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

Issuer's Annual Report

For the year ended December 31, 2015

ISSUER'S EQUITY SECURITIES

COMMON STOCK

$0.001 Par Value Per Share
100,000,000 Shares Authorized
40,298,324 Shares Issued and Outstanding as of December 31, 2015
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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Special Cautionary Note Regarding Forward-Looking Statements

Information (other than historical facts) set forth in this Annual Report contains forward-looking statements within the meaning of the Federal Securities Laws, 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. Such forward-looking statements are included under Item 4 – "Management's Discussion and Analysis". 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 within and/or beyond Dyadic's control. These factors include, but are not limited to, our ability to implement our strategic initiatives, our ability to generate up front license fees, and to earn and collect milestones and royalties, the outcome of the current litigation by Dyadic against its former counsel, our ability to maintain and obtain customers, our ability to execute and achieve our research and development objectives, our ability to develop new products and the registration of those products, our ability to 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 protect our proprietary information, trade secrets and file, maintain and defend our intellectual property, our ability to hire and maintain, as well as our reliance on qualified employees and professionals, including scientific, accounting and business personnel, economic, political and market conditions and price fluctuations, government and industry regulation, U.S. and global competition, upgrade financial staffing, implement and monitor internal controls, and comply with financial reporting requirements, and other factors. We caution you that the foregoing list of important factors is not exclusive. 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 highly regulated, competitive and rapidly changing environment. Our competitors have far greater resources, infrastructure and market presence than we do which makes it difficult for us to enter certain markets, and/or to gain or maintain customers. 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 carefully read the information set forth under the caption "Risk Factors" and elsewhere in this Annual Report which 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 reasonable, 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 publicly update 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.

We qualify all of our forward-looking statements by these cautionary statements. In addition, with respect to all of our forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

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 and Telephone Number 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 L. Dubinski Chief Financial Officer 140 Intracoastal Pointe Drive, Suite 404 Jupiter, Florida 33477 Telephone: (561) 743-8333 Facsimile: (561) 743-8343 Email: tdubinski@dyadic.com

Item 3 The Jurisdiction 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, 2015, 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 tier 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.

None of Dyadic's common stock has been registered under the Securities Act of 1933, as amended (the "Securities Act") or qualified under any state securities laws, although we are continuing to explore when, if, and under what circumstances to register or qualify one, or both classes of our securities. Certain shares of our common stock are currently eligible for resale in the public market pursuant to the exemption from registration offered by Rule 144 under the Securities Act ("Rule 144"). The remaining outstanding shares of our common stock are "restricted securities" within the meaning of Rule 144, and may be eligible for resale in the future.

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, 2015, we had outstanding options to purchase an aggregate of 3,711,250 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 $1.63 per share. Options outstanding that were exercisable at December 31, 2015 totaled 3,711,250.

Item 6 The Number of Shares or Total Amount of the Securities Outstanding for Each Class of Securities Authorized

As of December 31, 2015, Dyadic had 100,000,000 shares of common stock authorized. As of December 31, 2015 and 2014, there were shares of common stock issued and outstanding of 40,298,324 and 34,142,505, 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

Dyadic's common stock has a par value of $0.001 per share. The following table shows our common stock share ownership as of December 31, 2015:

	As of Years Ended December 31		
	2015	**2014**	**2013**
(i) Number of shares authorized	100,000,000	100,000,000	100,000,000
(ii) Number of shares outstanding	40,298,324	34,142,505	34,028,245
(iii) Number of shares freely tradable (public float)	24,272,217	18,290,102	19,512,656
(iv) Number of unaffiliated beneficial holders of freely tradable shares	(1)	(2)	(3)
(v) Number of holders of record	52	52	61

(1) As of December 31, 2015 there were greater than 1,800 beneficial shareholders owning at least 100 shares of the Company's common stock and 52 shareholders of record

(2) As of December 31, 2014 there were greater than 2,200 beneficial shareholders owning at least 100 shares of the Company's common stock and 52 shareholders of record.

(3) 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.

Preferred Stock

Dyadic's preferred stock has a par value of $0.0001 per share. The following table shows our Preferred Stock share ownership as of December 31, 2015:

	As of Years Ended December 31		
	2015	**2014**	**2013**
(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 International, Inc. is a global biotechnology company based in Jupiter, Florida with a foreign subsidiary, Dyadic Nederland, BV, which maintains a small satellite office in Wageningen, The Netherlands. Over the past two decades the Company has developed a method for producing commercial quantities of enzymes and other proteins which it used to develop and produce some of its own industrial enzymes, as well as licensing this technology to third parties such as Abengoa Bioenergy, BASF, Codexis and others. This technology is based on the Myceliopthora thermophila fungus, which the company named C1. The C1 technology is a robust and versatile fungal expression system for gene discovery, development, expression and production of enzymes and other proteins.

The Company has long believed that the pharmaceutical field is one of the most attractive opportunities in which the C1 technology may be applied. The C1 technology platform has potential to be a safe and efficient expression system that may help speed up the development and production of biologics at flexible commercial scales. In particular, as the aging population grows in developed and undeveloped countries, Dyadic believes C1 can help bring biologic drugs to market faster, in greater volumes and at lower cost to drug developers and manufacturers. This can potentially improve access and reduce costs to patients and the healthcare system.

On December 31, 2015 the Company completed the sale of substantially all of the assets of its Industrial Technology business to DuPont's (NYSE: DD) Industrial Biosciences business for $75 million in cash (the "DuPont Transaction"). The Agreement provides for $8 million of the purchase price to be held in an escrow account for 18 months to ensure Dyadic's obligations with respect to certain indemnity claims and working capital adjustments. In connection with the DuPont Transaction, DuPont has granted back to Dyadic co-exclusive rights to the C1 technology for use in human and animal pharmaceutical applications, with the exclusive ability to enter into sub-license agreements in that field. DuPont will retain certain rights to utilize the C1 technology for use in pharmaceutical applications, including development and production of pharmaceutical products, for which it will make royalty payments to Dyadic upon commercialization. In certain circumstances, Dyadic may owe a royalty to either DuPont or certain licensor's of DuPont depending upon whether Dyadic elects to utilize certain patents either owned by DuPont or DuPont's licensors. The current escrow amount of $7,361,182 in the accompanying balance sheet is net of contractual working capital adjustments agreed to by the parties.

The combination of a portion of the proceeds from the DuPont Transaction and possible additional industry and government funding that will be sought are expected to provide Dyadic with the opportunity to accelerate the further development and optimization of the C1 technology in the area of biopharmaceuticals. In addition, the unique attributes of C1 may create attractive research, licensing, collaboration and other opportunities if C1 demonstrates operational efficiencies and reduced capital requirements for biologic drug manufacturers.

Currently, we intend to continue our existing program with Sanofi Pasteur and our EU-funded ZAPI vaccination program. The Company has initiated internally funded research & development pharmaceutical programs and is reviewing its options regarding its future internal and external pharmaceutical research initiatives. The Company plans to initially use contract research organizations to carry out its research and development activities. As part of the negotiated terms of the DuPont Transaction, the Company has begun to fund its research efforts at the Company's former research center in Wageningen, The Netherlands, which was acquired by DuPont. If the Company is able to successfully demonstrate C1's capabilities in developing biologics, management will consider setting up its own research and development site to carry out its business plan.

Going forward, the Company's focus will be related to leveraging the patented and proprietary C1 expression system to help speed up the development and production of biologic drugs at flexible commercial scales for its use in the discovery, development, and manufacturing of human and animal vaccines, monoclonal antibodies, biosimilars and/or biobetters, and other therapeutic proteins.

For further description of the Issuer's business, see Note 1 to our Consolidated Financial Statements dated December 31, 2015 and 2014, included in Item 12. of this Annual Report.

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.

On December 31, 2015 the Company completed the sale of substantially all of the assets of its Industrial Technology business to DuPont's (NYSE: DD) Industrial Biosciences business for $75 million in cash (the "DuPont Transaction"). In connection with the sale of our Industrial Technology business, we have reclassified the revenues and expenses of our industrial technology business to "income (loss) from discontinued operations" and the related assets and liabilities to "assets held for sale" and "liabilities related to assets held for sale" for the years ended December 31, 2015 and 2014, as presented in the accompanying consolidated financial statements. Note 2: Discontinued Operations provides the details of the assets and liabilities related to discontinued operations at December 31, 2014 and the combined results of operations and cash flows from discontinued operations for the years ended December 31, 2015 and 2014. As a result of the transaction the Company has only one operating segment.

The Company has reclassified certain 2014 cost amounts previously reported to conform to the 2015 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.

In connection with the closing of the Transaction, all of Dyadic's outstanding debt has been repaid or converted into shares of Dyadic's common stock. A total of $8,110,787 in convertible debt and $170,387 in accrued interest was exchanged for 6,117,694 shares of Dyadic's common stock and 1,052,496 warrants with a $1.48 per share strike price with a December 31, 2016 expiration date. A total of $ 550,000 in convertible debt and $11,090 in accrued interest was repaid in cash and 94,780 warrants with a $1.48 per share strike price with a December 31, 2016 expiration date to convertible debt holders who elected not to convert. In addition, the outstanding non-convertible note of $1,424,941 and accrued interest of $34,121 was repaid in cash.

The Issuer has not experienced any other increases 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. The Board of Directors has authorized a stock repurchase program, under which the Company may repurchase up to $15 million of its outstanding common stock. Under the stock repurchase program, Dyadic may repurchase shares in open-market purchases in accordance with all applicable securities laws and regulations, including Rule 10b-18 of the Securities Exchange Act of 1934, as amended. The extent to which Dyadic repurchases its shares, and the timing of such repurchases, will depend upon a variety of factors, including market conditions, regulatory requirements and other corporate considerations, as determined by Dyadic's management. The repurchase program may be extended, suspended or discontinued at any time. The Company expects to finance the program from existing cash resources.

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, 2015 and 2014, included in *Item 12*. of this Annual Report.

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 its 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. Two of the original defendants have settled, while claims against the remaining defendants, the law firms of Greenberg Traurig, LLP, and Greenberg Traurig, P.A., Bilzin Sumberg Baena Price & Axelrod LLP and and the estate for former Greenberg Traurig attorney Robert Schwimmer, are still 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, 2015 and 2014, included in *Item 12*. of this Annual Report.

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, 2015 and 2014 included in *Item 12*. of this Annual Report.

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 C1 Platform Technology.

The Issuer's subsidiaries are included in its consolidated financial statements included in *Item 12*. of 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 or its licensees 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. For further discussion, see the section entitled "Risks Related to Our Biopharmaceutical Business" in this Annual Report.

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, 2015 and 2014, included in *Item 12*. of this Annual Report. The Company intends to continue its investment in research and development to further advance its technology.

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 research organization(s) and manufacturer(s) are subject to such compliance with environmental laws and this may have a negative impact on our costs, product availability and business.

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

As of December 31, 2015, Dyadic had a total of 11 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 goals. 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, 2015 and 2014 included in *Item 12*. of this Annual Report.

B. Distribution methods of the products or services.

We are a biotechnology company focused on further developing and licensing the C1 platform for use in human and animal pharmaceutical applications world-wide. The platform has the potentially to be a safe and efficient expression system that may improvement the development and production of pharmaceutical products. We utilize on contract research organizations and manufacturers to deliver our products and services. At this time, we utilize primarily two business development resources, one in the United States and the other in Europe, to market and sell our products and services in the United States market and international markets.

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

As a global biotechnology company, we 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, 2015 and 2014 included in *Item 12*. of this Annual Report.

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

The biopharmaceutical industry in which we operate has 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 Related to Our Biopharmaceutical Business" 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 certain materials and services, which are available for sale but subject to pricing and availability fluctuations. We rely on contract research organizations to perform research on our and our licensees' behalf. DuPont Biosciences is our principal supplier, which provides substantially all of our research needs. Our licensees also utilize various contract manufactures for the production of their products.

F. Dependence on one or a few major customers.

As a result of the DuPont Transaction, we should be viewed as an early stage Company focused on positioning our technology for application in the biopharmaceutical industry. We will be dependent on a few customers until we establish our technology in the marketplace. We have two biopharmaceutical customers at December 31, 2015, we intend to continue our existing program with Sanofi Pasteur and continue, subject to EU regulatory approvals, with our EU-funded ZAPI vaccination program. The Company has initiated internally funded research & development pharmaceutical programs and is reviewing its options regarding its future internal and external pharmaceutical research initiatives.

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

On December 31, 2015, Dyadic sold to DuPont substantially all of its Industrial enzyme and technology assets, including its C1 platform, a technology for producing enzyme products used in a broad range of industries.

DuPont has granted back to Dyadic co-exclusive rights to the C1 technology for use in human and animal pharmaceutical applications, with exclusive ability to enter into sub-license agreements in that field. DuPont will retain certain rights to utilize the C1 technology for development and production of pharmaceutical products, for which it will make royalty payments to Dyadic upon commercialization. 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 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 all of the matters described in this Annual Report for the twelve months ended December 31, 2015 and the "risk factors" included in this Annual Report, in evaluating our current business and future performance. We cannot assure you that any of the events discussed in the risk factors will not occur. If we are not able to successfully address any of the 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, 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 Annual Report for the twelve months ended December 31, 2015 constitute forward-looking statements. Please refer to the section entitled "Special Cautionary Notice 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

We may not be successful in implemeting our new business strategy.

After the closing of the sale of substantially all the assets of our Industrial Technology business to DuPont's Industrial Biosciences business ("DuPont") for $75 million in cash (the "Transaction") which closed on December 31, 2015 the Company is focused on its biopharmaceutical business. DuPont has granted back to Dyadic co-exclusive rights to the C1 technology for use in human and animal pharmaceutical applications, with exclusive ability to enter into sub-license agreements in that field. DuPont retains certain rights to utilize the C1 technology for development and production of pharmaceutical products, for which it will make royalty payments to Dyadic upon commercialization. There is no visibility into DuPont's intentions, nor can we be assured that DuPont will pursue the use of the C1 technology to develop or manufacture pharmaceutical products, and we cannot predict if, or when we might receive any royalties from DuPont now or in the future. Therefore our business has changed dramatically as compared to the past as we no longer have any product revenue related to our enzyme business. We have begun to try and leverage the C1 technology into the pharmaceutical market which is relatively new to us. This change in our business makes it difficult to evaluate our current business and to predict our future performance.

As we attempt to leverage the C1 technology into the pharmaceutical market which is relatively new to us, 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, among others, our ability to successfully further develop the C1 technology, 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 developing and manufacturing pharmaceutical proteins produced from a filamentous fungus, such as the C1 fungus is a market that is not yet established and is subject to a high level of regulatory hurdles from the FDA and other governmental bodies and there is a risk that such technologies will not be adopted by the pharmaceutical industry or governmental agencies and therefore not succeed and/or not grow at the rates projected whether delayed or at all.

With respect to our focus on 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 regulatory, manufacturing, 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 or their 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 and they will not be successful unless these products gain regulatory approval and market acceptance.

Because of the numerous risks and uncertainties associated with 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 and/or commercial milestones, access fees and royalties, product and/or process 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 additional safety studies such as toxicology & pathogenicity studies, clinical trials, preclinical studies, animal or human studies or the development of any of our or our collaborators product candidates.

As a result of the evolving nature of our business, and the change of our business focus targeting the biopharmaceutical industry, or other changes that we may make as we move forward, our operating history in past periods will 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 this new line of business because of the developing and risky nature of our businesses. The biopharmaceutical industry is a very high risk industry in that even if we are successful at expressing certain proteins, these proteins may fail to be advanced or approved for use or sale for many reasons including performance, safety and regulatory reasons. 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 and regulatory 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 previous announcements by Codexis and Abengoa, two of our prior licensees. We have been working with Sanofi Pasteur on and off since 2011 in a research project where we have been working together to try and develop a vaccine. There have been scientific and business challenges during this time frame and further delays, and/or the inability to demonstrate commercial viability of this vaccine, or for any other reason Sanofi Pasteur may decide to walk away from such project will negatively impact our business and our financial results. The delay or inability to obtain research funding, government grants, or future licensees or collaborators and 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 $18.7 million at December 31, 2015. In prior years, we have derived revenue from licensing, licensing milestones and a very small amount of royalties from the licensing of the C1 Expression System to third parties mainly within the Industrial Biotechnology markets, the operation of our industrial enzyme business and the collection of R&D fees from third parties. Our profitability has strongly relied on, and will be even more reliant going forward on licensing partnerships and other forms of collaborations. We believe that it is likely that if we do not sign license deals or other forms of collaborations, we will incur losses in the near term primarily because of our planned levels of R&D and additional general and administrative expenditures that we believe is necessary to further develop the C1 technology for use in the pharmaceutical business and the continued expenses and cost associated with the lawsuit against our former outside legal counsel and other related events. The amount of our future net losses will depend, in part, on the rate of increase in our expenses along with other potential cost of unforeseen circumstances, our ability to generate research funding, government grants, receipt of access fees, milestones, royalty and other payments, and if we are able to generate revenues by entering into license agreements or other forms of collaborations, launch new products and/or processes from future licensees or collaborators, and our ability to raise additional capital. The net losses we anticipate incurring over the next several years will have an adverse effect on our stockholders' equity and working capital.

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 current collaborations, such as the Sanofi Pasteur collaboration is uncertain. Additionally, we will are highly dependent upon our ability to maintain our current collaborations, enter into new research projects, obtain new government grants and enter into new licensees and other forms of collaborations and to meet R&D and commercialization objectives under new and existing agreements.

The R&D efforts needed to enhance the C1 technology for use in developing and manufacturing biopharmaceuticals will require significant funding and increased staffing; therefore, we expect near-term operating and research expenses to continue, and maybe even accelerate as we further develop our research and business plans, and our goals and objectives. Consequently, we will require significant additional revenue to achieve profitability. We cannot provide assurance that we will be able to generate any revenues from our focus and efforts as we try and leverage the C1 technology into the pharmaceutical industry. If we fail to enter into new license agreements or other forms of collaborations, conclude a revenue event with Sanofi Pasteur related to the research project or to generate revenues and profit from additional research projects and government grants, the market price of our common stock will likely decrease. Further regulatory complications, competition from other technologies, or delays in being able to get the pharmaceutical industry to adopt the use of the C1 technology may force us to reduce our staffing and research and development efforts which may further 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 further develop, engineer and optimize the C1 Expression System and our other proprietary technologies and products and processes for licensing and commercialization of potential animal and human pharmaceutical products.

