above.

During the year ended December 31, 2013, the Company recognized a loss of $313,000 on settlement of litigation, which is described above. For further discussion of this litigation, see Note 5 "Litigation, Claims and Assessments—Pending Actions" to our Consolidated Financial Statements dated December 31, 2014 and 2013 as posted to the OTC Markets website entitled Annual Report – 2014 Consolidated Financial Statements (audited) dated March 11, 2015.

Provision for Income Taxes

There was no current U.S. income tax provision recognized during the years ended December 31, 2014 or 2013. The Company has incurred operating losses and has established a full valuation allowance. The Company's operations in The Netherlands are subject to income taxes in those jurisdictions. No provision for current foreign income taxes has been recognized for either of the years ended December 31, 2014 or 2013.

There was no provision or benefit for either U.S. or foreign deferred income taxes for the years ended December 31, 2014 and 2013.

Net Income (Loss)

	Year Ended December 31,	
	2014	**2013**
Net Income (Loss):	$ (5,980,089)	$ (428,050)
Net Income per share – Basic and Diluted	$ (0.18)	$ (0.01)
Weighted average common shares – Basic and Diluted	34,073,457	32,797,253

Our net income relies strongly on licensing partnerships and other collaborations. We believe that it is likely that if we do not sign another license deal, we will incur losses in the near term primarily because of our planned levels of R&D and additional general and administrative expenditures that will be necessary to grow the enzyme, bioenergy, and biopharmaceutical businesses.

The net loss above includes litigation related expenses of approximately $1.4 million and 1.3 million for our lawsuit against our former outside legal counsel and other related events for 2014 and 2013, respectively which had a negative impact on earnings per share of $0.04 for both basic and fully diluted shares for both the year ended December 31, 2014 and 2013.

Liquidity and Capital Resources

	Year Ended December 31,	
Cash Flows:	**2014**	**2013**
Net Cash Provided by (Used In) Operating Activities	$ (6,200,067)	$ 5,095,854
Net Cash Used in Investing Activities	(252,612)	(414,090)
Net Cash Provided by Financing Activities	55,738	220,570
Net Increase (Decrease) in Cash and Cash Equivalents	(6,396,941)	4,902,334
Cash at Beginning of Year	8,892,396	3,990,062
Cash at End of Year	$ 2,495,455	$ 8,892,396

At December 31, 2014, cash and cash equivalents were $2.5 million compared to $8.9 million at December 31, 2013. During the year ended December 31, 2014, the Company used approximately $6.4 million in cash and cash equivalents.

At December 31, 2013, cash and cash equivalents were $8.9 million compared to $4.0 million at December 31, 2012. During the year ended December 31, 2013, the Company generated approximately $4.9 million in cash and cash equivalents.

Cash Flows from Operating Activities

The following summarizes our cash (used in) provided by operating activities for the year ended December 31, 2014 and 2013, respectively:

As reflected in our consolidated financial statements for the year ended December 31, 2014, net cash (used in) provided by operating activities was ($6,200,067). The following summarizes cash used in operating activities:

- We incurred a net loss of ($5,980,089) for the year ended December 31, 2014, which included Cash used in operating activities for litigation against former outside counsel of ($1,244,700).

- Non-cash adjustments of $1,426,950 to reconcile net loss to net cash (used in) provided by operating activities primarily stock compensation, depreciation and amortization.

- Cash used in changes in operating assets and liabilities of ($1,646,928) primarily reflects reductions in accounts payable, deferred R&D and other current liabilities of ($1,410,407), and an increase in inventory and other current assets of ($949,489) partially offset by a reduction in accounts receivable of $712,968.

As reflected in our consolidated financial statements for the year ended December 31, 2013, net cash provided by operating activities was $5,095,854. The following summarizes cash provided by operating activities:

- We incurred a net loss of ($428,050) for the year ended December 31, 2013, which included cash used in operating activities for litigation against former outside counsel of ($1,119,814).

- Non-cash adjustments of $598,553 to reconcile net loss to net cash (used in) provided by operating activities primarily stock compensation, depreciation and amortization partially offset by a decrease in allowance for doubtful accounts of ($380,507).

- Cash provided by changes in operating assets and liabilities of $4,925,351 is primarily due to net reduction in account and license receivables of $3,353,274, mainly the receipt of $3,500,000 from Abengoa, an increase in liabilities of $1,112,823 and deferred R&D obligations of $347,369, and a decrease in inventory and other current assets of $111,885.

Cash Flows from Investing Activities

The following summarizes our cash used in investing activities for the year ended December 31, 2014 and 2013, respectively:

- For the year ended December 31, 2014, cash used for investing activities of $252,612 is primarily due to purchases of fixed assets and patent costs at our research center in The Netherlands in support of our new product development initiatives partially offset by a reduction in restricted cash.

- For the year ended December 31, 2013, cash used for investing activities of $414,090 is primarily due to purchases of fixed assets and patent costs at our research center in The Netherlands in support of our new product development initiatives.

Cash Flows from Financing Activities

The following summarizes our cash provided by financing activities for the year ended December 31, 2014 and 2013, respectively:

- For the year ended December 31, 2014, cash provided by financing activities of $55,738 is primarily due to due to cash proceeds from repayment of Stock subscriptions receivables and proceeds from the exercise of stock options, granted under our equity plans, with exercise prices ranging from $0.15 to $0.23 per share.

- For the year ended December 31, 2013, cash provided by financing activities of $220,570 is primarily due to due to cash received from proceeds from the exercises of warrants and stock options, granted under our equity plans, with exercise prices ranging from $0.15 to $0.60 per share.

Future Capital Requirements

Historically, the Company has financed operations primarily with proceeds from the sales of the products from its industrial enzyme business, upfront fees from licensing of technology, external borrowings, borrowings from its stockholders, sales of common equity securities, and to a lesser extent, the receipt of settlement proceeds from its lawsuit against the Company's former outside legal counsel.

As of December 31, 2014, the Company has liabilities that exceed its assets, negative working capital, and cash flow deficiencies. In order to address these indicators, the Company is exploring several transactions, including, but not limited to, licensing its C1 technologies to new collaborators, expanding technical or geographical licensing options, anticipated or actual receipt of certain milestone payments, refinancing the existing debt, raising additional debt or equity financing, and extending the maturity dates of its existing convertible subordinated debt and its note (as in the past). In addition, the Company has begun to initiate actions in the fourth quarter of 2014 to reduce its cost structure to achieve its targeted goal of cash flow breakeven by 2016, but not hinder value creation going forward. We also anticipate professional service costs for our lawsuit against our former outside legal counsel to be significantly lower in 2015, as compared to $1.4 million spent in 2014. The majority of the legal fees and expenses for expert witness testimony in preparation for the November, 2014 mediation and the potential trial in 2015 have now been incurred and our current counsel is working under a contingency arrangement. The Company is also actively drawing down inventory and targeting a $0.6 million reduction from its December 31, 2014 inventory levels. We have reduced scheduled production and are filling current Product orders from existing stock. As discussed in Note 11 Subsequent Events, in the Consolidated Financial Statements for the year ended December 31, 2014, on March 9, 2015, the Company also completed a private placement of a $2,000,000 convertible subordinated promissory note.

