MICROBIX BIOSYSTEMS INC.

ANNUAL REPORT 2022

MICROBIX

Message to Shareholders

Results for the full 12-months of fiscal 2022 ended September 30, 2022 ("2022") capped-off a second consecutive year of profitability for Microbix, along with record sales. This achievement is the result of our successful transformation into a creator, maker, and marketer of innovative, proprietary, branded, and fully-regulated medical devices. Additionally, Microbix's finances are strong, with the necessary funds to execute on our current strategic objectives in the face of today's socioeconomic uncertainties.

However, I must note that Microbix did not achieve fiscal 2022 budget targets for sales and earnings. In large part, this was due to delayed new product roll-outs at our customers, which in turn delay Microbix's sales of QAPs™ to them. Such delays directly impacted our fourth quarter of fiscal 2022 ("Q4") which, coupled with a lack of DxTM™ sales in Q4, led to a down year-over-year result. We are hard at work to again be posting record quarterly results and aim for our next "streak" to exceed the seven profitable quarters we recorded through Q3 2022.

Such timing challenges are inevitable in the highly-regulated field of medical diagnostics, but in no way change our positive outlook for Microbix's business. Most notably, we see many exciting new Point-of-Care-Test ("PoCT") instruments being perfected and readied for launch. Such PoCT innovations will bring sophisticated, accurate, and fast, testing out of the central lab and into local clinics, long-term care homes, pharmacies, schools, and workplaces. Yet to succeed, such PoCTs must secure test-controls to catch faults relating to operators, consumables, or instruments. Microbix's FLOQSwab-formatted QAPs are proving optimal for PoCT usage, providing opportunities to supply large and recurring numbers as in-kit controls to the leading PoCT companies.

We see QAPs for PoCTs as being Microbix's largest near-term sales growth driver, with our QAPs to be included in kits of test cartridges at a fixed ratio (e.g., 1 QAP per 20 tests). We were pleased to announce the first purchase and supply agreement with a leading PoCT-maker in August, 2022, and are now pursuing more such long-term alliances.

Microbix's other product lines are also progressing, starting with our test ingredients (antigens). Our antigens continue to be at the core of many firms' tests and, as more normal doctor-appointment and diagnostic testing patterns resume, demand has resumed for our antigens. Consequently, we foresee strong antigen sales across calendar 2023.

Our newest product, DxTM™ brand viral transport medium, was created for the Province of Ontario and has therefore unsurprisingly been sold principally to its designates. Microbix is now working with Ontario to pinpoint its needs given changing respiratory virus testing guidelines and reorganized procurement leadership. To Microbix's knowledge, we remain one of three meaningful VTM suppliers to Ontario and the only one manufacturing locally.

Having spoken about our latest financial results and each revenue-generating facet of our business, I'd now like to pan-back for a more holistic view and explain how we're working to build shareholder value through technical, supply-chain, and business engagement with world-leading diagnostics firms. Longstanding test-ingredient relationships are now being extended to include provision of custom-designed in-kit controls and from that base, we'll continue to add to our suite of value-added products and services. We are not trying to become giant-slayers, and are instead becoming valued allies to the giants of our industry. While perhaps less-glamorous, we prefer the odds of our strategy.

To execute our strategy, we must also prove we're a reliable supply-chain partner. This drives our need for system upgrades and capacity investments. I'm therefore pleased to note that work on automation, ERP software upgrades, and transition to eQMS continue to progress well, ably-driven by our teams.

To conclude, know that every level of the Microbix team remains dedicated to enabling better health care and building lasting shareholder value.

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, 2022, 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, quality assessment products, and viral transport medium businesses, 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 21, 2022.

COMPANY OVERVIEW

Microbix Biosystems Inc. (Microbix or the Company) (TSX: MBX, OTCQX: MBXBF) is an award-winning life sciences innovator, manufacturer, 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, viruses, or their components 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) incorporated into kits of test consumables by OEM multinational diagnostics companies (usually unbranded "white label"), (iii) test development, instrument validation and technician training (often branded PROCEEDx®), or (iv) 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 followed by a material first order from the Province of Ontario received in April, 2021 and a material reorder secured in December, 2021. Further DxTM re-orders from Ontario are being pursued, along with other private-sector and governmental customers.

COMPANY OVERVIEW (Continued)

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.

The COVID-19 pandemic and its health, economic, and societal impacts are affecting all industries, including medical diagnostics. As a result, trend discussions here may be disrupted. For example, since early fiscal 2020 sales of antigens have been reduced 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 are expected to be driven by Microbix's creation of new value-added and proprietary products for test-makers and clinical laboratories, and by increasing American, European and international quality-management regulation of clinical laboratories. Sales of DxTM began in fiscal Q2 of 2021 and, based on multiple purchase orders from representatives of the Province of Ontario and interest in supply chain security from other parties across Canada, has been 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 was leased as of July, 2021 and renovations have since been completed to support larger-scale DxTM production, workstations and warehousing. 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, 2022 ("2022")

2022 revenue was $19,076,241, a 3% increase from prior year revenues of $18,592,960. Included were antigen revenues of $8,287,908 (2021 - $9,082,021). QAPs revenues grew by 14% in 2022 to $5,375,329 (2021 - $4,704,671). Revenue from DxTM was strong in 2022 at $5,004,359, up 11% from the prior year (2021 - $4,506,900), and royalties were $408,694 (2021 - $299,368). 2022 revenues were most influenced by the continued uptake of our growing base of QAPs products and strong DxTM sales.

2022 gross margin was 58%, down slightly from 2021 gross margins of 59%. Margins were impacted by increased labour costs, manufacturing operating expenses, and increased supply chain costs; all due to inflationary pressures.

Operating and finance expenses in 2022 increased by 19% relative to 2021, due to increased investment in R&D projects for our QAPs business, incremental spending on IT infrastructure, additional spending on sales and marketing to support sales growth, and expiry of Ontario Together Fund ("OTF") grant funding at the end of fiscal 2021; all collectively offsetting reduced interest costs due to the repayment of debentures and BDC loans and greater interest income from short term investments.

FINANCIAL OVERVIEW (Continued)

Year ending September 30, 2022 ("2022") (Continued)

Stronger sales were offset by lower gross margin percent and increased operating expenses (due to increased investment into business growth and infrastructure) led to an operating income (before finance expenses) of $2,610,213 and net income of $1,788,689 versus a 2021 operating income of $4,836,595 and net income of $3,233,390. Cash provided by operating activities was $3,465,199, compared to $2,106,736 in 2021, an improvement largely driven by non-cash working capital account balances in 2022.

