MICROBIX BIOSYSTEMS INC.

ANNUAL REPORT 2021

MICROBIX

Message to Shareholders

Results for the fourth quarter and full year of fiscal 2021 ended September 30, 2021 ("Q4" and "2021") highlight how positively Microbix has transformed and evolved. Sales for Q4 reached $5.6 million for another all-time record, while 2021 sales totalled $18.6 million, up by over $8.0 million (77%) from 2020. Such sales growth was the result of good planning and disciplined execution, paired with many actions to materially improve percentage gross margins (to 59% in 2021 from 44%) and operating income margin (to 17% from a loss). In fact, across 2021, Microbix achieved record top-line sales and materially positive earnings each quarter.

Qualitative achievements were equally strong across 2021, with milestones such as strategic alliances (i.e., Copan & SpeeDx), four more "QAPs™" distribution agreements, the creation and material sales of an entirely new product line (our "DxTM™" viral transport medium), a successful "bought-deal" prospectus financing, a U.S. market upgrade to the OTC QX system, and securing our third production site. All that while managing through the pandemic.

However our success comes with the inevitability of some future quarter's sales being sequentially down. Such normal-course fluctuations make it important that I clearly explain our trajectory and goals for both fiscal 2022 and further out. Succinctly, we're gearing-up to support sales of C$ 100 million per year within several years – driven by our expanding portfolio of innovative, proprietary, and branded medical devices. This goal drives our scaling and automating of production, upgrades to support infrastructure, hiring of more staff, and our choice of products, customers, and collaborators.

Nearer term, we are targeting for fiscal 2022 to be another record year for Microbix, driven by improving antigens margins, further sales of DxTM, and our growing QAPs portfolio. We are absolutely working to maintain double-digit percentage growth in annual sales. Equally we are targeting to hold Microbix's full-year gross and net margins in the range of what we achieved in 2021, suggesting strong profitability across the full year of fiscal 2022.

Investor perception of Microbix has also changed, with our stock market capitalization nearing C$ 100 million. Microbix is still considered a "micro-cap" at this valuation, but our success is starting to be more broadly noticed, with our shares having appreciated by 142% over fiscal 2021, as compared to 44% for the TSX Small Cap Sub-Index. That having been said, Microbix is still priced at a big discount from analyst-selected peer companies, which means we must continue our investor relations outreach activities.

Beyond valuation, Microbix is in a better financial position than ever before. At the time of writing, our cash balance remains at over C$ 10 million – in spite of large ongoing investments into capacity and systems upgrades. We'll certainly work to maintain and build that strength.

While I wish you stay safe and well through 2022, do keep your eyes open if you do get a PCR, antigen, or other medical test: There is a strong likelihood that, if you're in Ontario or elsewhere in Canada, your sample will be collected using Microbix DxTM or your test's accuracy supported by our "REDx™FLOQ®" test controls. Then do be proud of the innovative products, improved health, skilled employment, and economic prosperity you've helped to create.

In summary, Microbix is weathering the pandemic and is supporting the roll-out of multiple new and leading-edge diagnostic testing technologies. These will enhance healthcare while COVID-19 persists and beyond it, leading to our reasoned optimism for Microbix to continue growing its sales and earnings. In realizing such opportunities, we remain grateful to our talented staff, strategic partners, committed customers, international distributors, key suppliers, and to the health authorities in all the regions in which we have a presence. We really do appreciate everyone's help in enabling our current and future work, notably including our many shareholders – whether big or small, new or longstanding.

Personally and on behalf of our team, I thank you for your continuing support and wish you all the best.

Cameron L. Groome
Chief Executive Officer and President

The Company's Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited Consolidated Financial Statements and notes for the year ended September 30, 2021, prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board and filed on SEDAR. Additional information relating to the Company, including its Annual Information Form ("AIF"), can be found on SEDAR at www.sedar.com. Reference to "we", "us", "our", or the "Company" means Microbix Biosystems Inc. unless otherwise stated. All amounts are presented in Canadian dollars unless otherwise stated. Statements contained herein, which are not historical facts, are forward looking statements that are subject to certain risks and uncertainties that could cause actual results to differ materially from those set forth or implied. These forward-looking statements include, without limitation, discussion of financial results or the outlook for the business, risks associated with its financial results and stability, its antigens and quality assessment products business, development projects such as those referenced herein, sales to foreign jurisdictions, engineering and construction, production (including control over costs, quality, quantity and timeliness of delivery), foreign currency and exchange rates, maintaining adequate working capital and raising further capital on acceptable terms or at all, and other similar statements concerning anticipated future events, conditions or results that are not historical facts. These statements reflect management's current estimates, beliefs, intentions and expectations; they are not guarantees of future performance. The Company cautions that all forward looking information is inherently uncertain and that actual performance may be affected by a number of material factors, many of which are beyond the Company's control. Accordingly, actual future events, conditions and results may differ materially from the estimates, beliefs, intentions and expectations expressed or implied in the forward looking information. All statements are made as of the date of this disclosure and represent the Company's judgment as of that date and the Company disclaims any intent or obligation to update such forward-looking statements.

The Management Discussion and Analysis is dated December 22, 2021.

COMPANY OVERVIEW

Microbix Biosystems Inc. (Microbix or the Company) (TSX: MBX) is an award-winning life sciences innovator and exporter making critical ingredients that enable the production of clinical diagnostics (antigens), creating and manufacturing medical devices, including quality assessment products that help ensure test accuracy (also known as QAPs™), and viral transport medium for enabling the collection of patient samples to test for pathogens such as the virus causing COVID-19 disease (branded as DxTM™). In the context of Microbix's business, antigens are purified and inactivated bacteria and viruses, which are used in the immunoassay format of medical tests to assess exposure to, or immunity from, those pathogens. QAPs are inactivated and stabilized samples of a pathogen or an analogue to a pathogen, that are created to resemble patient samples in order to support one or more of (i) the proficiency testing of clinical labs (usually unbranded "white label"), (ii) test development, instrument validation and technician training (branded PROCEEDx™), or (iii) the quality management of patient test-workflows by clinical laboratories (branded as REDx™). Microbix' antigens and QAPs are sold to more than 100 customers worldwide, primarily to multinational diagnostics companies and laboratory accreditation organizations. The first private sector sales of Microbix's DxTM™ were recorded in fiscal Q2, 2021 with a material first order from the Province of Ontario received in April, 2021 and delivered across the third and fourth quarters of fiscal 2021.

Microbix also applies its biological expertise and infrastructure to develop other proprietary products and technologies, most notably Kinlytic® urokinase, a biologic thrombolytic drug used to treat blood clots.

COMPANY OVERVIEW (Continued)

The COVID-19 pandemic is impacting all industries, including medical diagnostics. As a result, trend discussions here may be disrupted. For example, in fiscal 2020 and 2021 sales of antigens have been depressed due to fewer patients seeking or receiving care in relation to diseases other than COVID-19. However, more broadly speaking, revenue from the antigens and QAPs business (Antigens & QAPs) are expected to continue growing for the foreseeable future. Antigen sales growth may be largely driven by certain public health tests becoming more widely used in the Asia Pacific region and, more recently, increased global testing for respiratory pathogens. QAPs sales growth may be driven by Microbix's creation of new value-added, branded and proprietary products and by increasing European and American quality-management regulation of clinical laboratories. Sales of DxTM began in fiscal Q2 of 2021 and, based on the initial firm purchase order from Ontario, have now become a material new product category for Microbix.

The sales resulting from antigens, QAPs, and DxTM activities are expected to provide free cash flow to cover operating and debt service costs, and funding for business initiatives that leverage Microbix's expertise.

Microbix owns and operates a biologicals manufacturing facility at 265 Watline Avenue in Mississauga, Ontario. For that facility, Microbix has a Pathogen and Toxin license issued by the Public Health Agency of Canada. The Company's administrative offices, along with further production and lab spaces, are in a leased building located at 235 Watline Avenue, Mississauga, Ontario. A third adjacent site at 275 Watline Avenue has been leased as of July, 2021 with renovation planning now underway to support automated DxTM production. Microbix is ISO 9001 & 13485 accredited, FDA & Health Canada establishment licensed, Australian TGA registered, and provides CE marked products.

FINANCIAL OVERVIEW

Year ending September 30, 2021 ("2021")

2021 revenue was $18,592,960, a 77% increase from prior-year revenue of $10,524,904. Included were antigen product revenues of $9,082,021 (2020 - $8,702,109), an increase of 4%. QAPs revenues were $4,704,671, an increase of 208% from 2020 sales of $1,527,998. Finally, DxTM revenues were $4,506,900 (2020 - nil) and royalties were $299,368 (2020 - $294,797). 2021 sales were most influenced by the uptake of Microbix's COVID-19 related QAPs, especially PROCEEDx®FLOQ® and REDx™FLOQ®, followed by the start of DxTM sales, and then a modest recovery in antigen sales.

2021 gross margin was 59%, up from 44% in 2020, due to significant increase in higher margin QAPs sales, the start of DxTM sales, and changes in Antigens product mix & improving yields. 2021 operating expenses increased by 20% from 2020, primarily due to year-over-year incremental foreign exchange losses, increased investment in sales and marketing and U.S. investor relations efforts. Full-year fiscal 2021 interest accretion expenses related to debentures were up due to a $517,651 one-time and non-cash charge related to the proposed early repayment of the $1.3 million outstanding balance on a non-convertible debenture, repayment of which was made on October 1, 2021.

Stronger sales and improved gross margins led to an operating income of $4,836,595 and net income of $3,233,390 versus an operating loss of $524,601 and a net loss of $6,227,525 in 2020 (which included one-time write-downs totaling $4.6 million). Cash provided by operations ("CFO") was $2,106,736, compared to $8,566 in 2020, influenced by growth in accounts receivable, offset by strong operating income.

At the end of 2021, Microbix's current ratio (current assets divided by current liabilities) was 3.68 and its debt to equity ratio (total debt over shareholders' equity) was 0.55. Both of these financial health ratios are materially improved from fiscal 2020.

Canadian Funds

FINANCIAL OVERVIEW (Continued)

Quarter Ending September 30, 2021 ("Q4")

Q4 revenue was $5,629,694, a 108% increase from 2020 revenues of $2,705,732. Included were antigen revenues of $2,020,861 (2020 - $2,151,767). QAPs revenues were $1,195,545 (2020 - $505,898) for segment growth of 136%. In turn, revenue from DxTM was $2,327,600 (2020 - nil), and royalties were $85,689 (2020 - $48,067). Q4 2021 sales growth was most influenced by Ontario-driven deliveries of DxTM, followed by continued diagnostics industry uptake of QAPs, and helped by stable antigen sales at improved margins.

Q4 gross margin was 58%, up from 35% in Q4 2020, due to a greater proportion of sales of QAPs, new VTM sales, the effects of antigen product sales mix, and improved bioreactor-made antigen yields.

Operating expenses in Q4 increased by 63% relative to Q4 2020, due to increased investment in R&D/Sales and lack of eligibility for any Canada Emergency Wage Subsidies. Interest accretion expenses related to debentures were up by $501,878, for the reasons described in the above financial overview for 2021. Overall, greater sales and more available gross margin dollars during the period led to an operating income $1,580,553 and net income of $778,929 versus a Q4 2020 operating loss of $82,111 and net loss of $4,982,997 (the net loss including one-time write-downs). Cash from operating activities was $1,621,621, compared to cash used of $216,083 in Q4 2020, with the majority of the increase coming from the favourable year-over-year growth in net income.

Financial Highlights

	For the years ended September 30		For the quarter ended September 30	
	2021	2020	2021	2020
Total Revenue	$ 18,592,960	$ 10,524,904	$ 5,629,694	$ 2,705,732
Gross Margin	11,043,940	4,660,897	3,245,723	940,955
S,G&A Expenses	5,174,091	4,172,372	1,317,579	847,666
R&D Expense	1,033,254	1,013,126	347,591	175,400
Operating Income (Loss) before Impairment of Assets, Interest Accretion Expense and Finance Expenses	4,836,595	(524,601)	1,580,553	(82,111)
Impairment of long-lived assets	-	3,078,585	-	3,078,585
Interest accretion expense on debenture due to planned redemption, non cash	517,651	-	517,651	-
Financial Expenses	1,085,554	1,056,102	283,973	254,064
Income (Loss) before Income taxes	3,233,390	(4,659,288)	778,929	(3,414,760)
Net Comprehensive Income (Loss) for the period	3,233,390	(6,227,525)	778,929	(4,982,997)
Net Comprehensive Income (Loss) per share	0.028	(0.059)	0.006	(0.047)
Cash Provided (Used) by Operating Activities	2,106,736	8,566	1,621,621	(216,083)
Cash	9,986,312	92,661		
Accounts receivable	4,175,116	1,877,009		
Total current assets	19,094,482	6,492,832		
Total assets	28,829,034	15,598,011		
Total current liabilities	5,194,194	4,090,038		
Total liabilities	10,272,890	8,978,534		
Total shareholders' equity	18,556,144	6,619,477		
Current ratio	3.68	1.59		
Debt to equity ratio	0.55	1.36		

Canadian Funds

FINANCIAL OVERVIEW (Continued)

SELECTED QUARTERLY FINANCIAL INFORMATION

	Dec-31-19 $	Mar-31-20 $	Jun-30-20 $	Sep-30-20 $	Dec-31-20 $	Mar-31-21 $	Jun-30-21 $	Sep-30-21 $
Total Revenue	2,046,348	2,874,496	2,898,328	2,705,732	3,157,659	4,353,773	5,451,834	5,629,694
Net Income (Loss) and Comprehensive Income (Loss)	(585,265)	(219,030)	(440,233)	(4,982,997)	130,819	807,463	1,516,178	778,929
Operating Income (Loss) before Impairment of Assets, Interest Accretion Expense and Finance Expenses	(308,281)	49,339	(183,548)	(82,111)	393,222	1,073,460	1,789,360	1,580,553

OUTLOOK

Microbix' primary business is the result of over three decades of experience manufacturing high quality viral and bacterial antigens – for use in the medical diagnostic testing industry. Its many antigen products have received widespread and longstanding acceptance by "immunoassay" diagnostic test makers, with continuing growth in demand being the general trend prior to the pandemic. Microbix antigens are now used by over 100 diagnostics manufacturers and are the critical biology inside tens of millions of medical tests for bacterial and viral diseases.

