MICROBIX BIOSYSTEMS INC.

SECOND INTERIM REPORT

For the three months
ended March 31, 2021

MICROBIX

Message to Shareholders

Our results for the second quarter of fiscal 2021 ending March 31, 2021 ("Q2") were due to lots of brilliant work by all of our Microbix team, our collaborators, our customers, and many other stakeholders. Q2 results also mark another quarter of record revenues, improved gross margins, and positive net earnings. Specifically, Q2 sales of $4.35 million were an all-time record (up 51% over Q2 2020) and achieved net earnings of $0.8 million (versus a net loss). I deeply thank everyone involved.

Such strong results were achieved in spite of many challenges caused by the pandemic: Our production relies on many suppliers and needs careful planning, scheduling, and execution. Every such requirement had to be precisely met in order for us to make and deliver our antigens, QAPs™, and DxTM™ to clients.

In consequence, we achieved strong margins on our recovering sales of antigens, our QAPs sales hit a new quarterly record of $1.5 million (up by 251% from the prior year), and we began material sales of our new viral transport medium (branded DxTM) for enabling RT-PCR testing for COVID-19 disease.

Our DxTM is a new business-line that resulted from Microbix identifying a key vulnerability in Ontario's pandemic response plan: No local production of the viral transport medium (VTM) essential for PCR tests. With help from the Ontario Together Fund of the Ministry of Economic Development, Job Creation and Trade (MEDJCT), Microbix solved that problem, becoming the only secure and local supplier of strategically-meaningful amounts of highest-quality VTM for Ontario or Canada. As a result, on 26 April, 2021 Microbix received its first order from Ontario's procurement designates – for $4.25 million to be delivered within our fiscal 2021. We are honoured to help, and continue to scale-up our DxTM production.

Of our 60+ QAPs SKUs, twelve (12) are now classed "IVD" to permit regular use by clinical labs. More such QAPs are on the way, including for the Brazilian, South African, and UK strains of COVID, and for antibiotic-resistant bacteria. Our expertise is becoming recognized, as proven by alliances with leading firms such as Copan, Seegene, and SpeeDx.

Equally, our antigen operations remain of great importance – as the foundation of our skills and still comprising the majority of Microbix's sales. Those antigen operations have likewise progressed, with a start of recovery in demand for non-COVID testing and improved batch yields and gross margins. In fact, our team has met or exceeded targeted goals for yield and reliability for most of Microbix's antigen products, including that made in our bioreactors.

To summarize, activities are continuing to intensify across each of Microbix's three revenue-oriented business segments – antigens, QAPs, and now DxTM. This should lead to further quarters of strong sales and, at the present time, we expect full-year fiscal 2021 sales to hit a new high-water mark. As targeted, Microbix is achieving both sales growth and profits. We are also not idle with our efforts to successfully partner Kinlytic® urokinase, and will report progress on that file when it is sufficiently material.

While our current growth rate is largely supportable with internally-generated cash flow, what may be needed to support some of our sales opportunities could quickly outstrip our self-funding capacity. For example, inclusion of QAPs with test-consumables for a leading diagnostics company's assays would require higher-throughput automated production. Consequently and subsequent to quarter-end, we accepted a "bought-deal" public offering from iA Private Wealth & Bloom Burton Securities to help provide for our expansion needs, to add about $6.0 million to our available capital. This funding will enable us to better resource projects of the scale needed by global diagnostics companies. We appreciate the confidence of our shareholders and underwriters for funding this next level of growth.

As we move into this second pandemic year, please work to maintain your health – physical, mental, and financial. In turn, know that Microbix is working to help Ontario, Canada, and the world to successfully manage this tragedy, put it behind us, and be optimally prepared for any future pandemic.