At the end of 2022, Microbix's current ratio (current assets divided by current liabilities) was 8.45 and its debt to equity ratio (total debt over shareholders' equity) was 0.33. Both of these financial health ratios continued to improve from those in 2021.

Quarter Ending September 30, 2022 ("Q4")

Q4 revenue was $4,329,052, down from 2021 revenues of $5,629,694. Included were antigen sales of $2,629,783 (2021 - $2,020,861), up 30% due to order timing and bounce back in business. QAPs revenues were $1,601,950 up 34% in fiscal 2022 (2021 - $1,195,545). In turn, revenue from DxTM were $nil due to timing of orders (2021 - $2,327,600), and royalties were $97,319 (2021 - $85,689). The Q4 sales decline was most influenced the lack of Ontario-driven deliveries of DxTM, offset by continued diagnostics industry uptake of QAPs and stronger antigen sales.

Q4 gross margin was 47%, down from 58% during Q4 2021, due to a greater proportion of lower margin antigen sales, antigen product sales mix for the quarter and the lack of DxTM sales in the quarter.

Operating expenses (including financial expenses) in Q4 2022 were relatively flat when compared to Q4 2021. The quarter also showed increased investment in R&D projects for our QAPs business, additional spending in sales and marketing to support sales growth and the lack of Ontario Together Fund ("OTF") grant funding this year vs. last year. This was offset by a reduction in interest costs due to the repayment of debentures and BDC loans and increased short-term investment income in fiscal 2022.

Overall, lower sales and less available gross margin dollars led to a Q4 2022 operating loss (before finance expenses) of $256,885 and net loss of $464,080 versus Q4 2021 operating income of 1,580,553 and net income of $778,929. Cash provided by operating activities was $146,437 for Q4 2022, compared to cash provided by of $1,621,621 for Q4 2021, with the majority of the change coming from change in Q4 operating income and changes in non-cash working capital.

Canadian Funds

FINANCIAL OVERVIEW (Continued)

Financial Highlights

	For the years ended September 30		For the quarter ended September 30	
	2022	2021	2022	2021
Total Revenue	$ 19,076,241	$ 18,592,960	$ 4,329,052	$ 5,629,694
Gross Margin	11,124,842	11,043,940	2,020,539	3,245,723
S,G&A Expenses	6,715,354	5,174,091	1,832,907	1,317,579
R&D Expense	1,799,275	1,033,254	444,517	347,591
Operating Income (Loss) before Interest Accretion Expense and Finance Expenses	2,610,213	4,836,595	(256,885)	1,580,553
Interest accretion expense on debenture due to planned redemption, non cash	-	517,651	-	517,651
Finance Expenses	744,290	1,085,554	129,961	283,973
Income Tax Expense	77,234	-	77,234	-
Net Income (Loss) and Comprehensive Income (Loss) for the period	1,788,689	3,233,390	(464,080)	778,929
Net Comprehensive Income (Loss) per share	0.013	0.028	(0.009)	0.006
Cash Provided (Used) by Operating Activities	3,465,199	2,106,736	146,437	1,621,621
Cash	13,488,075	9,986,312		
Accounts receivable	3,057,797	4,175,116		
Total current assets	22,408,372	19,094,482		
Total assets	33,145,196	28,829,034		
Total current liabilities	2,650,521	5,194,194		
Total liabilities	8,206,541	10,272,890		
Total shareholders' equity	24,938,655	18,556,144		
Current ratio	8.45	3.68		
Debt to equity ratio	0.33	0.55		

SELECTED QUARTERLY FINANCIAL INFORMATION

	Dec-31-20 $	Mar-31-21 $	Jun-30-21 $	Sep-30-21 $	Dec-31-21 $	Mar-31-22 $	Jun-30-22 $	Sep-30-22 $
Total Revenue	3,157,659	4,353,773	5,451,834	5,629,694	4,855,600	4,880,564	5,011,025	4,329,052
Net Income (Loss) and Comprehensive Income (Loss)	130,819	807,463	1,516,178	778,929	880,778	733,489	638,502	(464,080)
Operating Income (Loss) before Impairment of Assets, Interest Accretion Expense and Finance Expenses	393,222	1,073,460	1,789,360	1,580,553	1,121,528	936,614	808,956	(256,885)

OUTLOOK

Microbix's business was started over 30 years ago by our founder, Bill Gastle, a skilled virologist. The first products were types of the growth media used in cell-culturing, which were sold to public health laboratories and research-oriented customers across Ontario. Eventually, this was followed by such regional lab customers asking Microbix to do some of their bacteriological, cellular, and viral culturing work. In due course, international manufacturers of diagnostic tests learned of Microbix's abilities and approached the company to grow such organisms on a large-scale, then purify and inactivate them to become "antigens" – the biological ingredients at the heart of "immunoassay" tests used to diagnose infection with, exposure to, or immunity from, bacteria and viruses.

That test-ingredients business remained Microbix's only major source of revenues for many years, and underpins its deep expertise in matters relating to infectious disease diagnostics. During those years, Microbix sought to branch out into other areas of healthcare, such as into the production of biological therapeutics and vaccines. Although it had much of the expertise required for such initiatives, it sadly could not gain access to the capital required to bring those projects to fruition. That being recounted, one asset from that era remains in the Microbix portfolio, a well-validated biological "clot-buster" drug called Kinlytic® urokinase. Kinlytic is not assigned any value on Microbix's balance sheet, but may yet be advanced to meaningful revenues by way of partnering with a better-funded entity.

Microbix's antigen test-ingredients business had been 90% or more of sales. Over the past five years however, Microbix has sought to more broadly employ its deep diagnostics industry expertise and thereby incrementally build its revenues. This effort has succeeded, with test-ingredients comprising only 43% of Microbix's sales in fiscal 2022 due to its creating and growing other revenue streams.

Notably, Microbix has been successfully transformed from a manufacturer of largely-unregulated test-ingredients, into producing of a catalogue of fully-regulated medical devices. The Company has thereby created new opportunities for both increasing sales and expanding gross margins. Specifically, Microbix medical devices products are innovative, proprietary and branded – permitting access to new markets and customers at better margins than usual for test-ingredients. Upgrading to the ISO 13485 medical devices quality standard, obtaining a Health Canada Medical Devices Establishment License, and taking the necessary steps to be able to sell into the EU, US, and other markets were integral to those goals.