Based upon executing one or more of the anticipated potential funding transactions we are exploring and the anticipated or actual receipt of certain milestone payments discussed in the preceding paragraph, and the current status of our R&D and operating needs, we believe that our existing cash and cash equivalents will be adequate to satisfy our needs for the next twelve (12) months. However, our actual capital requirements will depend on many factors, including those factors potentially impacting our financial condition as discussed in "Risk Factors" or in other parts of this Annual Report, more specifically, our ability to extend the maturity dates on some, if not all of our outstanding debt, our ability to encourage our debt holders, all or in part, to convert their debt holdings to shares of common stock, and our ability to source out new investors. There is no assurance that the Company will be successful in obtaining the necessary funding to meet its business objectives or reduce its operating costs to a level sufficient to provide positive cash flow.

Debt

Total Debt as of December 31, 2014 and 2013 was $8,135,728 and $8,242,728, respectively:

	Year Ended December 31,	
	2014	**2013**
Note Payable to Shareholder	$ 1,424,941	$ 1,424,941
2010 Convertible Subordinated Debt	$ 3,818,000	$ 3,818,000
2011 Convertible Subordinated Debt	2,892,787	3,000,000
Total Convertible Subordinated Debt	$ 6,710,787	$ 6,818,000

Note Payable to Stockholder

The Amended and Restated Note dated November 14, 2008 (the "Note") originally payable to the MAE Trust under agreement dated October 1, 1987, as amended, matured on January 1, 2009. On January 12, 2009, the Company repaid $1.0 million of principal of the Note leaving an outstanding principal amount of approximately $1.4 million. As of January 1, 2010, the MAE Trust and the Company agreed to reduce the interest rate on the outstanding principal balance of the Note from 14% to 9.5% per annum The Note is collateralized by the assets of the Company. On March 18, 2014, the Note was transferred to Lisa K. Emalfarb. On December 29, 2014, the maturity date of the Note was extended to January 1, 2016. All other provisions of the Note remain unchanged. The Note is classified as long-term in the December 31, 2014 consolidated balance sheet. Interest expense on the Note amounted to approximately $135,000 for both of the years ended December 31, 2014 and 2013.

2010 Convertible Subordinated Debt

On August 23, 2010, the Company completed the private placement of $4,000,000 aggregate principal of convertible subordinated secured promissory notes (the "2010 Notes") with ten investors. The 2010 Notes pay interest quarterly at 8% per annum and were convertible at the holder's option after January 1, 2011, into unregistered shares of the Company's common stock at a price of $1.82 per share, which was equal to 120% of the average closing price of the Company's common stock for the 30-day period preceding August 23, 2010. On October 14, 2014, the Company extended the maturity date of the 2010 Notes to January 1, 2016. In conjunction with the extension of the 2010 Convertible Debt, the share conversion price has been reduced from $1.82 to $1.48. The conversion price was equal to the market closing price of the Company's common stock on that day. The extended Convertible Debt also includes a warrant provision in the event Dyadic elects to call the Convertible Debt early, in whole or in part, after March 31, 2015 and prior to the January 1, 2016 maturity date. Should the Convertible Debt holder(s), upon such call notice, elect not to convert their notes into common shares, Dyadic will pay the Convertible Debt holders' their current outstanding Convertible Debt balance, and issue warrants to purchase common stock equal to 25% of the redeemed Convertible Debt balance at $1.48 per common share. The $1.48 was the market closing price of Dyadic's stock on the date of the transaction. If such warrants are issued, the warrants will have a three year term. The debt extension and the change in the conversion price resulted in extinguishment accounting in accordance with ASC 470-50 as the change in fair market value was in excess of 10% of the original value of the note. The extinguishment accounting had no impact on the financial statements as no discount was recorded on the original issuance. All other terms and conditions of the 2010 Convertible Debt remain unchanged. The Company will not affect any conversion of the 2010 Notes, to the extent that after giving effect to such conversion, any holder would beneficially own in excess of 4.9% of the Company's outstanding common stock (the "Beneficial Ownership Limitation"). The Beneficial Ownership Limitation may be waived by the holder upon not less than 61 days prior notice. The 2010 Notes are subordinated to the Note, and are collateralized by substantially all of the assets of the Company.

One of the Company's third party note holders converted $182,000 of its 2010 Notes during the year ended December 31, 2013 into an aggregate of 100,000 shares of the Company's common stock at a conversion price of $1.82 per share. The outstanding principal balance of the 2010 Notes was $3,818,000 at both December 31, 2014 and 2013.

2011 Convertible Subordinated Debt

In October 2011, the Company completed the private placement of $3,000,000 aggregate principal of convertible subordinated secured promissory notes (the "2011 Notes") with five investors. The 2011 Notes pay interest quarterly at 8% per annum and are convertible at the holder's option into unregistered shares of the Company's common stock at a price equal to $1.28 per share. The 2011 Notes are subordinated to the Note, and are collateralized by substantially all of the assets of the Company. The Company will not affect any conversion of the 2011 Notes, to the extent that after giving effect to such conversion, any holder would beneficially own in excess of 4.9% of the Company's outstanding common stock. The Beneficial Ownership Limitation may be waived by the holder upon not less than 61 days prior notice.

On October 14, 2014, the Company extended the maturity date of the 2011 Notes to January 1, 2016. The extended convertible debt also includes a warrant provision in the event Dyadic elects to call the convertible debt early, in whole or in part, after March 31, 2015 and prior to January 1, 2016 maturity date. Should the Convertible

Debt holder(s), upon such call notice, elect not to convert their notes into common shares, Dyadic will pay the Convertible Debt holders' their current outstanding Convertible Debt balance, and issue warrants to purchase common stock equal to 25% of the redeemed Convertible Debt balance at $1.48 per common share. The $1.48 was the market closing price of Dyadic's stock on the date of the transaction. If such warrants are issued, the warrants will have a three year term. The debt extension resulted in extinguishment accounting in accordance with ASC 470-50 as the change in fair market value was in excess of 10% of the original value of the note. The extinguishment accounting had no impact on the financial statements as no discount was recorded on the original issuance.

During the year ended December 31, 2014, $107,213 of the 2011 Notes were converted into 83,760 shares of common stock. As a result of these conversions, the outstanding balance of the 2011 Notes was $2,892,787 and $3,000,000 at December 31, 2014 and 2013, respectively.

Approximately $1,900,000 of the 2010 Notes and the 2011 Notes are held by four related party interests, which include members of management and the Board, as well as another related party. Interest expense on the convertible subordinated debt for the years ended December 31, 2014 and 2013 was approximately $543,000 and $546,000, respectively.