Our need for additional capital, if any, will depend on many factors, including (i) the technical and financial success of our efforts to enter the pharmaceutical industry, (ii) the progress and scope of our collaborative and independent R&D projects including the research results ongoing with Sanofi Pasteur, the European Zoonoses Anticipation and Preparedness Initiative (ZAPI) project and other ongoing and future potential projects, (iii) the receipt of future potential milestones, royalties and other payments from future licensees or other types of collaborations if any, and in particular whether the research project with Sanofi Pasteur generates a license or other payment, (iv) our ability to obtain payments from other potential pharmaceutical business customers through research funding, milestones, license agreements and other forms of collaborative agreements, (v) the extent to which we can obtain licensees, or other types of collaborative partnerships for the research, development and commercialization of proteins in the biopharmaceutical industry, (vi) the effect of any acquisitions of other technologies and/or businesses that we may make in the future, (vii) the filing, prosecution, enforcement and defense of patent claims and/or infringements, and (viii) the length and outcome of the ongoing litigation against our former legal counsel.

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 are dependent on several key collaborations and 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 technologies and products and achieve or sustain profitability.

Our R&D revenue comes from a relatively small number of research collaborations. These collaborations could be delayed as they have in the past, or be discontinued at any time with little advance notice required. We expect it to take a period of time before we will be successful, if at all, in obtaining additional research funding from industry and/or governmental sources. Therefore for the time being most of the research funding to further technology and product development will be incurred directly by the Company without any expense reimbursement from existing or new licensees and collaborators.

Our ability to enter into, maintain and manage collaborations in our target market is fundamental to the success of our business. We currently rely and expect to rely on our current and future partners, in part, for carrying out research & development, manufacturing and distribution, sales and marketing services, application and regulatory know how, and we intend to continue to do so for the foreseeable future. In addition, we intend to enter into additional strategic or other types of collaborations to develop, produce, market, license and sell our technologies and products and processes we anticipate developing. However, we may not be successful in entering into collaborative arrangements with third parties for the development, production, sale and marketing of our technologies or products or processes. Any failure to enter into collaborative arrangements on favorable terms could delay or hinder our ability to develop and commercialize our technologies, and products processes and could increase our costs of research and development and commercialization. We may have to give exclusive rights in certain pharmaceutical fields, in order to attain additional funding, which could restrict our ability to further sublicense or leverage the C1 technology and other technologies in the pharmaceutical field to other parties.

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

Fluctuations in the R&D budgets of government agencies, our customers, licensees, collaborators and research partners could have a significant impact on the interest in and demand for our technology and products and processes. R&D budgets fluctuate due to changes in available resources, consolidation in the pharmaceutical, 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 pharmaceutical 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 the pharmaceutical field 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 pharmaceutical fields, or over 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 revenues and profits.

Some of our collaborators and/or licensees could also become competitors in the future. Our collaborators and/or licensees could develop competing technologies or products, preclude us from entering into collaborations or license agreements with their customers, could fail to obtain timely regulatory approvals, terminate their agreements with us prematurely or fail to devote sufficient resources to the development and commercialization of their technology and products and processes. Any of these developments could harm our technology development and value, product development efforts, revenue, profits and overall business.

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 products and processes 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 or our collaborators or licensees ability to develop pharmaceutical products discovered, developed and manufactured through the C1 Expression System and our other technologies if developed in the future. 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 to produce biologic drugs. Concerns, whether justified or not, about the C1 Expression System, particularly the expression of genes from C1 for pharmaceutical purposes, and the 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, animals or humans may influence public attitudes. Our and our licensees' genetically engineered products may not gain public acceptance in the pharmaceutical or other 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 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 or other requirements.
- government regulations are changing rapidly, which likely will result in greater government regulation of genetic research and derivative technologies and products derived from such technologies, making approvals of such technologies and the products derived from such technologies to be delayed, more expensive with added risks.

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 biopharmaceutical industry is characterized by rapid technological change, and the area of gene and protein research, and platform development 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 biopharamceutical products we or our collaborators or licensees develop through the C1 Expression System will compete in highly competitive and regulated 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 technology and products. Accordingly, our competitors may be able to develop technologies and products more rapidly. If a competitor develops superior technology or more cost-effective or better qualitative alternatives to our and our collaborators' or licensees' technologies, 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 biopharmaceutical business. 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.

The pharmaceutical industry is typically very conservative, and highly resistant to change. Pharmaceutical companies are usually more focused on the qualitative and safety aspects of the products rather than on the actual cost or potential cost savings of producing such safe pharmaceutical products. It is expected to be a very difficult task, and it is expected to take a very long time to get the pharmaceutical industry to adopt a new expression system, including the C1 expression system. Even if the C1 technology delivers on its promise of expressing high volumes of low cost proteins with the proper qualitative properties without negative side effects, it is still expected to take a very long time to obtain adoption of the C1 expression system by both the pharmaceutical industry and governmental regulatory agencies.

Customers may expect the continued need for improving the C1 Technology platform itself, and for its use in various applications in the pharmaceutical market, 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 balance our cash burn with technology development, advancement and value creation of such technologies;
- 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;

- Implementation and oversight of our operational and financial control systems;
- Recruiting and training programs;
- Access to manufacturing capacity;
- Access to additional growth capital;
- Recruit and maintain board members and scientific advisory board members;
- Scientific risks and uncertainties that may arise during our R&D program; and
- Litigation risks and uncertainties that may arise out of our business, and the ongoing litigation against our former legal counsel.

Our ability to offer technology, 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 research, 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 workforce. We will also need to continue to advance our technologies and develop processes in order to manufacture our products efficiently and to retain resources or adjust resources and expenses related to R&D, regulatory, marketing, manufacturing, sales and other administrative activities in response to changes in our business. If we are not successful in efficiently further developing the C1 technology for use in the pharmaceutical industry, new processes and 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 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 and collaborators may be 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 and collaborators related to when milestones are earned, if any, when royalties are earned, if any, as well as other types of potential revenues. 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 Efforts to Enter the Pharmaceutical Industry

Our revenue growth depends on many factors, including market and regulatory acceptance of the C1 technology to develop and manufacture animal and/or human pharmaceutical products.

The future success of our pharmaceutical business will depend greatly on our ability to continuously develop, register, and introduce new and better performing technologies and products in a timely manner that address the evolving requirements of the pharmaceutical industry and potential customers. There is no assurance that the C1 technology or any product expressed therefrom will perform better, save our customers money over existing gene expression technologies of our competitors, provide them with other benefits, be registered or will gain market acceptance. We are relying on our ability to further develop the C1 Expression System and other technologies to enter into the pharmaceutical industry. If we fail to develop new and better performing technologies and products and processes, continue to make fermentation yield improvements on our existing production processes (or productivity gains) or gain registration, and market acceptance of the C1 technology and any new product or process introductions, we could fail to recoup an adequate return on our R&D investment and fail to capitalize on potential opportunities and gain market share against our competitors, which may be difficult or impossible to achieve. Any inability, for technological, regulatory, or other reasons, on our part to successfully develop and launch improved technologies, and new products, could prevent the receipt of revenue or otherwise negatively impact our business.

The dynamic and conservative nature of the pharmaceutical industry, the unpredictable nature of the product development process and the time and cost of new technology adoption in the pharmaceutical industry may affect our ability to meet the requirements of the marketplace or achieve market and/or regulatory acceptance. Some of the factors affecting market and regulatory acceptance of our technologies and products include:

- Availability, quality, performance and price of competitive products;
- Functionality and cost of new and existing technologies and products;
- Timing of product introduction, performance and pricing compared to our competitors;
- Scientists', customers' and regulatory agencies opinions of our technology and products' utility and our ability to effectively incorporate their feedback into future technology development or product offering;
- The status of C1 and other expression technologies including other microbial systems as to safety, quality, purity and expression levels, capital expenditure intensity, operating costs, and continually changing governmental and industry regulatory requirements;
- The impact of our Intellectual property, and that of our competitors
- Competition with and against much larger companies; and
- Regulatory hurdles, timing, costs and receipt of approvals.

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

Our dependence on contract manufacturers could harm our business.

Our lack of our own manufacturing capabilities, and any current or future arrangements with third parties for these activities, may not be adequate for the successful commercialization of pharmaceutical products. If we require manufacturing capacity and are unable to obtain it in sufficient quantity, quality, at economically viable production levels or in a timely manner, we and/or our licensees and collaborators may not be able to develop and launch products, or may be required to make substantial capital investments to build pharmaceutical production capacity.

We are dependent upon the performance and production capacity of third-party manufacturing parties. If we require manufacturing capacity and are unable to obtain it in sufficient quantity and quality, we may not be able to offer our technologies or products for license, or sale, 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 unfavorable. Additionally, it could take several years or longer before a manufacturing facility is able to be brought online 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.

If we were required to seek alternative contract maufacturers, such contract manufacturers may require capital investment and time to qualify production of our or our collaborators products and substantial disruption to our business could still result from any delays or disruptions in finding appropriate alternatives to our third-party manufacturer(s).

If such an event took place, that we had to build our own or assist in the retrofitting of an existing manufacturing facility, we would need to raise additional capital through equity or debt. This would restrict our ability to fund technology and 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 biologic products using genetically engineered microorganisms

(GMOs). 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 or their 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 may be as or 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 biological products.

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. 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.

We have not applied C1-based technologies in the biopharmaceutical market yet nor completed the commercialization of any therapeutic proteins, antibodies and vaccines. Currently, our most advanced project, with Sanofi Pasteur, needs further research and development in order to continue forward. We have no assurances from Sanofi Pasteur that they will continue funding or advancing this vaccine research program. We have delivered to Sanofi Pasteur protein from such research program and Sanofi Pasteur has reported to us that the single protein tested to date in mice trials was encouraging and that Sanofi Pasteur intends on running additional mice trials if, and when we are able to deliver Sanofi Pasteur the necessary quality and quantity of additional proteins of interest to them. Sanofi Pasteur is expected to determine the level and type of immunogenic response of these additional proteins in mice trials, and from those results Sanofi Pasteur will determine what, if any, future funding, research support and direction this program will take including a potential license fee if Sanofi Pasteur and the Company decide to enter into such a license. If the C1 expression system does not reach performance end points, as we anticipate it will, we may be forced to terminate our biopharmaceutical business operations. Even if we or our collaborators successfully develop a commercial product using the C1 Expression System, we may not generate significant research funding, 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 for a number of reasons 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 the C1 Expression System for the expression of pre-clinical and clinical quantities of therapeutic proteins, antibodies and vaccines is still in early development. Furthermore, we may not be able to expand the capabilities of our technology to produce research and/or 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 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 has cost 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 Expression System 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 the 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.

The 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 could produce therapeutic products and enzymes that have safety, toxicity, immunogenicity and other issues associated with them. The 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 the 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, toxicity, immunogenicity and other issues will not arise in current or future product development and manufacturing programs due to fermentation, inherent properties 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.

Alternative technologies may not require microbial or other cell produced proteins.

Research is being conducted with cell or gene based therapies that offer a possible alternative to producing proteins as they are today based on microbial, organic matter containing Carbon, Hydrogen, and Oxygen ("CHO") or other organisms, that may allow genes to be directly inserted into cells that can be implanted into animals and humans directly, displacing the need for the existing methods used for development of biologic drugs. If they are successful,

these new methods may supplant or greatly reduce the need for microorganisms, CHO or other organisms to produce these proteins externally as the injected cells in animals and human may be able to do so internally.

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 technology and product development programs, harm our R&D efforts, and we may be unable to pursue licenses and other forms of collaborations or develop our own products.

As a result of the Transaction we no longer have our own research & development laboratory in which to perform our research and development efforts. We are dependent on being able to enter into research and development agreements with third party research organizations. The Company has funded research projects ongoing at our former research center now owned and operated by DuPont. We have arranged with DuPont, under the Pharma License, that DuPont will provide such research services for up to three years, and if renewed will likely be at a higher price and under different terms and conditions than the current pricing level negotiated under the Pharma License.

We are dependent upon the availability and performance of third-party research organization, such as DuPont, which owns and operates our former research center in Wageningen, The Netherlands. If we require research capacity and/or capabilities and are unable to obtain it in sufficient quantity, and quality we may not be able to offer our technologies or products for license, or sale, or we may be required to make substantial capital investments to build out that capacity or to contract with other research organizations on terms that may be less favorable than what we are now paying DuPont or which we incurred when we owned and operated the Wageningen, The Netherlands research facility. Additionally, it could take a year or longer before a company owned research facility is able to be brought online to carry out the necessary technology and product development efforts of the Company. Any resources we expend on acquiring or building internal research capabilities could be at the expense of other potentially more profitable opportunities. In addition, if we contract with other research organizations, we may experience delays of several months in qualifying them or in starting up research programs at these facilities, which could harm our relationships with our licensees other forms of collaborators or customers and could negatively affect our revenues or operating results.

If we were required to seek alternative third-party research organizations, we have completed evaluations of certain contract research organizations over the past year, and have determined a number of potential alternatives exist. These contract research organizations may require capital investment and time to qualify them or to start our research programs which could harm our relationships with our licensees other forms of collaborators or customers and could negatively affect our revenues or operating results.

If we were unsuccessful in retaining an contract research organization and were required to build our own or assist in the retrofitting of a research facility, we may need to raise additional capital through equity or debt. This would restrict our ability to fund technology and product development and technology and application research.

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 research and scientific, regulatory, licensing, sales, marketing, management, accounting and finance and other personnel. The inability to acquire or develop this expertise or the loss of principal members of our management, accounting and finance, sales, and scientific staff could impair the growth, if any, of our business. Competition for experienced personnel from numerous companies, academic institutions and other research facilities may limit our ability to attract and retain qualified management and scientific personnel 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 Defendants Greenberg Traurig, LLP, Greenberg Traurig, P.A. (collectively, "Greenberg Traurig") and the Estate of Robert I. Schwimmer, who previously represented the Company while an attorney at Greenberg Traurig, and also against Defendant Bilzin Sumberg Baena Price & Axelrod LLP ("Bilzin Sumberg"). 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 two of the original defendants have already settled, Jenkens & Gilchrist, P.C. settled with us and the Company received $525,000 on August 8, 2012, and Moscowitz & Moscowitz, PA, Norman Moscowitz and Jane Moscowitz settled with us and the Company received $2,170,000 in August, 2015, claims against the remaining defendants remain pending. The Company continues to vigorously prosecute this litigation, 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 March 2, 2016 the Court issued an Order scheduling the lawsuit for a six-week jury trial commencing January 6, 2017.

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 in our and DuPont's (as part of the DuPont transaction patents were assigned to DuPont) ability to maintain adequate protection of our other intellectual property for our technologies and products in the United States and other countries. If we or DuPont 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.

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, and in certain instances the C1 patents assigned to DuPont, 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 DuPont and our licensees and other collaborators, may independently develop similar or alternative technologies or design around our or DuPont's 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 will continue to review its existing and potential patent positions and rights. Based on our analysis if and when the commercial opportunities and patent enforceability are questionable, we may abandon certain patents in some countries. There is a risk that we will abandon 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 the 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 that we or DuPont would likely take appropriate action, which could include litigation. The outcome of any action we or DuPont may 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 or DuPont to stop the infringement of our or their 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 or DuPont's efforts to protect 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 or DuPont's 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 years ended December 31, 2015 and 2014, we conducted research & development activities for third parties in Euros. In the conduct of our business, in certain instances, we are required to pay our obligations in currencies other than U.S. dollars, such as Euros. Accordingly, we are exposed to changes in currency exchange rates with respect to our international research and payment obligations.

Fluctuations in currency exchange rates have in the past and may in the future negatively affect our ability to price our research and development services competitively against other research service providers 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.

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 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.

The Transaction resulted in a taxable gain for U.S. federal and state and income tax purposes in an amount equal to the purchase price received less Dyadic's adjusted tax basis in the assets being sold. Dyadic's gain for U.S. federal income tax purposes was offset by available net operating losses of $60.4 million, subject to applicable limitations. The Transaction was subject to a federal alternative minimum tax 90% of NOL's limitation despite our existing tax losses and credits. NOL's for the years ended December 31, 2015 and 2014 were $5.8 million and $66.2 million, respectively. The remaining NOLs at December 31, 2015 will more likely than not be utilized in 2017 when any amounts held in escrow in connection with the Trasaction are released.

Risks Related to Our Stock Buy-back Program

The repurchase program may be extended, suspended or discontinued at any time, which may make the price of our shares of common stock likely to be volatile, and price of our shares of common stock could decline.

In connection with the execution of the DuPont Transaction, our Board of Directors authorized a stock repurchase program, under which the Company may repurchase up to $15 million of its outstanding common stock.

Under the stock repurchase program, Dyadic may repurchase shares in open-market purchases in accordance with all applicable securities laws and regulations, including Rule 10b-18 of the Securities Exchange Act of 1934, as amended. The extent to which Dyadic repurchases its shares, and the timing of such repurchases, will depend upon a variety of factors, including share price, market conditions, regulatory requirements and other corporate considerations, as determined by Dyadic's management. The repurchase program may be extended, suspended or discontinued at any time. The Company expects to finance the program from existing cash resources.

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, 2015 through December 31, 2015, the price of our common stock has fluctuated from a high of $1.85 per share to a low of $0.80 per share. The trading prices of biotechnology company stocks in general tend to experience extreme price fluctuations. The valuations of many biotechnology 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 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, DuPont or our competitors;
- Announcements by us, DuPont, Sanofi Pasteur or our licensees and collaborators relating to our relationships or either of our relationships with other third parties;
- Coverage of, or 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 areas within the pharmaceutical industry into which we can leverage the 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, DuPont 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 our debt position;
- Developments in patent or other proprietary rights held by us, DuPont or by others;
- Negative effects related to the stock or business performance of DuPont, our licensees, or the abandonment of projects using our technology by our licensees and/or collaborators;
- Scientific risks inherent to emerging technologies such as the C1 Expression System;
- Set-backs, and/or failures, and or delays in our or our licensees' or collaborators R&D and commercialization programs;
- Delays or failure to receive regulatory approvals by us, DuPont and/or our licensees;

- Loss or expiration of our or DuPont's intellectual property rights;
- Lawsuits initiated by or against us or DuPont;
- Period-to-period fluctuations in our operating results;
- Future royalties from product sales, if any, by DuPont, our strategic partners or collaborators;
- 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 or cancellations of our 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;
- Setbacks, or delays in our research and development efforts to develop and produce biologics.
- Setbacks, or delays in our research and development efforts to re-engineer the C1 technology for its application and use in developing and producing biologics.
- The speed, and success rate of our discovery and research and development efforts leading to potential licenses, or other forms of collaborations, access fees, milestones and royalties;
- The timing and willingness of collaborators and licensees to commercialize their products which would result in potential milestones and royalties;
- General and industry specific economic conditions, which may affect our collaborators' and licensees' R&D expenditures;
- The adoption and acceptance of the C1 Expression System by pharmaceutical companies and regulatory agencies;
- The addition or loss of one or more of the collaborative partners, grants, research funding, or licensees we are working with to further develop and commercialize our technologies and products in the pharmaceutical industry;
- 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 the C1 Expression System and new screening technologies competitive with our High-throughput screening ("HTS") technology which are both under further development for use in developing and manufacturing of biologics;
- The ability to enter into new research projects, grants, licenses or other forms of collaborations and generate revenue from such parties;

- Scientific risk associated with emerging technologies such as the C1 Expression System;
- Failure to bring on the necessary research and manufacturing capacity if required;
- Uncertainty regarding the timing of research funding, grants or 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. Accordingly, if revenues do not grow as anticipated due to the expiration of research contracts or government research grants, we fail to obtain new contracts, licensees or other forms of collaborations or other factors, we may not be able to correspondingly reduce our operating expenses. If we are unable to renew the employment agreement of our CEO and structure the agreement to include the buyout of expected severance payments to retain such CEO, our business may be harmed. Failure to achieve anticipated levels of revenue could, therefore, significantly harm our operating results for a particular fiscal period or for even prolonged periods of time. The Company incurred $0.4 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, 2015. Despite the fact that our current legal counsel is working under a contingency arrangement, and the case is far along, we expect the legal costs to be higher in 2016, and accelerate even further in 2017 when and if the 6 week jury trial begins January 6, 2017 as currently scheduled by the court.