In medical devices, the first category of Microbix products are its diagnostic-test quality assessment products, which are branded as "QAPs™" and colloquially known as test-controls. The QAPs business started with providing mimics of positive patient-samples to enable assessment of the proficiency of clinical laboratories by industry accreditation agencies. Sales of Microbix QAPs were largely limited to that customer base and had come to exceed C$ 1.0 million per year (i.e., about 10% of sales) when the COVID-19 pandemic began (the "Pandemic").

While respiratory virus tests was not the principal focus of QAPs in early 2020, Microbix suspected the Pandemic in January and validated its first COVID-related product by the end of March. Microbix has since supported governments and industry with many QAPs products related to testing for respiratory pathogens – to lab accreditation agencies, international test-makers, governments and hospitals, clinical labs, and many workplaces and schools. Respiratory disease has become an important portion of QAPs sales, but the Microbix portfolio has been expanded to include QAPs for many bacteria, viruses, and parasites that can cause acute sickness, chronic disease, and even cancers. Collectively, QAPs comprised 28% of sales across fiscal 2022 and Microbix expects this segment to be its fastest-growing revenue source for the foreseeable future.

As the Pandemic emerged, Microbix was also quick to recognize the fragility of supply-chains for testing-related medical supplies. This alertness extended to noting pending shortages of viral transport medium ("VTM"), a medical device that is essential for stabilizing patient-samples in order that they remain intact while transported to, and when processed at, the central laboratories conducting most PCR-based tests. Having decades of expertise in producing complex cell-culturing media, Microbix volunteered to begin domestic production of VTM for the province of Ontario.

OUTLOOK (Continued)

With the assistance of a grant from the Ontario Together Fund of the Ministry of Economic Development, Job Creation, and Trade, Microbix created a VTM formulation to meet the exacting requirements of Public Health Ontario, perfected its methods and scaled its production, and became the only fully-regulated and validated local supplier to the Province. Sales of Microbix's "DxTM™" brand VTM began in fiscal 2021 and comprised 26% of Microbix's revenues in fiscal 2022.

Looking ahead, Microbix believes that it has considerable opportunities to continue growing its sales to the global diagnostics and clinical laboratory industries. Most notable among its business segments is QAPs, for which it has identified the Point-of-Care-Test ("PoCT") companies as its most promising customers. While PoCT has been promised for many years, the Pandemic resulted in major investments to roll-out sophisticated and high-quality testing beyond central-lab settings. Today, table-top portable PCR-based and antigen-based PoCT instruments are coming into widespread usage in settings such as local clinics, long-term care homes, pharmacies, schools, and workplaces. However, such PoCTs require accompanying test-controls to satisfy health regulators that errors relating to operators, consumables, or instruments will be quickly and reliably identified. Microbix QAPs are ideally-suited for that purpose, most notably when formatted onto the FLOQSwab™ flocked-swabs of Copan Italia S.p.A., made using Microbix's innovative techniques, and protected by the intellectual property of each firm.

The largest of such opportunities involves FLOQswab-based QAPs being incorporated into kits of PoCT cartridges at fixed ratios (e.g., 1 QAP per 20 PoCT tests). With major international test-makers intending to sell millions of cartridges per month across multiple pathogen categories, it is not difficult to see how revenues may build for Microbix in this industry area. A first such alliance was announced by Microbix in August 2022, and meaningful revenues are expected as soon as that multinational test-maker, and others, wend their way through the needed regulatory approvals for instruments and test kits.

Microbix is also enhancing infrastructure to support its growth objectives and expectations. Such enhancements include investments into people, equipment, and systems. Concerning people, the Company continue to work to retain our current great team, while adding new members with further skills and capabilities. For equipment, Microbix is investing to improve reliability, enhance capacity, and remove drudgery. With systems, the Company is making material investments into modernized and scalable Enterprise Resource Planning (ERP) software, alongside moving to a paperless Quality Management System (eQMS) – both of which are essential for Microbix continuing to grow the business. In the immediate term such investments can compress margins, but Management is convinced of their mid- and long-term benefits.

We thereby come to Microbix in 2022 and beyond. Already, a Company approaching C$ 20 million in annual sales with deep and broad life sciences capabilities that has achieved profitability and attained a strong financial position. Now a fully-fledged medical devices firm poised to benefit from medical diagnostics being used more effectively and frequently than ever, via over 100 established international customer relationships. Management's near-term goals comprise still higher and more consistent sales volumes at expanding gross margins to drive growth in net earnings, free cash flow, and the value of Microbix's common stock for all shareholders.

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.

The Company has incurred historical losses resulting in an accumulated deficit of $36,871,931 as at September 30, 2022. 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 2023, 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 was to 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 was 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.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES (Continued)

***Future Liquidity and Capital Needs* (Continued)**

During the year ending September 30, 2022, the Company received $2,637,330 from the exercise of 7,480,293 warrants and received $806,800 from the exercise of 2,960,00 options. In addition, a $500,000 debenture was converted to 2,173,913 shares during the fourth quarter of fiscal 2022.

During this fiscal year, 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. In addition, in April 2022 the Company repaid a non-convertible $500,000 debenture when it came due.

On December 3, 2021 the Company prepaid in full the outstanding balance including accrued interest for a BDC loan, totalling $266,094. See the long-term debt note for further details.

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, 2022 was $49,918,916 for 138,991,373 common shares and September 30, 2021 was $43,609,601 for 126,377,167 common shares.

Global pandemic

In early 2020, a novel Corona virus (SARS-COV-2) was identified to be spreading in human populations around the world and on March 11, 2020, the World Health Organization declared a global pandemic (The "Pandemic"). The Pandemic has since caused significant health, social, and economic harms and instability that continues to be felt worldwide.

Microbix has reviewed, and continues to review, the effects of the Pandemic and its aftermath on its operations. Such effects may include impacts on the Company's business that cannot be predicted, including upon the estimates, judgments, and assumptions used in the preparation of it financial statements, the setting of strategic objectives, or the realization of such objectives.

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

Normal Course Issuer Bid ("NCIB")

On October 3, 2022 the Company initiated a Normal Course Issuer Bid ("NCIB") program for the repurchase and cancellation of outstanding common shares. In accordance with the rules of the Toronto Stock Exchange and as detailed in the Company's news release of September 28, 2022, the NCIB enables the Company to repurchase up to 5% of its common shares over a 12-month period.

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 21, 2022.

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, 2022.

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 pricing, availability and measures to prevent its spread and associated government economic policies 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 materials needed for its products; (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:

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 antigen product 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.