As a subsequent event, on March 9, 2015, the Company completed a private placement of a $2,000,000 convertible subordinated secured promissory note (the "2015 Note"). The 2015 Note will pay interest quarterly at a rate of 10% per annum and is convertible at the holder's option into shares of Dyadic common stock at $1.28 per share. This conversion price was at a premium to the stock price on that day. Unless converted, the 2015 Note will mature on January 1, 2016. The 2015 Note is not callable early, and as to this note holder's 2010 and 2011 notes, the early call provision (after March 31, 2015 and before January 1, 2016) was amended to state that the early call provision can no longer be exercised solely by the Company. For further description of the subsequent event, see Note 11 to our Consolidated Financial Statements dated December 31, 2014 and 2013, which are posted to the OTC Markets website entitled Annual Report – 2014 Consolidated Financial Statements (audited) dated March 11, 2015.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Summary of Critical Accounting Policies

Principles of Consolidation and Reclassification

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intra-entity transactions and balances have been eliminated in consolidation. The Company has reclassified certain 2013 cost amounts previously reported to conform to the 2014 consolidated financial statement presentation.

Use of Estimates

The preparation of the consolidated financial statements that is in conformity with accounting principles generally accepted in United States of America ("GAAP") require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures of contingent assets and liabilities, at the date of and for the period of the consolidated financial statements. Estimates and assumptions are based on management's knowledge and actual results could differ from those estimates, and those differences could be material. Significant estimates include the allowance for doubtful accounts, inventories, intangibles, income and other tax accruals, stock-based compensation, the realization of long-lived assets, contingencies and litigation, and revenue, cost of revenue and gross profit on research and development projects.

Cash and Cash Equivalents

The Company considers all interest-bearing deposits or investments with original maturities of three months or less to be cash equivalents.

Restricted Cash

The Company had restricted cash of approximately $122,000 and $200,000 at December 31, 2014 and 2013, respectively, which was used as security for the build-out of the Company's laboratory in the Netherlands. Twenty percent of the outstanding restricted cash balance is refunded to the Company each year on the lease anniversary date through its expiration. The five year lease term expires on December 31, 2019.

Accounts Receivable

Accounts receivable are recorded at their net realizable value on the date revenue is recognized or the Company has a contractual right to receive money, either on demand or at fixed or determinable dates. The Company provides allowances for doubtful accounts for estimated losses resulting from the inability of its customers to repay their obligations. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to pay, additional allowances may be required.

The Company provides for potential uncollectible accounts receivable based on specific customer identification and historical collection experience, adjusted for existing market conditions. If market conditions decline or the Company's customers experience economic difficulties, actual collections may not meet expectations and may result in decreased cash flows and increased bad debt expense.

The policy for determining past due status is based on the contractual payment terms of each customer, which are generally net 30 or net 60 days. Once collection efforts by the Company are exhausted, the determination for charging off uncollectible receivables is made. The Company does not accrue finance or interest charges on past due accounts receivable. The policy for determining past due status is based on the contractual payment terms of each customer, which are generally net 30 or net 60 days. Once collection efforts by the Company are exhausted, the determination for charging off uncollectible receivables is made. The Company does not accrue finance or interest charges on past due accounts receivable.

Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk include cash and uncollateralized accounts receivable. The Company invests its excess cash in money market funds.

Inventory

Inventory consists of finished goods, including industrial enzymes used in the industrial, chemical, and agricultural markets, and are stated at the lower of cost or market using the weighted average cost method. The value of finished goods is comprised of raw materials and manufacturing costs, substantially all of which are incurred pursuant to oral agreements with our independent enzyme manufacturer. Provisions have been made to reduce excess or obsolete inventory to net realizable value.

Fixed Assets

Fixed assets are recorded at historical cost and depreciated and amortized using the straight-line method over their estimated useful lives, which range from three to ten years. Leasehold improvements are amortized over the lesser of their useful lives or the lease terms. Upon sale or retirement, the cost and related accumulated depreciation and amortization are eliminated from their respective accounts, and the resulting gain or loss is included in the results of operations. Repairs and maintenance charges, which do not increase the useful lives of the assets, are charged to operations as incurred.

Intangible Assets

Intangible assets include patent and technology acquisition costs which are being amortized using the straight-line method over the estimated useful lives of the patents, determined to be twelve years.

Long-Lived Assets

The Company reviews its long-lived assets for impairment, including fixed assets that are held and used in its operations, whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If such an event or change in circumstances occurs, the Company will estimate the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the undiscounted future cash flows is less than the carrying amount of the related assets, the Company will recognize an impairment loss if the carrying value exceeds the fair value. Assets to be disposed of are reclassified as assets held for sale at the lower of their carrying amount or fair value less costs to sell. Write-downs to fair value less disposal costs are reported as a part of loss from operations.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, including cash, restricted cash, accounts receivable, license fee receivable, inventory, accounts payable, accrued expenses, deferred research and development obligation and accrued interest payable, approximate their fair values due to the short-term nature of these assets and liabilities. The note payable to stockholder and convertible subordinated debt approximate fair value based upon their short maturities and current rates available to the Company for loans with similar maturities.

Revenue Recognition

Revenue is recognized when (1) persuasive evidence of an arrangement exists; (2) services have been rendered or product has been delivered; (3) price to the customer is fixed and determinable; and (4) collection of the underlying receivable is reasonably assured.

The Company recognizes revenue on product sales when title passes to the customer based upon the specified freight terms of the respective sale. Revenues are comprised of gross sales less provisions for expected customer returns, if any. Reserves for estimated returns and inventory credits are established by the Company, if necessary, concurrently with the recognition of revenue. The amounts of reserves are established based upon consideration of a variety of factors including estimates based on historical returns. Amounts billed to customers in sales transactions related to shipping and handling represent revenue earned for the goods provided and are included in net product related revenue in the consolidated statements of operations. Costs of shipping and handling are included in cost of goods sold.

The Company may be subjected to various product liability claims. Although there have been no claims to date against the Company, it is possible that future liability claims could have a material adverse effect on its consolidated financial position, consolidated results of operations and liquidity

Revenues derived from license agreements typically consist of multiple deliverables including upfront fees, milestone payments, research and development revenues and/or royalties. The Company recognizes revenue based on the terms of each respective license agreement. The Company evaluates multiple deliverable arrangements contained in its collaboration and license agreements to determine whether the delivered milestone payments received are recognized as revenue when products are delivered, services rendered over the requisite service period and/or performance criteria are met.

The Company recognizes revenue from research funding under collaboration agreements when earned on a "proportional performance" basis as research hours are incurred. The Company typically performs services as specified in each respective agreement on a best efforts basis, and is reimbursed based on labor hours incurred on each contract. The Company initially defers revenue for any amounts billed, or payments received, in advance of any services performed, and recognizes revenue pursuant to the related pattern of performance based on total labor hours incurred relative to total labor hours estimated under the contract.

The Company recognizes milestone payments when earned, as evidenced by written acknowledgement from the collaborator, provided that (i) the milestone event is substantive and its achievability was not reasonably assured at the inception of the agreement, (ii) the milestone represents the culmination of an earnings process, (iii) the milestone payment is non-refundable and (iv) the Company's past research and development services, as well as its ongoing commitment to provide research and development services under the collaboration, are charged at fees that are comparable to the fees that the Company customarily charges for similar research and development services.