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 unaudited interim condensed Consolidated Financial Statements for the three months ended March 31, 2021 and 2020 as well as the audited Consolidated Financial Statements and notes for the year ended September 30, 2020, prepared in accordance with International Financial Reporting Standards ("IFRS") and filed on SEDAR. Additional information relating to the Company, including its Annual Information Form ("AIF"), can be found on SEDAR at www.sedar.com. Reference to "we", "us", "our", or the "Company" means Microbix Biosystems Inc. unless otherwise stated. All amounts are presented in Canadian dollars unless otherwise stated. Statements contained herein, which are not historical facts, are forward looking statements that are subject to certain risks and uncertainties that could cause actual results to differ materially from those set forth or implied. These forward-looking statements include, without limitation, discussion of financial results or the outlook for the business, risks associated with its financial results and stability, its antigens and quality assessment products business, development projects such as those referenced herein, sales to foreign jurisdictions, engineering and construction, production (including control over costs, quality, quantity and timeliness of delivery), foreign currency and exchange rates, maintaining adequate working capital and raising further capital on acceptable terms or at all, and other similar statements concerning anticipated future events, conditions or results that are not historical facts. These statements reflect management's current estimates, beliefs, intentions and expectations; they are not guarantees of future performance. The Company cautions that all forward looking information is inherently uncertain and that actual performance may be affected by a number of material factors, many of which are beyond the Company's control. Accordingly, actual future events, conditions and results may differ materially from the estimates, beliefs, intentions and expectations expressed or implied in the forward looking information. All statements are made as of the date of this disclosure and represent the Company's judgment as of that date and the Company disclaims any intent or obligation to update such forward-looking statements. The Management Discussion and Analysis is dated May 12, 2021.

COMPANY OVERVIEW

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

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

It must be recognized that the COVID-19 pandemic is impacting all industries, including medical diagnostics. As a result trend discussions here may be disrupted. For example, in fiscal 2020 sales of antigens were depressed due to fewer patients seeking or receiving care for diseases other than COVID-19. However, more broadly speaking, revenue from the antigens and QAPs business (Antigens & QAPs) is expected to continue growing for the foreseeable future. Antigen sales growth may be largely driven

COMPANY OVERVIEW (Continued)

by certain public health tests becoming more widely used in the Asia Pacific region and, more recently, increased global testing for respiratory pathogens. QAPs sales growth may be driven by Microbix's creation of new value-added, branded and proprietary products and by increasing European and American quality-management regulation of clinical laboratories. Sales of DxTM began in this fiscal Q2 of 2021 and, based on an initial firm purchase order from Ontario subsequent to quarter-end, are expected to be material.

Resulting sales 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. Microbix is ISO 9001 & 13485 accredited, FDA & Health Canada establishment licensed, Australian TGA registered, and provides CE marked products.

FINANCIAL OVERVIEW

Quarter Ending March 31, 2021 ("Q2")

Q2 revenue was $4,353,773, a 51% increase from Q2 2020 revenue of $2,874,496. Included were antigen product revenues of $2,524,363 (Q2 2020 - $2,357,918), continuing to recover with growth of 7%. QAPs revenues were $1,495,088, a 251% increase from Q2 2020 sales of $425,891, driven by growth in all three market segments (PT, PROCEEDx™, and REDx™). Revenue for the quarter also included the first shipments of our VTM product, with sales of $255,000. Finally, royalties were $79,322 (Q2 2020 - $90,687). Microbix's Q2 sales were influenced by the broadening diagnostics industry uptake of Microbix's COVID-19 related QAPs, especially PROCEEDx™FLOQ® and REDx™FLOQ®, and continued recovery in antigen sales.

Q2 gross margin was 60%, up from 46% in Q2 2020, due to a greater proportion of sales of QAPs, new VTM sales, the effects of antigen product sales mix, and improving bioreactor antigen margins.

Operating expenses in Q2 increased by 17% relative to Q2 2020, primarily due to the impact of the fluctuations in foreign currencies in Q2 2021 vs. Q2 2020. We saw large FX losses in this quarter as the Canadian dollar strengthened, while we saw significant gains in FX in Q2 2020, when the Canadian dollar weakened significantly against the US$ and Euro, in the early days of the pandemic. Overall, greater sales and more available gross margin dollars during Q2 led to an operating income and net income of $807,463 versus an operating and net loss of $219,030 in Q2 2020. Cash provided by operating activities was $981,648, compared to cash used in operations of $777,851 in Q2 2020, with the increase coming primarily from a year-over-year improvement in net income of over $1 million.