RISKS AND UNCERTAINTIES (Continued)

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.

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.

RISKS AND UNCERTAINTIES (Continued)

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, 2022, five customers accounted for 56% (September 30, 2021 - five customers accounted for 80%) of the outstanding balance. In addition, for the year ended September 30, 2022, five customers accounted for 58% (September 30, 2021 - five customers accounted for 63%) 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, 2021 - $35,000).

Currency risk:

The Company is exposed to currency risk given its global customer base. 60-70% 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, 2022, the significant balances, quoted in Canadian dollars, held in foreign currencies are:

	U.S. dollars		Euros	
	2022	2021	2022	2021
Cash	**$ 302,698**	$ 3,601,394	**$ 87,613**	$ 135,388
Accounts receivable	**$ 1,645,040**	$ 836,390	**$ 1,221,837**	$ 727,708
Accounts payable and accrued liabilities	**$ 126,716**	$ 131,002	**$ 45,994**	$ 47,009

Based upon 2022 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 $478,300 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 $165,800. 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 $478,300 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 $165,800.

FINANCIAL RISK MANAGEMENT (Continued)

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 has helped 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, 2022 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.

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.

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.

CRITICAL ACCOUNTING ESTIMATES (Continued)

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, 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, 2022, 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.

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, 2022. 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, 2022 that have materially affected, or are reasonably thought to materially affect, the internal control over financial reporting.

FINANCIAL INSTRUMENTS (Continued)

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.

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.

IMPACT OF NEW ACCOUNTING STANDARDS NOT YET ADOPTED (Continued)

Amendments to IAS 12 – Income Taxes ("IAS 12")

Amendments to IAS 12 were issued in May 2021, IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which amends IAS 12. The amendment narrows the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offset temporary differences. As a result, companies will need to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition of transactions such as leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively.

Amendments to IAS 37: Onerous Contracts ("IAS 37")

In May 2020, the IASB issued amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, to specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract, and can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The new guidance will be effective for annual periods beginning on or after January 1, 2022 and is to be applied to contracts that have unfulfilled obligations as at the beginning of that period. The Company has not yet determined the impact of these amendments on its consolidated 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, 2022 and 2021, and the consolidated statements of income and comprehensive income, 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, 2022 and 2021, 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, 2022, the inventories balance was $5.3 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 therefore 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 21, 2022

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at September 30, 2022 AND 2021 **Canadian Funds**

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 13,488,075	$ 9,986,312
Accounts receivable (Note 21)	3,057,797	4,175,116
Inventories (Note 5)	5,284,920	4,407,509
Prepaid expenses and other assets	546,318	495,045
Investment tax credit receivable	31,262	30,500
TOTAL CURRENT ASSETS	22,408,372	19,094,482
LONG-TERM ASSETS		
Long-term deposits	332,250	-
Property, plant and equipment (Note 6)	8,906,256	8,082,749
Intangible assets (Note 7)	1,498,318	1,651,803
TOTAL LONG-TERM ASSETS	10,736,824	9,734,552
TOTAL ASSETS	$ 33,145,196	$ 28,829,034
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 1,828,539	$ 1,794,923
Current portion of long-term debt (Note 9)	111,120	212,760
Current portion of debentures (Note 8)	-	2,233,758
Current portion of lease liabilities (Note 6)	156,231	209,821
Deferred revenue (Note 9, 23)	554,631	742,932
TOTAL CURRENT LIABILITIES	2,650,521	5,194,194
Debentures (Note 8)	1,628,262	1,508,640
Lease liabilities (Note 6)	846,114	988,291
Long-term debt (Note 9)	3,081,644	2,581,765
TOTAL LONG-TERM LIABILITIES	5,556,020	5,078,696
TOTAL LIABILITIES	$ 8,206,541	$ 10,272,890
SHAREHOLDERS' EQUITY		
Share capital (Note 11)	$ 49,918,916	$ 43,609,601
Equity component of convertible debentures (Note 8)	2,272,566	2,903,789
Contributed surplus	9,619,104	10,703,374
Accumulated deficit	(36,871,931)	(38,660,620)
TOTAL SHAREHOLDERS' EQUITY	$ 24,938,655	$ 18,556,144
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	$ 33,145,196	$ 28,829,034

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 consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the years ended September 30, 2022 and 2021 **Canadian Funds**

	2022	2021
SALES		
Product Sales	$ 18,667,558	$ 18,293,592
Royalties	408,683	299,368
TOTAL SALES	19,076,241	18,592,960
COST OF GOODS SOLD		
Product costs (Notes 5, 15)	7,889,140	7,500,042
Royalties	62,259	48,978
TOTAL COST OF GOODS SOLD	7,951,399	7,549,020
GROSS MARGIN	11,124,842	11,043,940
EXPENSES		
Selling and business development (Notes 15)	1,553,802	858,059
General and administrative (Notes 15)	5,161,552	4,316,032
Research and development (Notes 15)	1,799,275	1,033,254
OPERATING INCOME BEFORE INTEREST ACCRETION AND FINANCE EXPENSES	2,610,213	4,836,595
Interest accretion expense on debenture due to planned redemption, non cash (Notes 8)	-	517,651
Finance expenses (Notes 18)	744,290	1,085,554
INCOME FOR THE YEAR, BEFORE INCOME TAXES	1,865,923	3,233,390
INCOME TAXES		
Current income taxes (Notes 16)	77,234	-
NET INCOME AND COMPREHENSIVE INCOME FOR THE YEAR	$ 1,788,689	$ 3,233,390
NET INCOME PER SHARE		
Basic (Note 14)	$ 0.013	$ 0.028
Diluted (Note 14)	$ 0.013	$ 0.026

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended September 30, 2022 and 2021 — **Canadian Funds**