R&D Costs

R&D costs related to both present and future products are charged to operations when incurred.

Foreign Currency Translation

The financial statements of the Company's foreign subsidiaries have been translated into U.S. dollars. Assets and liabilities of the Company's foreign subsidiaries are translated at period-end exchange rates, and revenues and expenses are translated at actual prevailing rates on the date of the transactions during the period. Certain accounts receivable from customers are collected and certain accounts payable to vendors are payable in currencies other than the functional currencies of the Company and its subsidiaries. These amounts are adjusted to reflect period-end exchange rates.

Share-based Compensation

The Company values its stock options on the date of grant using the Black-Scholes valuation model. Any stock options with modified terms are re-valued using the Black-Scholes valuation model based on the new terms at the date the modifications are approved by the Company's compensation committee (the "Compensation Committee") of its Board of Directors (the "Board"). Any incremental cost resulting from the revised valuations is charged to results of operations, and the remaining unvested portions of the options are amortized over the modified remaining vesting period.

The Company accounts for equity instruments issued to non-employees by calculating the fair value of the equity instrument using the Black-Scholes valuation model at each reporting period with charges amortized to the results of operations over the instrument's vesting period.

Income Taxes

The Company accounts for income taxes using the liability method. Under this method, deferred tax assets and liabilities are determined based on the difference between the consolidated financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. A deferred tax asset valuation allowance is established if, in management's opinion, it is more likely than not that all or a portion of the Company's deferred tax assets will not be realized.

GAAP requires that a position taken or expected to be taken in a tax return be recognized in the consolidated financial statements when it is more likely than not (i.e., a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses.

Liquidity

The Company may incur losses over the next few years as it continues to develop its products and technologies. However, there can be no assurance that the Company's efforts with regard to such development will be successful.

There is no assurance that the Company will be able to secure licensing transactions or other collaborations, or the timing of those transactions going forward. This uncertainty may cause revenues to vary significantly from period to period, affecting the comparability of the consolidated financial statements.

As of December 31, 2014, the Company has liabilities that exceed its assets and cash flow deficiencies. In order to address these indicators, the Company's management is exploring several value-creating transactions, including, but not limited to, licensing its C1 technologies to new collaborators, expanding applicable technical or geographical constraints, raising additional debt or equity financing, and extending the maturity dates of its convertible debt and note payable to stockholder. As discussed in Note 4, the maturity date of approximately $6.7 million of the Company's convertible subordinated debt was extended to January 1, 2016 with certain provisions to the 2010 and 2011 Notes. In addition, on December 29, 2014, the maturity date of the $1.4 million note payable to stockholder was extended to January 1, 2016. All other provisions of the note remain unchanged. As discussed in Note 11 Subsequent Events, in the Consolidated Financial Statements for the year ended December 31, 2014, on March 9, 2015, the Company also completed a private placement of a $2,000,000 convertible subordinated promissory note. In addition, the Company plans to further reduce its professional fee expenditures and further draw down inventory, targeting an approximate $600,000 reduction from the December 31, 2014 inventory levels.

However, there is no assurance that the Company will be successful in obtaining the necessary funding to meet its business objectives or reduce its operating costs to a level sufficient to provide positive cash flow. In addition, the Company's ability to extend the maturity dates of its notes payable cannot be assured and represents a future unknown contingency. The financial statements do not include any adjustments to reflect future effects on the recoverability and classification of assets or amounts and classification of liabilities that may result if the Company's plans are unsuccessful.

Net Income (Loss) Per Share

Basic income (loss) per share excludes any dilution. It is based upon the weighted average number of common shares outstanding during the period. Diluted income (loss) per share reflects the potential dilution that would occur if securities or other contracts to issue common stock were exercised or converted into common stock. During the years ended December 31, 2014 and 2013, 7,369,663 and 7,867,496, respectively, of common stock equivalents

related to stock options and convertible debt were not included in computing diluted earnings per share because their effects would be anti-dilutive.

Quantitative and Qualitative Disclosures About Market Risk

We are affected by changes in non-U.S. currency exchange rates and interest rates.

Currency Exchange Rates

In general, we conduct the majority of our business in U.S. dollars and the euro, both considered to be among the most stable currencies in the world. We do not hedge currency risks of non-U.S. dollar-denominated investments in debt instruments and loans receivable with currency forward contracts or currency interest rate swaps. Gains and losses on these non-U.S. currency investments are generally offset by corresponding losses and gain through natural hedges. Substantially all of our revenue is transacted in U.S dollars and the euro. However, a significant amount of our operating expenditures and capital purchases is incurred in or exposed to other currencies, primarily the euro. For further information, see "Other Business Risks That We Face".

Interest Rates

We generally do not hedge interest rate risks of fixed-rate debt instruments with interest rate swaps. Our debt instruments are not publicly traded and therefore not subject to gains and losses that may result from short term changes interest rates. We are exposed to interest rate risk related to our indebtedness. Our indebtedness includes our debt issuances and the liability associated with a convertible subordinated and note payable secured by assets of the company. Our current debt matures on January 1, 2015, therefore, there is a risk that we may not be able refinance the debt at current interest rates, or at all. If we are unable to refinance the debt at current rates, we may be at risk of additional economic loss or dilution of our shareholders in the event we must raise equity capital to fund the debt refinance and/or operations.

PART E. ISSUANCE HISTORY

Item 17 List of securities offerings and shares issued for services in the past two years:

Date	Nature of Offering	Basis for Exemption	Party Shares Issued To	Number of Shares Issued	Exercise Price	Trading Status of Shares	Restrictive Legends (f)
1/23/2013	Conversion	Rule 506	Investor	50,000 (c)	$1.82	-	No
1/24/2013	Conversion	Rule 506	Investor	50,000 (c)	$1.82	-	No
2/13/2013	Option Exercise	Section 4(a)(2)	Directors (2)	332,500	$0.15	-	Yes
3/19/2013	Option Exercise	Section 4(a)(2)	Former Employee	37,500	$0.23	-	Yes
4/1/2013	Option Grant	Rule 701	Employee	25,000 (d)	$1.67	-	-