From 2017 until the emergence of the COVID-19 pandemic, growth in demand for Microbix' antigens had been stronger to end-customers in both established and emerging markets. Much of that growth was believed to be due to a number of diagnostics for infectious diseases important to public health beginning to be adopted in the Asia-Pacific region. In fiscal 2018 and across fiscal 2019, we saw the emergence of this Asian demand materialize in orders from our distribution partner for such markets, as well as from customers based in North America and Europe that were achieving growing sales into Asia. While we believe Asia-Pacific demand for antigens should continue to grow over time, sales to this newer market were also adding to the quarter-to-quarter volatility of Microbix's revenues. From fiscal 2020, antigen demand has declined as a result of the COVID-19 pandemic and its impacts on patient behaviours and global allocation of testing resources.

Beyond the COVID-19 pandemic, the long-term effect of increasing Asia-Pacific test usage may be to take Microbix's potential antigens market from being the population of North America and Western Europe to closer to the much larger overall global population. As a leading global supplier of such vital native antigens that has created and validated leading-edge production techniques, Microbix believes it is now well-prepared to fulfill such demand growth, should it re-emerge as the pandemic ebbs.

In fiscal 2020, a different antigens market driver emerged in the form of the COVID-19 pandemic. While Microbix does not currently supply native or recombinant antigens for immunoassay tests for the Coronavirus that causes COVID-19 disease (properly called the SARS-CoV-2 virus), it does expect to see lasting long-term benefits within its antigens business. Such benefits would initially come from increased testing resourcing/capacity in general, and specifically from increased immunologic testing for exposure to respiratory pathogens other than the SARS-CoV-2 virus. Notably, healthcare practitioners and public health authorities are likely to want a definitive diagnosis of the reason for illness if a patient tests negative for SARS-CoV-2 (i.e., if not that, then what is it?) and may want to know if a patient is co-infected with another respiratory pathogen if they test positive for SARS-CoV-2 (e.g., at greater risk because co-infected with an influenza virus or a resulting bacterial infection). Microbix has seen its flow of orders for some of its respiratory antigens increase, as its products form an integral part of some approved tests. However, at present, patient testing in relation to diseases other than respiratory infections is continuing to be disrupted as a result of several factors, including testing resources limitations, patient reluctance to see medical professionals for non-emergency issues, and recurring societal lockdowns. It is important to note that these factors are not unique to Microbix, but are affecting the entire diagnostics industry on a worldwide basis.

Microbix's QAPs business involves the use of antigens, nucleic acids, or proteins (collectively, biomaterials) for purposes beyond the large-scale manufacturing of medical test kits. This newer usage packages a very small

OUTLOOK (Continued)

amount of such stabilized and inactivated biomaterials into individual small vials (e.g., ~1.0 ml) or dried onto sample collection swabs (i.e., Copan® "FLOQSwabs®"). Such samples are used as tools to establish whether the quality objectives of clinical laboratories are being met – for example to assess whether testing equipment is functioning properly, if staff has been adequately trained and is performing properly, or if reagents have spoiled. Such innovative, proprietary, and branded quality assessment products (QAPs™, pronounced as "caps") are a high value end-use of Microbix's biologicals expertise and there is a growing need for such products as regulators progressively tighten their surveillance of the competence of medical testing labs. Notable drivers for such demand are the U.S. "CLIA" regulations, European Union IVD-D and IVD-R regulations, and ISO 15189 standards, that are all encouraging labs to increase their use of quality products from qualified third-parties across their ever-broadening portfolio of tests. Across fiscal 2021, Microbix derived approximately one-quarter of its sales from providing QAPs – to laboratory accreditation organizations, diagnostic test and instrument-makers and to clinical laboratories (directly and via distributors). This is an increase from 15% across fiscal 2020, and 10% historically – reflecting the strong growth of the QAPs product category (e.g., sales increase of 208% for YTD fiscal 2021 compared to the prior year).

The COVID-19 pandemic has presented a pertinent illustration of the need for QAPs and Microbix's capabilities to create, license/register, and manufacture such products. As Microbix concluded this emerging pathogen had potential to create a pandemic, it began the development of QAPs products directed at supporting the accuracy of emerging molecular (RT-PCR) tests for the virus. Discussions around the development of this product began in February, 2020, were followed by Canadian, EU and U.S. licensings/registrations through the spring, and led to first sales in all three markets prior to June 30, 2020. Subsequently, Microbix has also developed QAPs to support RT-PCR testing for multiple COVID variants-of-concern, for COVID antigen-tests, and, most recently, for COVID serological tests. However important, COVID remains only a portion of Microbix's QAPs portfolio, which now comprises more than 70 discreet products that are principally in the respiratory and sexually-transmitted disease categories. That broad portfolio of QAPs has enabled Microbix to build-out a global distribution network for this product line, with a total of nine distributors now providing end-user access and sales support in over 30 countries.

In fiscal 2021, Microbix announced further projects to support the fight against the pandemic – including its project to produce viral transport medium (DxTM) in support of Ontario's RT-PCR testing for COVID-19 disease. An Ontario Together Fund grant to support this project was announced in fiscal Q1, Microbix completed its technical file to enable Canadian sales in fiscal Q2, and a material first order of $4.25 million was received from Ontario-based procurement Authorities in April, 2021. The benefits from that first order are reflected in the results for fiscal Q3 and Q4 2021.

It is worth repeating that everyone at Microbix has been working hard to help conquer the new challenges to human health and well-being throughout this very challenging pandemic.

Due to the positive prospects of each of the above lines of its business and products, Microbix continues to reinvest to better ensure that it can meet expected growth in demand across its product portfolio. Such work includes upgrading its manufacturing technologies, quality systems, processes and training, capacity and allocation of resources, along with developing and launching new products. This has involved many steps to both de-bottleneck and de-risk our production processes, work that will be ongoing as Microbix continues to grow sales across our product lines. Starting in fiscal 2018, multiple upgrades to facilities have been made and further investments will continue to be made in infrastructure going forward, such as those discussed in the Public Offering prospectus dated May 19, 2021 Additionally, Microbix will be investing in our people – with efforts to enhance training, career progression, and retention.

Benefits of the manufacturing upgrades have now become readily apparent, with Microbix capable of supporting year-over-year sales growth of 77% in fiscal 2021. Additionally gross margins for fiscal 2021 improved to 59% from just 44% the prior year due to both a greater proportion of branded medical devices (56% vs. 17%), better control of production processes and an improved product mix. Fiscal 2021 is the first

OUTLOOK (Continued)

year that fully reflects Microbix's work in positioning for continuing sales growth, to materially improve its percentage gross margins, and drive toward a higher proportion of higher margin Microbix-branded medical devices. This statement is most conclusively supported by the $3.2 million of net earnings recorded for fiscal 2021, for a gratifying net earnings margin of 17%.

More broadly speaking though, fiscal 2020 and 2021 have proved to be challenging for many companies, including Microbix. The COVID-19 pandemic is disrupting normal antigen ordering patterns and has delayed the widespread uptake of Microbix' novel and innovative QAPs for such areas as high-risk Human Papilloma Virus (HPV) molecular testing. The development and registration of leading-edge QAPs to support COVID-19 test accuracy have partially, but not fully, offset these disruptions and delays in fiscal 2020 and 2021. However, the full year of fiscal 2021 is now providing firm evidence of the interest in Microbix's QAPs from the global diagnostics and clinical laboratory industries, with fiscal 2021 sales of $4.7 million demonstrating substantial growth from the prior year. Management sees this growth continuing.

Going forward, Microbix is working to keep improving its percentage gross margin while also growing its sales of antigens and QAPs, and of DxTM. Strong percentage gross margins, such as those seen in fiscal 2021, should be achievable by way of operational discipline across antigens, QAPs and DxTM, although variation in product sales mix will drive some quarter-to-quarter volatility. Achievement of Microbix's sales and gross margin goals is expected to lead to increasingly meaningful quarterly net earnings, with results reporting to regularly update shareholders on progress with such operational goals.

With regards to Kinlytic urokinase, Microbix's biologic clot-buster therapeutic, it is management's opinion that the COVID-19 pandemic has increased the difficulty of securing a partnering agreement to obtain the required re-development funding. This is for two reasons: (i) the pandemic has disrupted the business of the hospital-oriented product companies that are the most evident potential partners for this asset (due to fewer normal-course procedures being done) and thereby constrained the new product budgets of such companies, and (ii) ongoing restrictions on physical travel (i.e., closed borders, quarantines, etc.) are making it more difficult to advance negotiations, conclude partnerships, and manage off-site manufacturing or clinical trial work.

Accordingly, Microbix cannot represent a precise timeline for securing a funding partner to advance the re-development of Kinlytic to sBLA filing and renewed commercial sales. As a consequence, management followed International Financial Reporting Standards (IFRS) and fully impaired the book value of this asset in Q4 of fiscal 2020. However, since that time, management has continued efforts to partner this asset and thereby return the drug to the United States market for its catheter-clearance sub-indication. Microbix remains optimistic that it will achieve that objective and thereby derive value from this asset.

To summarize, the company continues to target double-digit annual percentage growth in sales, while concurrently working to expand gross margins and net earnings. Sustainable growth and consistent profitability are core goals for Microbix. Those objectives should be attainable based on increasing long-term demand for antigens, implementation of innovative antigen production methods, the launch of new QAPs product lines, material sales of DxTM, and successful partnering of Kinlytic. It is intended for success with such initiatives to drive share price appreciation.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") on a going concern basis, which presumes the Company will continue operating for the foreseeable future and will be able to realize a return on its assets and discharge its liabilities and commitments in the normal course of business.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES (Continued)

The Company has incurred historical losses resulting in an accumulated deficit of $38,660,620 as at September 30, 2021. Management continuously monitors the financial position of the Company with respect to working capital needs, as well as long-term capital requirements compared to the annual operating budget. Variances are highlighted and actions are taken to ensure the Company is appropriately capitalized.

Future Liquidity and Capital Needs

The Company primarily funds new product development activities and capital expenditures from profits earned by its business and, periodically from additional equity and/or debt.

Over the course of fiscal 2022, cash flow is expected to improve due to: 1) continued growth in overall product sales, 2) improvements in product pricing or other sales terms, 3) greater sales of higher percentage gross margin products, and 4) other business development and financial initiatives. Management expects these developments will continue to significantly improve the overall liquidity position, as the Company's plans come to fruition.

To support the continued growth of the business, on January 30, 2020, the Company completed a non-brokered private placement offering of an aggregate of 11,800,000 units for total gross proceeds of $2,360,000. Each unit consisted of one common share of Microbix and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at an exercise price of $0.36 for five years. The financing was non-brokered. Cash commissions of $104,300 were paid and an aggregate of 521,500 Broker's Warrants were issued in the private placement offering. Each Broker's Warrant entitles the holder to purchase one unit at a price of $0.36 for a period of five years. All securities issued under the private placement were subject to a hold period which expired four months and one day from the date of closing.

In addition, on May 19, 2021, the Company completed a public offering and concurrent private placement offering of an aggregate of 11,500,000 units for total gross proceeds of $6,900,000, and net proceeds of $6,131,568 after share issuance costs of $768,432. Each unit consisted of one common share of Microbix and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at an exercise price of $0.80 for two years. The financing was a "bought deal", with co-lead underwriters of the Offering (iA Private Wealth Inc. and Bloom Burton Securities Inc.). Cash commissions of $402,500 were paid and an aggregate of 670,833 Broker's Warrants were issued in the public offering. Each Broker's Warrant entitles the holder to purchase one unit at a price of $0.60 for a period of two years. All securities issued under the concurrent private placement were subject to a hold period which expired four months and one day from the date of closing.

On October 13, 2020, the Company announced a grant agreement with the Ontario Together Fund ("OTF") of the Ministry of Economic Development, Job Creation and Trade (the "Grant"). The Grant of $1,445,000 will cover 50% of the cost to automate production of the Company's quality assessment products (QAPs™) that help ensure the accuracy of infectious disease diagnostic testing, and enable local, secure, and cost-effective automated production of the quantities of viral transport medium (generically "VTM" and branded "DxTM™") needed for Ontario's lab-based testing for COVID-19 disease or other tests of concern to public health or safety. An initial Grant disbursement, upon execution of the agreement, in the amount of $867,000, was received on October 13, 2020. The remaining $578,000 of the grant will be paid upon project completion and a review of Eligible Project Expenditures incurred during the project, up to February 28, 2022. During the year ended September 30, 2021 the Company recognized $717,587 (2020 - nil) of grant income. The company also recorded a $680,202 reduction in capital asset costs. The excess claims of $578,000 for the remainder of the grant have been recognized in accounts receivable. Microbix believes that it has met the conditions necessary to receive this balance.

Subsequent to the end of fiscal 2021, the Company received $1,863,796 from the exercise of 5,239,919 warrants.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES (Continued)

Subsequent to the end of fiscal 2021, the Company made an early repayment of the remaining outstanding principal relating to a $2 million non-convertible 9% interest debenture. A payment of $1,331,758, including accrued interest, was made on October 1, 2021.

Microbix will continue to monitor and manage its cash position, with the objective of anticipating and meeting all current and future liquidity and capital needs.

Outstanding Share Capital

Share capital issued and outstanding as at September 30, 2021 was $43,609,601 for 126,377,167 common shares and September 30, 2020 was $35,357,144 for 108,772,705 common shares.

Global pandemic

In early 2020, the coronavirus ("COVID-19") was confirmed in multiple countries throughout the world and on March 11, 2020, the World Health Organization declared a global pandemic.

As a result of the continued and uncertain economic and business impact of the COVID-19 pandemic, the Company has reviewed the estimates, judgments and assumptions used in the preparation of its financial statements, including with respect to the determination of whether indicators of impairment exist for its tangible and intangible assets and the credit risk of its counterparties.

The extent to which COVID-19 and any other pandemic or public health crisis impacts the Company's business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision, including new information which may emerge concerning the severity of the COVID-19 virus and the actions required to continue to contain the COVID-19 virus or remedy its impact, among others.