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, or even in some years 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 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 44% of our beneficial ownership as of December 31, 2015. 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 11.1% of our outstanding common stock as of December 31, 2015. 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 11.1% of our outstanding common stock as of December 31, 2015. 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 22.2% of our common stock. The Pinnacle Family Office Investments, L.P. ("Pinnacle") became a 10% beneficial owner of the Company as a result of their conversion of Debt into shares of Dyadic common stock at December 31, 2015. Pinnacle owned approximately 12.2% of our outstanding common stock as of December 31, 2015.

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.

As a result of the cash repayment and conversion of debt into shares of Dyadic's common stock, a total of 1,147,276 warrants to purchase Dyadic common stock at $1.48 per common share were issued. The warrants have a one year term.

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 analysts decide to cover the Company they could release a negative report or even if initially they release a positive report, they could later 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, 2015, there were 40,298,324 shares of our common stock outstanding. Approximately 44% 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.

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.

If we decide to register our shares with the Securites and Exchage commission ("SEC"), 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 June 30, 2016 and the Company will evaluate its facilities needs going forward at that time.

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. This facility was acquired in the DuPont Transaction on December 31, 2015.

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. This facility was acquired in the DuPont Transaction on December 31, 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 December 31, 2015:

Name	Age	Position(s)	Director Since
Mark A. Emalfarb(4)	60	Chairman, President, Chief Executive Officer	2004
Danai E. Brooks(5)	38	Executive Vice President and Chief Operating Officer	---
Thomas L. Dubinski	59	Vice President and Chief Financial Officer	---
Richard H. Jundzil(5)	43	Vice President, Operations	---
Wim van der Wilden(5)	65	General Manager, Dyadic Netherlands	---
Michael P. Tarnok(1)(2)(4)	61	Director	2014
Jack L. Kaye (1)(2)(4)	72	Director	2015
Stephen J. Warner (1)(3)(4)	75	Director	2004
Robert D. Burke, MD (2)(3)(4)(5)	60	Director	2008
Seth J. Herbst, MD(3)(4)	58	Director	2008

(1) Member of the Audit Committee.
(2) Member of the Compensation Committee.
(3) Member of the Nominating Committee.
(4) Member of the Board of Directors.
(5) Resigned from Company subsequent to December 31, 2015. See Officer and Director Bio's below and Note 8: *Subsequent Events* for additional information.

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 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 460,000 options to purchase shares of common stock and 69,000 shares of restricted stock. In connection with the completion of the DuPont Transaction and the significant reduction in the Company's operating activities, Mr. Brooks left the Company on January 15, 2016. See in **Note 8: Subsequent Events** for additional information.

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 200,000 options to purchase shares of common stock and 78,759 shares of restricted stock.

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 315,000 options to purchase shares of common stock. In connection with the completion of the DuPont Transaction and the significant reduction

in the Company's operating activities, Mr. Jundzil left the Company in January 1, 2016. See in **Note 8: Subsequent Events** for additional information.

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 as described in this Item 11 below and beneficially owns 18,750 shares of common stock of the Issuer and 250,000 options to purchase shares of common stock. In connection with the completion of the DuPont Transaction and the significant reduction in the Company's operating activities, Dr. van der Wilden left the Company in January 1, 2016. See in **Note 8: Subsequent Events** for additional information.

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 2015

Name	Salary	Bonus	Restricted Stock Awards	Options Awards	Other Compensation	Total
Mark A. Emalfarb (*)(4)(5)	$ 440,148	$ -	$ -	$ -	$ 750,000	$ 1,190,148
Danai Brooks (1)(2)(5)	$ 283,250	$ 50,000	$ 62,886	$ -	$ 306,250	$ 702,386
Thomas L. Dubinski (2)	$ 200,000	$ -	$ 132,000	$ -	$ -	$ 332,000
Richard Jundzil (5)	$ 206,000	$ -	$ -	$ -	$ 256,000	$ 462,000
Dr. Wim van der Wilden (5)	$ 212,079	$ -	$ -	$ -	$ 220,000	$ 432,079

(*) Mr. Emalfarb also serves on the Board of Director for which he receives no direct, indirect or incremental compensation.
(1) Mr. Brooks was paid a retention bonus as outlined in his employment agreement. No other bonuses were awarded.
(2) This Restricted Stock Awards column represents the aggregate grant date fair value of the stock awards granted in 2015, 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. Mr. Dubinski's award was issued in connection with the DuPont Transaction.
(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 paid to Mr. Emalfarb is the sum of $12,891 for a car allowance and $2,248 for fuel reimbursement.
(5) Other compensation includes bonus and sevance payments in connection with the DuPont Transaction.

Board of Directors

Michael P. Tarnok, Director

Michael P. Tarnok joined Dyadic's board of directors on 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.

Jack Kaye, Director

Jack Kaye joined Dyadic's board of directors in May, 2015 and currently serves as Chairman of the Company's audit committee. He also serves on the Company's nomination and governance and compensation committees. Mr. Kaye is the chairman of the audit committee of Keryx Biopharmaceuticals Inc., a position he has held since 2006 and he is also a member of the nominating and governance committee. Mr. Kaye's prior board service includes Tongli Pharmaceuticals (USA) Inc. and Balboa Biosciences, Inc. where he served as Chairman of both audit committees. In the past 4 years, Mr. Kaye was selected to participate on several dissident board slates which included the Astellas, Inc./OSI, Roche Pharmaceuticals, Inc./Illumina and the Horizon, Inc./Depomed hostile M&A transactions. Mr. Kaye was a partner at Deloitte LLP from 1978 until May 2006, when he retired. At Deloitte, Mr. Kaye was responsible for serving a diverse client base of public and private, global and domestic companies in a variety of industries. Mr. Kaye has extensive experience consulting with clients on accounting and reporting matters, private and public debt financings, SEC rules and regulations and corporate governance/ Sarbanes-Oxley issues. In addition, he has served as Deloitte's Tristate liaison with the banking and finance community and assisted clients with numerous merger and acquisition transactions. Mr. Kaye served as Partner-in-Charge of Deloitte's Tri-State Core Client practice, a position he held for more than twenty years. Mr. Kaye earned a B.B.A. from Baruch College and is a Certified Public Accountant.

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. On January 19, 2016 the Company announced that, effective January 18, 2016, Robert D. Burke, MD resigned from the Board of Directors of Dyadic (the "Board") and all related Board committees to which he served, which included the compensation and nominating committees of the Board. See in **Note 8: Subsequent Events** for additional information.

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.

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.

Compensation of Directors

The following table sets forth the total compensation for our non-employee directors as of December 31, 2015:

Name	Fees Earned or Paid in Cash ($)	Restricted Stock Awards (1) (#)	Restricted Stock Awards ($)	Stock Options Awards (2) (#)	Stock Options Awards ($)	Total Compensation ($)
Michael P. Tarnok (3)	$38,400	9,897	$9,600	25,000	$19,250	$67,250
Jack Kaye (3)	$24,800	5,449	$6,357	30,000	$31,500	$62,657
Stephen J. Warner	$28,800	7,423	$7,200	25,000	$19,250	$55,250
Robert D. Burke, MD	$28,800	7,423	$7,200	25,000	$19,250	$55,250
Seth J. Herbst, MD	$28,800	7,423	$7,200	25,000	$19,250	$55,250
Frank P. Gerardi.	$30,032	5,876	$5,700	25,000	$19,250	$54,982

(1) Effective January 1, 2015, the Company began compensating directors by providing 80% of their annual retainer in cash paid in equal monthly installments and 20% of their annual retainer in restricted stock. The number of the restricted stock units is determined by dividing the cash value of the 20% of the annual

retainer by the average of the Company's average selling or market price for a share of common stock on each trading day during the ten trading day period ending on the date immediately prior to the grant date. All outstanding restricted stock units fully vested on December 31, 2015 in connection with the DuPont Transaction.

(2) Directors are each given 25,000 stock options as part of their base compensation. The grant date of the options was January 8, 2015 with an exercise price of $0.97. Newly appointed Directors are issued 30,000 stock options in the first year. The grant date for the new Director was April 1, 2015 with an exercise price of $1.33. The options vest over four years. All outstanding stock options fully vested on December 31, 2015 in connection with the DuPont Transaction.

(3) Effective January 19, 2016 Mr. Tarnok and Mr. Kaye, each received $100,000 of compensation in connection with the newly formed special commitee of the Board of Directors. See Note 8: *Subsequent Events* for additional information.

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, 2013 (the "Emalfarb Employment Agreement"). Pursuant to the Emalfarb Employment Agreement, Mr. Emalfarb 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 nonrenewal. Mr. Emalfarb's base salary is $425,000 and he is eligible for a discretionary annual bonus and stock options, as well as other benefits. Additionally, Mr. Emalfarb is entitled to a performance bonus equal to 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 executive employees of the Company. Mr. Emalfarb has agreed to certain restrictive covenants, including non-disclosure, non-solicitation for three years following termination of employment and non-competition 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. Mr. Emalfarb will continue his employment under the terms of the Emalfarb Employment Agreement post-Closing, although the performance bonus thereof has been removed by amendment as described below.

In addition, Mr. Emalfarb, under the Emalfarb Employment Agreement, is entitled to terminate his employment with the Company for Good Reason (as defined in the Emalfarb Employment Agreement) within 12 months from the consummation of a change of control transaction (as defined in the Emalfarb Employment Agreement). If Mr. Emalfarb terminates his employment within such period, the Company is obligated to pay Mr. Emalfarb his Annual Base Salary and benefits as specified in the Emalfarb Employment Agreement, as of the date of termination and for a period of three years from the date of termination. Additionally, all of Mr. Emalfarb's stock options will be immediately vested.

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 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 12 month period at all times, unless we or Mr. Brooks provides notice of nonrenewal. Mr. Brooks' base salary is $283,250 and he is eligible for a discretionary 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, the 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 is subject to certain restrictive covenants, including non-disclosure for three years following termination of employment, non-solicitation for one year following termination of employment and non-competition for one year following termination of employment.

Upon a change of control of the Company, as defined in the Brooks Employment Agreement, if Mr. Brooks 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 (predicated on his achievement of 100% of all of his 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 a discretionary annual bonus for the year prior to termination and the year of termination; (ii) one year of base salary paid in 12 monthly installments; and (iii) 12 months of Company-paid COBRA premiums (collectively, the "Brooks Severance Benefits").

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.

In connection with the completion of the DuPont Transaction and the significant reduction in the Company's operating activities, Mr. Brooks left the Company on January 15, 2016. See in Note 8: Subsequent Events for additional information. Mr. Brooks was paid $306,250 upon separation from the Company in accordance with his employment agreement.

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 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 12-month period at all times, unless we or Mr. Dubinski provides notice of non-renewal. Mr. Dubinski's base salary is $200,000 and he is eligible for a discretionary 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 is subject 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-competition 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 options automatically vest. If he resigns for Good Reason, as defined in the Dubinski Employment Agreement, within 24 months after the Change of Control, he is entitled to (i) accrued but unpaid annual base salary and accrued but unused vacation, in each case, through the date of resignation, (ii) annual base salary paid in 12 monthly installments, (iii) an amount equal to Mr. Dubinski's bonus from the prior year payable in accordance with the Company's normal payroll practices, and (iv) 12 months of continuing participation in the Company's health insurance and disability plans.

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: (i) pro rata discretionary 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 continuing participation in the Company's health insurance and disability plans.

Richard H. Jundzil

We entered into an Employment Agreement with Mr. Jundzil dated as of June 1, 2011 (the "Jundzil Employment Agreement"). Pursuant to the Jundzil Employment Agreement, Mr. Jundzil agreed to serve as our Vice President - Operations. The Jundzil Employment Agreement does not have a specific term, but will renew daily such that it remains effective for a 12-month period at all times, unless we or Mr. Jundzil provides notice of non-renewal. Mr. Jundzil's base salary is $206,000 and he is eligible for a discretionary annual target bonus of up to 40% of his base salary. Mr. Jundzil is also eligible to receive benefits at the same level as other similarly situated employees of the Company. Mr. Jundzil is subject to certain restrictive covenants, including non-disclosure for three years following termination of employment, non-solicitation for two years following termination of employment and non-competition for one year following termination of employment.

Upon a termination by the Company without Cause, as defined in the Jundzil Employment Agreement, subject to his timely execution of a release of claims in favor of the Company, Mr. Jundzil will be entitled to severance of one year of base salary paid in 12 monthly installments.

In connection with the completion of the DuPont Transaction and the significant reduction in the Company's operating activities, Mr. Jundzil left the Company in January 1, 2016. See in **Note 8: Subsequent Events** for additional information. Mr. Jundzil was paid $256,000 upon separation from the Company in accordance with his employment agreement.

B. Legal/Disciplinary History

None.

C. Disclosure of Family Relationships

One of our principal stockholders, the Francisco Trust, which owns 11.1% 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

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, 2015 and 2014, included in Item 12. of this Annual Report.

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

Item 12 Financial Information for the Issuer's Most Recent Fiscal Period

Financial Statements

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES

We have audited the accompanying consolidated balance sheets of Dyadic International, Inc. and subsidiaries (the "Company") as of December 31, 2015 and 2014, and the related consolidated statements of operations, stockholders' equity (deficit) and comprehensive income, and cash flows for each two years in the period ended December 31, 2015. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. **The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.** An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dyadic International, Inc. and subsidiaries as of December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2015, in conformity with U.S. generally accepted accounting principles.

Mayer Hoffman McCann P.C.

Mayer Hoffman McCann P.C.

Boca Raton, Florida

March 29, 2016

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2015	December 31, 2014
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 68,601,138	$ 2,495,455
Assets Held for Sale	-	5,681,151
Accounts Receivable, Net	78,952	-
Prepaid Expenses and Other Current Assets	490,750	201,067
Total Current Assets	69,170,840	8,377,673
Escrowed Funds from Sale of Assets	7,361,182	-
Other Assets	135,403	157,680
	$ 76,667,425	$ 8,535,353
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities:		
Accounts Payable	$ 630,230	$ 495,975
Accrued Expenses	2,113,672	382,063
Deferred Research and Development Obligation	129,018	64,976
Liabilities Related to Assets Held for Sale	-	1,721,373
Total Current Liabilities	2,872,920	2,664,387
Notes Payable to Stockholder	-	1,424,941
Convertible Subordinated Debt	-	6,710,787
Total Liabilities	2,872,920	10,800,115
Stockholders' Equity (Deficit):		
Preferred Stock, $.0001 Par Value:		
Authorized Shares – 5,000,000; None Issued and Outstanding	-	-
Common Stock, $.001 par value:		
Authorized Shares – 100,000,000; Issued and Outstanding – 40,298,324 and 34,142,505, Respectively	40,299	34,143
Additional Paid-in Capital	92,157,374	82,262,225
Stock Subscriptions Receivable	(40,625)	(131,375)
Stock to be Issued	350,553	70,659
Accumulated Deficit	(18,713,096)	(84,500,414)
Total Stockholders' Equity (Deficit)	73,794,505	(2,264,762)
	$ 76,667,425	$ 8,535,353

The Accompanying Notes are an Integral Part of these Audited Consolidated Financial Statements

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31,	
	2015	**2014**
REVENUES:		
Research and Development Revenue	$ 315,712	$ 105,738
COSTS AND EXPENSES (INCOME):		
Costs of Goods Sold	124,012	202,472
General and Administrative	3,837,955	5,284,315
Research and Development	-	71,018
Gain on Sale of Assets	-	(19,755)
Total Expenses	3,961,967	5,538,050
LOSS FROM CONTINUING OPERATIONS BEFORE OTHER INCOME	(3,646,255)	(5,432,312)
Other Income		
Interest Income	11,156	28,055
Gain on Settlement of Litigation, Net	2,170,000	-
Total Other Income	2,181,156	28,055
LOSS FROM CONTINUING OPERATIONS	(1,465,099)	(5,404,257)
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS, Net of Income Taxes of $1,076,100 and $0 in 2015 and 2014, Respectively	67,252,417	(575,832)
NET INCOME (LOSS)	$ 65,787,318	$ (5,980,089)
BASIC AND DILUTED NET INCOME (LOSS) PER COMMON SHARE		
Basic and Diluted Net (Loss) from continuing operations per share	$ (0.04)	$ (0.16)
Basic and Diluted Net Income (Loss) from discontinued operations per share	1.95	(0.02)
Basic and Diluted Net Income (Loss) per share	$ 1.91	$ (0.18)
Weighted-Average Common Shares Outstanding		
Basic and Diluted	34,367,723	34,099,319

The Accompanying Notes are an Integral Part of these Audited Consolidated Financial Statements

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT) AND COMPREHENSIVE INCOME

	Common Stock		Additional	Stock	Stock to Be	Accumulated Other Comprehensive	Accumulated	
	Shares	Amount	Paid-In Capital	Subscriptions	Issued	Loss	Deficit	Total
Balance at December 31, 2013	34,028,245	$ 34,028	$ 81,209,585	$ (182,838)	$ 27,769	$ -	$ (78,520,325)	$ 2,568,219
Amortization of Deferred Compensation on Employee and Nonemployee Stock Options	-	-	939,767	-	-	-	-	939,767
Issuance of Stock for Subordinated Debt Conversion	83,760	84	107,129	-	-	-	-	107,213
Issuance of Stock for Stock Options Exercised	20,500	21	4,254	(3,125)	-	-	-	1,150
Issuance of Stock for Warrants Exercised	10,000	10	1,490	-	(1,500)	-	-	-
Stock to Be Issued for Restricted Stock Units	-	-	-	-	44,390	-	-	44,390
Proceeds from Repayment of Stock Subscriptions	-	-	-	54,588	-	-	-	54,588
Net (Loss) and Comprehensive Loss	-	-	-	-		-	(5,980,089)	(5,980,089)
Balance at December 31, 2014	34,142,505	$ 34,143	$ 82,262,225	$ (131,375)	$ 70,659	$ -	$ (84,500,414)	$ (2,264,762)
Amortization of Deferred Compensation of Employee and Nonemployee Stock Options	-	-	830,297	-	-	-	-	830,297
Stock Issued for Stock Options Exercised	38,125	38	8,031	-	-	-	-	8,069
Stock Issued for Conversion of Debt	6,117,694	6,118	9,056,821	-	-	-	-	9,062,939
Stock to Be Issued for Restricted Stock Units	-	-	-	-	279,894	-	-	279,894
Proceeds from Repayment of Stock Subscriptions	-	-	-	90,750	-	-	-	90,750
Net Income and Comprehensive Income	-	-	-	-	-	-	65,787,318	65,787,318
Balance at December 31, 2015	40,298,324	$ 40,299	$ 92,157,374	$ (40,625)	$ 350,553	$ -	$ (18,713,096)	$ 73,794,505