5/6/2013	Restricted Stock Units Grant	Rule 506	Officer	69,000	(a)	Restricted	Yes
5/24/2013	Warrant Exercise	Section 4(a)(2)	Director	12,500	$0.15	(b)	Yes
6/12/2013	Warrant Exercise	Section 4(a)(2)	Officer/ Director	983,250	$0.16	-	Yes
6/19/2013	Option Exercise	Section 4(a)(2)	Employees (2)	11,250	$0.23	-	Yes (e)
6/19/2013	Option Exercise	Section 4(a)(2)	Employee	20,000	$0.60	-	Yes (e)
6/19/2013	Option Exercise	Section 4(a)(2)	Officer	100,000	$0.23	-	Yes (e)
10/2/2013	Option Exercise	Section 4(a)(2)	Director	250,000	$0.15	-	Yes (e)
10/30/2013	Option Exercise	Section 4(a)(2)	Director	250,000	$0.15	-	Yes (e)
10/31/2013	Option Exercise	Section 4(a)(2)	Former Employee	12,500	$0.23	-	Yes
11/27/2013	Option Exercise	Section 4(a)(2)	Officer	25,000	$1.21	-	Yes (e)
12/27/2013	Option Exercise	Section 4(a)(2)	Officer/ Director	250,000	$0.16	-	Yes (e)
2/18/2014	Option Exercise	Section 4(a)(2)	Employees (2)	5,500	0.15	-	Yes (e)
2/18/2014	Option Exercise	Section 4(a)(2)	Employees (2)	10,000	0.23	-	Yes (e)
3/3/2014	Option Grant	Section 4(a)(2)	Officer/ Director	310,000	1.76	-	Yes
4/14/2014	Option Grant	Section 4(a)(2)	Employees	25,000	1.55	-	Yes
4/14/2014	Option Grant	Section 4(a)(2)	Officer	50,000	1.71	-	Yes
4/24/2014	Option Grant	Section 4(a)(2)	Employee	50,000	1.53	-	Yes
5/1/2014	Option Grant	Section 4(a)(2)	Employee	100,000	1.41	-	Yes
6/12/2014	Option Grant	Section 4(a)(2)	Director	30,000	1.36	-	Yes
7/9/2014	Option Grant	Section 4(a)(2)	Advisor	60,000	1.66	-	Yes
7/15/2014	Option Exercise	Section 4(a)(2)	Advisor	5,000	0.23	-	Yes
8/1/2014	Option Grant	Section 4(a)(2)	Officer	200,000	1.66	-	Yes

Notes:

a. The Company granted 69,000 Restricted Stock Units ("RSU's") to an officer pursuant to the Company's 2011 Equity Incentive Award Plan. The value of the award per share was $1.93. The RSU's vest in equal monthly amounts over a three year period.

b. On May 24, 2013, a Director exercised and paid for outstanding warrants to purchase 12,500 shares of common stock, and subsequently transferred all 12,500 shares to a related party and a charitable trust, however, because of certain delays in receiving statutorily required documents from the charitable trust, the shares have not yet been issued. Once these documents are completed, the shares will be issued. All 12,500 common shares are subject to a one year holding restriction period which expires on May 23, 2014.

c. A third party debt holder converted a portion of its 2010 Notes into an aggregate of 100,000 shares of common stock at a conversion price of $1.82.

d. Options were issued pursuant to the 2011 Equity Incentive Plan.

e. Shares contain a legend that the shares represented by this stock certificate have been pledged as collateral for a loan, and thus are inalienable until such time as the loan obligation is terminated and the pledge released.

f. Shares contain a legend that states the this certificate has not been registered under the Securities Act of 1933, as amended and may not be sold, transferred, pledged, hypothecated or otherwise disposed of in the absence of an effective registration statement for such securities under said Act or an opinion of company counsel that such registration is not required.

PART F. EXHIBITS

Item 18 Material Contracts.

Below are descriptions of our material agreements:

Collaboration and Licensing Agreements

Abengoa Agreement

On February 18, 2009, the Company and Abengoa Bioenergy New Technologies, Inc. ("Abengoa") entered into a non-exclusive license agreement (the "Abengoa License Agreement") which became effective on May 12, 2009. Under the Abengoa License Agreement, the Company granted Abengoa the right to use certain patent rights and know-how owned by the Company relating to the C1 Platform Technology for the large-scale production of enzymes for use in manufacturing biofuels (including cellulosic ethanol and butanol), power and/or chemicals. The Abengoa License Agreement provides for facility fees and royalties to be paid to Dyadic upon the commercialization of biofuels and other products which utilize the Company's materials and technologies.

On April 23, 2012, the Abengoa License Agreement was amended and restated (the "Amended Abengoa License Agreement") to provide Abengoa with additional rights which include, among other things, worldwide rights to use the Company's C1 Platform Technology in the licensed fields. The Amended Abengoa License Agreement also further clarifies Abengoa's rights to sell enzymes produced using the Company's C1 Platform Technology to third parties for use in both first and second generation biorefining processes for the production of fuels, chemicals and/or power. In exchange for entering into the Amended Abengoa License Agreement, Abengoa paid the Company an additional non-refundable upfront license fee for the expanded rights.

Animal Health and Nutrition License Agreement

On August 6, 2011, the Company entered into a non-exclusive license agreement with a major global provider of animal nutritional solutions, to develop, manufacture and commercialize animal feed enzyme products. As part of this agreement, Dyadic has granted its partner a worldwide license to use the developed C1 fungal strains to

manufacture and sell animal feed enzyme products. Dyadic will be eligible to receive additional research, development and commercial milestone payments as well as royalties based on its partners worldwide sales of products, which utilize the C1 Platform Technology.

Under the agreement, Dyadic's partner has continued its research cooperation with Dyadic's R&D arm, Dyadic NL, which utilizes Dyadic's patented and proprietary C1 Platform Technology, to develop fungal strains that will meet the end point goals for expression and cost performance for animal health and nutrition applications. To date, despite achieving higher expression levels, the target performance objectives of our partner have not yet been achieved. Additional animal feed trials are ongoing to determine if these objectives can be met with the current enzyme developer in this research project and we are awaiting these results. It is likely that further research may be needed to be performed before our partner will make a decision regarding whether to proceed with registering a product that meets their performance and cost parameters, continue animal feed trials or possibly even abandon the initiative. If the current feed trials don't meet the licensee's targeted performance and cost parameters, our partner has not informed the Company yet whether or not they will continue funding the necessary additional research and development to achieve their criteria based on new potential strategies. It is still unclear as to the timing of their potential filing to register a product for animal nutrition; however, there is always a risk that they decide to abandon the project or when they do file their registrations that there may be delays of approval and/or non-registration due to unforeseen circumstances.

BASF

On May 6, 2013, the Company entered into a non-exclusive worldwide research, development and license agreement with BASF SE ("BASF"). Under the terms of the agreement, BASF is entitled to use Dyadic's patented and proprietary C1 platform technology to develop, produce, distribute and sell industrial enzymes in certain fields for a variety of applications. BASF agreed to fund research and development at Dyadic's research lab in The Netherlands. In addition to this funding, BASF paid Dyadic a non-refundable upfront license fee of $6,000,000, and has agreed to pay certain additional research and commercial milestone fees and royalties upon commercialization.