Any of these developments, and others, could have a material adverse effect on the Company's business, financial condition, operations and results of operations. In addition, because of the severity and global nature of the COVID-19 pandemic, it is possible that estimates in the Company's financial statements will change in the near term and the effect of any such changes could be material, which could result in, among other things, impairment of long-lived assets or a change in the estimated credit losses on accounts receivable. The Company is constantly evaluating the situation and monitoring any impacts or potential impacts to its business.

See the "Risks and uncertainties" section of this MD&A for a further discussion of the COVID-19 pandemic.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on its financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

TREND INFORMATION

Historical spending patterns are no indication of future expenditures. Investment in the new products and technologies is at the discretion of management and the board of directors. The Company is not aware of any material trends related to its business that have not been discussed in this Management Discussion and Analysis dated December 22, 2021.

RISKS AND UNCERTAINTIES

The Company has exposure to credit risk, liquidity risk and market risk. The Company's Board of Directors has the overall responsibility for the oversight of these risks and reviews the Company's policies on an ongoing basis to ensure that these risks are appropriately managed, including through the use of financial instruments where appropriate. Further discussion of the management of such risks is included in note 21 to the audited consolidated financial statements for the year ended September 30, 2021.

COVID-19 Pandemic

As previously discussed, the Company's business may be negatively impacted by the COVID-19 pandemic, which has created, and continues to create, significant societal and economic disruptions. The changing and rapidly-evolving effects of the COVID-19 pandemic – the duration, extent and severity of which are currently unknown – on investors, businesses, the economy, government bodies, society and the financial markets could, among other things, add volatility to the global stock markets and change interest rate environments. The COVID-19 pandemic and measures to prevent its spread may negatively impact the Company, its customers, counterparties, employees, third-party service providers and other stakeholders, as applicable, in a number of ways, including, but not limited to, by: (i) adversely affecting the business operations of the Company, including the Company's planned sales and marketing processes for its approved products; (ii) disrupting the Company's supply chain, including the manufacture and/or delivery of its products to its customers and distributors on which the Company relies; (iii) adversely affecting local, national or international economies and employment levels; (iv) causing business interruptions, including as a result of steps taken by the Company in compliance with government recommendations and orders, such as requiring employee to work remotely, which may cause strain on such existing resources as information technology systems, and suspension of all non-essential travel; (v) disrupting public and private infrastructure, including communications and financial services, which could disrupt the Company's normal business operations; (vi) disrupting health care delivery; disrupting or prolonging business development initiatives such as the partnering of Kinlytic® urokinase. At this point, the extent to which the COVID-19 pandemic will or may impact the Company is uncertain and these factors are beyond the Company's control; however, any of these events, in isolation or in combination, could have a material adverse effect on the Company's business, results of operations and financial condition and the market price of the Company's securities.

The Company is exposed to business risks, both known and unknown, which may or may not affect its operations. Management works continuously to mitigate unacceptable risk, while still allowing the business to grow and prosper. These risk factors include the following:

RISKS AND UNCERTAINTIES (Continued)

A significant portion of Antigens Product sales are dependent on key clients, open borders, international transportation systems, and access to raw materials.

A significant share of the Company's antigens products sales are sold to a few key customers globally. These products contributed a significant share of the revenues. The loss of a key customer, or restrictions on export, import, or international transportation of its products, raw materials or insufficient marketing resources, could materially impact revenue and profitability.

Environmental, safety and other regulatory

Microbix' research and manufacturing operations involve potentially hazardous materials. The Company takes extensive precautions to appropriately manage these materials as regulated by the applicable environmental and safety authorities. Changes in environmental and safety legislation may limit the Company's activities or increase costs. An environmental accident could adversely impact its operations. Microbix' antigen products are considered a production ingredient and not directly regulated by governments in Canada or other jurisdictions. Commercialization of certain quality assessment products require approval of regulatory agencies such as the FDA, in which case Microbix will not receive revenue until regulatory approval is obtained.

Quality Assessment Products in development

The Company has multiple quality assessment products under development, with the goal of building its sales of this category of product. There is no assurance that these development activities will result in the completion of new commercial products. If the Company is unable to develop and commercialize products, it will be unable to recover its related product development investments.

Viral Transport Medium Products (DxTM)

Microbix's newest product offering, DxTM is principally reliant upon sales to designates of the Government of Ontario. There is no assurance that sales to such designates will be ongoing or that other customers will be secured.

Product commercialization requires strategic relationships

To commercialize large market products in development, Microbix may need to establish strategic partnerships, joint ventures or licensing relationships with pharmaceutical, biotechnology or animal genetics companies. It is possible the Company may be unable to negotiate mutually acceptable terms.

Operating and capital requirements

Microbix seeks to earn a profit on the sale of its Antigens, QAPs and VTM products, which is a major source of funding for its new product oriented research and development activities. The Company believes that cash generated from operations is sufficient to meet normal operating and capital requirements. However, the Company may need to raise additional funds, from time to time for several reasons including, to expand production capacity, to advance its current research and development programs, to support various collaboration initiatives with third parties, to underwrite the cost of filing, prosecuting and enforcing patents and other intellectual property rights, to invest in acquisitions, new technologies and new market developments. Additional financing may not be available, and even if available, may not be offered on acceptable terms.

RISKS AND UNCERTAINTIES (Continued)

Future success may depend on successfully commercializing new products or technologies

In the nearer term, Microbix must maintain and grow its existing product sales. To survive and prosper over the longer term, Microbix may need to commercialize new products or technologies. Such work is inherently uncertain and there is no guarantee that Microbix will be successful with its efforts.

Failure to obtain and protect intellectual property could adversely affect business

Microbix' future success depends, in part, on its ability to obtain patents, or licenses to patents, maintain trade secret protection and enforce its rights against others. The Company's intellectual property includes trade secrets and know-how that may not be protected by patents. There is no assurance that the Company will be able to protect its trade know-how. To help protect its intellectual property, the Company requires employees, consultants, advisors and collaborators to enter into confidentiality agreements. However, these agreements may not adequately protect trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure. Protection of intellectual property may also entail prosecuting claims against others who the Company believes are infringing its rights or securing its freedom to operate relative to the rights of other parties. Involvement in intellectual property litigation could result in significant costs, adversely affecting the development of products or sales of the challenged product, or intellectual property, and divert the efforts of its scientific and management personnel, whether or not such litigation is resolved in the Company's favour.

Microbix will continue to face significant competition

Competition from life sciences companies, and academic and research institutions is significant. Many competitors have substantially greater resources and may have greater general capabilities in the areas of scientific and product development, legal review, manufacturing, sales and marketing, and financial support than Microbix. While the Company continues to expand its technological, commercial, legal and financial capabilities in order to remain competitive, Microbix' competitors may also be making significant investments in all of these areas, which could make it more difficult for Microbix to commercialize its products and technologies.

FINANCIAL RISK MANAGEMENT

The primary risks affecting the Company are summarized below and have not changed during the fiscal year. The list does not cover all risks, nor is there an assurance that the strategy of management to mitigate the risks is sufficient to eliminate the risk.

Credit risk:

The Company's cash is held in accounts or short-term interest bearing accounts at one of the major Canadian chartered banks. Management perceives the credit risk to be low. Typically the outstanding accounts receivable balance is relatively concentrated with a few large customers representing the majority of the value. As at September 30, 2021, five customers accounted for 80% (September 30, 2020 - five customers accounted for 74%) of the outstanding balance. In addition, for the year ended September 30, 2021, five customers accounted for 63% (September 30, 2020 - five customers accounted for 61%) of revenues. The Company has had minimal bad debts over the past several years and accordingly management has recorded an allowance of $35,000 (September 30, 2020 - $10,000).

Canadian Funds

FINANCIAL RISK MANAGEMENT (Continued)

Currency risk:

The Company is exposed to currency risk given its global customer base. Over 90% of its revenue is denominated in either U.S. dollars or Euros. The Company does not use financial instruments to hedge this currency risk. At September 30, 2021, the significant balances, quoted in Canadian dollars, held in foreign currencies are:

	U.S. dollars		Euros	
	2021	2020	2021	2020
Cash	**$ 3,601,394**	$ 15,397	**$ 135,388**	$ 1,551
Accounts receivable	**836,390**	1,186,876	**727,708**	273,858
Accounts payable and accrued liabilites	**131,002**	150,600	**47,009**	-

Based upon 2021 results, the impact of a 5% increase in the U.S. dollar against the Canadian dollar would result in an increase in annual U.S. dollar based revenue of approximately $327,900 Cdn. The impact of a 5% increase in the Euro against the Canadian dollar would result in an increase in annual Euro based revenue of approximately $180,200. Correspondingly, the impact of a 5% decrease in the U.S. dollar against the Canadian dollar would result in a loss in annual U.S. dollar based revenue of approximately $327,900 Cdn. The impact of a 5% decrease in the Euro against the Canadian dollar would result in a loss in annual Euro-based revenue of approximately $180,200.

Liquidity risk

Liquidity risk measures the Company's ability to meet its financial obligations when they fall due. To manage this situation, the Company projects and monitors its cash requirements to accommodate changes in liquidity needs. In addition, during fiscal 2017 the Company announced that it has arranged a secured revolving credit facility with The Toronto-Dominion Bank ("TD Bank") and Export Development Canada ("EDC"). The credit facility is being used to fund the Company's need for working capital to grow its existing business. When employed, this facility is helping to satisfy the Company's liquidity needs and to manage the liquidity risk.

Interest rate risk

Financial instruments that potentially subject the Company to interest rate risk include those assets and liabilities with a variable interest rate. Exposure to interest rate risk is primarily on the BDC debt that has a variable rate pegged to the bank rate. The rate can be fixed, if the outlook indicates interest rates will move higher. The only other variable debt the Company has is the $2,000,000 line of credit that bears interest at the bank's prime lending rate plus 2.0%. As at September 30, 2021 the Company has not drawn on this line of credit. A 1% increase in the bank rate would cost the Company approximately $20,000 per year for BDC and about $20,000 on the line of credit usage if it were fully used throughout the fiscal year.

FINANCIAL RISK MANAGEMENT (Continued)

Market risk

Market risk reflects changes in pricing for both Antigens & QAPs and raw materials based on supply and demand criteria; also market forces can affect foreign currency exchange rates as well as interest rates which could affect the Company's financial performance or the value of its financial instruments. Microbix products are valuable components in our customers' products and cannot be easily replaced. The Company works closely with customers to ensure its products meet their specific criteria.

Fair value

The fair value of a financial instrument is approximated by the consideration that would be agreed to in an arm's length transaction between willing parties and through appropriate valuation methods, but considerable judgement is required for the Company to determine the value. The actual amount that could be realized in a current market exchange could be different than the estimated value. The fair values of financial instruments included in current assets and current liabilities approximate their carrying values due to their short-term nature.

The fair value of the long-term debt is based on rates currently available for items with similar terms and maturities. The convertible and non-convertible debenture fair values are not readily determinable as the convertible debentures have been issued to shareholders of the Company. The fair values of financial instruments in other long-term liabilities approximate their carrying values as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

CRITICAL ACCOUNTING ESTIMATES

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The Company's audited consolidated financial statements are prepared in accordance with IFRS and the reporting currency is Canadian dollars. On an on-going basis, management bases its estimates on historical and other experience and assumptions, which it believes are reasonable in the circumstances. The significant accounting policies that the Company believes are the most critical in fully understanding and evaluating the reported financial results include:

Intangible Assets

Intangible assets include technology costs, patents, trademarks and licenses. Each is recorded at cost and amortized on a straight-line basis over the term of the agreements or useful life of the asset. Amortization commences when the intangible asset is available for use. Intangibles with definite lives but not yet available for use are assessed at least annually for impairment or more frequently if there are indicators of impairment.

Impairment of Long-lived Assets

The Company reviews the carrying value of non-financial assets with definite lives for potential impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The carrying value of non-financial assets with definite lives but are not ready for use, are assessed at least annually for impairment based on the impairment test on cash-generating units (CGUs). The impairment test on CGUs is carried out by comparing the carrying amount of the CGU and its recoverable amount. The recoverable amount of a CGU is the higher of fair value less costs to sell and its value in use. This complex valuation process entails the use of methods such as the discounted cash method which requires numerous assumptions to estimate future cash flows.

The recoverable amount is impacted significantly by the discount rate selected to be used in the discounted cash flow model, as well as the quantum and timing of risk-adjusted future cash flows and the growth rate used for the extrapolation. The impairment loss is calculated as the difference between the fair value of the asset and its carrying value.

CRITICAL ACCOUNTING ESTIMATES (Continued)

Non-Convertible and Convertible Debentures

Management determines the fair value of the debenture using valuation techniques. Those techniques are significantly affected by the estimated assumptions used, including discount rates, expected life and estimates of future cash flows.

Deferred income taxes

Deferred income tax assets and liabilities are recognized for the estimated income tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective income tax bases. Deferred income tax assets and liabilities are measured using tax rates expected to be in effect when the temporary differences are expected to be recovered or settled. The effects of changes in income tax rates are reflected in future income tax assets and liabilities in the year that the rate changes are substantively enacted.

Share-based payments

The Company applies the fair value method of accounting for stock-based compensation for awards granted to officers, directors, employees and consultants of the Company. The fair value of the award at the time of granting is determined using the Black-Scholes option pricing model, and recognized as a compensation expense on a straight- line basis over the vesting period with an offsetting amount recorded to contributed surplus. The amount of the compensation cost recognized at any date at least equals the value of the portion of the options vested at that date. When stock options are exercised, the consideration paid by employees or directors, together with the related amount in contributed surplus, is credited to capital stock. When an employee leaves the Company, vested options must be exercised within 90 days, or the options expire. Any options that are unvested are reversed in the period that the employee leaves.

FINANCIAL INSTRUMENTS

The fair value of a financial instrument is approximated by the consideration that would be agreed to in an arm's length transaction between willing parties and through appropriate valuation methods, but considerable judgment is required for the Company to determine the value. The actual amount that could be realized in a current market exchange could be different than the estimated value.