Six Months Ending March 31, 2021 ("H1")

H1 revenue was $7,511,432, a 53% increase from H1 2020 revenue of $4,920,844. Included were antigen product revenues of $4,662,192 (H1 2020 - $4,304,377), a recovery of 8%. QAPs revenues were $2,457,509, an increase of 444% from H1 2020 sales of $452,005. Finally, royalties were $136,731 (H1 2020 - $164,462). H1 sales were most influenced by the uptake of Microbix's COVID-19 related QAPs, especially PROCEEDx™FLOQ® and REDx™FLOQ®, followed by the start of what is expected to become a broad-based recovery in antigen sales.

FINANCIAL OVERVIEW (Continued)

Six Months Ending March 31, 2021 ("H1") (Continued)

Gross margin in H1 was 58%, up from 48% in H1 2020, due to significant increase in higher margin QAPs sales and changes in Antigens product mix & yields. H1 operating expenses increased by 8% from 2020, primarily due year-over-year incremental foreign exchange losses, as outline above. Stronger sales and gross margins YTD led to a net profit of $938,282 versus a net loss of $804,295 in H1 2020. Cash provided by operations was $1,168,450, compared to cash used of $540,059 in 2020, with the increase primarily driven by increased operating income in fiscal 2021.

At the end of Q2, Microbix's current ratio (current assets divided by current liabilities) was 1.86 and its debt to equity ratio (total debt over shareholders' equity) was 1.19.

Financial Highlights

For the three months and six months ended	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Total Revenue	$ 4,353,773	$ 2,874,496	$ 7,511,432	$ 4,920,844
Gross Margin	2,605,105	1,320,613	4,352,403	2,364,347
SG&A Expenses	1,315,363	993,671	2,471,561	2,080,337
R&D Expense	216,283	277,603	414,161	542,952
Financial Expenses	265,996	268,369	528,399	545,353
Operating Income (Loss) for the period	807,463	(219,030)	938,282	(804,295)
Net Income (Loss) and Comprehensive Income (Loss) for the period	807,463	(219,030)	938,282	(804,295)
Cash Provided (Used) by Operating Activities	981,648	(777,851)	1,168,450	(540,059)

As at	March 31, 2021	September 30, 2020
Cash	1,545,159	92,661
Accounts receivable	2,113,961	1,877,009
Total current assets	8,839,681	6,492,832
Total assets	17,956,165	15,598,011
Total current liabilities	4,740,364	4,090,038
Total liabilities	9,741,271	8,978,534
Total shareholders' equity	8,214,894	6,619,477
Current ratio	1.86	1.59
Debt to equity ratio	1.19	1.36

SELECTED QUARTERLY FINANCIAL INFORMATION

	Jun-30-19 $	Sep-30-19 $	Dec-31-19 $	Mar-31-20 $	Jun-30-20 $	Sep-30-20 $	Dec-31-20 $	Mar-31-21 $
Revenue	3,110,615	3,587,285	2,046,348	2,874,496	2,898,328	2,705,732	3,157,659	4,353,773
Net Income (Loss) and Comprehensive Income (Loss)	(191,322)	(48,816)	(585,265)	(219,030)	(440,233)	(4,982,997)	130,819	807,463
Operating Income (Loss) before debt restructuring, settlement expenses and Impairment of assets	(191,322)	(127,738)	(585,265)	(219,030)	(440,233)	(336,175)	130,819	807,463