The Accompanying Notes are an Integral Part of these Audited Consolidated Financial Statements

DYADIC INTERNATIONAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2015	**2014**
Operating Activities		
Net Income (Loss)	$ 65,787,318	$ (5,980,089)
Adjustments to Reconcile Net Income (Loss) to Net Cash		
Provided By (Used in) Operating Activities		
Depreciation and Amortization of Fixed Assets	-	1,215
Gain on Sale of Industrial Technology Business	(70,945,629)	-
Gain on Sale of Fixed Assets	-	(19,755)
Share-Based Compensation Expense on Stock Options	830,297	939,767
Warrants Issued in Connection with Debt Extinguishment	781,727	-
Compensation Expense on Restricted Stock	279,894	44,390
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(78,952)	-
Prepaid Expenses and Other Current Assets	(289,683)	(72,875)
Other Assets	9,695	(19,048)
Accounts Payable	134,255	250,451
Accrued Expenses	1,731,609	1,296
Deferred Research and Development Obligation	64,041	34,299
Net Cash (Used In) Continuing Operating Activities	(1,695,428)	(4,820,349)
Net Cash Provided By (Used In) Discontinued Operations	892,754	(1,379,718)
Net Cash (Used In) Operating Activities	(802,674)	(6,200,067)
Investing Activities		
Proceeds from the Sale of the Industrial Technology Business, net of Escrowed Funds	67,000,000	-
Restricted Cash	12,582	77,919
Net Cash Provided By Continuing Investing Activities	67,012,582	77,919
Net Cash (Used In) Discontinued Operations	(178,103)	(330,531)
Net Cash Provided By (Used In) Investing Activities	66,834,479	(252,612)
Financing Activities		
Proceeds from Convertible Debt	2,000,000	-
Repayment of Convertible Debt	(600,000)	-
Repayment of Note Payable to Stockholder	(1,424,941)	-
Proceeds from Repayment of Stock Subscriptions	90,750	54,588
Proceeds from Stock Option Exercises	8,069	1,150
Net Cash Provided by Continuing Financing Activities	73,878	55,738
Net Increase (Decrease) in Cash and Cash Equivalents	66,105,683	(6,396,941)
Cash and Cash Equivalents at Beginning of Period	2,495,455	8,892,396
Cash and Cash Equivalents at End of Period	$ 68,601,138	$ 2,495,455
Supplemental Cash Flow Information:		
Cash Paid for Interest	$ 835,209	$ 679,684
Cash Paid for Income Taxes	$ 1,310,000	$ -
Non-Cash Items:		
Conversion of Subordinated Debt and Accrued Interest into Shares of Common Stock	$ 8,281,212	$ 107,213
Escrowed Funds from Sale of Assets, net of Purchase Price Adjustment	$ 7,361,182	$ -
Stock for Warrants Previously Issued	$ -	$ 1,500
Non-Cash Advances to Employees for Stock Options	$ -	$ 3,125
Write-off of Patent Liability	$ 40,150	$ 54,363

The Accompanying Notes are an Integral Part of these Audited Consolidated Financial Statements

Notes to the Consolidated Financial Statements

Note 1: Organization and Summary of Significant Accounting Policies

Description of Business

Dyadic International, Inc. is a global biotechnology company based in Jupiter, Florida with a foreign subsidiary, Dyadic Nederland, BV, which maintains a small satellite office in Wageningen, The Netherlands. Over the past two decades the Company has developed a method for producing commercial quantities of enzymes and other proteins which it used to develop and produce some of its own industrial enzymes, as well as licensing this technology to third parties such as Abengoa Bioenergy, BASF, Codexis and others. This technology is based on the Myceliopthora thermophila fungus, which the Company named C1. The C1 technology is a robust and versatile fungal expression system for gene discovery, development, expression and production of enzymes and other proteins.

The Company has long believed that the pharmaceutical field is one of the most attractive opportunities in which the C1 technology may be applied. The C1 technology platform has potential to be a safe and efficient expression system that may help speed up the development and production of biologics at flexible commercial scales. In particular, as the aging population grows in developed and undeveloped countries, Dyadic believes C1 can help bring biologic drugs to market faster, in greater volumes and at lower cost to drug developers and manufacturers. This can potentially improve access and reduce costs to patients and the healthcare system.

On December 31, 2015 the Company completed the sale of substantially all of the assets of its Industrial Technology business to DuPont's (NYSE: DD) Industrial Biosciences business for $75 million in cash (the "DuPont Transaction"). The Agreement provides for $8 million of the purchase price to be held in an escrow account for 18 months to ensure Dyadic's obligations with respect to certain indemnity claims and working capital adjustments. In connection with the DuPont Transaction, DuPont has granted back to Dyadic co-exclusive rights to the C1 technology for use in human and animal pharmaceutical applications, with the exclusive ability to enter into sub-license agreements in that field. DuPont will retain certain rights to utilize the C1 technology for use in pharmaceutical applications, including development and production of pharmaceutical products, for which it will make royalty payments to Dyadic upon commercialization. In certain circumstances, Dyadic may owe a royalty to either DuPont or certain licensor's of DuPont depending upon whether Dyadic elects to utilize certain patents either owned by DuPont or DuPont's licensors. The current escrow amount of $7,361,182 in the accompanying balance sheet is net of contractual working capital adjustments agreed to by the parties.

The combination of a portion of the proceeds from the DuPont Transaction and possible additional industry and government funding that will be sought are expected to provide Dyadic with the opportunity to accelerate the further development and optimization of the C1 technology in the area of biopharmaceuticals. In addition, the unique attributes of C1 may create attractive research, licensing, collaboration and other opportunities if C1 demonstrates operational efficiencies and reduced capital requirements for biologic drug manufacturers.

Currently, we intend to continue our existing program with Sanofi Pasteur and our EU-funded ZAPI vaccination program. The Company has initiated internally funded research & development pharmaceutical programs and is reviewing its options regarding its future internal and external pharmaceutical research initiatives. The Company plans to initially use contract research organizations to carry out its research and development activities. As part of the negotiated terms of the DuPont Transaction, the Company has begun to fund its research efforts at the Company's former research center in Wageningen, The Netherlands, which was acquired by DuPont. If the Company is able to successfully demonstrate C1's capabilities in developing biologics, management will consider setting up its own research and development site to carry out its business plan.

Going forward, the Company's focus will be related to leveraging the patented and proprietary C1 expression system to help speed up the development and production of biologic drugs at flexible commercial scales for its use in the discovery, development, and manufacturing of human and animal vaccines, monoclonal antibodies, biosimilars and/or biobetters, and other therapeutic proteins.

Organizational History

The Company was incorporated in the State of Delaware in September 2002 under its former name, CCP Worldwide, Inc. The Company is a 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, 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").

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 research, development use and marketing of the C1 Platform Technology.

Summary of Significant Accounting Policies

Basis of Presentation

The accompanying audited 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 2014 amounts previously reported to conform to the 2015 consolidated financial statement presentation.

In connection with the sale of our Industrial Technology business, we have reclassified the revenues and expenses of our industrial technology business to "income (loss) from discontinued operations" and the related assets and liabilities to "assets held for sale" and "liabilities related to assets held for sale" for the years ended December 31, 2015 and 2014, as presented in the accompanying consolidated financial statements. Note 2: Discontinued Operations provides the details of the assets and liabilities related to discontinued operations at December 31, 2014 and the combined results of operations and cash flows from discontinued operations for the years ended December 31, 2015 and 2014. As a result of the transaction the Company has only one operating segment.

Use of Estimates

The preparation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and judgments that affect the reported amount of assets and liabilities and related disclosure of contingent assets and liabilities at the date of our consolidated financial statements and the reported amounts of revenues and expenses during the applicable period. Actual results may differ from these estimates under different assumptions or conditions. Such differences could be material to the consolidated financial statements.

Cash and Cash Equivalents

We treat liquid investments with original maturities of three months or less when purchased as cash and cash equivalents. At times, the Company has cash and cash equivalents at financial institutions exceeding the Federal Depository Insurance Company ("FDIC") insured limit on domestic currency and the Netherlands FDIC counterpart on foreign currency. The Company only deals with reputable financial institutions and has not experienced any losses on these accounts. At December 31, 2015 and 2014, amounts on deposit at U.S. financial institutions that exceeded these limits are approximately $72,400,000 and $379,000, respectively, and the deposits at Dutch institutions that exceeded these limits at December 31, 2015 and 2014 were approximately $3,638,000 and $1,784,000, respectively.

Escrowed Funds from Sale of Assets

Escrowed funds from the sale of assets at December 31, 2015 represents $8,000,000 of the proceeds from the DuPont Transaction held in escrow for eighteen months offset by an obligation for the true-up of net working capital related to the transaction of approximately $639,000. On February 12, 2016, the Company settled the net working capital true-up, the funds were paid to DuPont directly from the escrowed funds account. See in **Note 8: Subsequent Events** for additional information.

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.

Prepaid Expenses

Prepaid expenses consisted of the following:

	December 31,	
	2015	**2014**
Prepaid Income Taxes	$ 233,900	$ -
Prepaid Expenses - General	99,208	29,538
Prepaid Insurance	94,289	106,748
Prepaid Value Added Taxes	63,353	64,781
	$ 490,750	$ 201,067

Accrued Expenses

Accrued expenses consisted of the following:

	December 31,	
	2015	**2014**
Accrued Employee Termination Cost, Wages and Benefits	$ 1,967,497	$ 145,222
Accrued Expenses - Other	146,175	236,841
	$ 2,113,672	$ 382,063

Accrued expenses for the year ended December 31, 2015 principally include employee termination costs in connection with the DuPont Transaction.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial instruments, including cash and cash equivalents, restricted cash, accounts receivable, accounts payable, accrued expenses and deferred research and development obligation approximate their fair values due to the short-term nature of these assets and liabilities.

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.

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 and payments received in advance for services performed. The Company then recognizes revenue pursuant to the related pattern of performance, based on total labor hours incurred relative to total labor hours estimated under the contract. As of December 31, 2015 and 2014, the deferred research and development obligation totaled approximately $129,000 and $65,000, respectively. During the years ended December 31, 2015 and 2014 the Company recognized research and development revenue from continuing operations in the amount of approximately $316,000 and $106,000 respectively.

Income Taxes

The Company had significant net operating loss carryforwards ("NOL's") available in 2015 that will begin to expire in 2022. In connection with the DuPont Transaction, the Company utilized $60.4 million of available NOL's in its tax provision for 2015. NOL's for the years ended December 31, 2015 and 2014 were $5.8 million and $66.2 million, respectively.

In preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves management estimation of our actual current tax exposure and assessment of temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income and, to the extent we believe that recovery is not likely, we must establish a valuation allowance. To the extent we establish a valuation allowance or increase this allowance in a period, we must include an expense within the tax provision in the consolidated statement of operations. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets.

For the years ended December 31, 2015 and 2014, the Company recorded a current provision for income tax expense of approximately $1.1 million and zero, respectively, in discontinued operations in connection with the DuPont Transaction. The Company's 2015 gain for U.S. federal income tax purposes was offset by the available NOL's discussed above, subject to applicable limitations. The DuPont Transaction was subject to a federal alternative minimum tax limitation despite our existing carryover losses and credits. In addition, substantially all of the taxable gain resulting from the DuPont Transaction will be subject to state income tax, despite our existing tax losses and credits. The Company will be subject to income taxes in foreign jurisdictions where the Company maintains foreign subsidiaries (See Note 3: Income Taxes for additional information).

The deferred tax assets at December 31, 2015 and 2014 were approximately $2.0 million and $25.8 million, respectively. In light of the Company's history of operating losses and the uncertainty regarding our ability to generate taxable income in the future, the Company has established a 100% valuation allowance against deferred tax assets at December 31, 2015 and 2014.

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties, if any, in operating expenses.

The Company is not subject to U.S. federal, state and local tax examinations by tax authorities for the years before 2012.

Comprehensive Income (Loss)

Comprehensive income (loss) is the same as net income or (loss) for all periods presented.

Liquidity and Capital Resources

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

On December 31, 2015 the Company completed the sale of substantially all of the assets of its Industrial Technology business to DuPont's (NYSE: DD) Industrial Biosciences business for $75 million in cash (the "DuPont Transaction"). The Agreement provides for $8 million of the purchase price to be held in an escrow account for 18 months to ensure Dyadic's obligations with respect to certain indemnity claims and working capital adjustments. In connection with the DuPont Transaction, DuPont has granted back to Dyadic co-exclusive rights to the C1 technology for use in human and animal pharmaceutical applications, with the exclusive ability to enter into sub-license agreements in that field. DuPont will retain certain rights to utilize the C1 technology for use in pharmaceutical applications, including development and production of pharmaceutical products, for which it will make royalty payments to Dyadic upon commercialization. In certain circumstances, Dyadic may owe a royalty to either DuPont or certain licensor's of DuPont depending upon whether Dyadic elects to utilize certain patents either owned by DuPont or DuPont's licensors. The current escrow amount of $7,361,182 in the accompanying balance is net of contractual working capital adjustments agreed to by the parties.

The combination of a portion of the proceeds from the DuPont Transaction and possible additional industry and government funding that will be sought are expected to provide Dyadic with the ability to focus on and accelerate the further development and optimization of the C1 technology in the area of biopharmaceuticals. In addition, the unique attributes of C1 may create attractive research, licensing, collaboration and other opportunities if the C1 technology demonstrates operational efficiencies and reduced requirements for biologic drug manufacturing capital expenditures.

Currently, we intend to continue our existing program with Sanofi Pasteur and our EU-funded ZAPI vaccination program. The Company has initiated internally funded research & development pharmaceutical programs and is reviewing its options regarding its future internal and external pharmaceutical research initiatives. The Company plans to initially use third party research organizations to carry out its research and development activities. As part of the negotiated terms of the DuPont Transaction, the Company has begun to fund its research efforts with DuPont at the Company's former research center in Wageningen, The Netherlands, which was acquired by DuPont. If the Company is able to successfully demonstrate C1's capabilities in developing biologics, management will consider setting up its own research and development site to carry out its business objectives.

Going forward, the Company's focus will be related to leveraging the patented and proprietary C1 expression system to help speed up the development and production of biologic drugs at flexible commercial scales for its use in the discovery, development, and manufacturing of human and animal vaccines, monoclonal antibodies, biosimilars and/or biobetters, and other therapeutic proteins.

At December 31, 2015, cash and cash equivalents were approximately $68,601,000 compared to $2,495,000 at December 31, 2014. The cash and cash equivalent balance at December 31, 2015 does not include $7,361,182 of cash held in escrow in connection with the DuPont Transaction.

On March 9, 2015, the Company also completed a private placement of a $2,000,000 convertible subordinated promissory note with a maturity date of January 1, 2016. This note was 100% converted into shares of common stock on December 31, 2015.

On July 31, 2015, the Company reached a settlement with one of the three remaining defendant law firms in its ongoing professional liability litigation. On August 12, 2015 the Company received full payment of in the amount of

$2,170,000, which is net of legal fees and expenses. The settlement amount is reported in the Company's consolidated statement of operations, in other income. In the event the Company is able to reach a favorable settlement with one or both of the two remaining defendants in its ongoing Professional Liability litigation (See *Item 5. Legal Proceedings* for additional information), this will provide the Company with additional capital. We expect to incur additional costs in what may be a long and protracted trial, the outcome of which is uncertain. If we do not prevail at trial, the court may determine that the Company is responsible for some or all of the defendants' costs incurred in this litigation. Additionally, even if we prevail at trial, we expect the defendants to appeal the decision (See in Note 5: Commitments and Contingencies - *Professional Liability Lawsuit*, and Note 8: Subsequent Events for additional information).

Basic and Diluted Net Income (Loss) per Common Share

Basic income (loss) per share is computed by dividing net income or (loss) by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is computed by dividing net income (loss) adjusted for convertible debt interest by the weighted average number of common shares after considering the additional dilution related to common stock options, warrants and restricted stock. In computing diluted earnings per share, the outstanding common stock options are computed using the treasury stock method. The Company did not report dilutive income (loss) per share in 2015 as ASC 260 requires that when continuing operations have a loss, all dilutive shares are to be treated as anti-dilutive.

Had diluted earnings (loss) per share been reflected in these financial statements, options to acquire 3,711,250 and 4,102,125 shares of common stock would not have been included in computing diluted earnings (loss) per share for the years ended December 31, 2015 and 2014, respectively, because the effect of these shares were anti-dilutive. In addition, 32,583 shares of restricted stock were anti-dilutive and would not have been included in the computation of diluted earnings per share for the years ended December 31, 2014. In addition, 1,147,276 warrants outstanding to acquire shares issued in connection with the DuPont Transaction were anti-dilutive and would not have been included in the computation of diluted earnings per share for the year ended December 31, 2015.

Stock-Based Compensation

We recognize all share-based payments to employees and to non-employee directors for service on our board of directors as compensation expense in the consolidated financial statements based on the grant date fair values of such payments. Stock-based compensation expense recognized each period is based on the value of the portion of share-based payment awards that is ultimately expected to vest during the period. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Recent Accounting Pronouncements

In April 2014, FASB issued ASU 2014-08 (Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) — Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity). Under ASU 2014-08, only disposals representing a strategic shift in operations that have a major effect on the Company's operations and financial results should be presented as discontinued operations. Additionally, ASU 2014-08 requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations. The amendments in ASU 2014-08 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. The Company adopted this guidance in the third quarter of 2015 and has applied it in the accompanying financial statements for presentation and disclosure of the transaction as discontinued operations. The Company will also apply, as applicable, the guidance to future dispositions or classifications as held for sale.