The carrying amounts of cash and cash equivalents, accounts receivable, bank indebtedness and accounts payable and accrued liabilities approximate fair value due to the short-term maturities of these instruments. Based on available market information, the fair value of the obligation under capital lease approximates its carrying value.

The fair value of the long-term debt is based on rates currently available for items with similar terms and maturities. The fair value of the liability for each convertible debenture has been calculated and the residual is accounted for in equity. The Company does not have any off balance sheet financial instruments.

Disclosure Controls

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures, as defined in the National Instrument 52-109 Certification of Disclosure in Issuer's Annual Filings (NI 52-109F1). As at September 30, 2021, management has concluded that the disclosure controls are effective in providing reasonable assurance that information required to be disclosed in the Company's reports is recorded, processed summarized and reported within the time periods specified in the Canadian Securities Administrator's rules and forms.

FINANCIAL INSTRUMENTS (Continued)

Internal Controls Over Financial Reporting

The design of internal controls over financial reporting ("ICFR") within the company is a management responsibility to provide reasonable assurance that the reliability of financial reporting and that the preparation of financial statements for external purposes is in accordance with generally accepted accounting principles of IFRS. While the CEO and CFO believe that the internal controls are adequate to provide the above information, the process to evaluate and document all policies and procedures that could impact financial reporting is continuously reviewed with consultation with the Audit Committee. Shareholders should be aware that Microbix is a small company without the department resources associated with larger firms. Management is using the Committee of Sponsoring Organization of the Treadway Commission ("COSO"). Framework and has concluded that the Internal Control over Financial Reporting ("ICFR") as defined in NI 52-109 is effective as at the period ended September 30, 2021.

Examination by the Chief Executive Officer and the Chief Financial Officer showed that there were no changes to the internal controls over financial reporting during the period ended September 30, 2021 that have materially affected, or are reasonably thought to materially affect, the internal control over financial reporting.

IMPACT OF NEW ACCOUNTING STANDARDS NOT YET ADOPTED

Amendments to IAS 1

In January 2020, the IASB issued Classification of Liabilities as Current or Non-current, which amends IAS 1. The narrow scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of their recognition. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least twelve months. That classification is unaffected by the likelihood that an entity will exercise its deferral right. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is still assessing the impact of adopting these amendments on its financial statements.

Amendments to IFRS 9, Financial Instruments ("IFRS 9")

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company is still assessing the impact of adopting these amendments on its financial statements.

Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

In February 2021, the IASB issued Definition of Accounting Estimates, which amends IAS 8. The amendment replaces the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on after January 1, 2023. The Company is still assessing the impact of adopting these amendments on its financial statements.

IMPACT OF NEW ACCOUNTING STANDARDS NOT YET ADOPTED (Continued)

Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued Disclosure of Accounting Policies, which amends IAS 1 and IFRS Practice Statement 2. The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendment to IAS 1 requires companies to disclose their material accounting policy information rather than its significant accounting policies. The amendment also clarifies that not all accounting policy information that relates to material transactions, other events or conditions is material to the financial statements. The amendment to IFRS Practice Statement 2 adds guidance and examples to the materiality practice statement, which explains how to apply the materiality process to identify material accounting policy information. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied prospectively. The Company is still assessing the impact of adopting these amendments on its financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of **Microbix Biosystems Inc.**

Opinion

We have audited the consolidated financial statements of Microbix Biosystems Inc. and its subsidiaries [the "Group"], which comprise the consolidated statements of financial position as at September 30, 2021 and 2020, and the consolidated statements of income (loss) and comprehensive income (loss), consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Group as at September 30, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRS"].

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How our audit addressed the key audit matter

Inventories Costing – work in process and finished goods

As at September 30, 2021, the inventories balance was $4.4 million, which was comprised of raw materials, work in process and finished goods. Inventory is recorded at the lower of cost and net realizable value. The cost for work in process and finished goods includes direct costs incurred in production including raw materials, direct labour, depreciation and directly attributable overhead costs and indirect overhead costs based on normal operating capacity. Note 3 of the consolidated financial statements describes the accounting policy for inventories.

Auditing the Group's inventory costing requires significant audit effort in performing procedures to evaluate management's application of the standard cost and overhead absorption for work in process and finished goods inventories due to the inputting of various inventory cost elements. As a result, the nature of management's process gives rise to a risk that an error may occur in the costing process for work in process and finished goods inventories.

The procedures, amongst others, performed to test the inventory costing process for work in process and finished goods, included:

- We assessed the Group's accounting policy for inventories for compliance with IAS 2;
- Examined evidence of cost inputs used in the determination of standard cost rates for inventories on a product by product basis;
- For a sample of work in process and finished goods inventories, we recalculated the underlying inventories standard cost elements; including materials, labour and overheads;
- For a sample of work in process and finished goods inventories, we examined the actual costs of raw materials, direct labour and overhead by comparing the amounts to external and internal data sources such as invoices and payroll records;
- Obtained managements over/under absorption analysis and compared the allocation of labour and overhead cost to products in the standard cost calculation used by management to the actual costs incurred; and
- Recalculated the over/under absorption amounts to be capitalized to work in process and finished goods inventories.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis; and
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are theresfore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. The engagement partner on the audit resulting in this independent auditor's report is Laura Sluce.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
December 22, 2021

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at September 30, 2021 and 2020 **Canadian Funds**

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	$ 9,986,312	$ 92,661
Accounts receivable (Note 21)	4,175,116	1,877,009
Inventories (Note 5)	4,407,509	4,292,664
Prepaid expenses and other assets	495,045	220,065
Investment tax credit receivable	30,500	10,433
TOTAL CURRENT ASSETS	19,094,482	6,492,832
LONG-TERM ASSETS		
Property, plant and equipment (Note 6)	8,082,749	7,363,155
Intangible assets (Note 7)	1,651,803	1,742,024
TOTAL LONG-TERM ASSETS	9,734,552	9,105,179
TOTAL ASSETS	$ 28,829,034	$ 15,598,011
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 1,794,923	$ 1,488,312
Current portion of long-term debt (Note 9)	212,760	235,230
Current portion of debentures (Note 8)	2,233,758	892,125
Current portion of lease liability (Note 4, 6)	209,821	158,633
Deferred revenue (Note 9, 23)	742,932	1,315,738
TOTAL CURRENT LIABILITIES	5,194,194	4,090,038
Non-convertible debentures (Note 8)	-	713,853
Convertible debentures (Note 8)	1,508,640	1,419,834
Lease liabilities (Note 4, 6)	988,291	383,306
Long-term debt (Note 9)	2,581,765	2,371,503
TOTAL LONG-TERM LIABILITIES	5,078,696	4,888,496
TOTAL LIABILITIES	$ 10,272,890	$ 8,978,534
SHAREHOLDERS' EQUITY		
Share capital (Note 11)	$ 43,609,601	$ 35,357,144
Equity component of convertible debentures (Note 8)	2,903,789	2,903,789
Contributed surplus	10,703,374	10,252,554
Accumulated deficit	(38,660,620)	(41,894,010)
TOTAL SHAREHOLDERS' EQUITY	$ 18,556,144	$ 6,619,477
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	$ 28,829,034	$ 15,598,011

Commitments and Contingencies (Note 25)

(Signed) "Martin Marino"
MARTIN MARINO
DIRECTOR

(Signed) "Cameron L. Groome"
CAMERON L. GROOME
DIRECTOR

The accompanying notes and summary of significant accounting policies are an integral part of these interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

For the years ended September 30, 2021 and 2020 **Canadian Funds**

	2021	2020
SALES		
Product Sales	$ 18,293,592	$10,230,107
Royalties	299,368	294,797
TOTAL SALES	18,592,960	10,524,904
COST OF GOODS SOLD		
Product costs (Notes 5, 15)	7,500,042	5,808,978
Royalties	48,978	55,029
TOTAL COST OF GOODS SOLD	7,549,020	5,864,007
GROSS MARGIN	11,043,940	4,660,897
EXPENSES		
Selling and business development (Note 15)	858,059	632,554
General and administrative (Note 15)	4,316,032	3,539,818
Research and development (Note 15)	1,033,254	1,013,126
OPERATING INCOME (LOSS) BEFORE IMPAIRMENT OF ASSETS, INTEREST ACCRETION AND FINANCE EXPENSES	4,836,595	(524,601)
Impairment of long-lived assets (Note 7)	-	3,078,585
Interest accretion expense on debenture due to planned redemption, non-cash (Note 8)	517,651	-
Finance expenses (Note 18)	1,085,554	1,056,102
INCOME (LOSS) FOR THE YEAR, BEFORE INCOME TAXES	3,233,390	(4,659,288)
INCOME TAXES		
Deferred income taxes (Note 16)	-	1,568,237
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	$ 3,233,390	$ (6,227,525)
NET INCOME (LOSS) PER SHARE		
Basic (Note 14)	$ 0.028	$ (0.059)
Diluted (Note 14)	$ 0.026	$ (0.059)

The accompanying notes and summary of significant accounting policies are an integral part of these interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended September 30, 2021 and 2020 — **Canadian Funds**

	2021	2020
OPERATING ACTIVITIES		
Net income (loss) for the year	$ 3,233,390	$ (6,227,525)
Items not affecting cash		
Amortization and depreciation (Note 15)	822,040	690,087
Accretion of debentures (Note 8)	835,567	255,883
Share-based compensation (Note 13)	377,828	158,836
Accretion interest expense (Note 18)	56,386	23,027
Deferred tax asset (Note 16)	-	1,568,237
Impairment of long-term assets (Note 7)	-	3,078,585
Change in non-cash working capital balances (Note 17)	(3,218,475)	461,436
CASH PROVIDED BY OPERATING ACTIVITIES	2,106,736	8,566
INVESTING ACTIVITIES		
Purchase of property, plant and equipment (Note 6)	(1,242,837)	(812,708)
Proceeds from Government Grant (Note 10)	680,202	-
Additions from internal development of intangible assets (Note 7)	(59,702)	(1,200)
CASH USED IN INVESTING ACTIVITIES	(622,337)	(813,908)
FINANCING ACTIVITIES		
Repayments of long-term debt (Note 9)	(235,230)	(408,260)
Proceeds from Equipment Loan and Government Loan (Notes 9)	630,510	742,085
Repayments of non-convertible debentures (Note 8)	(118,981)	(108,504)
Payment of lease liabilities	(192,495)	(173,648)
Issue of common share units, net of issue costs (Notes 11)	6,131,567	2,150,759
Proceeds from exercise of warrants (Notes 12)	2,193,881	-
Proceeds (repayments) of credit facility (Note 9)	-	(1,400,000)
CASH PROVIDED BY FINANCING ACTIVITIES	8,409,252	802,432
NET CHANGE IN CASH - DURING THE YEAR	9,893,651	(2,910)
CASH - BEGINNING OF YEAR	92,661	95,571
CASH - END OF PERIOD	$ 9,986,312	$ 92,661

The accompanying notes and summary of significant accounting policies are an integral part of these interim condensed consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

As at September 30, 2021 and 2020 **Canadian Funds**

	Share Capital (Note 11)					
	Number of Shares	Stated Capital	Contributed Surplus	Deficit	Equity Component of Debenture	Total Shareholders' Equity
Balance, September 30, 2019	**96,972,705**	**$ 33,912,460**	**$ 9,387,644**	**$ (35,666,485)**	**$2,903,789**	**$10,537,408**
Share-based compensation expense	-	-	158,836	-	-	158,836
Issue of Warrants pursuant to Private Placement	-	-	748,550	-	-	748,550
Share Issuance pursuant to Private Placement	11,800,000	1,611,450	-	-	-	1,611,450
Share Issue Costs pursuant to Private Placement	-	(166,766)	(42,476)	-	-	(209,242)
Net loss and comprehensive loss for the year	-	-	-	(6,227,525)	-	(6,227,525)
Balance, September 30, 2020	**108,772,705**	**$ 35,357,144**	**$ 10,252,554**	**$(41,894,010)**	**$2,903,789**	**$ 6,619,477**
Share-based compensation expense	-	-	377,828	-	-	377,828
Share Issuance pursuant to Exercise of Warrents	6,104,462	3,085,455	(891,574)	-	-	2,193,881
Issuance of Warrants pursuant to Public Offering and Private Placement	-	-	1,096,585	-	-	1,096,585
Share Issuance pursuant to Public Offering and Private Placement	11,500,000	5,803,415	-	-	-	5,803,415
Share Issue Costs pursuant to Public Offering and Private Placement	-	(636,413)	(132,019)	-	-	(768,432)
Net income and comprehensive income for the year	-	-	-	3,233,390	-	3,233,390
Balance, September 30, 2021	**126,377,167**	**$43,609,601**	**$10,703,374**	**$(38,660,620)**	**$2,903,789**	**$18,556,144**

The accompanying notes and summary of significant accounting policies are an integral part of these interim condensed consolidated financial statements.

1. NATURE OF THE BUSINESS

Microbix Biosystems Inc. and it's subsidiaries (the "Company" or "Microbix"), incorporated under the laws of the Province of Ontario, develops and commercializes proprietary biological and technology solutions for human health and well-being. Microbix manufactures a wide range of critical biological materials for the global diagnostics industry, notably antigens (Antigen business) used in immunoassays or quality assessment and proficiency testing controls (QAPs business).

The registered office and principal place of business of the Company is located at 265 Watline Avenue, Mississauga, Ontario, L4Z 1P3.

2. BASIS OF PREPARATION

The Company's management prepared these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The Board of Directors approved these consolidated financial statements on December 22, 2021.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities to fair value. The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Crucible Biotechnologies Limited, over which the Company has control. Control exists when the entity is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The non-controlling interest component, if any, of the Company's subsidiaries is included in equity. All significant intercompany transactions have been eliminated upon consolidation.

Global pandemic

In early 2020, the Coronavirus ("COVID-19") was confirmed in multiple countries throughout the world and on March 11, 2020, the World Health Organization declared a global pandemic. As a result of the continued and uncertain economic and business impact of the COVID-19 pandemic, the Company has reviewed the estimates, judgments and assumptions used in the preparation of its financial statements, including with respect to the determination of whether indicators of impairment exist for its tangible and intangible assets and the credit risk of its counterparties.