Codexis License Agreement

On November 14, 2008, the Company entered into a non-exclusive license agreement (the "Codexis License Agreement") with Codexis, Inc. ("Codexis") which granted to Codexis the non-exclusive right to use Dyadic's C1 Platform Technology for the development, production and sale of enzymes in the fields of biofuels, certain pharmaceuticals, chemicals, air treatment, water treatment and the conversion of biomass into fermentable sugars for use in certain non-fuel products. Codexis also obtained access to specified materials of Dyadic relating to the C1 Platform Technology. In the field of biofuels, the license is sublicenseable to Equilon Enterprises LLC dba Shell Oil Products US ("Shell") or any affiliate of Shell in which it holds a 50% or greater ownership interest, and sublicensable to third parties in certain pharmaceuticals, chemicals, air treatment, water treatment and the conversion of biomass into fermentable sugars for non-fuel products. Dyadic and Codexis each agreed that neither it nor its affiliates or sublicensees will assert any claim of infringement of any patent covering improvements to the Dyadic materials that were made by that party or its affiliates or sublicensees against the other party, or its affiliates, sublicensees, successors, distributors, or customers.

The Codexis License Agreement provides for Codexis to pay Dyadic certain license issuance fees, milestone payments, and fees based on the volume of products sold or manufactured using the C1 Platform Technology. In accordance with the Codexis License Agreement, Codexis paid Dyadic an upfront payment of $10 million (the "Codexis Upfront Payment") during the year ended December 31, 2009 after Dyadic satisfied certain performance criteria. The Company did not recognize any license revenue from the Codexis License Agreement during the years ended December 31, 2013 or 2012, respectively.

On March 10, 2014, we withdrew a notice of breach we tendered to Codexis on July 30, 2013 regarding the Codexis License Agreement. We withdrew the notice of breach without prejudice to our rights under the Codexis License Agreement and after receiving Codexis' assurances that, amongst other things, it was immediately ceasing any marketing or sales of enzymes for use in the synthesis of cellulosic fuels and, more generally, that it was stopping work on its advanced biofuels program.

Contemporaneously with entering into the Codexis License Agreement, the Company also entered into a Non-Disturbance Agreement (the "Non-Disturbance Agreement") with the MAE Trust, the Francisco Trust, and Mark A. Emalfarb, individually (collectively, the "Secured Parties"). Among other things, the Non-Disturbance Agreement provides that the Secured Parties shall not take any action against the Company or its affiliates which could diminish, disturb or interfere with (i) the Company's rights to the intellectual property or other materials licensed to Codexis under the Codexis License Agreement or (ii) Codexis's rights to the licensed intellectual property and other materials under the Codexis License Agreement. The MAE Trust is a stockholder of the Company whose trustee and beneficiary is the Company's President, Chief Executive Officer and Chairman of the Board, Mark A. Emalfarb. The Francisco Trust is an entity created for the primary benefit of the wife and children of Mark A. Emalfarb and is not controlled by Mr. Emalfarb.

Convertible Notes

On August 23, 2010, the Company completed the 2010 Notes private placement of $4,000,000 aggregate principal of convertible subordinated secured promissory notes with ten investors. The 2010 Notes pay interest quarterly at 8% per annum and are convertible at the holder's option after January 1, 2011 into unregistered shares of the Company's common stock at a price of $1.82 per share, which represents 120% of the average closing price of the Company's common stock for the 30-day period preceding August 23, 2010. The Company will not effect any conversion of the 2010 Notes, to the extent that after giving effect to such conversion, any holder would beneficially own in excess of 4.9% of the Company's outstanding common stock (the "Beneficial Ownership Limitation"). The Beneficial Ownership Limitation may be waived by the holder upon not less than 61 days prior notice. The 2010 Notes are subordinated to the Note, and are collateralized by the assets of the Company. On October 7, 2013, the Company extended the maturity date of the 2010 Notes to January 1, 2015. The amended includes a provision that allows the Company to prepay all or part of the outstanding principal, without penalty, any time after March 31, 2014. On October 14, 2014, the Company extended the maturity date of the 2010 Notes to January 1, 2016. In conjunction with the extension of the 2010 Convertible Debt, the share conversion price has been reduced from $1.82 to $1.48. The conversion price was equal to the market closing price of the Company's common stock on that day. The extended Convertible Debt also includes a warrant provision in the event Dyadic elects to call the Convertible Debt early, in whole or in part, after March 31, 2015 and prior to the January 1, 2016 maturity date. Should the Convertible Debt holder(s), upon such call notice, elect not to convert their notes into common shares, Dyadic will pay the Convertible Debt holders' their current outstanding Convertible Debt balance, and issue warrants to purchase common stock equal to 25% of the redeemed Convertible Debt balance at $1.48 per common share. The $1.48 was the market closing price of Dyadic's stock on the date of the transaction. If such warrants are issued, the warrants will have a three year term.

In October 2011, the Company completed the 2011 Notes private placement of $3,000,000 aggregate principal of convertible subordinated secured promissory notes with five investors. The 2011 Notes pay interest quarterly at 8% per annum and are convertible at the holder's option into unregistered shares of the Company's common stock at a price equal to the lesser of $1.28 per share. The Company will not affect any conversion of the 2011 Notes, to the extent that after giving effect to such conversion, any holder would beneficially own in excess of 4.9% of the Company's outstanding common stock. The Beneficial Ownership Limitation may be waived by the holder upon not less than 61 days prior notice. The 2011 Notes are subordinated to the Note, and are collateralized by the assets of the Company. On October 7, 2013, the Company extended the maturity date of the 2011 Notes to January 1, 2015. The amendment includes a provision that allows the Company to prepay all or part of the outstanding principal, without penalty, any time after March 31, 2014. On October 14, 2014, the Company extended the maturity date of the 2011 Notes to January 1, 2016. The extended convertible debt also includes a warrant provision in the event Dyadic elects to call the convertible debt early, in whole or in part, after March 31, 2015 and prior to January 1, 2016 maturity date. Should the Convertible Debt holder(s), upon such call notice, elect not to convert their notes into common shares, Dyadic will pay the Convertible Debt holders' their current outstanding Convertible Debt balance, and issue warrants to purchase common stock equal to 25% of the redeemed Convertible Debt balance at $1.48 per common share. The $1.48 was the market closing price of Dyadic's stock on the date of the transaction. If such warrants are issued, the warrants will have a three year term.

Note Payable

On November 14, 2008, the Company entered into the Amended and Restated Note (the "Note") payable to the MAE Trust, which matured on January 1, 2009. On January 12, 2009, the Company repaid $1.0 million of principal of the Note leaving an outstanding principal amount of approximately $1.4 million. To date, the MAE Trust has not requested any further repayment of the Note. As of January 1, 2010, the MAE Trust and the Company agreed to reduce the interest rate on the outstanding principal balance of the Note from 14% to 9.5% per annum. The Note is collateralized by the assets of the Company. On October 11, 2013, the maturity date of the Note was extended to January 1, 2015. All other provisions of the Note remain unchanged. Pursuant to a divorce decree dated March 18, 2014, the $1.4 million note was transferred to Lisa K. Emalfarb. On December 29, 2014, the maturity date of the Note was extended to January 1, 2016. All other provisions of the Note remain unchanged.

Facility Leases

Jupiter, Florida Headquarters

The Company's corporate headquarters are located in Jupiter, Florida. The Company occupies approximately 4,900 square feet with a monthly rental rate and common area maintenance charges of approximately $8,400. The lease expires on December 31, 2015.