In May 2014, FASB issued ASU 2014-09/ 2015-14 (Revenue from Contracts with Customers (Topic 606)). This amended guidance was issued to clarify the principles used to recognize revenue for all entities. The guidance is based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not comprehensively addressed in the prior accounting guidance. This guidance must be applied using one of two retrospective application methods and will be effective for the Company's interim and annual reporting periods beginning in the first quarter of 2018. Early adoption is not permitted. The Company is currently evaluating the impact of the adoption of this newly issued guidance on its consolidated financial statements.

In August 2014, FASB issued ASU 2014-15 (Presentation of Financial Statements-Going Concern (Topic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern). This guidance was issued requiring management to evaluate, at each annual and interim reporting period, whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued and provide related disclosures. This guidance will be effective for the Company's annual reporting period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of this newly issued guidance on its consolidated financial statements.

In January 2015, the FASB issued ASU 2015-01, (Income Statement – Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items), which changed the requirements for reporting extraordinary and unusual items in the income statement. The update eliminates the concept of extraordinary items. The presentation and disclosure guidance for items that are unusual in nature or occur infrequently will be retained and will be expanded to include items that are both unusual in nature and infrequently occurring. A reporting entity may apply the amendments prospectively or retrospectively to all periods presented in the financial statements. The guidance will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The adoption of this newly issued guidance is not expected to have an impact to the Company's consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, (Consolidations (Topic 225-20): Amendments to the Consolidation Analysis), which affects current consolidation guidance. The guidance changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. This guidance must be applied using one of two retrospective application methods and will be effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in any interim period. The Company is currently evaluating the impact, if any, of the adoption of this newly issued guidance to its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, (Interest – Imputation of Interest (Topic 225-20): Simplifying the Presentation of Debt Issue Costs), that simplifies the presentation of debt issuance costs. The guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by these amendments. This guidance should be applied on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. The guidance will be effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted for financial statements that have not been previously issued. The Company is currently evaluating the impact, if any, of the adoption of this newly issued guidance to its consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, (Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes)." Under this standard, Companies are required to classify all deferred tax assets and liabilities as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent amounts. Also, companies will no longer allocate valuation allowances between current and noncurrent deferred tax assets because those allowances also will be classified as noncurrent. Early adoption of the guidance is permitted, companies can start applying it in interim and annual financial statements that have not yet been issued. The Company has adopted this new guidance in its consolidated financial statements for the year ended December 31, 2015.

In February 2016, the FASB issued ASU 2016-02, (Leases (Topic 842)). Under the new guidance, lessees will be required to recognize the assets and liabilities that arise from operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted for all public business entities and all nonpublic business entities upon issuance. We are currently evaluating the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements.

Note 2: Discontinued Operations

The following information reflects the details of our discontinued operations:

BALANCE SHEET

	December 31, 2014
ASSETS HELD FOR SALE	
Accounts Receivable, Net of Allowance for Doubtful Accounts of $64,382	$ 1,044,990
Inventory, Net of Inventory Reserves of $237,782	3,607,062
Prepaid Expenses and Other Current Assets	70,224
Fixed Assets, Net of Accumulated Depreciation of $2,495,776	539,902
Intangible Assets, Net of Accumulated Amortization of $710,199	418,973
Other Assets	-
	$ 5,681,151
LIABILITIES RELATED TO ASSETS HELD FOR SALE	
Accounts Payable	$ 1,008,338
Accrued Expenses	347,208
Deferred Research and Development Obligation	365,827
	$ 1,721,373

INCOME STATEMENT

	Years Ended December 31, 2015	2014
REVENUES:		
Product Related Revenue, Net	$ 11,989,604	$ 9,779,232
License Fee revenue	800,567	700,000
Research and Development Revenue	1,694,460	1,938,428
Total Revenue	14,484,631	12,417,660
COSTS AND EXPENSES (INCOME):		
Cost of Goods Sold	9,231,916	7,779,059
General and Administrative	3,407,178	829,341
Sales and Marketing	957,577	1,243,801
Research and Development	1,687,348	2,310,939
Foreign Currency Exchange Loss (Gain), Net	200,246	147,145
Total Expenses	15,484,265	12,310,285
INCOME (LOSS) FROM DISCONTINUED OPERATIONS BEFORE OTHER INCOME (EXPENSE)	(999,634)	107,375
OTHER INCOME (EXPENSE):		
Interest Expense	(1,617,478)	(683,207)
Gain on Sale of Assets	70,945,629	-
Total Other Income (Expense)	69,328,151	(683,207)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS BEFORE INCOME TAXES	68,328,517	(575,832)
Provision for Income Taxes	(1,076,100)	-
NET INCOME (LOSS) FROM DISCONTINUED OPERATIONS	$ 67,252,417	$ (575,832)

CASH FLOWS FROM DISCONTINUED OPERATIONS

	Years Ended December 31,	
	2015	2014
Cash Flows Provided By (Used In) Operating Activities	$ 892,754	$ (1,379,718)
Net Cash (Used In) Investing Activities	(178,103)	(330,531)
	$ 714,651	$ (1,710,249)

Note 3: Income Taxes

The U.S. and foreign components of income (loss) from operations before income taxes included the following:

	Years Ended December 31,	
	2015	2014
U.S. continuing operations	$ (1,465,099)	$ (5,404,257)
Foreign continuing operations	-	-
Total continuing operations	(1,465,099)	(5,404,257)
Total discontinued operations	68,328,517	(575,832)
Total income (loss) before provision for income taxes	$ 66,863,418	$ (5,980,089)

The provision for federal and state income taxes for the years ended December 31, 2015 and 2014 is as follows:

		Years Ended December 31,	
		2015	2014
Total current and deferred tax expense continuing operations		$ -	$ -
Total current and deferred tax expense discontinued operations	Federal	$ 918,800	$ -
	State	157,300	-
		$ 1,076,100	$ -

The income tax provision differs from the expense that would result from applying the federal statutory rates to income before income taxes due mainly to non-deductible expenses for tax purposes and changes in valuation allowances for deferred tax assets.

The reconciliation between the statutory tax rates and the Company's effective tax rate is as follows:

	Years Ended December 31,	
	2015	2014
Tax at U.S. statutory rate	34.00 %	(35.00) %
State taxes, net of federal benefit	3.73	(3.58)
Non-deductible items	0.90	6.84
Change in valuation allowance	(35.66)	31.74
Change in tax rates	0.45	-
Other	(1.80)	-
	1.61 %	- %

The significant components of the Company's net deferred tax assets ("DTA's") and (liabilities) consisted of the following:

	December 31,	
	2015	2014
Gain/Loss on disposals	$ (8,800)	$ (8,900)
Escrowed funds in connection with the sale of assets	(2,929,100)	-
Temporary differences in connection with the sale of assets	-	(1,057,600)
NOL carryforward	2,164,200	25,215,000
AMT paid credit carryforward	1,076,100	-
General business credits	1,656,500	1,656,500
Deferred tax asset, net of deferred tax liabilities	1,958,900	25,805,000
Valuation allowance	(1,958,900)	(25,805,000)
Net deferred tax asset	$ -	$ -

In light of the Company's history of operating losses and the uncertainty regarding our ability to generate taxable income in the future, the Company has established a 100% valuation allowance against deferred tax assets at December 31, 2015 and 2014.

Note 4: Notes Payable

Note Payable to Stockholder

On December 31, 2015, in connection with the DuPont Transaction, Company repaid this note payable ("Note") in the amount of $1,424,941 and accrued interest of $34,121, in cash resulting in the release of all liens on the assets of the Company.

Convertible Subordinated Debt

In connection with the closing of the DuPont Transaction, all of the Company's outstanding convertible subordinated debt has been repaid or converted into shares of Dyadic's common stock. The history of the Company's convertible debt and the repayment or conversion of the convertible debt into shares of Dyadic common stock at December 31, 2015 is summarized below. In addition, with respect to the warrant provision included in the 2010 Notes and 2011 Notes, the Board of Directors approved a modification to such provision, subject to and conditioned upon, the consummation of the DuPont Transaction, to permit the issuance of warrants to purchase common stock equal to 25% of the outstanding principal balance of the Convertible Notes and all unpaid accrued interest thereon at $1.48 per common share whether repaid or converted. The warrants have a one year term.

On August 23, 2010, the Company completed a 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. The 2010 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 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.

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 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.

On December 31, 2015, in connection with the DuPont Transaction, 100% of 2010 Notes were either repaid or converted into shares of Dyadic's common stock. A total of $3,268,000 in convertible debt and $65,897 in accrued interest was exchanged for 2,252,633 shares of Dyadic's common stock and 563,160 warrants with a $1.48 per share strike price with a December 31, 2016 expiration date. A total of $550,000 in debt and $11,090 in accrued interest was repaid in cash and 94,780 warrants with a $1.48 per share strike price with a December 31, 2016 expiration date was issued to convertible debt holders who elected not to convert. The outstanding principal balance of the 2010 Notes was $0 and $3,818,000 at December 31, 2015 and December 31, 2014 respectively.

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.

On April 13, 2015, $50,000 of the 2011 Notes was repaid. During the year ended December 31, 2014, $107,213 of the 2011 Notes were converted into 83,760 shares of common stock.

On December 31, 2015, in connection with the DuPont Transaction, the 2011 Notes were 100% converted into shares of Dyadic's common stock. A total of $2,842,787 in convertible debt and $54,079 in accrued interest was exchanged for 2,263,177 shares of Dyadic's common stock and 489,336 warrants with a $1.48 per share strike price with a December 31, 2016 expiration date. The outstanding principal balance of the 2011 Notes was $0 and $2,892,787 at December 31, 2015 and December 31, 2014, respectively.

On March 9, 2015, the Company completed a private placement of a $2,000,000 convertible subordinated secured promissory note (the "2015 Note") with a related party. 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 of 21% 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.

On December 31, 2015, in connection with the DuPont Transaction, the 2015 Note was 100% converted into shares of Dyadic's common stock. A total of $2,000,000 in debt and $50,411 in accrued interest was exchanged for 1,601,884 shares of Dyadic's common stock. The outstanding principal balance of the 2015 Note was $0 at December 31, 2015.

The Company did not affect any conversion of the 2010 Notes, 2011 Notes and the 2015 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") unless waived by the holder. The Beneficial

Ownership Limitation was waived by holder, Pinnacle Family Office Investments, L.P. Pinnacle Family Office Investments, L.P. is now a 12.2% beneficial owner.

Interest expense related to the foregoing debt for the years ended December 31, 2015 and 2014 was approximately $831,000 and $678,000, respectively. In addition, the Company recorded approximately $782,000 in interest expense in the discontinued operations for the warrants issued in connection with the debt extinguishment on December 31, 2015.

Note 5: Commitments and Contingencies

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 June 30, 2016 and thereafter the Company will reduce the square footage of this leased space to align with the staffing requirements of the future operations of the Company.

Employment Agreements

Two executives of the Company have employment agreements which contain, among other things, change of control provisions that, if triggered by the employees' voluntary termination, would entitle such executives to severance payments aggregating approximately $1,850,000.

Other

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.

Professional Liability Lawsuit

On March 26, 2009, the Company filed a complaint in the Circuit Court of the 15th Judicial Circuit in and for Palm Beach County, Florida against Ernst & Young LLP and Ernst & Young-Hong Kong, L.P., alleging professional negligence/malpractice, breach of fiduciary duty and constructive fraud in connection with the accounting, advisory, auditing, consulting, financial and transactional services they provided to the Company.

On April 14, 2009, the Company amended the complaint (the "Amended Complaint") by naming as additional defendants the Company's former outside legal counsel consisting of the law firms of Greenberg Traurig, LLP, Greenberg Traurig, P.A. (collectively, "Greenberg Traurig"), Jenkens & Gilchrist, P.C. ("Jenkens & Gilchrist") and Bilzin Sumberg Baena Price & Axelrod LLP ("Bilzin Sumberg") as well as attorney Robert I. Schwimmer who previously represented the Company while an attorney at Jenkens & Gilchrist and later at Greenberg Traurig. Jenkens & Gilchrist went out of business in 2007 and is in the process of winding up its business and affairs. The Company also named as defendants the law firm of Moscowitz & Moscowitz, P.A. and its attorneys Norman A. Moscowitz and Jane W. Moscowitz (collectively, the "Moscowitz Defendants") who conducted the investigation and authored the investigative report requested by the Company's Audit Committee following the discovery of alleged improprieties at the Company's Asian subsidiaries. The claims against the Company's former outside legal counsel are for breach of fiduciary duty and professional negligence. In addition to these claims, the Amended Complaint contains a claim of civil conspiracy against Ernst & Young LLP, Greenberg Traurig and Mr. Schwimmer. The claims against Ernst & Young LLP and Ernst & Young-Hong Kong, L.P. were subsequently stayed in the Circuit Court action and submitted to binding arbitration. A final hearing before the arbitration tribunal was completed on May 27, 2011. On February 29, 2012, the arbitration tribunal issued a Final Award which found no auditor negligence, denied the Company any recovery against Ernst & Young LLP and Ernst & Young Hong Kong L.P., and further provided that each party shall bear its own attorneys' fees and costs.

On July 11, 2011, defendants Jenkens & Gilchrist, Bilzin Sumberg and the Moscowitz Defendants filed a counterclaim in the Circuit Court against the Company and a Third Party Complaint against its President and Chief Executive Officer, Mark Emalfarb, individually, for abuse of process.

The counter claim and Third Party Complaint filed by Jenkens & Gilchrist and Bilzin Sumberg also included claims for common law indemnity against the Company and Mr. Emalfarb. In addition, Jenkens & Gilchrist made a claim against the Company for breach of the implied covenant of good faith and fair dealing. On July 18, 2011, the Moscowitz Defendants filed a motion for summary judgment which the Circuit Court denied in its entirety. On September 9, 2011, Jenkens & Gilchrist and Bilzin Sumberg amended their counterclaim and Third Party Complaint which dropped their claims for abuse of process but retained their claims for common law indemnity against the Company and Mr. Emalfarb.

Bilzin Sumberg also added claims against the Company and Mr. Emalfarb for breach of its retainer agreements and for declaratory relief. Also on September 9, 2011, the Moscowitz Defendants dropped their claims for abuse of process against the Company and Mr. Emalfarb. On December 8, 2011, the Circuit Court dismissed without prejudice all counterclaims against the Company and all third party claims against Mr. Emalfarb.

On July 18, 2012, the Company filed a Second Amended Complaint which expanded and amplified the Company's prior allegations of negligent acts and omissions by the defendants in the Circuit Court proceedings. All of the defendants have filed and served their answers and affirmative defenses.

On August 8, 2012, the Company, Jenkens & Gilchrist and Mr. Schwimmer entered into a Settlement Agreement and General Releases (the "J&G Settlement Agreement") whereby Jenkens & Gilchrist paid the Company $525,000 for the mutual release and discharge of (1) all causes of action between the Company and Jenkens & Gilchrist, and (2) causes of action between the Company and Mr. Schwimmer including, but not limited to, those in the professional liability lawsuit, but only those which occurred while Mr. Schwimmer served as an attorney at Jenkens & Gilchrist and not while he served as an attorney at Greenberg Traurig or any other time. Such amount was included in other income in the consolidated statement of operations for the year ended December 31, 2012. Pursuant to the J&G Settlement Agreement, the Company, Jenkens & Gilchrist and Mr. Schwimmer have filed a Stipulation of Settlement with the Court to enforce the terms of the J&G Settlement Agreement including, but not limited to, the dismissal of Counts I and II of the Second Amended Complaint against Jenkens & Gilchrist and Mr. Schwimmer with prejudice.

On January 24, 2013, each of the remaining defendants served their amended affirmative defenses to the Second Amended Complaint. On February 11, 2013, the Company served its reply to such amended affirmative defenses.

The Company and the defendants in the Circuit Court proceedings are continuing to engage in written discovery, oral depositions and motion practice.

On November 26, 2013, the Court entered a Case Management Order. Pursuant to the Order, all pretrial motions and other litigation activities were to have been concluded by the end of 2014. The Court ordered mediation was held on November 10th and 11th, 2014.

On July 31, 2015, the Company reached a settlement with one of the three remaining defendant law firms in its ongoing professional liability litigation. On August 12, 2015 the Company received full payment in the amount of $2,170,000, which is net of fees and expenses. The settlement amount is reported in the Company's consolidated statement of operations, in other income, for the year ended December 31, 2015.

On September 29, 2015, the Court removed the professional liability litigation from the Court's eight week trial docket which commenced on October 26, 2015. Instead, the Court, in an effort to promote settlement, ordered the parties to non-binding arbitration with an initial hearing to occur before December 16, 2015. The parties are scheduled to appear before the Court on November 13, 2015 for hearings on various pre-trial motions. At that time, the Court is expected to address when the professional liability litigation will be set for trial in 2016. The parties have also voluntarily agreed to again attend mediation on November 18, 2015.

The parties attended both mediation and non-binding arbitration. No resolution was reached. Pretrial motion practice is now substantially completed. On March 3, 2016, the Court issued an Order setting a six week jury trial commencing January 6, 2017.

In addition to the matters noted above, from time to time, the Company is subject to legal proceedings, asserted claims and investigations in the ordinary course of business, including commercial claims, employment and other matters, which management considers immaterial, individually and in the aggregate. The Company makes a provision for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. The requirement for these provisions are reviewed at least quarterly and adjusted to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case. Litigation is inherently unpredictable and costly. While the Company believes that it has valid defenses with respect to the legal matters pending against it, protracted litigation and/or an unfavorable resolution of one or more of such proceedings, claims or investigations against the Company could have a material adverse effect on the Company's consolidated financial position, cash flows or results of operations.

Note 6: Common Stock

Issuances of Common Stock

For the years ended December 31, 2015 and 2014, stock options to purchase 38,125 and 20,500, shares of common stock, respectively, were exercised at exercise prices ranging from $0.15 to $0.23 per share. Employees exercised 0 and 15,500 options under the Company's 2013 Employee Loan Program (the Loan Program) during the years ended December 31, 2015 and 2014, respectively.

As of December 31 2015, there were 1,147,273 outstanding warrants to purchase shares of common stock. These warrants were issued on December 31, 2015 in conjunction with the repayment or conversion of the Convertible Debt at a strike price of $1.48. The warrants will expire on December 31, 2016. At December 31, 2015, 2,500 shares of common stock from warrants exercised in 2013 had not yet been issued.

During the year ended December 31, 2014, the Company advanced certain employees $3,125 under the Loan Program, in connection with their exercise of stock options to purchase 15,500 shares of common stock. For the years ended December 31, 2015 and 2014, $90,750 and $54,588 respectively was repaid under the Loan Program. Amounts borrowed under the Loan Program bear interest at 3% per annum and are payable within 24 months from the date of the loan agreement. The loans are collateralized by the shares of common stock issued in connection with the exercise of the stock options and warrants. As of December 31, 2015 and December 31, 2014, advances to employees under the Loan Program were approximately $41,000 and $131,000, respectively, and are included in stockholders' equity in the accompanying consolidated balance sheets.