The extent to which COVID-19 and any other pandemic or public health crisis impacts the Company's business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision, including new information which may emerge concerning the severity of the COVID-19 virus and the actions required to continue to contain the COVID-19 virus or remedy its impact, among others.

Any of these developments, and others, could have a material effect on the Company's business, financial condition, operations and results of operations. In addition, because of the severity and global nature of the COVID-19 pandemic, it is possible that estimates in the Company's consolidated financial statements will change in the near term and the effect of any such changes could be material, which could result in, among other things, an impairment of long-lived assets or a change in the estimated credit losses on accounts receivable. The Company is constantly evaluating the situation and monitoring any impacts or potential impacts to its business. The duration and impact of the COVID-19 outbreak are unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of estimates and judgments

The preparation of consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from estimates and such differences could be material.

Key areas of managerial judgments and estimates are as follows:

Property, plant and equipment:

Measurement of property, plant and equipment involves the use of estimates for determining the expected useful lives of depreciable assets. Management's judgment is also required to determine depreciation methods and an asset's residual value and whether an asset is a qualifying asset for the purposes of capitalizing borrowing costs.

Internally generated intangible assets

Management monitors the progress of each internal research and development project. Significant judgment is required to distinguish between the research and development phases. Development costs are recognized as an asset when the following criteria are met: (i) technical feasibility; (ii) management's intention to complete the project; (iii) the ability to use or sell; and (iv) the ability to generate future economic benefits; (v) availability of technical and financial resources; (vi) ability to measure the expenditures reliably. Research costs are expensed as incurred. Management also monitors whether the recognition requirements for development assets continue to be met and whether there are any indicators that capitalized costs may be impaired. The amortization period and amortization method for intangible assets are reviewed at least at the end of each reporting period.

Financial assets and liabilities

Estimates and judgments are also made in the determination of fair value of financial assets and liabilities and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the Company to its counterparties, the credit risk of the Company's counterparties relative to the Company, the estimated future cash flows and discount rates.

Income taxes

The Company recognizes tax-related items such as deferred tax assets, tax-loss carry-forwards and other deductible temporary differences where it is probable that sufficient future taxable income can be generated in order to fully utilize such losses and deductions. This requires significant estimates and assumptions regarding future earnings, and the ability to implement certain tax planning opportunities in order to assess the likelihood of utilizing such losses and deductions.

Fair value of share-based compensation

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based compensation transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility, dividend yield and forfeiture rates and making assumptions about them.

Impairments

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the carrying value of the asset may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or "CGUs"). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Management evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Revenues from product sales are recognized when control of the promised good is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods.

Revenues from licensing of the Company's intangible assets are recognized when the service is rendered and control of the service is transferred to the Company's customers. Royalty income is recognized based on activity at the point in time each service instance is provided.

The Company may invoice certain customers in advance for contracted product sales. Amounts received in advance of control of the product transferring to the customer are deferred and recognized as revenue in the period control is transferred.

The company may also provide services to customers, such as for development of custom products. Such service revenues are recognized of a percentage of completion basis.

Cash

Cash consists of cash on hand and deposits with banks and investments in highly liquid instruments with original maturities of three months or less. There are no cash equivalents held at September 30, 2021 or 2020.

Financial assets and liabilities

The Company's financial assets and liabilities (financial instruments) include cash, accounts receivable, accounts payable and accrued liabilities, long-term debt, bank indebtedness, convertible and non-convertible debentures. All financial instruments are recorded at fair value at recognition. Financial instruments are measured by grouping them into classes upon initial recognition, based on the purpose of the individual instruments.

Subsequent to initial recognition, the classification and measurement of the Company's financial assets are included in one of the following categories:

- Amortized cost: Financial instruments that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income (expense) from these financial instruments is recorded in net income (loss) using the effective interest rate method.
- Fair value through other comprehensive income ("FVOCI"): Debt instruments that are held for collection of contractual cash flows and for selling the financial instruments, where the financial instruments' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through Other Comprehensive Income ("OCI"), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses that are recognized in net income (loss). When the financial instrument is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to net income (loss) and recognized in other gains (losses). Interest income (expense) from these financial instruments is included in interest using the effective interest rate method. Foreign exchange gains (losses) is presented in other gains (losses) and impairment expenses in other expenses.
- Fair value through profit or loss ("FVTPL"): Financial instruments that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a financial instrument that is subsequently measured at FVTPL and is not part of a hedging relationship is recognized in net income (loss) and presented net in comprehensive income (loss) within other gains (losses) in the period in which it arise.

Subsequent to initial measurement financial liabilities are either classified as amortized cost or FVTPL when the Company revises its estimates of payments of a financial liability to reflect actual and revised estimated contractual cash flows. Gross carrying amount of the amortized cost of the financial liability as the present value of the estimated future contractual cash flows that are discounted adjustment is recognized in income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following summarizes the Company's classification and measurement of financial assets and liabilities as at September 30:

	Classification and Measurement Method	2021	2020
Financial assets:			
Cash	FVTPL	$ 9,986,312	$ 92,661
Accounts receivable	Amortized cost	4,175,116	1,877,009
Financial liabilities:			
Accounts payable and accrued liabilities	Amortized cost	$ 1,794,923	$ 1,488,312
Non-convertible debentures	Amortized cost	1,769,854	1,221,617
Convertible debentures	Amortized cost	1,972,544	1,804,195
Long-term-debt	Amortized cost	2,794,525	2,606,733

Inventories

Inventories are comprised of raw materials, work in process and finished goods. Inventories are carried at the lower of cost and net realizable value. The cost of raw materials is determined on the weighted average cost method. Cost of work in process and finished goods consists of direct costs incurred in production including raw materials, direct labour, depreciation on property, plant and equipment and amortization of intangible assets and directly attributable overhead costs and indirect overhead costs based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment (if any). Cost includes the cost of material, labour and other costs directly attributable to bringing the asset to a working condition for its intended use.

Depreciation is calculated at rates which will reduce the original cost to estimated residual value over the estimated useful life of each asset. Depreciation commences once the asset is available for use.

Depreciation is provided for at the following basis and rates:

Research and development equipment	Declining balance, 10-100%
Other equipment and fixtures	Declining balance, 10-30%
Buildings	Straight line, 50 years

Land is not depreciated. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets include technology costs, patents, trademarks and licenses. Each is recorded at cost and amortized on a straight-line basis over the term of the agreements or useful life of the asset. Amortization commences when the intangible asset is available for use. Intangibles with definite lives but not yet available for use are assessed at least annually for impairment or more frequently if there are indicators of impairment.

Impairment of long-lived assets

An impairment charge is recognized for long-lived assets, including intangible assets with definite lives, when an event or change in circumstances indicates that the assets' carrying value may not be recoverable. The impairment loss is calculated as the difference between the carrying value of the asset and the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and value in use.

Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period they are incurred.

Share-based compensation

The Company applies the fair value method of accounting for share-based compensation for awards granted to officers, directors and employees of the Company. The fair value of the award at the time of granting is determined using the Black-Scholes option pricing model, and recognized as a compensation expense over the vesting period with an offsetting amount recorded to contributed surplus. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value.

Share options issued to consultants of the Company are based on the fair value of the services provided. The amount of the compensation cost recognized at any date at least equals the value of the portion of the options vested at that date. When stock options are exercised, the consideration paid by employees or directors, together with the related amount in contributed surplus, is credited to share capital. When an employee leaves the Company, vested options must be exercised within 90 days, or the options expire. Any options that are unvested are reversed in the period that the employee leaves.

Foreign currency translation

For each entity, the Company determines the functional currency and items included in the financial statements of each entity are measured using the functional currency, which represents the currency of the primary economic environment in which each entity operates.

Foreign currency denominated revenues and expenses are translated by use of the exchange rate in effect at the end of the month in which the transaction occurs. Foreign currency denominated monetary assets and liabilities are translated at the period-end date. Exchange gains and losses arising on these transactions are included in the consolidated statements of income (loss) and comprehensive income (loss) for the period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income (loss) per common share

The Company calculates basic income (loss) per share amounts for profit or loss attributable to ordinary equity holders. Basic income (loss) per share is calculated using the weighted average number of common shares outstanding during the period. Diluted income per share is calculated in the same manner as basic income per share except for adjusting the profit or loss attributable to ordinary equity holders and the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares.

Deferred taxes

Deferred income tax assets and liabilities are recognized for the estimated income tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective income tax bases. Deferred income tax assets are recognized to the extent that it is probable that future taxable income will be available against which temporary differences can be utilized. Deferred income tax assets and liabilities are measured using tax rates expected to be in effect when the temporary differences are expected to be recovered or settled. The effects of changes in income tax rates are reflected in deferred income tax assets and liabilities in the year that the rate changes are substantively enacted, with a corresponding charge to income. The amount of deferred tax assets recognized is limited to the amount that is more likely than not to be realized.

Research and development expenses

Costs associated with research and development activities are expensed during the year in which they are incurred net of tax credits earned, except where product development costs meet the criteria under IFRS for deferral and amortization.

Investment tax credits

The Company is entitled to Canadian federal and provincial investment tax credits which are earned as a percentage of eligible research and development expenditures incurred in each taxation year. Investment tax credits are accounted for as a reduction of the related expenditure for items of a current nature and a reduction of the related asset cost for items of a long-term nature. These credits are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the credits in the foreseeable future.

Leases

The Company as lessee
The Company determines whether a contract is or contains a lease at inception of the contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(i) Right-of-use assets
The Company recognizes a right-of-use asset and a lease liability based on the present value of future lease payments when the lessor makes the leased asset available for use by the Company. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. Right-of-use assets are subject to impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

(ii) Lease liabilities

The Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term, discounted using the interest rate implicit in the lease. The lease payments include fixed payments (including in-substance fixed payments), variable payments that depend on an index or a rate, renewal options that are reasonably certain to be exercised less any lease incentives receivable. Variable lease payments that do not depend on an index or rate are recognized as an expense in the period in which the event that triggers the payment occurs. In addition, the carrying amount of lease payments is reassessed if there is a modification, a change in the lease term or a change in the in-substance fixed lease payments. The Company has elected to apply the practical expedient to not separate the lease component and its associated non-lease component.

Management exercises judgment in the process of applying Leases ("IFRS 16") and determining the appropriate lease term on a lease by lease basis. Renewal options are only included if Management are reasonably certain that the option will be renewed. As most of the Company's operating lease contracts do not provide the implicit interest rate, nor can the implicit interest rate be readily determined, the Company uses its incremental borrowing rate as the discount rate for determining the present value of lease payments. The Company's incremental borrowing rate for a lease is the rate that the Company would pay to borrow an amount necessary to obtain an asset of a similar value to the right-of-use asset on a collateralized basis over a similar term.

(iii) Short term leases and leases of low-value assets

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of property, plant and equipment that have a lease term of 12 months or less and leases of low-value assets, e.g. laptop computers. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Government Financing and Assistance

Government assistance that requires repayment and that is non-interest bearing is accounted for at its fair value, based on management's best estimate. The difference between the assistance amount and its fair value is accounted for as a government grant and recognized in income over the period in which the related costs they are intended to compensate are recognized.

In fiscal 2020 and 2021, the Company determined that it was eligible for the Canada Emergency Wage Subsidy. Funding from this program provided a reimbursement for a portion of salaries paid out to employees during the COVID-19 pandemic and was recorded as a reduction of salary expense when eligible expenditures were made and there was reasonable assurance of realization.

4. IMPACT OF NEW ACCOUNTING STANDARDS NOT YET ADOPTED

Amendments to IAS 1

In January 2020, the IASB issued Classification of Liabilities as Current or Non-current, which amends IAS 1. The narrow scope amendments affect only the presentation of liabilities in the statement of financial position and not the amount or timing of their recognition. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least twelve months. That classification is unaffected by the likelihood that an entity will exercise its deferral right. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company is still assessing the impact of adopting these amendments on its financial statements.

Amendments to IFRS 9, Financial Instruments ("IFRS 9")

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company is still assessing the impact of adopting these amendments on its financial statements.

Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")

In February 2021, the IASB issued Definition of Accounting Estimates, which amends IAS 8. The amendment replaces the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company is still assessing the impact of adopting these amendments on its financial statements.

Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued Disclosure of Accounting Policies, which amends IAS 1 and IFRS Practice Statement 2. The amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendment to IAS 1 requires companies to disclose their material accounting policy information rather than its significant accounting policies. The amendment also clarifies that not all accounting policy information that relates to material transactions, other events or conditions is material to the financial statements. The amendment to IFRS Practice Statement 2 adds guidance and examples to the materiality practice statement, which explains how to apply the materiality process to identify material accounting policy information. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied prospectively. The Company is still assessing the impact of adopting these amendments on its financial statements.

5. INVENTORIES

Inventories consist of the following:

	September 30, 2021	September 30, 2020
Raw materials	$ 1,092,359	$ 710,587
Work in process	1,677,437	1,122,584
Finished goods	1,637,713	2,459,493
	$ 4,407,509	$ 4,292,664

During the year ended September 30, 2021, inventories in the amount of $7,500,042 (September 30, 2020 - $5,808,978) were recognized as an expense through cost of goods sold. The allowance for inventory impairment as at September 30, 2021 was $383,110 (September 30, 2020 - $241,378).