OUTLOOK

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

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

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

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

Microbix's QAPs business involves the use of antigens and nucleic acids for purposes beyond the large-scale manufacturing of medical test kits. This newer usage packages a very small amount of stabilized and inactivated bacteria, virus, or representative analogue, into individual small vials (e.g., 1.0 ml) or dried onto sample collection swabs (i.e., Copan® "FLOQSwabs®"). Such samples are used as tools to establish whether the quality objectives of clinical laboratories are being met – for example to assess whether testing equipment is functioning properly, if staff has been adequately trained and is performing properly, or if reagents have spoiled. Such innovative, proprietary, and branded quality assessment products (QAPs™, pronounced as "caps") are a high value end-use of Microbix's biologicals expertise and there is a growing need for such products as regulators progressively tighten their surveillance of the competence of medical testing labs. Notable drivers for such demand are the U.S. "CLIA" regulations, European Union IVD-D and IVD-R regulations, and ISO 15189 standards, that are all encouraging labs to increase use of quality products from qualified third-parties across their ever-broadening portfolio of tests. In the current quarter, Microbix derived 34% of its sales from providing QAPs – to laboratory accreditation organizations, diagnostic test and instrument-makers and to clinical laboratories (directly and via distributors). This is an increase from 30% of sales in Q1 of fiscal 2021, 20% of sales in Q4 of fiscal 2020, 15% across fiscal 2020, and 10% historically – reflecting the strong growth of the QAPs product category (e.g., sales increase of 444% for H1 fiscal 2021 compared to the prior year H1).

OUTLOOK (Continued)

The COVID-19 pandemic has presented a pertinent illustration of the need for QAPs and Microbix's capabilities to create, license/register, and manufacture such products. As Microbix concluded this emerging pathogen had potential to create a pandemic, it began the development of QAPs products directed at supporting the accuracy of emerging molecular (RT-PCR) tests for the virus. Discussions around the development of this product began in February, 2020 and culminated in the announcement of an internally and externally validated prototype on March 30, Health Canada (MDEL) licensing of commercial products on April 21, U.S. FDA registration on May 7, and the European Union "CE Mark" on June 5. Microbix announced the first shipment of QAPs as licensed medical devices to support accuracy of the testing programs of Canadian clinical labs on May 6, to European distributors on June 15, and to Microbix's U.S. distributor on June 30. Subsequent to the September 30, 2020 fiscal year-end, Microbix has announced further projects to support the fight against the pandemic – A project to produce viral transport media (VTM) in support of Ontario's RT-PCR testing for COVID-19 disease (October 13), the creation of QAPs to support antigen-based testing for COVID-19 disease (October 20), and the creation of QAPs to support RT-PCR testing for three COVID-19 "variants of concern" (March 15, 2021). Throughout this very challenging pandemic, everyone at Microbix has been working hard to help conquer the new challenges to human health and well-being.

Due to the positive prospects of each of the above lines of its business and products, Microbix continues to reinvest to better ensure that it can meet expected growth in demand. Such work includes upgrading its manufacturing technologies, quality systems, processes and training, capacity and allocation of resources, along with developing and launching new products. This has involved many steps to both de-bottleneck and de-risk our production processes, work that will be ongoing as Microbix continues to grow sales across our product lines. Starting in fiscal 2018, multiple upgrades to facilities have been completed and further investments will be made in infrastructure going forward, such as those announced on May 27 and October 13, 2020. Additionally, Microbix will be investing in our people – with efforts to enhance training, career progression, and retention.

Initial benefits of the manufacturing upgrades were seen in the sales of fiscal 2018 and 2019, which demonstrated an annual compound growth rate of 15%, over the two year period. In fiscal 2020 and 2021, Microbix has been positioning for continuing sales growth, particularly of its QAPs product lines, alongside material improvement to its percentage gross margins, with margin gains being driven by the use of new production technologies and a growing proportion of higher margin products.

Fiscal 2020 proved to be challenging for many companies, including Microbix. The COVID-19 pandemic is disrupting normal antigen ordering patterns and has delayed the widespread uptake of Microbix' novel and innovative QAPs for high-risk Human Papilloma Virus (HPV) molecular testing. The development and registration of leading-edge QAPs to support COVID-19 test accuracy partially, but not fully, offset these disruptions and delays in fiscal 2020. The first half of 2021 however, has provided firm evidence of the interest in Microbix's QAPs from the global diagnostics and clinical laboratory industries, with H1 fiscal 2021 sales of close to $2.5 million with substantial growth from both the prior quarter and prior year. Management sees this growth continuing.