Conversion of Convertible Subordinated Debt

For the year ended December 31, 2015 the Company issued 2,252,633 shares of common stock through the conversion of the 2010 Notes at a conversion price of $1.48 and 3,865,061 shares of common stock through the conversion of the 2011 and 2015 Notes at a conversion price of $1.28.

For the year ended December 31, 2014, the Company issued 83,760 shares of common stock through the conversion of a portion of the 2011 Notes at a conversion price of $1.28.

Note 7: Share-Based Compensation

The Company has two stock compensation plans, 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 the Company in April 2006 and 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 or nonqualified stock options that do not comply with Section 422 of the Internal Revenue Code. Under the 2006 Option Plan, 4,700,000 shares of common stock have been reserved for issuance.

As of December 31, 2015, there were 1,541,250 stock options outstanding and 1,322,375 available for grant under the 2006 Stock Option Plan. 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. The term of the stock options outstanding under the 2006 Option Plan is no more than ten years. All outstanding stock option awards 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.

2011 Equity Incentive Plan

The 2011 Equity Incentive Plan was adopted by the Company's Board 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.

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.

As of December 31, 2015, there were 2,170,000 stock options outstanding under the 2011 Equity Incentive Plan and 805,000 stock options were available for grant 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. The term of any stock option awards under the 2011 Equity Incentive Plan is no more than ten years.

On March 3, 2014, the Company granted to its employees and non-employee directors stock options to purchase 310,000 shares of the Company's common stock at an exercise price of $1.76 per share. The stock options vest over four years and expire on March 2, 2024. The fair market value of such stock options was $1.45 per stock option based on the Black-Scholes valuation model. Assumptions used in the Black-Scholes valuation model for options granted were as follows:

Average Risk-Free Interest Rate	2.60%
Dividend Yield	0.00%
Average Volatility Factor	80.915%
Average Option Life	10 years

On April 14, 2014, the Company granted to its employees stock options to purchase 75,000 shares of the Company's common stock at an exercise prices ranging from $1.55 to $1.70 per share. The stock options vest over

four years and expire on various dates through April 13, 2024. The fair market value of such stock options was $0.98 and $1.27 per stock option based on the Black-Scholes valuation model. Assumptions used in the Black-Scholes valuation model for options granted were as follows:

Average Risk-Free Interest Rate	2.65%
Dividend Yield	0.00%
Average Volatility Factor	80.061%
Average Option Life	5-10 years

On April 24, 2014, the Company granted to an employee stock options to purchase 50,000 shares of the Company's common stock at an exercise price of $1.53 per share. The stock options vest over four years and expire on April 24, 2024. The fair market value of such stock options was $1.25 per stock option based on the Black-Scholes valuation model. Assumptions used in the Black-Scholes valuation model for options granted were as follows:

Average Risk-Free Interest Rate	2.70%
Dividend Yield	0.00%
Average Volatility Factor	79.853%
Average Option Life	10 years

On May 1, 2014, the Company granted to a consultant options to purchase 100,000 shares of the Company's common stock at an exercise price of $1.41 per share. The stock options vest over four years and expire on May 1, 2024. The fair market value of such stock options was $1.15 per stock option based on the Black-Scholes valuation model. Assumptions used in the Black-Scholes valuation model for options granted were as follows:

Average Risk-Free Interest Rate	2.63%
Dividend Yield	0.00%
Average Volatility Factor	79.747%
Average Option Life	10 years

On June 12, 2014, the Company granted to its non-employee director stock options to purchase 30,000 shares of the Company's common stock at an exercise price of $1.36 per share. The stock options vest over four years and expire on June 11, 2024. The fair market value of such stock options was $1.10 per stock option based on the Black-Scholes valuation model. Assumptions used in the Black-Scholes valuation model for options granted were as follows:

Average Risk-Free Interest Rate	2.58%
Dividend Yield	0.00%
Average Volatility Factor	78.898%
Average Option Life	10 years

On July 9, 2014, the Company granted to an advisor stock options to purchase 60,000 shares of the Company's common stock at an exercise price of $1.66 per share. The stock options vest over twelve months and expire on July 8, 2024. The fair market value of such stock options was $1.34 per stock option based on the Black-Scholes valuation model. Assumptions used in the Black-Scholes valuation model for options granted were as follows:

Average Risk-Free Interest Rate	2.57%
Dividend Yield	0.00%
Average Volatility Factor	78.581%
Average Option Life	10 years

On August 1, 2014, the Company granted to an employee stock options to purchase 200,000 shares of the Company's common stock at an exercise price of $1.66 per share. The stock options vest over four years and expire on July 31, 2024. The fair market value of such stock options was $1.34 per stock option based on the Black-Scholes valuation model. Assumptions used in the Black-Scholes valuation model for options granted were as follows:

Average Risk-Free Interest Rate	2.52%
Dividend Yield	0.00%
Average Volatility Factor	78.206%
Average Option Life	10 years

On January 8, 2015, the Company granted its non-employee directors stock options to purchase 125,000 shares of the Company's common stock at an exercise price of $0.97 per share. The stock options vest over four years and expire on January 7, 2025. The fair market value of such stock options was $0.77 per stock option based on the Black-Scholes valuation model. Assumptions used in the Black-Scholes valuation model for options granted were as follows:

Average Risk-Free Interest Rate	2.03%
Dividend Yield	0.00%
Average Volatility Factor	76.490%
Average Option Life	10 year

On April 1, 2015, the Company granted a non-employee director stock options to purchase 30,000 shares of the Company's common stock at an exercise price of $1.33 per share. The stock options vest over four years and expire on March 29, 2025. The fair market value of such stock options was $1.05 per stock option based on the Black-Scholes valuation model. Assumptions used in the Black-Scholes valuation model for options granted were as follows:

Average Risk-Free Interest Rate	1.92%
Dividend Yield	0.00%
Average Volatility Factor	75.878%
Average Option Life	10 year

On June 1, 2015, the Company granted a new employee stock options to purchase 1,000 shares of the Company's common stock at an exercise price of $0.93 per share. The stock options vest over four years and expire on May 31, 2025. The fair market value of such stock options was $0.74 per stock option based on the Black-Scholes valuation model. Assumptions used in the Black-Scholes valuation model for options granted were as follows:

Average Risk-Free Interest Rate	2.36%
Dividend Yield	0.00%
Average Volatility Factor	76.007%
Average Option Life	10 year

During the years ended December 31, 2015 and 2014, there were 508,750 and 11,500, respectively, stock options that expired or were canceled. As of December 31, 2015, there were stock options outstanding under the Company's equity plans to purchase 3,711,250 shares of common stock.

Information with respect to the Company's two Equity Compensation Plans is as follows:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2013	3,309,125	$ 1.67		$
Granted	825,000	1.65		
Exercised	(20,500)	0.21		
Expired	-	-		
Cancelled	(11,500)	1.20		
Outstanding at December 31, 2014	4,102,125	1.68	6.5	188,104
Granted	156,000	1.04		
Exercised	(38,125)	0.21		
Expired	(300,000)	2.28		
Cancelled	(208,750)	1.38		
Outstanding at December 31, 2015	3,711,250	1.63	6.3	962,205
Exercisable at December 31, 2015	3,711,250	$ 1.63	6.3	$ 962,205

During the years ended December 31, 2015 and 2014, the Company recognized approximately $280,000 and $44,000 respectfully, in non-cash share-based compensation expense related to Restricted Stock.

Information with respect to the Company's Restricted Stock is as follows:

	December 31, 2015		December 31, 2014	
	# of Shares	Compensation Expense	# of Shares	Compensation Expense
Board of Directors	43,491	$ 43,258	-	$ -
Officers	111,342	194,886	23,000	44,390
Non-Officer Employees	25,000	41,750	-	-
	179,833	$ 279,894	23,000	$ 44,390

On May 6, 2013, the Company granted 69,000 Restricted Stock to an officer pursuant to the Company's 2011 Equity Incentive Award Plan. The value of the award per share was $1.93. The Restricted Stock vest in equal monthly amounts over a three year period. On December 31, 2015 these shares became fully vested as a result of the DuPont Transaction which triggered a change of control provision in the 2011 stock compensation plan.

Effective January 1, 2015, the Company revised its Director Compensation Policy. The new policy compensates directors by providing 80% of their annual retainer in cash paid in equal monthly installments and 20% of their annual retainer in Restricted Stock. During year ended December 31, 2015, the Company granted 43,491 shares of Restricted Stock to the Board of Directors. Each Restricted Stock Award shall vest 25% of the units on the date of the grant, with the remaining portion vesting in equal installments of 18.75% on the last day of each calendar quarter during the year. On June 24, 2015, the Company modified its Board of Directors compensation policy to provide the directors an annual election to receive their annual retainer 100% in restricted stock or 80% cash and 20% restricted stock. This election will be made annually at the third quarter board meeting.

On December 31, 2015 the Company granted 103,759 shares of restricted stock to compensate an officer and several key employees in connection with the DuPont Transaction. The restricted stock was valued at the average of the Company's average selling or market price for a share of common stock on each trading day during the ten trading day period ending on the date immediately prior to the grant date. These shares were fully vested upon issuance.

The Company recognized non-cash share-based compensation expense for its share-based awards of approximately $1,110,000 and $984,000 for the years ended December 31, 2015 and 2014, respectively. The closing of the DuPont Transaction triggered the change of control provisions of the Company's stock-based benefit plans and accordingly, all unvested outstanding stock options and restricted stock units became vested. The cost of this accelerated vesting is reflected in the foregoing compensation expense.

Total non-cash share-based compensation expense from continuing and discontinuing operations is as follows:

	Years Ended December 31,	
	2015	2014
Total Stock Option Compensation Expense - Continuing Operations	$ 606,992	$ 703,145
Total Stock Option Compensation Expense - Discontinued Operations	503,199	281,012
Total Stock Option Compensation Expense	$ 1,110,191	$ 984,157

Note 8: Subsequent Events

In connection with the completion of the DuPont Transaction and the significant reduction in the Company's operating activities, the following executives left the Company: Richard H Jundzil, V.P. of Operations, Danai E. Brooks, Executive Vice President and Chief Operating Officer and Wim van der Wilden, General Manager of Dyadic Nederland.

On January 4, 2016 the Company issued 25,000 stock options each to the five independent Board members, 125,000 stock options in total, in connection with the annual stock compensation awarded to directors per its Board of Director compensation policy. The stock options were priced at the average trading price on January 4, 2016 and the options vest over four years.

On January 12, 2016 the Company announced that it repurchased and retired an aggregate of 2,136,752 shares of its common stock at $1.35 per share for an aggregate purchase price of $2,884,615 pursuant to a Securities Purchase Agreement entered into with Abengoa Bioenergy New Technologies, LLC ("ABNT"). The $1.35 per share price is equal to the average conversion price that Dyadic convertible debt holders received upon conversion of debt at December 31, 2015.

On January 19, 2016 the Dyadic board of directors approved the formation of a compensated Special Committee to address the advisory needs of the Company in connection with the Company's ongoing litigation against former legal counsel and biopharmaceutical business development. The role of the Special Committee would be to serve as a resource to management with respect to the foregoing matters, but that all decisions with respect to such matters would be subject to Board review and approval following a presentation by the Special Committee. Michael Tarnok and Jack Kaye were appointed to the compensated Special Committee. Each of Messrs. Tarnok and Kaye received a one-time payment for serving on the committee, with Michael Tarnok receiving $100,000 in restricted stock (64,516 shares) of the Company and Mr. Kaye receiving $50,000 in cash and $50,000 in restricted stock (32,258 shares). The restricted stock awards were priced at the closing price of Dyadic stock on January 19, 2016.

On January 19, 2016 the Company announced that, effective January 18, 2016, Robert D. Burke, MD resigned from the Board of Directors of Dyadic (the "Board") and all related Board committees to which he served, which included the compensation and nominating committees of the Board.

On January 19, 2016 the Dyadic board of directors approved the compensation package of Dr. Ronen Tchelet, the Company's VP Research & Business Development. The compensation package consists of (i) Monthly retainer of $15,000, (ii) Annual cash bonus target of 40% tied to achievement of management goals and objectives measured by CEO and the Compensation Committee and (iii) Stock option grant of 200,000 shares at the average selling price on January 19, 2016.

On January 22, 2016, the Company announced that Chairman Michael P. Tarnok purchased a total of 64,516 shares of Dyadic International, Inc. common stock at $1.55 per share, the closing price of Dyadic stock on Tuesday, January 19, 2016. The aggregate amount paid was pursuant to a securities purchase agreement and the certificate evidencing the shares issued contains a legend stating that the shares have not been registered under the Securities Act and are subject to restrictions on transferability and sale pursuant to the Securities Act.

On February 12, 2016, the Company settled a net working capital adjustment in connection the DuPont Transaction of $638,825 which has been reflected as a reduction against the $8,000,000 of escrowed funds held for the sale of assets as of December 31, 2015.

On February 16, 2016 the Company announced that its Board of Directors authorized a stock repurchase program, under which the Company may repurchase up to $15 million of its outstanding common stock. Under the stock repurchase program, Dyadic may repurchase shares in open-market purchases in accordance with all applicable securities laws and regulations, including Rule 10b-18 of the Securities Exchange Act of 1934, as amended. The extent to which Dyadic repurchases its shares, and the timing of such repurchases, will depend upon a variety of factors, including market conditions, regulatory requirements and other corporate considerations, as determined by Dyadic's management. The repurchase program may be extended, suspended or discontinued at any time. The Company expects to finance the program from existing cash resources. The number of shares repurchased by the Company as of the date of this report was 688,655 at an average cost of $1.56 per share.

On February 23, 2016, Director, Dr. Seth Herbst sold 250,000 shares of Dyadic International, Inc. common stock in a private placement.

On February 24, 2016 the Company entered into an agreement with Kadans Science Partner Fund N.V. to lease approximately 900 square feet of office space in their building in Wageningen, The Netherlands for a period of thirty-six months. The annual rent and maintenance is approximately $4,700.

On March 3, 2016 the Company announced that in its lawsuit against Defendants Greenberg Traurig, LLP, Greenberg Traurig, P.A. (collectively, "Greenberg Traurig") and the Estate of Robert I. Schwimmer, who previously represented the Company while an attorney at Greenberg Traurig, and also against Defendant Bilzin Sumberg Baena Price & Axelrod LLP ("Bilzin Sumberg"), the Court issued an Order, dated March 2, 2016, scheduling the lawsuit for a six-week jury trial commencing Friday, January 6, 2017.

The Company has evaluated subsequent events through March 29, 2016, the date these audited consolidated financial statements were available to be issued. Except as discussed above, management is not aware of any material events that have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in the audited consolidated financial statements.

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.

Item 14 Beneficial owners

Name and Address of Beneficial Owner (1)	Common Stock Owned	Percentage Owned
Pinnacle Family Office Investments, L.P. (2)	5,003,052	12.2%
Mark A. Emalfarb (3)	4,515,276	11.1%
The Francisco Trust U/A/D February 28, 1996 (4)	4,494,747	11.1%
Abengoa BioEnergy (5)	2,136,752	5.3%
Directors and Executive Officers:		
Mark A. Emalfarb	4,515,276	11.1%
Robert D. Burke, MD (6)	598,867	1.5%
Seth J, Herbst, MD	439,923	1.1%
Stephen J. Warner	407,423	1.0%
Michael P. Tarnok	64,897	*
Jack Kaye	35,449	*
Danai E. Brooks (6)	529,000	1.3%
Richard H. Jundzil (6)	315,000	*
Thomas L. Dubinski	278,759	*
Wim van der Wilden (6)	268,750	*
All current executive officers and directors as a group (10 persons)	7,453,344	17.5%

* Represents beneficial ownership of less than 1%.

(1) Except as otherwise noted, the address for each stockholder is c/o Dyadic International, Inc., 140 Intracoastal Pointe Drive, Suite 404, Jupiter, Florida 33477.

(2) Includes 4,363,590 shares held by the Pinnacle Family Office Investments, L.P. In addition, Pinnacle Family Office Investments, L.P. holds 639,462 stock warrants with a $1.48 per share strike price with a December 31, 2016 expiration date.

(3) Includes 4,116,987 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 172,325 stock warrants with a $1.48 per share strike price with a December 31, 2016 expiration date and 225,964 options to purchase shares of common stock. The address of the MAE Trust is 193 Spyglass Court, Jupiter, FL 33477.

(4) Includes 4,408,584 shares held by the Francisco Trust. In addition, the Francisco Trust holds 86,163 stock warrants with a $1.48 per share strike price with a December 31, 2016 expiration date. 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.

(5) Includes 2,136,752 shares held by Abengoa BioEnergy. These shares have been repurchased by the Company on January 12, 2016. See Note 8: *Subsequent Events* for additional information.

(6) Employment with the Company terminated on January 1, 2016 for Richard H. Jundzil and Wim van der Wilden and January 15, 2016 for Danai E. Brooks. In addition, Robert D. Burke MD resigned from the Board of Directors on January 19, 2016.

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

Kimberly C. Petillo-Décossard
Cahill Gordon & Reindel LLP
80 Pine Street
New York, NY 10005
Telephone: (212) 701-3265
Facsimilie: (212) 378-2545
Email: kpetillo-decossard@cahill.com

Item 16. Management's Discussion and Analysis or Plan of Operations

The following discussion and analysis contains forward-looking statements about our plans and expectations of what may happen in the future. Forward-looking statements are based on a number of assumptions and estimates that are inherently subject to significant risks and uncertainties, and our results could differ materially from the results anticipated by our forward-looking statements as a result of many known or unknown factors, including, but not limited to, those factors discussed under "Risk Factors" or in other parts of this Annual Report. See also the "Special Cautionary Notice Regarding Forward-Looking Statements" set forth at the beginning of this report.

You should read the following discussion and analysis in conjunction with the audited consolidated financial statements, and the related footnotes thereto, included in this Annual Report.

We have reclassified the revenues and expenses of our industrial technology business to "income (loss) from discontinued operations" and the related assets and liabilities to "assets held for sale" and "liabilities related to assets held for sale" for all of the periods presented in the accompanying consolidated financial statements.

OVERVIEW

Description of Business

Dyadic International, Inc. is a global biotechnology company based in Jupiter, Florida with a foreign subsidiary, Dyadic Nederland, BV, which maintains a small satellite office in Wageningen, The Netherlands. Over the past two decades the Company has developed a method for producing commercial quantities of enzymes and other proteins which it used to develop and produce some of its own industrial enzymes, as well as licensing this technology to third parties such as Abengoa Bioenergy, BASF, Codexis and others. This technology is based on the Myceliopthora thermophile fungus, which the Company named C1. The C1 technology is a robust and versatile fungal expression system for gene discovery, development, expression and production of enzymes and other proteins.