6. PROPERTY, PLANT, AND EQUIPMENT AND LEASES

The freehold land and buildings have been pledged as security for bank loans under a mortgage (see Note 9). Property, plant and equipment consists of:

	Building and Leasehold Improvements	Research and Development Equipment	Other Equipment and Fixtures	Right of Use Assets	Land	Total
COST						
Balance, as at September 30, 2019	$ 4,987,107	$ 517,131	$ 5,299,223	$ 848,209	$ 800,000	$ 12,450,670
Additions	179,818	40,177	592,713	6,695	-	819,403
Disposals	-	-	-	-	-	-
Balance, as at September 30, 2020	5,166,925	557,308	5,890,936	854,904	800,000	13,270,073
Additions	114,218	1,130	447,287	829,076	-	1,391,711
Disposals	-	-	-	-	-	-
Balance, as at September 30, 2021	**5,281,143**	**558,438**	**6,338,223**	**1,683,980**	**800,000**	**14,661,784**
ACCUMULATED DEPRECIATION						
Balance, as at September 30, 2019	1,573,858	433,989	3,263,554	84,668	-	5,356,070
Depreciation	170,986	12,518	245,656	121,688	-	550,848
Disposals	-	-	-	-	-	-
Balance, as at September 30, 2020	1,744,844	446,507	3,509,210	206,356	-	5,906,917
Depreciation	203,838	12,786	322,826	132,667	-	672,117
Disposals	-	-	-	-	-	-
Balance, as at September 30, 2021	**1,948,682**	**459,293**	**3,832,037**	**339,023**	**-**	**6,579,035**
NET BOOK VALUE						
Balance, September 30, 2020	3,422,081	110,801	2,381,726	648,548	800,000	7,363,155
Balance, September 30, 2021	**$ 3,332,461**	**$ 99,145**	**$ 2,506,187**	**$ 1,344,957**	**$ 800,000**	**$ 8,082,749**

6. PROPERTY, PLANT, AND EQUIPMENT AND LEASES (Continued)

Activity within right-of-use assets and lease liabilities during the year were as follows:

	Right-of-Use Assets		
	Property	Equipment	Lease Liabilities
Balance, October 1, 2019	$ 419,843	$ 343,698	$ 693,747
Additions	-	6,695	6,695
Depreciation Expense	(74,088)	(47,600)	-
Interest Accretion	-	-	15,146
Payments	-	-	(173,649)
Balance, September 30, 2020	$ 345,755	$ 302,793	$ 541,939
Additions	829,076	-	829,076
Depreciation Expense	(92,931)	(39,736)	-
Interest Accretion	-	-	19,592
Payments	-	-	(192,495)
Balance, as at September 30, 2021	**$ 1,081,900**	**$ 263,057**	**$ 1,198,112**
Current Portion	-	-	$ 209,821
Non-current portion	-	-	988,291

Lease liabilities for leases that were entered during the year ended September 30, 2021 were discounted using an incremental borrowing rate of 3.5% (September 30, 2020 – 3.7%).

Lease obligations as at September 30, 2021 are:

	Amount
2022	$ 250,258
2023	186,692
2024	177,249
2025	148,197
2026 and thereafter	631,243
Total	**$ 1,393,639**

7. INTANGIBLE ASSETS

Intangible assets consist of:

	Capitalized Development Costs Bioreactor (b)	Patents and Trademarks Kinlytic® (a)	QAPs (c)	Total
COST				
Balance, as at September 30, 2019	$ 2,088,575	$ 3,078,585	$ 81,568	$ 5,248,728
Additions	-	-	1,200	1,200
Impairment (a)	-	(3,078,585)	-	(3,078,585)
Balance, as at September 30, 2020	2,088,575	-	82,768	2,171,343
Additions	-	-	59,702	59,702
Balance, as at September 30, 2021	**2,088,575**	**-**	**142,470**	**2,231,045**
ACCUMULATED AMORTIZATION				
Balance, as at September 30, 2019	290,080	-	-	290,080
Amortization expense	139,239	-	-	139,239
Balance, as at September 30, 2020	429,319	-	-	429,319
Amortization expense	139,238	-	10,685	149,923
Balance, as at September 30, 2021	**568,557**	**-**	**10,685**	**579,242**
NET BOOK VALUE				
Balance, as at September 30, 2020	1,659,256	-	82,768	1,742,024
Balance, as at December 31, 2021	**$ 1,520,018**	**$ -**	**$ 131,785**	**$ 1,651,803**

The Bioreactor intangible asset is depreciated on a straight line basis at a rate of 7%. At each reporting date, the Company is required to assess its long-lived assets for potential indicators of impairment. If any such indication exists, the Company estimates the recoverable amount of the asset or CGU and compares it to the carrying value. In addition, irrespective of whether there is any indication of impairment, the Company is required to test long-lived assets with definite lives which are not yet available for use at least annually.

(a) Kinlytic®

The Company acquired the assets and rights pertaining to development, production, and licensing of Kinlytic® from ImaRX Therapeutics, Inc. in 2008. The asset is not yet available for use as management has determined that it will require an investment of approximately US$20 million to validate the new manufacturing needed pursuant to filing a supplemental Biologics Licensing Application ("sBLA") with the United States Food and Drug Administration in order to return the product to that market.

The COVID-19 pandemic has increased the difficulty of partnering Kinlytic to obtain the required re-development funding. This is for two reasons: (i) the pandemic has disrupted the business of the hospital-oriented product companies that are the logical partners for this asset (due to fewer normal-course procedures being done) and thereby constrained the new product budgets of such companies, and (ii) ongoing restrictions on physical travel (i.e., closed borders, quarantines, etc.) are making it more difficult to advance negotiations, conclude partnerships, and manage off-site manufacturing or clinical trial work.

During the year ended September 30, 2020, in accordance with IAS 36, Impairment of Assets, the Company determined that the recoverable amount of the Kinlytic® asset did not support its continued value and wrote-down the asset in Q4 of fiscal 2020, which is presented as an impairment of long-lived assets of $3,078,586 in the consolidated statement of income (loss) and comprehensive income (loss).

7. INTANGIBLE ASSETS (Continued)

(b) Bioreactor

The Company has internally developed an improved bioreactor production process ("Bioreactor") to increase the efficiency and output of manufacturing certain Antigen products. This process is being successfully employed for ongoing production of a key Antigen product.

(c) Quality Assessment Products ("QAPs")

To enhance its QAPs business of providing sample mimics for use in quality checks across various laboratory test applications, Microbix has been developing intellectual property. Accordingly, it has capitalized and continues to capitalize various patent application costs. The Company is amortizing these patent costs, in accordance with IFRS standards.

8. DEBENTURES

The Company has convertible and non-convertible debentures issued and outstanding as at September 30, 2021. The carrying values of the debt component of these debentures are as follows:

	Non-convertible debentures		Total non-convertible debentures	Convertible debentures			Total convertible debentures
	(a)	(b)		(c)	(d)	(e)	
Date of issue	Jan, 2014	Apr, 2017		Oct, 2016	Oct, 2016	Oct, 2016	
Face value	$ 2,000,000	$ 500,000	$ 2,500,000	$ 1,500,000	$ 500,000	$ 2,500,000	$ 4,500,000
Liability component at the date of issue	928,373	268,955	1,197,328	461,550	223,050	780,750	1,465,350
Balance, September 30, 2019	858,854	340,765	1,199,619	500,375	324,909	853,530	1,678,814
Accretion	82,483	48,019	130,502	22,991	59,452	42,938	125,381
Repayments	(108,504)	-	(108,504)	-	-	-	-
Balance, September 30, 2020	832,833	388,784	1,221,617	523,366	384,361	896,468	1,804,195
Accretion	602,969	64,249	667,218	31,012	79,543	57,794	168,349
Repayments	(118,981)	-	(118,981)	-	-	-	-
Balance, September 30, 2021	1,316,821	453,033	1,769,854	554,378	463,904	954,262	1,972,544
Less: current portion	1,316,821	453,033	1,769,854	-	463,904	-	463,904
Non-current portion	-	-	-	554,378	-	954,262	1,508,640
Balance, September 31, 2021	**$ 1,316,821**	**$ 453,033**	**$ 1,769,854**	**$ 554,378**	**$ 463,904**	**$ 954,262**	**$ 1,972,544**
Equity component at September 30, 2021	-	-	-	574,435	631,222	1,698,132	2,903,789
Conversion price per common share	$ -	$ -		$ 0.23	$ 0.23	$ 0.23	
Effective interest rate charged	25.69%	30.20%		31.07%	30.20%	30.85%	
Payment frequency	Quarterly	Quarterly		Quarterly	Quarterly	Quarterly	
Maturity of financial instrument	Jan, 2029	Apr, 2022		Jan, 2029	Feb, 2022	Sep, 2028	
Stated interest rate	9%	12%		9%	9%	9%	
Terms of repayment	Principal and interest	Interest only		Interest only	Interest only	Interest only	
Blended quarterly repayment	$ 61,071	N/A		N/A	N/A	N/A	

8. DEBENTURES (Continued)

The debentures denoted as (a), (c), and (e) above are secured against the real property and the personal property of the Company including, without limiting the foregoing, a registered second mortgage on the property at 265 Watline Avenue, Mississauga, Ontario, in favour of the holder, its successors and assigns subordinate only to indebtedness to a Canadian chartered bank or similar financial institution on normal commercial terms up to their maximum principal. The debentures denoted as (b) and (d) are secured by a subordinated security agreement covering all of the Company's property and assets.

The convertible debentures are convertible at the option of the holder, at any time, into fully paid and non-assessable common shares of the Company at the conversion price then in effect.

All of the debentures were issued to shareholders of the Company. Over the term of the convertible debentures, the debt components will be accreted to the face value of the debentures by the recording of additional interest expense using the effective interest rate, as detailed above. During the year, the Company recorded additional non-cash interest accretion of $517,651 associated with the revised estimate of the planned timing of repaying of the debenture denoted as (a) above.

Subsequent to the end of fiscal 2021, the Company made an early repayment of a 9% interest debenture (denoted as (a) above), repaying in full. A payment of $1,331,758, including accrued interest, was made on October 1, 2021.

9. LONG-TERM DEBT, BANK INDEBTEDNESS AND OTHER DEBT

a) The Company has term loans with the Business Development Bank ("BDC") for a variety of purposes. The following summarizes these loans as at September 30, 2021:

Term Loans with the Business Development Bank ("BDC")	(a)	(b)	(c)	(d)	(e)	(f)	Total
Effective date of loan	Jun, 2008	Oct, 2014	Oct, 2015	Oct, 2015	Nov, 2015	Jul, 2018	
Initial Loan Amount	$ 3,000,000	$ 615,000	$ 50,000	$ 200,000	$ 250,000	$ 323,906	$ 4,438,906
Balance, September 30, 2019	2,046,460	102,500	3,120	49,950	62,400	196,696	2,461,126
Proceeds from loan	-	-	-	-	-	286,094	286,094
Loan repayments during the period	(111,120)	(102,500)	(3,120)	(39,960)	(49,920)	(101,640)	(408,260)
Balance, September 30, 2020	1,935,340	-	-	9,990	12,480	381,150	2,338,960
Proceeds from loan	-	-	-	-	-	-	-
Loan repayments during the period	(111,120)	-	-	(9,990)	(12,480)	(101,640)	(235,230)
Balance, September 30, 2021	**$ 1,824,220**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 279,510**	**$ 2,103,730**
Current Portion	111,120	-	-	-	-	101,640	$ 212,760
Non-current portion	1,713,100	-	-	-	-	177,870	1,890,970
Payment frequency	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	
Maturity of loan	Feb, 2038	Jul, 2020	Dec, 2019	Dec, 2020	Dec, 2020	Jun, 2024	
Terms of repayment	Principal and interest	Principal and interest	Principal and interest	Principal and interest	Principal and interest	Principal and interest	

Notes:
(a) Loan for the purchase of manufacturing facility and building improvements.
(b) Loan for the purchase of equipment for our bioreactor project
(c) Loan for the purchase of building improvements.
(d) Loan for the purchase of manufacturing equipment
(e) Working Capital loan
(f) Loan for the purchase of manufacturing equipment

All BDC loans have a floating interest rate based on BDC's floating base rate plus 0.5% - 1.8%. At September 30, 2021, the rate was 5.05% (2020 – 5.05%). The loans are secured with the building and equipment.

9. **LONG-TERM DEBT, BANK INDEBTEDNESS AND OTHER DEBT (Continued)**

As at September 30, 2021, the commitments for the next five fiscal years and thereafter for the BDC loans is as follows:

	Amount
2022	$ 212,760
2023	212,760
2024	187,350
2025	111,120
2026	111,120
2027 and thereafter	$ 1,268,620

b) The Company has a $2,000,000 line of credit with its Chartered Bank that is available for use. This line of credit bears interest at prime plus 2% (4.45% on September 30, 2021). As at September 30, 2021 the Company had no funds drawn on the facility (September 30, 2020- nil). The Company's usage of this facility varies across its manufacturing, sales and Accounts Receivable collection cycles.

c) On July 29, 2019, the Company signed an agreement with Federal Economic Development Agency for Southern Ontario to provide a repayable government contribution where the Federal Development Agency has agreed to contribute funding for 30% of the Business Scale-up and Productivity Project expenditures made by the Company, up to $2,752,500 over the next four years. The Company is required to submit eligible expenses on a quarterly basis to receive the interest-free contributions. Repayment of the contribution does not begin until December 15, 2024. As at September 30, 2021, the Company has received contributions totalling $1,086,501 (September 30, 2020 – $455,991). The Company determined that the "Loan" consists of two components: an obligation to repay; and a government grant in the form of exemption from interest. The Company fair valued the obligation to repay at $646,118 (September 30, 2020 – $267,771), based on a discount rate of 8%, which represents management's best estimate of fair value. The residual amount of $440,383 (September 30, 2020 – $188,491) is allocated to the associated government grant and recognized as income over the period in which the related costs they are intended to compensate are recognized. As at September 30, 2021, the carrying value of the Loan is $690,795 (September 30, 2020 – $267,770) and $116,947 is recognized as a deferred grant within deferred revenue on the statement of financial position (September 30, 2020 – $111,210).

The Company is in compliance with the covenants associated with this loan as at September 30, 2021.

The estimated repayments on the existing term facilities in future fiscal years are as follows:

Fiscal Year	Amount
2025	$ 181,083
2026	217,300
2027	217,300
2028	217,300
2029	217,300
2030 and thereafter	36,217

10. GOVERNMENT GRANT

On October 13, 2020, the Company announced a grant agreement with the Ontario Together Fund ("OTF") of the Ministry of Economic Development, Job Creation and Trade (the "Grant"). The Grant of $1,445,000 will cover 50% of the cost to automate production of the Company's quality assessment products (QAPs™) that help ensure the accuracy of infectious disease diagnostic testing, and enable local, secure, and cost-effective automated production of the quantities of viral transport medium (generically "VTM" and branded "DxTM™") needed for Ontario's lab-based testing for COVID-19 disease or other tests of concern to public health or safety.