Going forward, Microbix is continuously working to improve its percentage gross margin while also growing its sales of antigens and QAPs, and commencing sales of VTM. Percentage gross margin improvements, as seen in fiscal H1 2021, should be achievable by way of bioreactor-driven antigen sales, improving antigen yields on a broader basis, larger sales of a broader suite of quality assessment products, and making VTM a meaningful third source of sales. Achievement of Microbix's sales and gross margin goals is expected to lead to increasingly meaningful quarterly net earnings. Quarterly reporting will update shareholders on progress with such operational goals.

OUTLOOK (Continued)

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

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

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

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

These interim condensed consolidated financial statements have been prepared in accordance with the International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and 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 $41,952,166 as at March 31, 2021. Management continuously monitors the financial position of the Company with respect to working capital needs, as well as long-term capital requirements compared to the annual operating budget. Variances are highlighted and actions are taken to ensure the Company is appropriately capitalized.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES (Continued)

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 2021, cash flow is expected to improve due to: 1) continued growth in antigen and quality assessment product sales, 2) the start of meaningful sales of DxTM, 3) improvements in product pricing or other sales terms, 4) sales of higher percentage gross margin product from the Company's bioreactor production process, and 5) other business development and financial initiatives. Management expects these developments will 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 whole 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 will be subject to a hold period expiring four months and one day from the date of closing.

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

Outstanding Share Capital

Share capital issued and outstanding as at March 31, 2021 was $36,108,605 for 110,236,580 common shares and September 30, 2020 was $35,357,144 for 108,772,705 common shares.

Global pandemic

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

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

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

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

TREND INFORMATION

Historical spending patterns are no indication of future expenditures. Investment in the new products and technologies is at the discretion of management and the board of directors. The Company is not aware of any material trends related to its business that have not been discussed in this Management Discussion and Analysis dated May 12, 2021.

RISKS AND UNCERTAINTIES

The Company has exposure to credit risk, liquidity risk and market risk. The Company's Board of Directors has the overall responsibility for the oversight of these risks and reviews the Company's policies on an ongoing basis to ensure that these risks are appropriately managed, including through the use of financial instruments where appropriate. Further discussion of the management of such risks is included in Note 20 to the audited consolidated financial statements for the year ended September 30, 2020.

COVID-19 Pandemic

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

RISKS AND UNCERTAINTIES (Continued)

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

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

Environmental, safety and other regulatory

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

Quality Assessment Products in development

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

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, which is a major source of funding for its 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.

RISKS AND UNCERTAINTIES (Continued)

Failure to obtain and protect intellectual property could adversely affect business

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

Microbix will continue to face significant competition

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

FINANCIAL RISK MANAGEMENT

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

Credit risk:

The Company's cash is held in accounts or short-term interest bearing accounts at one of the major Canadian chartered banks. Management perceives the credit risk to be low. Typically the outstanding trade receivable balance is relatively concentrated with a few large customers representing the majority of the value. As at March 31, 2021, five customers accounted for 78% (September 30, 2020 - five customers accounted for 74%) of the outstanding balance. In addition, for the quarter ended March 31, 2021, five customers accounted for 57% (March 31, 2020 - five customers accounted for 63%) of revenues. The Company has had minimal bad debts over the past several quarters and accordingly management has recorded an allowance of $35,000 (September 30, 2020 - $10,000).

Canadian Funds

FINANCIAL RISK MANAGEMENT (Continued)

Currency risk:

The Company is exposed to currency risk given its global customer base. Over 90% of its revenue is denominated in either U.S. dollars or Euros. The Company does not use financial instruments to hedge this currency risk. At March 31, 2021, the significant balances, quoted in Canadian dollars, held in foreign currencies are:

	US dollars		Euros	
	March 31, 2021	September 30, 2020	March 31, 2021	September 30, 2020
Cash	**$ 129,203**	$ 15,397	**$ 129,675**	$ 1,551
Accounts receivable	**908,973**	1,186,876	**843,135**	273,858
Accounts payable and accrued liabilites	**255,236**	150,600	**54,702**	-

Based upon 2020 results, the impact of a 5% increase in the U.S. dollar against the Canadian dollar would result in an increase in annual U.S. dollar based revenue of approximately $327,900 Cdn. The impact of a 5% increase in the Euro against the Canadian dollar would result in an increase in annual Euro based revenue of approximately $180,200.