	2022	2021
OPERATING ACTIVITIES		
Net income for the year	$ 1,788,689	$ 3,233,390
Items not affecting cash		
Amortization and depreciation (Note 15)	1,036,400	822,040
Accretion of debentures (Note 8)	202,685	835,567
Share-based compensation (Note 13)	649,693	377,828
Accretion interest expense (Note 18)	127,824	56,386
Change in non-cash working capital balances (Note 17)	(340,092)	(3,218,475)
CASH PROVIDED BY OPERATING ACTIVITIES	3,465,199	2,106,736
INVESTING ACTIVITIES		
Purchase of property, plant and equipment (Note 6)	(2,025,638)	(1,242,837)
Proceeds from Government Grant (Note 10)	-	680,202
Additions from internal development of intangible assets (Note 7)	-	(59,702)
CASH USED IN INVESTING ACTIVITIES	(2,025,638)	(622,337)
FINANCING ACTIVITIES		
Repayments of long-term debt (Note 9)	(390,630)	(235,230)
Proceeds from Equipment Loan and Government Loan (Note 9)	1,072,102	630,510
Repayments of non-convertible debentures (Note 8)	(1,816,821)	(118,981)
Payment of lease liabilities	(246,579)	(192,495)
Issue of common share units, net of issue costs (Note 11)	-	6,131,567
Proceeds from exercise of warrants and options (Note 12, 13)	3,444,130	2,193,881
Proceeds (repayments) of credit facility (Note 9)	-	-
CASH PROVIDED BY FINANCING ACTIVITIES	2,062,202	8,409,252
NET CHANGE IN CASH - DURING THE YEAR	3,501,763	9,893,651
CASH - BEGINNING OF YEAR	9,986,312	92,661
CASH - END OF YEAR	$13,488,075	$ 9,986,312

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

As at September 30, 2022 and 2021 **Canadian Funds**

	Share Capital (Note 11)					
	Number of Shares	Stated Capital	Contributed Surplus	Deficit	Equity Component of Debenture	Total Shareholders' Equity
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 Warrants	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**
Share-based compensation expense	-	-	649,693	-	-	649,693
Share Issuance pursuant to Exercise of Warrants	7,480,293	3,808,072	(1,170,743)	-	-	2,637,329
Share Issuance pursuant to Exercise of Options	2,960,000	1,370,020	(563,220)	-	-	806,800
Conversion of Debentures	2,173,913	1,131,222	-	-	(631,223)	499,999
Net income and comprehensive income for the year	-	-	-	1,788,689	-	1,788,689
Balance, September 30, 2022	**138,991,373**	**$49,918,916**	**$9,619,104**	**$(36,871,931)**	**$2,272,566**	**$24,938,655**

The accompanying notes and summary of significant accounting policies are an integral part of these 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 and medical devices for the global diagnostics industry, notably test ingredients (Antigen business) used in immunoassays, quality assessment and proficiency testing controls (QAPsTM business), and sample collection devices (DxTMTM 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 21, 2022.

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, a novel Corona virus (SARS-COV-2) was identified to be spreading in human populations around the world and on March 11, 2020, the World Health Organization declared a global pandemic (The "Pandemic"). The Pandemic has since caused significant health, social, and economic harms and instability that continues to be felt worldwide.

Microbix has reviewed, and continues to review, the effects of the Pandemic and its aftermath on its operations. Such effects may include impacts on the Company's business that cannot be predicted, including upon the estimates, judgments, and assumptions used in the preparation of it financial statements, the setting of strategic objectives, or the realization of such objectives.

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 and Cash Equivalents

Cash consists of cash on hand and deposits with banks and investments in highly liquid instruments with original maturities of three months or less.

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 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. When the financial instrument is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to net income 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 and presented net in comprehensive income 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	2022	2021
Financial assets:			
Cash and cash equivalents	FVTPL	$ 13,488,075	$ 9,986,312
Accounts receivable	Amortized cost	3,057,797	4,175,116
Financial liabilities:			
Accounts payable and accrued liabilities	Amortized cost	$ 1,828,539	$ 1,794,923
Non-convertible debentures	Amortized cost	-	1,769,854
Convertible debentures	Amortized cost	1,628,262	1,972,544
Long-term-debt	Amortized cost	3,192,764	2,794,525

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 and comprehensive income for the period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income per common share

The Company calculates basic income per share amounts for profit or loss attributable to ordinary equity holders. Basic income 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 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.

4. IMPACT OF NEW ACCOUNTING STANDARDS NOT YET ADOPTED (Continued)

Amendments to IAS 12 – Income Taxes ("IAS 12")

Amendments to IAS 12 were issued in May 2021, IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which amends IAS 12. The amendment narrows the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offset temporary differences. As a result, companies will need to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition of transactions such as leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively.

Amendments to IAS 37: Onerous Contracts ("IAS 37")

In May 2020, the IASB issued amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets, to specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract, and can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The new guidance will be effective for annual periods beginning on or after January 1, 2022 and is to be applied to contracts that have unfulfilled obligations as at the beginning of that period. The Company has not yet determined the impact of these amendments on its consolidated financial statements.

5. INVENTORIES

Inventories consist of the following:

	September 30, 2022	September 30, 2021
Raw materials	$ 1,106,113	$ 1,092,359
Work in process	1,716,451	1,677,437
Finished goods	2,462,356	1,637,713
	$ 5,284,920	$ 4,407,509

During the year ended September 30, 2022, inventories in the amount of $7,889,140 (September 30, 2021 - $7,500,042) were recognized as an expense through cost of goods sold. The allowance for inventory impairment as at September 30, 2022 was $279,963 (September 30, 2021 - $383,110).

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, 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
Balance, as at September 30, 2021	5,281,143	558,438	6,338,223	1,683,980	800,000	14,661,784
Additions	917,168	41,820	734,401	13,034	-	1,706,422
Balance, as at September 30, 2022	**6,198,311**	**600,258**	**7,072,624**	**1,697,014**	**800,000**	**16,368,206**
ACCUMULATED DEPRECIATION						
Balance, as at September 30, 2020	1,744,844	446,507	3,509,210	206,356	-	5,906,917
Depreciation	203,838	12,786	322,827	132,667	-	672,117
Balance, as at September 30, 2021	1,948,682	459,293	3,832,037	339,023	-	6,579,035
Depreciation	273,125	13,444	417,167	179,180	-	882,915
Balance, as at September 30, 2022	**2,221,807**	**472,737**	**4,249,204**	**518,203**	**-**	**7,461,950**
NET BOOK VALUE						
Balance, September 30, 2021	3,332,461	99,145	2,506,186	1,344,957	800,000	8,082,749
Balance, September 30, 2022	**$ 3,976,504**	**$ 127,521**	**$ 2,823,420**	**$ 1,178,811**	**$ 800,000**	**$ 8,906,256**

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

	Right-of-Use Assets		
	Property	Equipment	Lease Liabilities
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, September 30, 2021	$ 1,081,900	$ 263,057	$ 1,198,112
Additions	13,034	-	13,034
Depreciation Expense	(153,315)	(25,865)	-
Interest Accretion	-	-	37,779
Payments	-	-	(246,580)
Balance, September 30, 2022	**$ 941,619**	**$ 237,192**	**$ 1,002,345**
Current portion			$ 156,231
Non-current portion			846,114

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

Lease liabilities for leases that were entered during the year ended September 30, 2022 were discounted using an incremental borrowing rate of 3.5% (September 30, 2021 – 3.5%).