An initial Grant disbursement, upon execution of the agreement, in the amount of $867,000, was received on October 13, 2020. The remaining $578,000 of the grant will be paid upon project completion and a review of Eligible Project Expenditures incurred during the project, up to February 28, 2022. During the year ended September 30, 2021 the Company recognized $717,587 (2020 - nil) of grant income. The company also recorded a $680,202 reduction in capital asset costs. The excess claims of $578,000 for the remainder of the grant have been recognized in accounts receivable. Microbix believes that it has met the conditions necessary to receive this balance.

11. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares with no par value and an unlimited number of preference shares with no par value.

On January 30, 2020, the Company completed a private placement offering of an aggregate of 11,800,000 units for total gross proceeds of $2,360,000, net proceeds of $2,150,759 after share issuance costs of $209,242. Each unit consisted of one common share of Microbix and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share at an exercise price of $0.36 for five years. Fair value of the common share purchase warrants was determined to be $ 1,205,892. Gross proceeds were allocated to common shares and common share purchase warrants in the amount of $ 1,611,450 and $748,550 respectively. The financing was non-brokered. Cash commissions of $104,300 were paid and an aggregate of 521,500 Broker's Warrants were issued in the private placement offering. Fair value of the broker warrants was determined to be $42,476 using the Black-Scholes option pricing model. The volatility of the stock for the Black-Scholes options pricing model was based on 5-year historic volatility of the Company's stock price (69%) and the risk free rate of interest of 1.38% is based upon the Government of Canada benchmark bond yields - 3 to 5 year at the date of the award of the Broker's warrants and a five year term. Management believes that the historic stock volatility provides a fair and appropriate basis of estimate for the expected future volatility of the stock. Each Broker's Warrant entitles the holder to purchase one common share at a price of $0.36 for a period of five years. All securities issued under the private placement were subject to a holding period, which expired four months and one day from the date of closing.

On May 19, 2021, the Company completed a public offering and concurrent private placement offering of an aggregate of 11,500,000 units for total gross proceeds of $6,900,000, for net proceeds of $6,131,568 after share issuance costs of $768,432. $5,167,002 has been allocated to stayed capital and $964,560 has been allocated to warrants. Each unit consisted of one common share of Microbix and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at an exercise price of $0.80 for two years. The financing was a bought deal, with co-lead underwriters of the Offering (iA Private Wealth Inc. and Bloom Burton Securities Inc.). Cash commissions of $402,500 were paid and an aggregate of 670,833 Broker's Warrants were issued in the public offering. Each Broker's Warrant entitles the holder to purchase one unit at a price of $0.60 for a period of two years. Fair value of the broker warrants was determined to be $157,762 using the Black-Scholes option pricing model. The volatility of the stock for the Black-Scholes options model was based on 2-year historic volatility of the Company's stock price (77%) and the risk free rate of interest of .32% is based upon the Government of Canada benchmark bond yields at the date of the award of the Broker's warrants. Management believes that the historic stock volatility provides a fair and appropriate basis of estimate for the expected future volatility of the stock. Each Broker's Warrant entitles the holder to purchase one common share at a price of $0.60 for a period of two years. All securities issued under the concurrent private placement were subject to a hold period, which expired four months and one day from the date of closing.

11. SHARE CAPITAL (Continued)

The number of issued and outstanding common shares and the stated capital of the Company are presented below:

	Number of Shares	Stated Capital
Balance, as at September 30, 2020	108,772,705	$ 35,357,144
Issued on public offering and concurrent private placement	11,500,000	5,167,002
Exercise of Warrants	6,104,462	3,085,455
Balance, as at September 30, 2021	**126,377,167**	**$ 43,609,601**

12. COMMON SHARE PURCHASE WARRANTS

A continuity of the Company's warrants outstanding as at September 30, 2021 is presented in the following table:

	Units	Weighted average exercise price
Balance, September 30, 2019	11,718,816	$ 0.36
Issued	12,321,500	0.36
Expired	(755,764)	0.34
Balance, September 30, 2020	23,284,552	$ 0.36
Issued (see note 11)	6,420,833	0.78
Exercised	(6,104,462)	0.36
Expired	(81,550)	0.46
Balance, September 30, 2021	**23,519,373**	**$ 0.47**

12. COMMON SHARE PURCHASE WARRANTS (Continued)

A summary of the Company's warrants outstanding as at September 30, 2021 and 2020 is presented in the following table:

	September 30, 2021			September 30, 2020		
	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life
			years			years
Range of exercise prices:						
$0.55 to $0.80	7,621,333	$ 0.74	1.38	1,500,000	$ 0.55	0.03
$0.23 to $0.46	15,898,040	0.34	2.39	21,784,552	0.35	2.66
	23,519,373	$ 0.47	2.07	23,284,552	$ 0.36	2.49

On September 28, 2020, the Company extended the term of an aggregate of 7,413,052 common share purchase warrants ("Warrants") by one year, which were issued in connection with Microbix's October, 2015 and October, 2017 private placement financings.

The extended Warrants entitled holders to purchase common shares of Microbix at prices from $0.36 to $0.55 until October, 2021. All other Warrant terms remain unchanged.

13. STOCK OPTION PLAN

Under the Company's stock option plan, the Company may grant options to purchase common shares up to a maximum of 10% of the Company's issued and outstanding common shares. Under the plan as at September 30, 2021, the Company has a total of 10,154,000 options (September 30, 2020 – 10,040,000) issued and is eligible to issue up to a total of 12,637,717 options.

The exercise price of each option equals no less than the market price at the date immediately preceding the date of the grant. In general, the Company's stock option plan vests options in equal amounts across a period following their issue date. The options granted during this year and future options grants will generally be vested in a single step on the third anniversary date following their issue. Management does not expect any remaining unvested stock options at the year-end to be forfeited before they vest.

The activity under the Company's stock option plan for year ended September 30, 2021 is as follows:

	Units	Weighted average exercise price
Balance, September 30, 2019	7,738,000	$ 0.35
Stock options forfeited	(48,000)	$ 0.54
Stock options issued	2,350,000	$ 0.22
Balance, September 30, 2020	10,040,000	$ 0.32
Options Expired/Forfeited	(2,400,000)	$ 0.54
Stock options issued	2,514,000	$ 0.61
Balance, September 30, 2021	**10,154,000**	**$ 0.34**
Exercisable, September 30, 2021	**3,400,000**	**$ 0.26**

13. STOCK OPTION PLAN (Continued)

The exercise price of each option equals the closing market price of the Company's capital stock on the day preceding the grant date. The following table reflects the number of options, their weighted average price and the weighted average remaining contract life for the options grouped by price range as of September 30, 2021 and 2020:

	September 30, 2021			September 30, 2020		
	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life
			years			years
Range of exercise prices:						
$0.46 to $0.62	2,514,000	$ 0.61	4.41	2,400,000	$ 0.54	0.04
$0.215 to $0.28	7,640,000	$ 0.25	2.09	7,640,000	$ 0.25	3.09
	10,154,000	$ 0.34	2.66	10,040,000	$ 0.32	2.36

The fair value of options granted during fiscal 2021 was estimated at the grant date using the Black-Scholes options pricing model, resulting in the following weighted-average assumptions:

	2021				2020	
Option Grant Dates	Dec 2020	Feb 2021	Jul 2021	Aug 2021	Feb 2020	Aug 2020
Share price on issue date	$ 0.460	$ 0.62	$ 0.540	$ 0.60	$ 0.22	$ 0.28
Dividend yield	0%	0%	0%	0%	0%	0%
Volatility	72%	71%	71%	70%	69%	71%
Risk-free interest rate	0.3%	0.5%	0.5%	0.3%	1.4%	0.3%
Expected option life (years)	5	5	5	5	5	5
Weighted average fair value of each option ($ / option)	$ 0.27	$ 0.36	$ 0.31	$ 0.34	$ 0.12	$ 0.16

Stock options are assumed to be exercised at the end of the option's life, as management believes the probability of an early exercise is remote. During the year, the fair value of the options vested in the year were expensed and credited to contributed surplus. During the year, the Company recorded share-based compensation expense of $377,828 (2020 - $158,836).

14. INCOME (LOSS) PER SHARE

Basic income (loss) per share is calculated using the weighted average number of shares outstanding. Diluted income per share reflects the dilutive effect of the exercise of stock options, warrants and convertible debt. The following table reconciles the net income and the number of shares for the basic and diluted loss per share computations:

for the year ended September 30	2021	2020
Numerator for basic income (loss) per share:		
Net loss available to common shareholders	$ 3,233,390	$ (6,227,525)
Net income (loss) for dilutive earnings per share	$ 3,682,196	$ (6,227,525)
Denominator for basic income (loss) per share:		
Weighted average common shares outstanding	114,845,425	104,839,372
Dilutive Effect	26,837,784	-
Dilutive weighted average common shares outstanding	141,683,209	104,839,372
Net income (loss) per share:		
Basic	$0.028	($0.059)
Diluted	$0.026	($0.059)

The following represents the warrants, stock options and convertible debentures not included in the calculation of diluted EPS due to their anti-dilutive impact:

for the year ended September 30	2021	2020
Pursuant to warrants	7,621,333	23,284,552
Under stock options	2,414,000	10,040,000
Pursuant to convertible debentures	2,173,913	19,565,217
	12,209,246	52,889,769

15. EXPENSES BY NATURE

The Company has chosen to present its consolidated statements of income (loss) and comprehensive income (loss) based on the functions of the entity and include the following expenses by nature for the year ended September 30:

Depreciation and amortization

	2021	2020
Included in:		
Cost of goods sold	$ 699,167	$ 598,003
General and administrative expenses	99,403	79,566
Reasearch and development	23,470	12,518
Total depreciation and amortization	$ 822,040	$ 690,087

Employee costs

	2021	2020
Short-term wages, bonuses and benefits	$ 7,023,148	$ 5,809,758
Share based payments	260,978	114,980
Total employee costs	$ 7,284,126	$ 5,924,738
Included in:		
Cost of goods sold	$ 3,688,213	$ 2,972,026
Research and development	1,067,326	978,086
General and administrative expenses	1,878,100	1,489,355
Selling and business development	650,487	485,271
Total employee costs	$ 7,284,126	$ 5,924,738

During the year, the Company received $70,046 (2020 - $531,760) in assistance from the Canada Emergency Wage Subsidy program. This subsidy has been recorded against the related employee costs.

16. INCOME TAXES AND INVESTMENT TAX CREDITS

Income taxes consist of the following, for the years ended September 30:

	2021	2020
Provision based on combined federal and provincial statutory rates of 25.00 % (2020 – 25.00%)	$ 808,348	$ (1,164,822)
Increase (decrease) resulting from:		
Non deductible expenses	198	343
Stock-based compensation	94,457	39,709
Change in deferred tax assets not recognized	(681,801)	2,747,317
Adjustment in respect of income taxes of prior year and other	(221,202)	(54,310)
Income tax expense	$ -	$ 1,568,237

The Company has unclaimed research and development expenses, research and development investment tax credits and accumulated losses for income tax purposes. The associated tax benefits have not been recognized in the financial statements.

16. INCOME TAXES AND INVESTMENT TAX CREDITS (Continued)

The significant components of deferred income tax assets are summarized as follows:

	2021	2020
Deferred income tax assets:		
Non-capital loss carry-forwards	$ -	$ 446,404
Difference in net book value compared to undepreciated capital cost	3,200,282	3,376,299
Deferred financing fees and other reserves	274,961	132,468
Unclaimed research and development expenses	3,755,690	3,806,260
Lease liabilities	302,124	137,143
Deferred income tax liability related to debentures	(639,706)	(848,935)
Right of use assets	(271,577)	(90,290)
Tax assets not recognized	(6,621,774)	(6,959,349)
Deferred tax assets recognized	$ -	$ -

In fiscal 2021 the Company incurred $636,413 of share issuance costs which will be deducted from taxable income at $127,283 over five years. The deferred tax assets for these transactions have not been recognized.

The unrecognized balance of federal research and development investment tax credits carried forward is $3,035,583, reduced by a deferred tax liability of $769,714. The credits expire between 2022 and 2041. The unrecognized balance of Ontario research and development tax credits carried forward is $5,011 and these credits expire in 2041.

17. CHANGES IN NON-CASH WORKING CAPITAL

	2021	2020
Accounts receivable	$ (2,298,107)	$ (167,539)
Inventory	(114,845)	187,528
Prepaid expenses and other assets	(274,980)	(120,864)
Investment tax credits receivable	(20,067)	57,441
Deferred Revenue	(689,753)	486,784
Accounts payable and accrued liabilities	179,277	18,086
	$ (3,218,475)	$ 461,436

18. FINANCIAL EXPENSES

	2021	2020
Cash interest:		
Interest on long-term debt	$ 112,145	$ 144,899
Interest on debentures	590,304	600,780
Interest other	8,803	31,513
Non-cash interest:		
Accretion on debentures (Note 8)	317,916	255,883
Accretion interest expense (Note 6, 9)	56,386	23,027
Financial expenses	$ 1,085,554	$ 1,056,102

19. CAPITAL MANAGEMENT

The Company's capital management objective is to safeguard its ability to function as a going concern to maintain and grow its operations and to fund its development activities. Microbix defines its capital to include any drawn portion of the revolving line of credit, shareholders' equity, long-term debt, and debentures. The capital at September 30, 2021 was $25,093,066 (September 30, 2020 - $12,052,022).

To date, the Company has used cash provided by operating activities, common equity issues, debentures, bank mortgage and other financing to fund its activities. The equity is provided through public offerings or private placements, the debentures are all controlled by private individuals known to the Company and the mortgage and other financing are with the Business Development Bank (BDC), FedDev and TD Bank. If possible, the Company tries to optimize its liquidity needs by non-dilutive sources, including cash provided by operating activities, investment tax credits, grants and interest income. The Company has a revolving line of credit of $2,000,000 with its Canadian chartered bank, Note 9.