Jupiter, Florida Laboratory

The Company leases a laboratory facility in Jupiter, Florida which consists of approximately 3,500 square feet with a monthly rental rate of approximately $4,000. The lease is currently on a month-to-month basis.

Greensboro, North Carolina Laboratory

The Company closed the Greensboro, North Carolina laboratory facility and a storage building in April 2014. The facility consisted of approximately 3,150 square feet with a monthly rental rate of approximately $2,100. There are no further costs or expenses due on this facility.

The Netherlands Office and Laboratory

Dyadic NL leases office and laboratory space in Wageningen, The Netherlands, which consists of approximately 15,000 square feet with a monthly rental rate of approximately $28,000. The lease expires on December 31, 2019. The lease is secured by Restricted Cash of approximately $122,000 and $200,000 at December 31, 2014 and 2013, respectively. Dyadic NL recently expanded this lease to add additional square footage.

Description of Equity Plans

The Company maintains the Dyadic International, Inc. 2006 Stock Option Plan, as amended (the "2006 Stock Option Plan") and the Dyadic International, Inc. 2011 Equity Incentive Award Plan (the "2011 Equity Incentive Plan") (the 2006 Stock Option Plan and the 2011 Equity Incentive Plan are hereinafter collectively referred to as the "Equity Compensation Plans"). All options granted under the Equity Compensation Plans are service-based and typically vest over a four year period.

2006 Stock Option Plan

The 2006 Stock Option Plan was adopted by our board of directors in April 2006, which became effective upon approval by our stockholders and was last amended in December, 2009. The purpose of the 2006 Stock Option Plan is to retain and attract key management, employees, non-employee directors and consultants by providing those persons with a proprietary interest in the Company.

The Compensation Committee of the Board administers the 2006 Stock Option Plan and may grant incentive stock options to our employees (and employees of our subsidiaries) or nonqualified stock options that do not comply with Section 422 of the Internal Revenue Code to our employees, directors and consultants (and employees and

consultants of our subsidiaries). As administrator, the Compensation Committee has the power and authority to determine the terms of the awards, including eligibility, the exercise price, the number of shares, the vesting schedule and exercisability of awards and the form of consideration payable upon exercise and to construe and interpret the 2006 Plan and awards. After a participant's termination of service, the participant may exercise his or her option, to the extent vested as of the date of termination, for a period of ninety days (or twelve months in the case of termination due to death or disability) following such termination, or such longer period of time specified in the individual option agreement, but in no event beyond the expiration of its term.

Under the 2006 Stock Option Plan, 4,700,000 shares of common stock have been reserved for issuance. As of December 31, 2014, there were 1,989,625 stock options outstanding and 912,125 available for grant under the 2006 Stock Option Plan, which were rolled into the share reserve for the 2011 Equity Incentive Plan. As of December 31, 2013, there were 2,019,125 stock options outstanding and 925,625 available for grant under the 2006 Stock Option Plan, which were rolled into the share reserve for the 2011 Equity Incentive Plan. The term of the stock options outstanding under the 2006 Option Plan is no more than ten years. No new awards will be granted under our 2006 Stock Option Plan following the approval of the 2011 Equity Incentive Plan by the Company's stockholders, but all outstanding stock option awards previously granted under the 2006 Stock Option Plan will continue to be subject to the terms and conditions set forth in the agreements evidencing such stock option awards and the 2006 Stock Option Plan and shall be unaffected by the approval of the 2011 Equity Incentive Plan by the Company's stockholders.

Unless otherwise determined by the administrator, the 2006 Stock Option Plan generally does not allow for the sale or transfer of awards under the 2006 Stock Option Plan other than by will or the laws of descent and distribution, and may be exercised during the lifetime of the participant only by such participant.

In the event of certain changes made in our common stock, appropriate adjustments will be made in the number and class of shares that may be delivered under the 2006 Stock Option Plan and/or the number, class and price of shares covered by each outstanding award and the numerical share limits contained in the 2006 Stock Option Plan. In the event of our dissolution or liquidation, all outstanding awards will terminate immediately prior to the consummation of such proposed transaction.

In the event of certain change in control transactions, including our merger with or into another corporation or the sale of substantially all of our assets, the administrator may (1) provide for the assumption or substitution of, or adjustment to, each outstanding award; (2) accelerate the vesting and termination of outstanding awards; and/or (3) provide for termination of awards on such terms and conditions as it deems appropriate, including providing for the cancellation of options or stock purchase rights for a cash payment to the plan participants.

Our board of directors may at any time amend, suspend or terminate the 2006 Stock Option Plan, provided such action does not impair the existing rights of any participant.

2011 Equity Incentive Plan

The 2011 Equity Incentive Plan was adopted by the Company's board of directors on April 28, 2011, and approved by the Company's stockholders on June 15, 2011. The principal purpose of the 2011 Equity Incentive Plan is to attract, retain and motivate selected employees, consultants and directors through the granting of stock-based compensation awards and cash-based performance bonus awards. The 2011 Equity Incentive Plan is also designed to permit the Company to make cash-based awards and equity-based awards intended to qualify as "performance-based compensation" under Section 162(m) of the Internal Revenue Code of 1986, as amended.

Authorized Shares

Under the 2011 Equity Incentive Plan, 3,000,000 shares of the Company's common stock have been initially reserved for issuance pursuant to a variety of stock-based compensation awards, including stock options, stock appreciation rights ("SARs"), restricted stock awards, restricted stock unit awards, deferred stock awards, dividend equivalent awards, stock payment awards and performance awards and other stock-based awards, in addition to the number of shares remaining available for future awards under the 2006 Stock Option Plan. The number of shares initially reserved for issuance or transfer pursuant to awards under the 2011 Equity Incentive Plan will be increased

by (i) any shares available for issuance under the 2006 Stock Option Plan or are subject to awards under the 2006 Stock Option Plan that are forfeited or lapse unexercised and which following the effective date of the 2011 Equity Incentive Plan are not issued under the 2006 Stock Option Plan and (ii) an annual increase on the first day of each fiscal year beginning in 2012 and ending in 2021, equal to either 1,500,000 shares or such smaller number of shares of stock as determined by our board of directors. Shares issued pursuant to awards under the 2011 Equity Incentive Plan that we repurchase or that are forfeited, will become available for future grant under the 2011 Equity Incentive Plan on the same basis as the award initially counted against the share reserve. In addition, to the extent that an award is paid out in cash rather than shares, such cash payment will not reduce the number of shares available for issuance under the 2011 Equity Incentive Plan.

As of December 31, 2014, there were 2,112,500 stock options outstanding under the 2011 Equity Incentive Plan and 862,500 stock options were available for grant under the 2011 Equity Incentive Plan. As of December 31, 2013, there were 1,290,000 stock options outstanding under the 2011 Equity Incentive Plan and 1,685,000 stock options were available for grant. The term of any stock option awards under the 2011 Equity Incentive Plan is no more than ten years.