Lease obligations as at September 30, 2022 are:

	Amount
2023	$ 189,459
2024	180,574
2025	151,322
2026	96,363
2027	96,318
2028 and thereafter	444,211
Total	**$ 1,155,447**

7. INTANGIBLE ASSETS

Intangible assets consist of:

	Capitalized development costs Bioreactor	Patents and trademarks QAPs	Total
	(a)	(b)	
COST			
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
Additions	-	-	-
Balance, as at September 30, 2022	**2,088,575**	**142,470**	**2,231,045**
ACCUMULATED AMORTIZATION			
Balance at September 30, 2020	429,319	-	429,319
Amortization expense	139,238	10,685	149,923
Balance at September 30, 2021	568,557	10,685	579,242
Amortization expense	139,238	14,247	153,485
Balance, as at September 30, 2022	**707,795**	**24,932**	**732,727**
NET BOOK VALUE			
Balance, as at September 30, 2021	1,520,018	131,785	1,651,803
Balance, as at September 30, 2022	**$ 1,380,780**	**$ 117,538**	**$ 1,498,318**

7. INTANGIBLE ASSETS (Continued)

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) 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.

(b) 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, 2022. 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, 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
Accretion	-	46,967	46,967	41,830	36,096	77,792	155,718
Repayments/Conversion	(1,316,821)	(500,000)	(1,816,821)	-	(500,000)	-	(500,000)
Balance, September 30, 2022	-	-	-	596,208	-	1,032,054	1,628,262
Less: current portion	-	-	-	-	-	-	-
Non-current portion	-	-	-	596,208	-	1,032,054	1,628,262
Balance, September 30, 2022	**$ -**	**$ -**	**$ -**	**$ 596,208**	**-**	**$ 1,032,054**	**$ 1,628,262**
Equity component at September 30, 2022	-	-	-	574,435	-	1,698,131	2,272,566
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	

The debentures denoted as (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 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 are being accreted to the face value of the debentures by the recording of additional interest expense using the effective interest rate, as detailed above. During Q4 fiscal 2021, 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.

During this fiscal year, 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. In addition, on February 15, 2022 the debenture denoted as (d) above was converted into 2,173,913 common shares. During Q3 of fiscal 2022, the debenture denoted as (b) was fully repaid at maturity at the end of April 2022.

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

a) The Company has used term loans with the Business Development Bank ("BDC") for a variety of purposes. The following summarizes these loans as at September 30, 2022:

Term Loans with the Business Development Bank ("BDC")	(a)	(b)	(c)	(d)	Total
Effective date of loan	Jun, 2008	Oct, 2015	Nov, 2015	Jul, 2018	
Initial Loan Amount	$ 3,000,000	$ 200,000	$ 250,000	$ 323,906	$ 3,773,906
Balance, September 30, 2020	1,935,340	9,990	12,480	381,150	2,338,960
Proceeds from laon	-	-	-	-	-
Loan repayments during the period	(111,120)	(9,990)	(12,480)	(101,640)	(235,230)
Balance, September 30, 2021	$ 1,824,220	-	-	$ 279,510	$2,103,730
Proceeds from loan	-	-	-	-	-
Loan repayments during the period	(111,120)	-	-	(279,510)	(390,630)
Balance, September 30, 2022	**$ 1,713,100**	**-**	**-**	**-**	**$ 1,713,100**
Current Portion	$ 111,120	-	-	-	$ 111,120
Non-current portion	1,601,980	-	-	-	1,601,980
Payment frequency	Monthly	Monthly	Monthly	Monthly	
Maturity of loan	Feb, 2038	Dec, 2020	Dec, 2020	Jun, 2024	
Terms of repayment	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 manufacturing equipment
(c) Working Capital loan
(d) Loan for the purchase of manufacturing equipment

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

The remaining BDC loan has a floating interest rate based on BDC's floating base rate less 1.0%. At September 30, 2022, the rate was 6.55% (2021 – 5.05%). The loan is secured with the building and equipment. On December 3, 2021 the Company prepaid in full the outstanding balance including accrued interest for loan (d) above, totalling $266,094.

As at September 30, 2022, the commitments for the next five fiscal years and thereafter for the BDC loan is as follows:

	Amount
2023	$ 111,120
2024	111,120
2025	111,120
2026	111,120
2027	111,120
2028 and thereafter	$ 1,157,500

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% (5.45% on September 30, 2022). As at September 30, 2022 the Company had no funds drawn on the facility (September 30, 2021- nil). The Company's availability and 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 following 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, 2022, the Company has received contributions totalling $2,158,603 (September 30, 2021 – $1,086,501). 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 $1,352,428 (September 30, 2021 – $646,118), based on a discount rate of 8%, which represents management's best estimate of fair value. The residual amount of $806,175 (September 30, 2021 – $440,383) 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, 2022, the carrying value of the Loan is $1,479,664 (September 30, 2021 – $690,795) and $351,050 is recognized as a deferred grant within deferred revenue on the statement of financial position (September 30, 2021 – $228,157).

The Company is in compliance with the covenants associated with this loan as at September 30, 2022.

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

Fiscal Years	Amount
2025	$ 359,767
2026	431,720
2027	431,720
2028	431,720
2029	431,720
2030 and thereafter	71,954

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 was to 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 was paid upon project completion following 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 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 previously recognized in accounts receivable. During Q3 of fiscal 2022, a final review of the project was completed and the contractual $578,000 holdback was received by Microbix during April 2022.