The Company's general policy is to not pay dividends and retain cash to keep funds available to finance the Company's growth. However, the Board of Directors may, from time to time, choose to declare a dividend in assets if warranted by circumstances. Similarly, the Board of Directors my, from time to time, choose to initiate a buy-back of issued common shares. There was no change during the year in how the Company defines its capital or how it manages its capital.

20. FINANCIAL INSTRUMENTS

The Company categorizes its financial assets and liabilities measured at the fair value into one of three different levels depending on the observation of the inputs used in the measurement.

For the year ended September 30, 2021 and 2020, the Company has carried at fair value financial instruments in Level 1. At September 30, 2021, the Company's only financial instrument measured at fair value is cash, which is considered to be a Level 1 instrument. There were no transfers between levels during the year.

The three levels are defined as follows:

a) Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in active markets
b) Level 2: Fair value is based on inputs other than quoted prices included within Level 1 that are not observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
c) Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs.

20. FINANCIAL INSTRUMENTS (Continued)

The following table provides the fair value measurement hierarchy of the Company's assets and liabilities.

	Date of valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:				
Cash	30-Sep-21	$ 9,986,312	-	-
Liabilities for which fair values are disclosed:				
Non-convertible debentures	30-Sep-21	-	1,769,854	-
Convertible debentures	30-Sep-21	-	1,972,544	-
Long-term-debt and other debt	30-Sep-21	-	2,794,525	-

	Date of valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:				
Cash	30-Sep-20	$ 92,661	-	-
Liabilities for which fair values are disclosed:				
Non-convertible debentures	30-Sep-20	-	1,221,617	-
Convertible debentures	30-Sep-20	-	1,804,195	-
Long-term-debt and other debt	30-Sep-20	-	2,606,733	-

The fair value of a financial instrument is approximated by the consideration that would be agreed to in an arm's length transaction between willing parties and through appropriate valuation methods, but considerable judgment is required for the Company to determine the value. The actual amount that could be realized in a current market exchange could be different than the estimated value.

The fair values of financial instruments included in current assets and current liabilities approximate their carrying values due to their short-term nature.

The fair value of the long-term debt is based on rates currently available for items with similar terms and maturities and is repriced to floating market interest rates and as such, the carrying value of the long-term debt and other debt approximates fair value. The convertible and non-convertible debenture fair values are estimated based on rates for items with similar terms and maturity. The fair values of financial instruments in other long-term liabilities approximate their carrying values as they are recorded at the net present values of their future cash flows, using an appropriate discount rate.

21. FINANCIAL RISK MANAGEMENT

The primary risks that affect the Company are set out below and the risks have not changed materially during the reporting periods. The list does not cover all risks to the Company, nor is there an assurance that the strategy of management to mitigate the risks is sufficient to eliminate the risk.

Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is the responsibility of the corporate finance function. Material risks are monitored and are regularly discussed with the Audit Committee of the Board of Directors.

Credit risk

The Company's cash is held in accounts or short-term interest bearing accounts at one of the major Canadian chartered banks. Management perceives the credit risk to be low. Typically the outstanding accounts receivable balance is relatively concentrated with a few large customers representing the majority of the value. As at September 30, 2021, five customers accounted for 80% (September 30, 2020 - five customers accounted for 74%) of the outstanding balance. In addition, for the year ended September 30, 2021, five customers accounted for 63% (September 30, 2020 - five customers accounted for 61%) of revenues. The Company has had minimal bad debts over the past several years and accordingly management has recorded an allowance of $35,000 (September 30, 2020 - $10,000).

Trade accounts receivable are aged as follows:

	September 30, 2021	September 30, 2020
Current	$ 3,909,253	$ 1,872,928
0 - 30 days past due	209,312	1,431
31 - 60 days past due	9,696	732
61 days and over past due	46,855	1,918
	$ 4,175,116	$ 1,877,009

21. FINANCIAL RISK MANAGEMENT (Continued)

Market risk and foreign currency risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, will affect the Company's income or the value of its financial instruments. The Company's activities that result in exposure to fluctuations in foreign currency exchange rates consist of the sale of products and services to customers invoiced in foreign currencies and the purchase of services invoiced in foreign currencies. The Company does not use financial instruments to hedge these risks.

As at September 30 the significant balances, quoted in Canadian dollars, held in foreign currencies are:

	U.S. dollars		Euros	
	2021	2020	2021	2020
Cash	$ 3,601,394	$ 15,397	$ 135,388	$ 1,551
Accounts receivable	836,390	1,186,876	727,708	273,858
Accounts payable and accrued liabilities	131,002	150,600	47,009	-

The Company's revenue and expenses by foreign currency for the years ended September 30, 2021 and 2020 are as follows:

	2021	2020
Revenue		
Euros	26%	34%
U.S. dollars	44%	62%
Expenses		
U.S. dollars	8%	5%

Based upon 2021 results, the impact of a 5% increase in the U.S. dollar against the Canadian dollar would result in an increase in annual U.S. dollar based revenue of approximately $327,900 Cdn. The impact of a 5% increase in the Euro against the Canadian dollar would result in an increase in annual Euro based revenue of approximately $180,200. Correspondingly, the impact of a 5% decrease in the U.S. dollar against the Canadian dollar would result in a loss in annual U.S. dollar based revenue of approximately $327,900 Cdn. The impact of a 5% decrease in the Euro against the Canadian dollar would result in a loss in annual Euro-based revenue of approximately $180,200.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting its financial liability obligations as they become due. The Company has a planning and budgeting process in place to help determine the funds required to support the normal operating requirements on an ongoing basis. The Company has financed its cash requirements primarily through issuance of securities, short-term borrowings, long-term debt and debentures. The Company controls liquidity risk through management of working capital, cash flows and the availability and sourcing of financing. Based on current funds available and expected cash flow from operating activities, management believes that the Company has sufficient funds available to meet its liquidity requirements for the foreseeable future. However, if cash from operating activities is significantly lower than expected, if the Company incurs major unanticipated expenses or the Company's borrowings are called, it may be required to seek additional capital in the form of debt or equity or a combination of both. Management's current expectations with respect to future events are based on currently available information and the actual outcomes may differ materially from those current expectations.

21. FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk

Financial instruments that potentially subject the Company to cash flow interest rate risk are those assets and liabilities with a variable interest rate. Interest rate risk exposure is primarily on the BDC debt that has a variable rate that is pegged to the bank rate. The rate can be fixed at the Company's option, if the outlook for interest rates should move higher. The only other variable debt the Company has is the $2,000,000 line of credit that bears interest at the bank's prime lending rate plus 2.0%. A 1% increase in the bank rate would cost the Company approximately $20,000 per year for BDC and about $20,000 on the line of credit usage if it were fully used throughout the fiscal year.

22. SEGMENTED INFORMATION

The Company operates in two ways: (i) the development, manufacturing and sales of products relating to the medical diagnostics industry, namely antigens as test ingredients, quality assessment products to help ensure the accuracy of test workflows and viral transport medium to enable collection of patient test samples and, (ii) the development and commercialization of novel and proprietary products or technologies such as Kinlytic. The following is an analysis of the Company's revenues and profits from continuing operations for the year ended September 30, segmented between categories (i) and (ii) (including Kinlytic):

	Segment revenue		Income (loss)	
	2021	2020	2021	2020
Antigens, QAPs and DxTM	$ 18,591,055	$ 10,514,847	$ 3,266,936	$ (1,433,097)
Other (Includes Kinlytic ®)	1,905	10,057	(33,546)	(3,226,191)
Total for continuing operations	$ 18,592,960	$ 10,524,904	$ 3,233,390	$ (4,659,288)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current period (2020 - $nil).

Segment loss represents the profit (loss) before tax earned by each segment without allocation of central administration costs, directors' fees, and finance costs. These general costs are reflected in category (i) and (ii) segments. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

22. SEGMENTED INFORMATION (Continued)

Segmented assets and liabilities as at September 30 are as follows:

	Segment assets		Segment liabilities	
	2021	2020	2021	2020
Antigens, QAPs and DxTM	$ 28,829,034	$ 15,598,010	$ 10,272,890	$ 8,978,534
Other (Includes Kinlytic ®)	-	-	-	-
	$ 28,829,034	$ 15,598,010	$ 10,272,890	$ 8,978,534

All assets are allocated to reportable segments other than interests in associates and current and deferred tax assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments. All liabilities are allocated to reportable segments other than borrowings and current and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Segmented depreciation and amortization, impairment of long-lived assets and additions to non-current assets as at September 30 are as follows:

	Depreciation and amortization		Additions to non-current assets		Impairment of long-lived assets	
	2021	2020	2021	2020	2021	2020
Antigens, QAPs and DxTM	$ 822,040	$ 690,087	$ 1,302,539	$ 813,908	$ -	$ -
Other (Includes Kinlytic ®)	-	-	-	-	-	3,078,585
	$ 822,040	$ 690,087	$ 1,302,539	$ 813,908	$ -	$3,078,585

23. REVENUES AND GEOGRAPHIC INFORMATION

The Company operates in three principal geographical areas – North America (where it is domiciled), Europe, and in other foreign countries. The Company's revenue from external customers is tracked based on the bill-to location. Information about its non-current assets by location of assets are also detailed below. It should be noted that our distribution partner for Asia is based in the United States, so most sales destined to Asia are reflected in the North American total.

	Revenue from external customers		Non-current assets	
For the year ended September 30,	2021	2020	2021	2020
North America	$ 12,137,350	$ 5,590,760	$ 9,734,552	$ 9,105,179
Europe	6,445,942	4,854,353	-	-
Other foreign countries (directly)	9,668	79,791	-	-
	$ 18,592,960	$ 10,524,904	$ 9,734,552	$ 9,105,179

The following table reflects the movement in the Company's deferred revenues:

For the year ended September 30,	2021	2020
Balance, beginning of the year	$ 1,315,738	$ 640,463
Cash payments or advance payments on performance obligations	2,336,133	2,382,730
Revenue recognized during the year	(3,025,886)	(1,818,665)
Deferred government grants (see note 9)	116,947	111,210
Balance, September 30	$ 742,932	$ 1,315,738

24. RELATED PARTY TRANSACTIONS

Key Management Compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management includes six independent directors and four key management executive officers. Compensation for the Company's key management personnel was as follows:

For the year ended September 30,	2021	2020
Short-term wages, bonuses and benefits	$ 1,415,595	$ 998,674
Share based payments	183,061	77,392
Total key management compensation	$ 1,598,656	$ 1,076,066

25. COMMITMENTS AND CONTINGENCIES

Payments on convertible and non-convertible debentures (Note 8)

	Amount
2022	$ 2,745,508
2023	360,000
2024	360,000
2025	360,000
2026	360,000
2027 and thereafter	4,759,497
	$ 8,945,005

Contingencies

The Company is not party to any legal proceedings arising out of the normal course of business.

26. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2021 consolidated financial statements.

27. SUBSEQUENT EVENTS

Subsequent to the end of fiscal 2021, the Company received $1,863,796 from the exercise of 5,239,919 warrants.

Subsequent to the end of fiscal 2021, the Company made an early repayment of the remaining outstanding principal relating to a $2 million non-convertible 9% interest debenture (denoted, repaying in full). A payment of $1,331,758, including accrued interest, was made on October 1, 2021. See note 8.

DIRECTORS

Peter M. Blecher
Ontario, Canada
Medical Director
CPM - Centres for Pain Management

Mark A. Cochran
Virginia, USA
Executive Director (Retired)
Johns Hopkins Healthcare

Vaughn C. Embro-Pantalony [(1) (2)]
Ontario, Canada
Pharmaceutical Executive

Anthony J. Giavinazzo [(1) (2)]
Ontario, Canada
Executive Chairman
Sublimity Therapeutics

Cameron Groome [(2)]
Ontario, Canada
Chief Executive Officer and President
Microbix Biosystems Inc.

Martin A. Marino [(1) (2)]
Ontario, Canada
Pharmaceutical Executive

Joseph D. Renner [(1) (2)]
New Jersey, USA
Pharmaceutical Executive

[(1)]Member of Audit Committee.
[(2)]Member of the Human Resources, Compensation and Governance Committee.

CORPORATE INFORMATION

Corporate Counsel	*Boyle & Co. LLP*
Auditors	*Ernst Young LLP* *Chartered Accountants*
Transfer Agent	*TSX Trust Company*
Bankers	*The Toronto Dominion Bank*
Head Office	Microbix Biosystems Inc. 265 Watline Avenue, Mississauga, Ontario Canada L4Z 1P3 Tel: 905-361-8910 Fax: 905-361-8911 www.microbix.com

SENIOR MANAGEMENT

Cameron L. Groome
Chief Executive Officer and President

James S. Currie
Chief Financial Officer

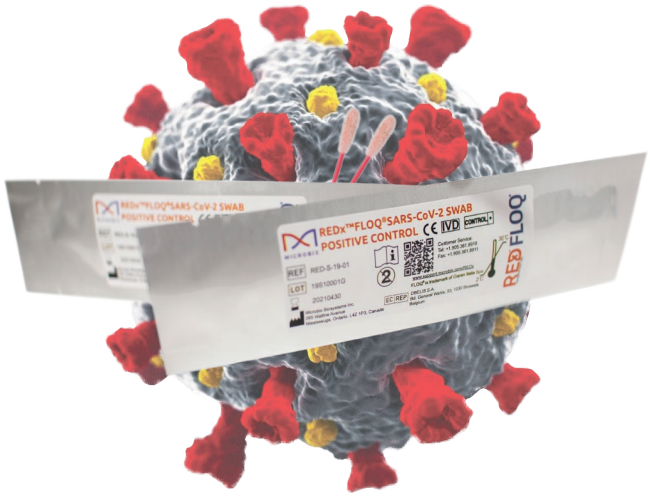
Kenneth Hughes
Chief Operating Officer

Dr. Mark Luscher
Senior Vice-President, Scientific Affairs

Phillip Casselli
Senior Vice-President, Sales & Business Development

Kevin J. Cassidy
Vice-President, Biopharmaceuticals

Christopher B. Lobb
General Counsel & Secretary



MICROBIX

265 Watline Avenue,
Mississauga, ON
Canada L4Z 1P3
Tel: 905-361-8910
Fax: 905-361-8911
1-800-794-6694
Web Site: www.microbix.com