Plan Administration

The 2011 Equity Incentive Plan will be administered by our compensation committee (or another committee or a subcommittee of the board of directors). In the case of awards intended to qualify as "performance-based compensation" within the meaning of Code Section 162(m), the compensation committee will consist of two or more "outside directors" within the meaning of Code Section 162(m).

Subject to the provisions of our 2011 Equity Incentive Plan, the administrator has the power to determine the terms of awards, including the recipients, the exercise price, if any, the number of shares subject to each award, the fair market value of a share of our common stock, the vesting schedule applicable to the awards, together with any vesting acceleration, and the form of consideration, if any, payable upon exercise of the award and the terms of the award agreement for use under the 2011 Equity Incentive Plan. The administrator also has the authority, subject to the terms of the 2011 Equity Incentive Plan, to amend existing awards, to prescribe rules and to construe and interpret the 2011 Equity Incentive Plan and awards granted thereunder.

Stock Options

The administrator may grant incentive and/or nonstatutory stock options under our 2011 Equity Incentive Plan; provided that incentive stock options are only granted to employees. The exercise price of such options must equal at least the fair market value of our common stock on the date of grant. The term of an option may not exceed ten years. Provided, however, that an incentive stock option held by a participant who owns more than 10% of the total combined voting power of all classes of our stock, or of certain of our subsidiary corporations, may not have a term in excess of five years and must have an exercise price of at least 110% of the fair market value of our common stock on the grant date. The administrator will determine the methods of payment of the exercise price of an option, which may include cash, shares or other property acceptable to the plan administrator. Subject to the provisions of our 2011 Equity Incentive Plan, the administrator determines the remaining terms of the options (e.g., vesting). After the termination of service of an employee, director or consultant, the participant may exercise his or her option, to the extent vested as of such date of termination, for the period of time stated in his or her option agreement. Generally, if termination is due to death or disability, the option will remain exercisable for twelve months. In all other cases, the option will generally remain exercisable for three months following the termination of service. However, in no event may an option be exercised later than the expiration of its term.

Stock Appreciation Rights

Stock appreciation rights may be granted under our 2011 Equity Incentive Plan. Stock appreciation rights allow the recipient to receive the appreciation in the fair market value of our common stock between the exercise date and the date of grant. Subject to the provisions of our 2011 Equity Incentive Plan, the administrator determines the terms of stock appreciation rights, including when such rights vest and become exercisable and whether to settle such awards in cash or with shares of our common stock, or a combination thereof, except that the per share exercise price

for the shares to be issued pursuant to the exercise of a stock appreciation right will be no less than 100% of the fair market value per share on the date of grant. The specific terms will be set forth in an award agreement.

Restricted Stock

Restricted stock may be granted under our 2011 Equity Incentive Plan. Restricted stock awards are grants of shares of our common stock that are subject to various restrictions, including restrictions on transferability and forfeiture provisions. Shares of restricted stock will vest and the restrictions on such shares will lapse, in accordance with terms and conditions established by the administrator. Such terms may include, among other things, vesting upon the achievement of specific performance goals determined by the administrator and/or continued service to us. The administrator, in its sole discretion, may accelerate the time at which any restrictions will lapse or be removed. Recipients of restricted stock awards generally will have voting and dividend rights with respect to such shares upon grant without regard to vesting, unless the administrator provides otherwise. Shares of restricted stock that do not vest for any reason will be forfeited by the recipient and will revert to us. The specific terms will be set forth in an award agreement.

Restricted Stock Units

Restricted stock units may be granted under our 2011 Equity Incentive Plan, which may include the right to dividend equivalents, as determined in the discretion of the administrator. Each restricted stock unit granted is a bookkeeping entry representing an amount equal to the fair market value of one share of our common stock. The administrator determines the terms and conditions of restricted stock units including the vesting criteria, which may include achievement of specified performance criteria or continued service to us, and the form and timing of payment. The administrator, in its sole discretion, may accelerate the time at which any restrictions will lapse or be removed. The administrator determines in its sole discretion whether an award will be settled in stock, cash or a combination of both. The specific terms will be set forth in an award agreement.

Performance Awards

Performance awards may be granted under our 2011 Equity Incentive Plan. Performance awards are awards that will result in a payment to a participant only if performance goals established by the administrator are achieved or the awards otherwise vest. The administrator will establish organizational or individual performance goals in its discretion, which, depending on the extent to which they are met, will determine the value of performance awards to be paid out to participants. The specific terms will be set forth in an award agreement, including the performance goals, which may be based on the performance criteria set forth in the 2011 Equity Incentive Plan.

Transferability of Awards

Unless the administrator provides otherwise, our 2011 Equity Incentive Plan generally does not allow for the transfer of awards and only the recipient of an option or stock appreciation right may exercise such an award during his or her lifetime.

Certain Adjustments

In the event of certain changes in our capitalization, to prevent diminution or enlargement of the benefits or potential benefits available under the 2011 Equity Incentive Plan, the administrator will make adjustments to one or more of the number and class of shares that may be delivered under the plan and/or the number, class and price of shares covered by each outstanding award and the numerical share limits contained in the plan.

Merger or Change in Control

Our 2011 Equity Incentive Plan provides that in the event of a merger or change in control, as defined under the 2011 Equity Incentive Plan, each outstanding award will be treated as the administrator determines, except that if a successor corporation or its parent or subsidiary does not assume or substitute an equivalent award for any outstanding award, then such award will fully vest, all restrictions on such award will lapse, and such award will

become fully exercisable, if applicable, for a specified period prior to the transaction. The award will then terminate upon the expiration of the specified period of time.

Plan Amendment, Termination

Our board of directors has the authority to amend, suspend or terminate the 2011 Equity Incentive Plan provided such action does not impair the existing rights of any participant. Our 2011 Equity Incentive Plan will automatically terminate in 2021, unless we terminate it sooner.

For further information and a description of our management employment agreements, see Item 11.

Financial Statements

Our Consolidated Financial Statements dated for the years ended December 31, 2014 and 2013 are posted to the OTC Markets website. Our Consolidated Financial Statements for the years ended December 31, 2014 and 2013 are posted by reference as Exhibit 1.2.

Item 19 Articles of Incorporation and Bylaws.

Copies of our articles of incorporation and bylaws are posted to the OTC Markets website as Exhibits 2.1 and 2.2 dated March 11, 2014.

Item 20 Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

There have been no equity securities purchased by the Issuer and Affiliated Purchasers within the subject period.

Item 21 Issuer's Certifications.

Certification

I, Mark A. Emalfarb, certify that:

1. I have reviewed the Information and Annual Report, exhibits, and all notes thereto of Dyadic International, Inc.;

2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this Annual Report.

Dated March 27, 2015

/s/ Mark A. Emalfarb

By: Mark A. Emalfarb
Title: President and Chief Executive Officer

Certification

I, Thomas L. Dubinski, certify that:

1. I have reviewed the Information and Annual Report, exhibits, and all notes thereto of Dyadic International, Inc.;

2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Annual Report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this Annual Report.

Dated March 27, 2015

/s/ Thomas L. Dubinski

By: Thomas L. Dubinski
Title: Vice President and Chief Financial Officer