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 stated capital and $964,566 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 pricing 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, 2021	126,377,167	$ 43,609,601
Exercise of Warrants	7,480,293	3,808,072
Exercise of stock options	2,960,000	1,370,020
Conversion of Debenture (Note 8)	2,173,913	1,131,222
Balance, as at September 30, 2022	**138,991,373**	**$ 49,918,916**

12. COMMON SHARE PURCHASE WARRANTS

A continuity of the Company's warrants outstanding as at September 30, 2022 is presented in the following table:

	Units	Weighted average exercise price
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
Exercised	(7,480,293)	0.35
Expired	(465,683)	0.48
Balance, September 30, 2022	**15,573,397**	**$ 0.53**

12. COMMON SHARE PURCHASE WARRANTS (Continued)

A summary of the Company's warrants outstanding as at September 30, 2022 and 2021 is presented in the following table:

	September 30, 2022			September 30, 2021		
	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:						
$0.60 to $0.80	6,420,833	$ 0.78	0.63	7,621,333	$ 0.74	1.38
$0.30 to $0.36	9,152,564	0.36	2.29	15,898,040	0.34	2.39
	15,573,397	$ 0.53	1.61	23,519,373	$ 0.47	2.07

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, 2022, the Company has a total of 9,724,000 options (September 30, 2021 – 10,154,000) issued and is eligible to issue up to a total of 13,899,137 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, 2022 is as follows:

	Units	Weighted average exercise price
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
Options Expired/Forfeited	(400,000)	$ 0.28
Stock options exercised	(2,960,000)	$ 0.27
Stock options issued	2,930,000	$ 0.60
Balance, September 30, 2021	**9,724,000**	**$ 0.44**
Exercisable, September 30, 2021	**2,080,000**	**$ 0.24**

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, 2022 and 2021:

	September 30, 2022			September 30, 2021		
	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 $0.73	5,444,000	$ 0.61	3.94	2,514,000	$ 0.61	4.41
$0.215 to $0.28	4,280,000	$ 0.22	1.98	7,640,000	$ 0.25	3.09
	9,724,000	$ 0.44	3.08	10,154,000	$ 0.34	2.66

The fair value of options granted during fiscal 2022 was estimated at the grant date using the Black-Scholes options pricing model, resulting in the following weighted-average assumptions:

	2022			2021			
Option Grant Dates	Nov 2021	Feb 2022	May 2022	Dec 2020	Feb 2021	Jul 2021	Aug 2021
Share price on issue date	$ 0.730	$ 0.60	$ 0.570	$ 0.460	$ 0.62	$ 0.540	$ 0.60
Dividend yield	0%	0%	0%	0%	0%	0%	0%
Volatility	70%	68%	67%	72%	71%	71%	70%
Risk-free interest rate	0.1%	1.4%	1.3%	0.3%	0.5%	0.5%	0.3%
Expected option life (years)	5	5	5	5	5	5	5
Weighted average fair value of each option ($ / option)	$ 0.42	$ 0.34	$ 0.31	$ 0.27	$ 0.36	$ 0.31	$ 0.34

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 $649,693 (2021 - $377,828).

14. INCOME PER SHARE

Basic income 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 income per share computations:

for the year ended September 30	2022	2021
Numerator for basic income per share:		
Net loss available to common shareholders	$ 1,788,689	$ 3,233,390
Net income for dilutive earnings per share	$ 1,788,689	$ 3,682,196
Denominator for basic income per share:		
Weighted average common shares outstanding	135,376,255	114,845,425
Dilutive Effect	6,311,994	26,837,784
Dilutive weighted average common shares outstanding	141,688,249	141,683,209
Net income per share:		
Basic	$0.013	$0.028
Diluted	$0.013	$0.026

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	2022	2021
Pursuant to warrants	6,420,833	7,621,333
Under stock options	5,169,000	2,414,000
Pursuant to convertible debentures	17,391,304	2,173,913
	28,981,138	12,209,246

15. EXPENSES BY NATURE

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

Depreciation and amortization

	2022	2021
Included in:		
Cost of goods sold	$ 848,365	$ 699,167
General and administrative expenses	160,344	99,403
Reasearch and development	27,691	23,470
Total depreciation and amortization	$ 1,036,400	$ 822,040

Employee costs

	2022	2021
Short-term wages, bonuses and benefits	$ 9,305,688	$ 7,023,148
Share based payments	442,319	260,978
Total employee costs	$ 9,748,007	$ 7,284,126
Included in:		
Cost of goods sold	$ 4,836,461	$ 3,688,213
Research and development	1,786,802	1,067,326
General and administrative expenses	2,187,466	1,878,100
Selling and business development	937,278	650,487
Total employee costs	$ 9,748,007	$ 7,284,126

During the year, the Company received $nil (2021 - $70,046) 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:

	2022	2021
Provision based on combined federal and provincial statutory rates of 25.00 % (2020 – 25.00%)	$ 466,480	$ 808,348
Increase (decrease) resulting from:		
Non deductible expenses	1,209	198
Stock-based compensation	162,423	94,457
Change in deferred tax assets not recognized	(468,768)	(681,801)
Adjustment in respect of income taxes of prior year and other	(84,110)	(221,202)
Income tax expense	$ 77,234	$ -

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:

	2022	2021
Deferred income tax assets:		
Difference in net book value compared to undepreciated capital cost	$ 2,810,272	$ 3,276,414
Deferred financing fees and other reserves	190,879	274,961
Unclaimed research and development expenses	3,914,095	3,755,690
Lease liabilities	250,841	302,124
Deferred income tax liability related to debentures	(592,934)	(639,706)
Difference between government assistance amount and fair market value	(81,973)	-
Right of use assets	(236,507)	(271,577)
Tax assets not recognized	(6,254,673)	(6,697,905)
Deferred tax assets recognized	$ -	$ -

The unrecognized balance of federal research and development investment tax credits carried forward is $2,926,593, reduced by a deferred tax liability of $757,380. The credits expire between 2023 and 2042. The unrecognized balance of Ontario research and development tax credits carried forward is $nil.

17. CHANGES IN NON-CASH WORKING CAPITAL

	2022	2021
Accounts receivable	$ 1,117,319	$ (2,298,107)
Inventory	(877,411)	(114,845)
Prepaid expenses and other assets	(51,273)	(274,980)
Investment tax credits receivable	(762)	(20,067)
Deferred Revenue	(311,196)	(689,753)
Accounts payable and accrued liabilities	(216,769)	179,277
	$ (340,092)	$ (3,218,475)

18. FINANCIAL EXPENSES

	2022	2021
Cash interest:		
Interest on long-term debt	$ 93,257	$ 112,145
Interest on debentures	396,269	590,304
Interest other	6,525	8,869
Interest income	(82,270)	(66)
Non-cash interest:		
Accretion on debentures (Note 8)	202,685	317,916
Accretion interest expense (Note 6, 9)	127,824	56,386
Financial expenses	$ 744,290	$ 1,085,554

19. CAPITAL MANAGEMENT

The Company's capital management objective is to safeguard its ability to function as a going concern while also maintaining and growing its operations and funding 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, 2022 was $29,759,681(September 30, 2021 - $25,093,066).