The Company has long believed that the pharmaceutical field is one of the most attractive opportunities in which the C1 technology may be applied. The C1 technology platform has potential to be a safe and efficient expression system that may help speed up the development and production of biologics at flexible commercial scales. In particular, as the aging population grows in developed and undeveloped countries, Dyadic believes C1 can help bring biologic drugs to market faster, in greater volumes and at lower cost to drug developers and manufacturers. This can potentially improve access and reduce costs to patients and the healthcare system.

On December 31, 2015 the Company completed the sale of substantially all of the assets of its Industrial Technology business to DuPont's (NYSE: DD) Industrial Biosciences business for $75 million in cash (the "DuPont Transaction"). The Agreement provides for $8 million of the purchase price to be held in an escrow account for 18 months to ensure Dyadic's obligations with respect to certain indemnity claims and working capital adjustments. In connection with the DuPont Transaction, DuPont has granted back to Dyadic co-exclusive rights to the C1 technology for use in human and animal pharmaceutical applications, with the exclusive ability to enter into sub-license agreements in that field. DuPont will retain certain rights to utilize the C1 technology for use in pharmaceutical applications, including development and production of pharmaceutical products, for which it will make royalty payments to Dyadic upon commercialization. In certain circumstances, Dyadic may owe a royalty to either DuPont or certain licensor's of DuPont depending upon whether Dyadic elects to utilize certain patents either owned by DuPont or DuPont's licensors. The current escrow amount of $7,361,182 in the accompanying balance sheet is net of contractual working capital adjustments agreed to by the parties.

The combination of a portion of the proceeds from the DuPont Transaction and possible additional industry and government funding that will be sought are expected to provide Dyadic with the opportunity to accelerate the further development and optimization of the C1 technology in the area of biopharmaceuticals. In addition, the unique attributes of C1 may create attractive research, licensing, collaboration and other opportunities if C1 demonstrates operational efficiencies and reduced capital requirements for biologic drug manufacturers.

Currently, we intend to continue our existing program with Sanofi Pasteur and our EU-funded ZAPI vaccination program. The Company has initiated internally funded research & development pharmaceutical programs and is reviewing its options regarding its future internal and external pharmaceutical research initiatives. The Company plans to initially use contract research organizations to carry out its research and development activities. As part of the negotiated terms of the DuPont Transaction, the Company has begun to fund its research efforts at the Company's former research center in Wageningen, The Netherlands, which was acquired by DuPont. If the Company is able to successfully demonstrate C1's capabilities in developing biologics, management will consider setting up its own research and development site to carry out its business plan.

Going forward, the Company's focus will be related to leveraging the patented and proprietary C1 expression system to help speed up the development and production of biologic drugs at flexible commercial scales for its use in the discovery, development, and manufacturing of human and animal vaccines, monoclonal antibodies, biosimilars and/or biobetters, and other therapeutic proteins.

Strategy

We expect to generate revenues by leveraging the C1 Expression System and other technologies by: (i) conducting R&D projects to develop C1-based products and processes for third parties, and for ourselves and; (ii) entering into research projects and collaborations, license agreements, joint ventures or other business arrangements to collect research funding, technology access fees, milestone payments, royalties, profit sharing and other fees; and/or (iii) obtaining grants from the United States government, foreign governments or other agencies and organizations.

The potential market opportunities for the Company include:

Biopharmaceuticals (including therapeutic proteins, vaccines, monoclonal antibodies, biosimilars and/or biobetters and other biologics used in the treatment of many diseases) – We believe that the biopharmaceutical industry can benefit from utilizing the C1 Expression System to address certain challenges in the market today in developing and producing biologics. Using C1, drug developers will have another alternative organism that may sufficiently express therapeutic proteins, vaccines, monoclonal antibodies, biosimilars and/or biobetters and other biologics, where products have stalled in development due to the lack of expression levels with other systems. We believe that pharmaceutical companies might find C1 become one of the more attractive expression systems because of its long track record in successful industrial enzyme development and manufacturing, its robust growth and fermentation characteristics, and its ability to be readily programmed and easily scaled. However, use of the C1 Expression System for biopharmaceutical applications should be considered an early-stage endeavor.

- **Sanofi Pasteur,** since 2011 we have been working with Sanofi Pasteur using the C1 expression system to attempt expression of specific antigens of interest to Sanofi. In a collaborative partially funded research project, we have been jointly working to develop and produce an R&D phase vaccine using the C1 expression system. In addition to prior funded R&D, we have the potential for additional R&D funding, other payments and potentially other additional opportunities should the research project with Sanofi Pasteur be continued, and the companies decide to continue working together, and the subsequent potential C1 technology transfer to Sanofi Pasteur contemplated in the original agreement is concluded.

  As announced in the Company's press release on October 7, 2015, the data generated by Sanofi Pasteur indicates that the C1 produced antigen generated an equal, or better, immune response in mice trials than an industry antigen chosen for comparison by Sanofi Pasteur. It should be noted that this data is very preliminary, and additional research and data generation is ongoing and needed before the Company and Sanofi Pasteur would pursue a license agreement and/or other type of collaboration for this class of vaccines. We are working on expressing and producing sufficient quantities of additional vaccine variants in the Sanofi research project for further evaluation by Sanofi. If the Company is successful in delivering sufficient quantities of the remaining vaccine variants to Sanofi by the middle of the second quarter, the Company anticipates a decision on this research project by the end of 2016.

- **ZAPI,** a research and development program sponsored by the EU with the goal of developing a platform suitable for the rapid development and production of vaccines and protocols to fast-track registration of developed products to combat epidemic Zoonotic diseases that have the potential to effect the human population. Our Dutch subsidiary, Dyadic Nederland BV is one of the many industry, and academic participants in this €22 million Vaccine R&D Program.

  The Company has started its initial research and development work on cloning and expressing different antigens which are of interest to the ZAPI Consortium. If the Company is successful in expressing sufficient quantities of the desired antigens using the C1 expression system we anticipate one or more of these antigens to be further characterized within the consortium. If the characterization is positive, then we anticipate that such antigen(s) will likely be an integral part of the ZAPI research and development and regulatory program. We anticipate obtaining preliminary results from the ongoing gene expression research we are conducting in the ZAPI program sometime in the second half of this year.

Development goals

The Company has started an initial exploratory research program to evaluate the use of the current C1 technology to develop imperative non-glycosylated therapeutic products such as Insulin and ranibizumab, a biosimilar version of Lucentis:

- Global human insulin market is estimated to reach $42 billion by 2019, at a compound annual growth rate of 12.5% from 2014-2019.The market are being driven by rising prevalence of diabetes worldwide, spiraling

aging population that increases the incidences of diabetes, growing obese population due to the change in lifestyle, favorable government initiatives, and introduction of pen and inhalation devices that deliver human insulin efficiently and effectively. We believe that the production of low cost Insulin by C1 will be a potential solution for the growing demand in the multibillion-dollar insulin market.

- Among other mAb-based biosimilars, ranibizumab, a biosimilar version of Lucentis, for the treatment of retinal diseases, achieved approximately $4.5 billion in 2014 global sales per IMS Health**.** Since the aging population continues to grows in developed and undeveloped countries there is a growing need to deliver more medicines and therapies to more people around the world faster, in greater volumes and at lower cost. Producing non-glycosylated Biosimilars, such as ranibizumab, a biosimilar version of Lucentis, by using the C1 Technology we can create a differentiated platform approach as an effective alternative in the emerging biosimilar, bio-better global-market as it becomes more competitive.

The Company's longer term objective, which will require substantially more time and money to achieve, is to leverage the C1 expression host system for the even larger therapeutic glycoprotein market. The C1 system has the potential to become a significant platform for the development and production of therapeutic glycoproteins with human-compatible or even superior glycan structures. We believe that with the rapid advances already available today, and those being made at an accelerated pace in genomics and synthetic biology, the hyper productive and novel C1 fungal cell line is a superior option to further engineer glycosylation pathways: (i) to create improved immunogenicity in the case of vaccines, or (ii) to eliminate immunogenicity in the case of glycoproteins as therapeutic drugs. The Company is currently evaluating the best strategies to carry out these critical research and development tasks. We are in discussions with various leading experts and laboratories in the field of glycoengineering to identify the best path forward to glycoengineer C1 cell lines.

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 as 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 industrial biotechnology companies such as Abengoa, BASF, Codexis among others. We sold substantially all the assets of our Industrial Technology business to DuPont's Industrial Biosciences business ("DuPont") for $75 million in cash (the "DuPont Transaction"). We believe this transaction provides us with an exceptional opportunity to unlock value and provide Dyadic operational flexibility to develop our pharmaceutical business. We will now focus C1 on the pharmaceutical sector where we believe it has the potential to help develop and manufacture drugs and vaccines faster and more efficiently than existing production systems. We believe that utilizing the C1 Expression System may be the critical differentiator in allowing Dyadic, our collaborators and licensees to compete in these technology-driven markets.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGEMENTS

The preparation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and judgments that affect the reported amount of assets and liabilities and related disclosure of contingent assets and liabilities at the date of our consolidated financial statements and the reported amounts of revenues and expenses during the applicable period. Actual results may differ from these estimates under different assumptions or conditions. Such differences could be material to the financial statements.

We define critical accounting policies as those that are reflective of significant judgments and uncertainties and which may potentially result in materially different results under different assumptions and conditions. In applying these critical accounting policies, our management uses its judgment to determine the appropriate assumptions to be used in making certain estimates. These estimates are subject to an inherent degree of uncertainty. Our critical accounting policies include the following:

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 amount of reserves are established based upon consideration of a variety of factors including estimates based on historical return experience. 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 revenue in the accompanying consolidated statements of operations. Costs of shipping and handling are included in cost of goods sold.

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 and payments received in advance for services performed. The Company then recognizes revenue pursuant to the related pattern of performance, based on total labor hours incurred relative to total labor hours estimated under the contract. As of December 31, 2015 and 2014, the deferred research and development obligation totaled approximately $129,000 and $65,000, respectively.

The Company recognized research and development revenue during the years ended December 31, 2015 and 2014 the Company recognized research and development revenue in the amount of approximately $316,000 and $106,000 respectively.

Stock Compensation

We have granted stock options and restricted stock to employees, directors and consultants. For employee and director grants, the value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. The Black-Scholes model takes into account volatility in the price of our stock, the risk-free interest rate, the estimated life of the option, the closing market price of our stock and the exercise price. We base our estimates of our stock price volatility on the historical volatility of our common and our assessment of future volatility; however, these estimates are neither predictive nor indicative of the future performance of our stock. For purposes of the calculation, we assumed that no dividends would be paid during the life of the options and RSU's. The estimates utilized in the Black-Scholes calculation involve inherent uncertainties and the application of management judgment. In addition, we are required to estimate the expected forfeiture rate and only recognize expense for those equity awards expected to vest. As a result, if other assumptions had been used, our recorded stock-based compensation expense could have been materially different from that reported. In addition, because some of the options and RSU's issued to employees, consultants and other third-parties vest upon the achievement of certain milestones, the total expense is uncertain.

Total compensation expense for options and restricted stock issued to consultants is determined at the "measurement date." The expense is recognized over the vesting period for the options and restricted stock. Until the measurement date is reached, the total amount of compensation expense remains uncertain. We record stock-based compensation expense based on the fair value of the equity awards at the reporting date. These equity awards are then revalued, or the total compensation is recalculated based on the then current fair value, at each subsequent reporting date. This results in a change to the amount previously recorded in respect of the equity award grant, and additional expense or a reversal of expense may be recorded in subsequent periods based on changes in the assumptions used to calculate fair value, such as changes in market price, until the measurement date is reached and the compensation expense is finalized.

Accounting for Income Taxes

In preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves management estimation of our actual current tax exposure and assessment of temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income and, to the extent we believe that recovery is not likely, we must establish a valuation allowance. To the extent we establish a valuation allowance or increase this allowance in a period, we must include an expense within the tax provision in the consolidated statement of operations. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets.

For the years ended December 31, 2015 and 2014, the Company recorded a current provision for income tax expense of approximately $1.1 million and zero, respectively, in discontinued operations in connection with the DuPont Transaction. The Company's 2015 gain for U.S. federal income tax purposes was offset by $60.4 million in available NOL's, subject to applicable limitations. The DuPont Transaction was subject to a federal alternative minimum tax limitation despite our existing carryover losses and credits. In addition, substantially all of the taxable gain resulting from the DuPont Transaction will be subject to state income tax, despite our existing tax losses and credits. The Company will be subject to income taxes in foreign jurisdictions where the Company maintains foreign subsidiaries (See Note 3: Income Taxes for additional information).

The deferred tax assets at December 31, 2015 and 2014 were approximately $2.0 million and $25.8 million, respectively. In light of the Company's history of operating losses and the uncertainty regarding our ability to generate taxable income in the future, the Company has established a 100% valuation allowance against deferred tax assets at December 31, 2015 and 2014.

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties, if any, in operating expenses.

The Company is not subject to U.S. federal, state and local tax examinations by tax authorities for the years before 2012.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Recent Accounting Pronouncements

In April 2014, FASB issued ASU 2014-08 (Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360) — Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity). Under ASU 2014-08, only disposals representing a strategic shift in operations that have a major effect on the Company's operations and financial results should be presented as discontinued operations. Additionally, ASU 2014-08 requires expanded disclosures about discontinued operations that will provide financial statement users with more information about the assets, liabilities, income, and expenses of discontinued operations. The amendments in ASU 2014-08 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2014. The Company adopted this guidance in the third quarter of 2015 and has applied it in the accompanying financial statements for presentation and disclosure of the transaction as discontinued operations. The Company will also apply, as applicable, the guidance to future dispositions or classifications as held for sale.

In May 2014, FASB issued ASU 2014-09/ 2015-14 (Revenue from Contracts with Customers (Topic 606)). This amended guidance was issued to clarify the principles used to recognize revenue for all entities. The guidance is based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard also requires more detailed disclosures and provides additional guidance for transactions that were not comprehensively addressed in the prior accounting guidance. This guidance must be applied using one of two retrospective application methods and will be effective for the Company's interim and annual reporting periods beginning in the first quarter of 2018. Early adoption is not permitted. The Company is currently evaluating the impact of the adoption of this newly issued guidance on its consolidated financial statements.

In August 2014, FASB issued ASU 2014-15 (Presentation of Financial Statements-Going Concern (Topic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern). This guidance was issued requiring management to evaluate, at each annual and interim reporting period, whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year after the date the financial statements are issued and provide related disclosures. This guidance will be effective for the Company's annual reporting period ending after December 15, 2016, and for annual periods and interim periods thereafter. Early adoption is permitted. The Company is currently evaluating the impact of the adoption of this newly issued guidance on its consolidated financial statements.

In January 2015, the FASB issued ASU 2015-01, (Income Statement – Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items), which changed the requirements for reporting extraordinary and unusual items in the income statement. The update eliminates the concept of extraordinary items. The presentation and disclosure guidance for items that are unusual in nature or occur infrequently will be retained and will be expanded to include items that are both unusual in nature and infrequently occurring. A reporting entity may apply the amendments prospectively or retrospectively to all periods presented in the financial statements. The guidance will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The adoption of this newly issued guidance is not expected to have an impact to the Company's consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, (Consolidations (Topic 225-20): Amendments to the Consolidation Analysis), which affects current consolidation guidance. The guidance changes the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. This guidance must be applied using one of two retrospective application methods and will be effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted, including adoption in any interim period. The Company is currently evaluating the impact, if any, of the adoption of this newly issued guidance to its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, (Interest – Imputation of Interest (Topic 225-20): Simplifying the Presentation of Debt Issue Costs), that simplifies the presentation of debt issuance costs. The guidance requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by these amendments. This guidance should be applied on a retrospective basis, wherein the balance sheet of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. The guidance will be effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted for financial statements that have not been previously issued. The Company is currently evaluating the impact, if any, of the adoption of this newly issued guidance to its consolidated financial statements.

In November 2015, the FASB issued ASU 2015-17, (Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes)." Under this standard, Companies are required to classify all deferred tax assets and liabilities as noncurrent on the balance sheet instead of separating deferred taxes into current and noncurrent amounts. Also, companies will no longer allocate valuation allowances between current and noncurrent deferred tax assets because those allowances also will be classified as noncurrent. Early adoption of the guidance is permitted, companies can start applying it in interim and annual financial statements that have not yet been issued. The Company has adopted this new guidance in its consolidated financial statements for the year ended December 31, 2015.

In February 2016, the FASB issued ASU 2016-02, (Leases (Topic 842)). Under the new guidance, lessees will be required to recognize the assets and liabilities that arise from operating leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. Public business entities should apply the amendments in ASU 2016-02 for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early application is permitted for all public business entities and all nonpublic business entities upon issuance. We are currently evaluating the impact of our pending adoption of ASU 2014-09 on our consolidated financial statements.

Results of Operations

Year Ended December 31, 2015 Compared to the Year Ended December 31, 2014

Revenue

Research and development revenue for the year ended December 31, 2015 was approximately $316,000 compared to $106,000 for the same period a year ago. The increase in revenue for the period reflects activity from two biopharmaceutical R&D projects.

Revenue by Geography

All of the revenue was earned in Europe for the years ended December 31, 2015 and 2014. The increase in revenue of approximately $210,000 represents the continued work on biopharmaceutical R&D projects.

Gross Profit

Gross profit for the year ended December 31, 2015 increased to approximately $192,000 compared to a loss of ($97,000) for the same period a year ago. At this time the Company has two ongoing biopharmaceutical R&D projects.

Operating Expenses

General and Administrative Expenses

General and administrative expenses for the year ended December 31, 2015 declined 27% to approximately $3,838,000 compared to $5,284,000 for the same period a year ago. The decrease primarily reflects lower litigation costs of approximately $1,332,000 offset by higher professional service costs, compensation and project related spending of $114,000.

Research and Development

Research and Development expenses for the year ended December 31, 2015 decreased to $0 from approximately $71,000 in 2014 as a result of the closure of our North Carolina lab in April 2014.

Other Income

Other income increased in the year ended December 31, 2015 by approximately $2,153,000 as compared to the prior year. The increase principally relates to the settlement with one of the three remaining defendant law firms in its ongoing professional liability litigation. On August 12, 2015 the Company received full payment in the amount of $2,170,000, which is net of fees and expenses.

Income Taxes

The Company had significant net operating loss carryforwards ("NOL's") available in 2015 that will begin to expire in 2022. In connection with the DuPont Transaction, the Company utilized $60.4 million of available NOL's in its tax provision for 2015. NOL's for the years ended December 31, 2015 and 2014 were $5.8 million and $66.2 million, respectively.