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. Similarly, the Board of Directors may, from time to time, choose to declare a dividend in assets if warranted by circumstances. Also, the Board of Directors may, 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, 2022 and 2021, the Company has carried at fair value financial instruments in Level 1. At September 30, 2022, 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 and Cash Equivalents	30-Sep-22	$ 13,488,075	-	-
Liabilities for which fair values are disclosed:				
Non-convertible debentures	30-Sep-22	-	-	-
Convertible debentures	30-Sep-22	-	1,628,262	-
Long-term-debt and other debt	30-Sep-22	-	3,192,764	-

	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	-

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.

20. FINANCIAL INSTRUMENTS (Continued)

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 at one of the major Canadian chartered banks or in short-term interest bearing securities. 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, 2022, five customers accounted for 56% (September 30, 2021 - five customers accounted for 80%) of the outstanding balance. In addition, for the year ended September 30, 2022, five customers accounted for 58% (September 30, 2021 - five customers accounted for 63%) 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, 2021 - $35,000).

Trade accounts receivable are aged as follows:

	September 30, 2022	September 30, 2021
Current	$ 2,887,261	$ 3,909,253
0 - 30 days past due	11,769	209,312
31 - 60 days past due	25,216	9,696
61 days and over past due	133,551	46,855
	$ 3,057,797	$ 4,175,116

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	
	2022	2021	2022	2021
Cash	$ 302,698	$ 3,601,394	$ 87,613	$ 135,388
Accounts receivable	1,645,040	836,390	1,221,837	727,708
Accounts payable and accrued liabilities	126,716	131,002	45,994	47,009

The Company's revenue and expenses by foreign currency for the years ended September 30, 2022 and 2021 are as follows:

	2022	2021
Revenue		
Euros	17%	26%
U.S. dollars	50%	44%
Expenses		
U.S. dollars	10%	8%

Based upon 2022 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 $478,300 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 $165,800. 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 $478,300 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 $165,800.

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)	
	2022	2021	2022	2021
Antigens, QAPs and DxTM	$ 19,071,819	$ 18,591,055	$ 1,833,783	$ 3,266,936
Other (Includes Kinlytic®)	4,422	1,905	(45,094)	(33,546)
Total for continuing operations	$ 19,076,241	$ 18,592,960	$ 1,788,689	$ 3,233,390

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current period (2021 - $nil).

Segment income represents the profit 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.

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

	Segment assets		Segment liabilities	
	2022	2021	2022	2021
Antigens, QAPs and DxTM	$ 33,145,196	$ 28,829,034	$ 8,206,541	$ 8,978,534
Other (Includes Kinlytic®)	-	-	-	-
Total for continuing operations	$ 33,145,196	$ 28,829,034	$ 8,206,541	$ 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.

22. SEGMENTED INFORMATION (Continued)

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	
	2022	2021	2022	2021
Antigens, QAPs and DxTM	$ 1,036,400	$ 822,040	$ 2,038,672	$ 1,302,539
Other (Includes Kinlytic®)	-	-	-	-
	$ 1,036,400	$ 822,040	$ 2,038,672	$ 1,302,539

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,	2022	2021	2022	2021
North America	$ 13,142,485	$ 12,137,350	$ 10,736,824	$ 9,734,552
Europe	5,918,554	6,445,942	-	-
Other foreign countries (directly)	15,202	9,668	-	-
Total for continuing operations	$ 19,076,241	$ 18,592,960	$ 10,736,824	$ 9,734,552

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

For the year ended September 30,	2022	2021
Balance, beginning of the year	$ 742,932	$ 1,315,738
Cash payments or advance payments on performance obligations	1,797,026	2,336,133
Revenue recognized during the year	(2,108,220)	(3,025,886)
Deferred government grants (see note 9)	122,893	116,947
	$ 554,631	$ 742,932

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,	2022	2021
Short-term wages, bonuses and benefits	$ 1,309,760	$ 1,415,595
Share based payments	307,187	183,061
Total key management compensation	$ 1,616,947	$ 1,598,656

25. COMMITMENTS AND CONTINGENCIES

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

	Amount
2023	$ 360,000
2024	360,000
2025	360,000
2026	360,000
2027	360,000
2028 and thereafter	4,399,497
	$ 6,199,497

Contingencies

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

26. SUBSEQUENT EVENTS

On October 3, 2022 the Company initiated a Normal Course Issuer Bid ("NCIB") program for the repurchase and cancellation of outstanding common shares. In accordance with the rules of the Toronto Stock Exchange and as detailed in the Company's news release of September 28, 2022, the NCIB enables the Company to repurchase up to 5% of its common shares over a 12-month period.

DIRECTORS

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Ontario, Canada
Medical Director
NeuPath Centre for Pain & Spine

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Virginia, USA
Managing Director
Johns Hopkins Medicine

Vaughn C. Embro-Pantalony [1] [2]
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Pharmaceutical Executive

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

Jennifer A. Stewart [2]
Ontario, Canada
Chief Executive Officer
Syntax Strategic

[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*
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SENIOR MANAGEMENT

Cameron L. Groome
Chief Executive Officer and President

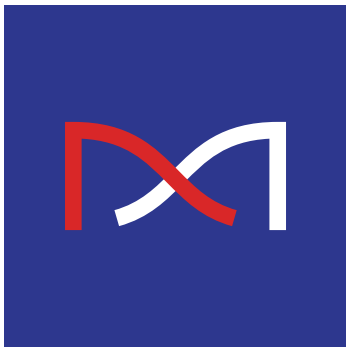
James S. Currie
Chief Financial Officer

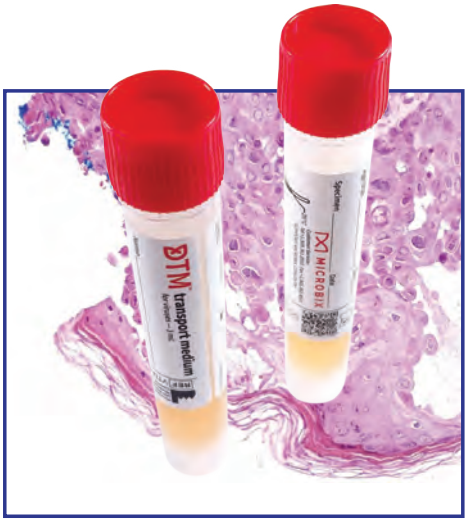
Kenneth Hughes
Chief Operating Officer

Dr. Mark Luscher
Senior Vice-President, Scientific Affairs

Phillip Casselli
Senior Vice-President, Sales & Business Development

Christopher B. Lobb
General Counsel & Secretary





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