For the years ended December 31, 2015 and 2014, the Company recorded a current provision for income tax expense of approximately $1.1 million and zero, respectively, in discontinued operations in connection with the DuPont Transaction. The Company's 2015 gain for U.S. federal income tax purposes was offset by the available NOL's discussed above, subject to applicable limitations. The DuPont Transaction was subject to a federal alternative minimum tax limitation despite our existing carryover losses and credits. In addition, substantially all of the taxable gain resulting from the DuPont Transaction will be subject to state income tax, despite our existing tax losses and credits. The Company will be subject to income taxes in foreign jurisdictions where the Company maintains foreign subsidiaries (See Note 3: Income Taxes for additional information).

The deferred tax assets at December 31, 2015 and 2014 were approximately $2.0 million and $25.8 million, respectively. In light of the Company's history of operating losses and the uncertainty regarding our ability to generate taxable income in the future, the Company has established a 100% valuation allowance against deferred tax assets at December 31, 2015 and 2014.

The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties, if any, in operating expenses.

The Company is not subject to U.S. federal, state and local tax examinations by tax authorities for the years before 2012.

Discontinued Operations

Net income from discontinued operations increased for the year ended December 31, 2015 by approximately $67,828,000 as compared to the prior year. The increase is principally due to gain recognized on the DuPont Transaction of approximately $70,946,000, an increase in gross profit of $614,000, a decrease in Research and Development of approximately $624,000 due to less internal project work, a decrease in Sales and Marketing expense of approximately $286,000 offset by higher operating expenses; General and Administrative cost associated with the sale of the business of approximately $2,579,000, higher interest expense due to the additional debt and the cost of the debt modification of $934,000, income tax of $1,076,000 and currency exchange of $53,000.

LIQUIDITY AND CAPITAL RESOURCES

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

On December 31, 2015 the Company completed the sale of substantially all of the assets of its Industrial Technology business to DuPont's (NYSE: DD) Industrial Biosciences business for $75 million in cash (the "DuPont Transaction"). The Agreement provides for $8 million of the purchase price to be held in an escrow account for 18 months to ensure Dyadic's obligations with respect to certain indemnity claims and working capital adjustments. In connection with the DuPont Transaction, DuPont has granted back to Dyadic co-exclusive rights to the C1 technology for use in human and animal pharmaceutical applications, with the exclusive ability to enter into sub-license agreements in that field. DuPont will retain certain rights to utilize the C1 technology for use in pharmaceutical applications, including development and production of pharmaceutical products, for which it will make royalty payments to Dyadic upon commercialization. In certain circumstances, Dyadic may owe a royalty to either DuPont or certain licensor's of DuPont depending upon whether Dyadic elects to utilize certain patents either owned by DuPont or DuPont's licensors. The current escrow amount of $7,361,182 in the accompanying balance is net of contractual working capital adjustments agreed to by the parties.

The combination of a portion of the proceeds from the DuPont Transaction and possible additional industry and government funding that will be sought are expected to provide Dyadic with the ability to focus on and accelerate the further development and optimization of the C1 technology in the area of biopharmaceuticals. In addition, the unique attributes of C1 may create attractive research, licensing, collaboration and other opportunities if the C1 technology demonstrates operational efficiencies and reduced requirements for biologic drug manufacturing capital expenditures.

Currently, we intend to continue our existing program with Sanofi Pasteur and our EU-funded ZAPI vaccination program. The Company has initiated internally funded research & development pharmaceutical programs and is reviewing its options regarding its future internal and external pharmaceutical research initiatives. The Company plans to initially use third party research organizations to carry out its research and development activities. As part of the negotiated terms of the DuPont Transaction, the Company has begun to fund its research efforts with DuPont at the Company's former research center in Wageningen, The Netherlands, which was acquired by DuPont. If the Company is able to successfully demonstrate C1's capabilities in developing biologics, management will consider setting up its own research and development site to carry out its business objectives.

Going forward, the Company's focus will be related to leveraging the patented and proprietary C1 expression system to help speed up the development and production of biologic drugs at flexible commercial scales for its use in the discovery, development, and manufacturing of human and animal vaccines, monoclonal antibodies, biosimilars and/or biobetters, and other therapeutic proteins.

At December 31, 2015, cash and cash equivalents were approximately $68,601,000 compared to $2,495,000 at December 31, 2014.

On March 9, 2015, the Company also completed a private placement of a $2,000,000 convertible subordinated promissory note with a maturity date of January 1, 2016. This note was repaid on December 31, 2015.

On July 31, 2015, the Company reached a settlement with one of the three remaining defendant law firms in its ongoing professional liability litigation. On August 12, 2015 the Company received full payment of in the amount of $2,170,000, which is net of legal fees and expenses. The settlement amount is reported in the Company's consolidated statement of operations, in other income. In the event the Company is able to reach a favorable settlement with one or both of the two remaining defendants in its ongoing Professional Liability litigation (See *Item 5. Legal Proceedings* for additional information), this will provide the Company with additional capital. We expect to incur additional costs in what may be a long and protracted trial, the outcome of which is uncertain. If we do not prevail at trial, the court may determine that the Company is responsible for some or all of the defendants' costs incurred in this litigation. Additionally, even if we prevail at trial, we expect the defendants to appeal the decision.

Professional Liability Lawsuit

On March 26, 2009, the Company filed a complaint in the Circuit Court of the 15th Judicial Circuit in and for Palm Beach County, Florida against Ernst & Young LLP and Ernst & Young-Hong Kong, L.P., alleging professional negligence/malpractice, breach of fiduciary duty and constructive fraud in connection with the accounting, advisory, auditing, consulting, financial and transactional services they provided to the Company.

On April 14, 2009, the Company amended the complaint (the "Amended Complaint") by naming as additional defendants the Company's former outside legal counsel consisting of the law firms of Greenberg Traurig, LLP, Greenberg Traurig, P.A. (collectively, "Greenberg Traurig"), Jenkens & Gilchrist, P.C. ("Jenkens & Gilchrist") and Bilzin Sumberg Baena Price & Axelrod LLP ("Bilzin Sumberg") as well as attorney Robert I. Schwimmer who previously represented the Company while an attorney at Jenkens & Gilchrist and later at Greenberg Traurig. Jenkens & Gilchrist went out of business in 2007 and is in the process of winding up its business and affairs. The Company also named as defendants the law firm of Moscowitz & Moscowitz, P.A. and its attorneys Norman A. Moscowitz and Jane W. Moscowitz (collectively, the "Moscowitz Defendants") who conducted the investigation and authored the investigative report requested by the Company's Audit Committee following the discovery of alleged improprieties at the Company's Asian subsidiaries. The claims against the Company's former outside legal counsel are for breach of fiduciary duty and professional negligence. In addition to these claims, the Amended Complaint contains a claim of civil conspiracy against Ernst & Young LLP, Greenberg Traurig and Mr. Schwimmer. The claims against Ernst & Young LLP and Ernst & Young-Hong Kong, L.P. were subsequently stayed in the Circuit Court action and submitted to binding arbitration. A final hearing before the arbitration tribunal was completed on May 27, 2011. On February 29, 2012, the arbitration tribunal issued a Final Award which found no auditor negligence, denied the Company any recovery against Ernst & Young LLP and Ernst & Young Hong Kong L.P., and further provided that each party shall bear its own attorneys' fees and costs.

On July 11, 2011, defendants Jenkens & Gilchrist, Bilzin Sumberg and the Moscowitz Defendants filed a counterclaim in the Circuit Court against the Company and a Third Party Complaint against its President and Chief Executive Officer, Mark Emalfarb, individually, for abuse of process.

The counter claim and Third Party Complaint filed by Jenkens & Gilchrist and Bilzin Sumberg also included claims for common law indemnity against the Company and Mr. Emalfarb. In addition, Jenkens & Gilchrist made a claim against the Company for breach of the implied covenant of good faith and fair dealing. On July 18, 2011, the Moscowitz Defendants filed a motion for summary judgment which the Circuit Court denied in its entirety. On September 9, 2011, Jenkens & Gilchrist and Bilzin Sumberg amended their counterclaim and Third Party Complaint which dropped their claims for abuse of process but retained their claims for common law indemnity against the Company and Mr. Emalfarb.

Bilzin Sumberg also added claims against the Company and Mr. Emalfarb for breach of its retainer agreements and for declaratory relief. Also on September 9, 2011, the Moscowitz Defendants dropped their claims for abuse of process against the Company and Mr. Emalfarb. On December 8, 2011, the Circuit Court dismissed without prejudice all counterclaims against the Company and all third party claims against Mr. Emalfarb.

On July 18, 2012, the Company filed a Second Amended Complaint which expanded and amplified the Company's prior allegations of negligent acts and omissions by the defendants in the Circuit Court proceedings. All of the defendants have filed and served their answers and affirmative defenses.

On August 8, 2012, the Company, Jenkens & Gilchrist and Mr. Schwimmer entered into a Settlement Agreement and General Releases (the "J&G Settlement Agreement") whereby Jenkens & Gilchrist paid the Company

$525,000 for the mutual release and discharge of (1) all causes of action between the Company and Jenkens & Gilchrist, and (2) causes of action between the Company and Mr. Schwimmer including, but not limited to, those in the professional liability lawsuit, but only those which occurred while Mr. Schwimmer served as an attorney at Jenkens & Gilchrist and not while he served as an attorney at Greenberg Traurig or any other time. Such amount was included in other income in the consolidated statement of operations for the year ended December 31, 2012. Pursuant to the J&G Settlement Agreement, the Company, Jenkens & Gilchrist and Mr. Schwimmer have filed a Stipulation of Settlement with the Court to enforce the terms of the J&G Settlement Agreement including, but not limited to, the dismissal of Counts I and II of the Second Amended Complaint against Jenkens & Gilchrist and Mr. Schwimmer with prejudice.

On January 24, 2013, each of the remaining defendants served their amended affirmative defenses to the Second Amended Complaint. On February 11, 2013, the Company served its reply to such amended affirmative defenses.

The Company and the defendants in the Circuit Court proceedings are continuing to engage in written discovery, oral depositions and motion practice.

On November 26, 2013, the Court entered a Case Management Order. Pursuant to the Order, all pretrial motions and other litigation activities were to have been concluded by the end of 2014. The Court ordered mediation was held on November 10th and 11th, 2014.

On July 31, 2015, the Company reached a settlement with one of the three remaining defendant law firms in its ongoing professional liability litigation. On August 12, 2015 the Company received full payment in the amount of $2,170,000, which is net of fees and expenses. The settlement amount is reported in the Company's consolidated statement of operations, in other income, for the quarter ending September 30, 2015.

On September 29, 2015, the Court removed the professional liability litigation from the Court's eight week trial docket which commenced on October 26, 2015. Instead, the Court, in an effort to promote settlement, ordered the parties to non-binding arbitration with an initial hearing to occur before December 16, 2015. The parties are scheduled to appear before the Court on November 13, 2015 for hearings on various pre-trial motions. At that time, the Court is expected to address when the professional liability litigation will be set for trial in 2016. The parties have also voluntarily agreed to again attend mediation on November 18, 2015.

The parties attended both mediation and non-binding arbitration. No resolution was reached. Pretrial motion practice is now substantially completed. The Court has issued an Order dated March 3, 2016 setting a six week jury trial commencing January 6, 2017.

In addition to the matters noted above, from time to time, the Company is subject to legal proceedings, asserted claims and investigations in the ordinary course of business, including commercial claims, employment and other matters, which management considers immaterial, individually and in the aggregate.

The Company makes a provision for a liability when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case. Litigation is inherently unpredictable and costly. While the Company believes that it has valid defenses with respect to the legal matters pending against it, protracted litigation and/or an unfavorable resolution of one or more of such proceedings, claims or investigations against the Company could have a material adverse effect on the Company's consolidated financial position, cash flows or results of operations.

Quantitative and Qualitative Disclosures about Market Risk

The primary objective of our investment activities is to preserve principal while maximizing our income from investments and minimizing our market risk. We currently invest in government and investment-grade corporate debt in accordance with our investment policy, which we may change from time to time. The securities in which we invest have market risk. This means that a change in prevailing interest rates, and/or credit risk, may cause the fair value of the investment to fluctuate. For example, if we hold a security that was issued with a fixed interest rate at the then-prevailing rate and the prevailing interest rate later rises, the fair value of our investment will probably decline. As of December 31, 2015, our portfolio of financial instruments consists of cash equivalents, including money market funds.

Due to the short-term nature of these financial instruments, we believe there is no material exposure to interest rate risk, and/or credit risk, arising from our portfolio of financial instruments.

Board of Directors Changes

On July 1, 2015 Jack Kaye accepted the role of Chairman of the Audit Committee replacing Frank Gerardi. Mr. Gerardi continued as a consultant to the board of directors through December 31, 2015.

On January 19, 2016 the Company announced that, effective January 18, 2016, Robert D. Burke, MD resigned from the Board of Directors of Dyadic (the "Board") and all related board committees to which he served, which included the compensation and nominating committees of the Board.

PART E. ISSUANCE HISTORY

Item 17 List of Securities Offerings and Shares Issued for Services in the Past Two Year.

Date	Nature of Offering	Basis for Exemption	Party Shares Issued To	Number of Shares Issued	Exercise Price	Trading Status of Shares	Restrictive Legends (f)
2/18/2014	Option Exercise	Section 4(a)(2)	Employees (2)	5,500	0.15	-	Yes (d)
2/18/2014	Option Exercise	Section 4(a)(2)	Employees (2)	10,000	0.23	-	Yes (d)
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 (d)
8/1/2014	Option Grant	Section 4(a)(2)	Officer	200,000	1.66	-	Yes
1/8/2015	Option Grant	Section 4(a)(2)	Director	125,000	0.97	-	Yes
1/8/2015	Restricted Stock Units Grant	Rule 506	Directors	38,042 (a)	0.97	Restricted	Yes
4/1/2015	Option Grant	Section 4(a)(2)	Director	30,000	1.33	-	Yes

4/1/2015	Restricted Stock Units Grant	Rule 506	Directors	4,463 (a)	1.21	Restricted	Yes
5/21/2015	Option Exercise	Section 4(a)(2)	Advisor	5,000	0.15	-	Yes (d)
5/21/2015	Option Exercise	Section 4(a)(2)	Advisor	10,000	0.23	-	Yes (d)
6/15/2015	Option Grant	Section 4(a)(2)	Employee	1,000	0.93	-	Yes
7/1/2015	Restricted Stock Units Grant	Rule 506	Directors	986 (a)	0.97	Restricted	Yes
8/4/2015	Option Exercise	Section 4(a)(2)	Employee	5,000	0.23	-	Yes (d)
8/6/2015	Option Exercise	Section 4(a)(2)	Employee	625	0.23	-	Yes (d)
8/10/2015	Option Exercise	Section 4(a)(2)	Employee	1,250	0.15	-	Yes (d)
8/10/2015	Option Exercise	Section 4(a)(2)	Employees	5,000	0.23	-	Yes (d)
8/13/2015	Option Exercise	Section 4(a)(2)	Employees	2,500	0.15	-	Yes (d)
8/13/2015	Option Exercise	Section 4(a)(2)	Employee	3,750	0.23	-	Yes (d)
8/26/2015	Option Exercise	Section 4(a)(2)	Employee	5,000	0.23	-	Yes (d)
12/31/2015	Stock Issue	Rule 505	Convertible Debt Holders	6,117,694 (b)	1.35	-	No
12/31/2015	Warrants Grant	Rule 504	Convertible Debt Holders	1,147,273 (b)	1.48	-	No
12/31/2015	Restricted Stock Units Grant	Rule 506	Officer	78,759 (c)	1.67	Restricted	Yes
12/31/2015	Restricted Stock Units Grant	Rule 506	Employees	25,000 (c)	1.67	Restricted	Yes

Notes:

a. Effective January 1, 2015, the Company began compensating directors by providing 80% of their annual retainer in cash paid in equal monthly installments and 20% of their annual retainer in restricted stock. The number of the restricted stock units is determined by dividing the cash value of the 20% of the annual retainer by the average of the Company's average selling or market price for a share of common stock on each trading day during the ten trading day period ending on the date immediately prior to the grant date.

b. In connection with the closing of the DuPont Transaction, all of Dyadic's outstanding debt has been repaid or converted into shares of Dyadic's common stock. A total of $8,110,787 in convertible debt and $170,387 in accrued interest was exchanged for 6,117,694 shares of Dyadic's common stock and 1,052,496 warrants with a $1.48 per share strike price with a December 31, 2016 expiration date. A total of $ 550,000.00 in convertible debt and $11,090.41 in accrued interest was repaid in cash and 94,780 warrants with a $1.48 per share strike price with a December 31, 2016 expiration date to convertible debt holders who elected not to convert.

c. In connection with the closing of the DuPont Transaction, the Company awarded 103,759 Restricted Stock Units to an officer and employees at a $1.67 per share strike price.

d. 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

DuPont Agreement

On December 31, 2015 the Company completed the sale of substantially all of the assets of its Industrial Technology business to DuPont's (NYSE: DD) Industrial Biosciences business for $75 million in cash (the "DuPont Transaction"). The Agreement provides for $8 million of the purchase price to be held in an escrow account for 18 months to ensure Dyadic's obligations with respect to certain indemnity claims and working capital adjustments. In connection with the DuPont Transaction, DuPont has granted back to Dyadic co-exclusive rights to the C1 technology for use in human and animal pharmaceutical applications, with the exclusive ability to enter into sub-license agreements in that field. DuPont will retain certain rights to utilize the C1 technology for use in pharmaceutical applications, including development and production of pharmaceutical products, for which it will make royalty payments to Dyadic upon commercialization. In certain circumstances, Dyadic may owe a royalty to either DuPont or certain licensor's of DuPont depending upon whether Dyadic elects to utilize certain patents either owned by DuPont or DuPont's licensors. The current escrow amount of $7,361,182 in the accompanying balance is net of contractual working capital adjustments agreed to by the parties.

Facility Leases

Jupiter, Florida Headquarters

The Company's corporate headquarters are located at 140 Intracoastal Pointe Drive, Suite 404, 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 June 30, 2016 and the Company will evaluate its facilities needs going forward at that time.

Jupiter, Florida Laboratory

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. This facility was acquired in the DuPont Transaction on December 31, 2015.

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

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. This facility was acquired in the DuPont Transaction on December 31, 2015.

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, 2015, there were 1,541,250 stock options outstanding and 1,322,375 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, 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. 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 2,170,000 stock options outstanding under the 2011 Equity Incentive Plan and 805,000 stock options were available for grant 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. 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 non-statutory 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.

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. The Company announced a share repurchase program on February 16, 2016, which was instituted after the reference period. The number of shares repurchased by the Company as of the date of this report was 688,655 at an average cost of $1.56 per share. See Note 8: *Subsequent Events* for additional information.

Item 9. Certification

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 29, 2016

/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 29, 2016

/s/ Thomas L. Dubinski

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