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

Liquidity risk

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

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 March 31, 2021 the Company has not drawn on this line of credit. A 1% increase in the bank rate would cost the Company approximately $30,000 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.

FINANCIAL RISK MANAGEMENT (Continued)

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 interim condensed 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.

CRITICAL ACCOUNTING ESTIMATES (Continued)

Deferred income taxes

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

Share-based payments

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

FINANCIAL INSTRUMENTS

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

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

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

Disclosure Controls

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures, as defined in the National Instrument 52-109 Certification of Disclosure in Issuer's Annual Filings (NI 52-109F1). As at March 31, 2021, management has concluded that the disclosure controls are effective in providing reasonable assurance that information required to be disclosed in the Company's reports is recorded, processed summarized and reported within the time periods specified in the Canadian Securities Administrator's rules and forms.

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.

FINANCIAL INSTRUMENTS (Continued)

Internal Controls Over Financial Reporting (Continued)

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 March 31, 2021.

Examination by the Chief Executive Officer and the Chief Financial Officer showed that there were no changes to the internal controls over financial reporting during the period ended March 31, 2021 that have materially affected, or are reasonably thought to materially affect, the internal control over financial reporting.

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION — Unaudited

As at March 31, 2021 and September 30, 2020 — **Canadian Funds**

	As at March 31, 2021	As at September 30, 2020
ASSETS		
CURRENT ASSETS		
Cash	$ 1,545,159	$ 92,661
Accounts receivable	2,113,961	1,877,009
Inventories (Note 4)	4,914,406	4,292,664
Prepaid expenses and other assets	255,722	220,065
Investment tax credit receivable	10,433	10,433
TOTAL CURRENT ASSETS	8,839,681	6,492,832
LONG-TERM ASSETS		
Property, plant and equipment	7,387,938	7,363,155
Intangible assets	1,728,546	1,742,024
TOTAL LONG-TERM ASSETS	9,116,484	9,105,179
TOTAL ASSETS	$ 17,956,165	$ 15,598,011
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 2,212,293	$ 1,488,312
Current portion of long-term debt (Note 5)	212,760	235,230
Current portion of debentures	964,256	892,125
Current portion of lease liability	153,591	158,633
Deferred revenue (Note 6, 15)	1,197,464	1,315,738
TOTAL CURRENT LIABILITIES	4,740,364	4,090,038
Non-convertible debenture	692,742	713,853
Convertible debentures	1,460,937	1,419,834
Lease liability	307,172	383,306
Long-term debt (Note 5)	2,540,056	2,371,503
TOTAL LONG-TERM LIABILITIES	5,000,907	4,888,496
TOTAL LIABILITIES	$ 9,741,271	$ 8,978,534
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	$ 36,108,605	$ 35,357,144
Equity component of convertible debentures	2,903,789	2,903,789
Contributed surplus	10,158,228	10,252,554
Accumulated deficit	(40,955,728)	(41,894,010)
TOTAL SHAREHOLDERS' EQUITY	$ 8,214,894	$ 6,619,477
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	$ 17,956,165	$ 15,598,011

Commitments and Contingencies (Note 17)

(Signed) "Martin Marino"
MARTIN MARINO
DIRECTOR

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) **Unaudited**

For the three months and six months ended March 31 **Canadian Funds**

	2021	2020	2021	2020
SALES				
Antigen and QAPs	$ 4,274,451	$ 2,783,809	$ 7,374,701	$ 4,756,382
Royalties	79,322	90,687	136,731	164,462
TOTAL SALES	4,353,773	2,874,496	7,511,432	4,920,844
COST OF GOODS SOLD				
Antigen and QAPs	1,730,579	1,532,957	3,133,162	2,522,788
Royalties	18,089	20,926	25,867	33,709
TOTAL COST OF GOODS SOLD	1,748,668	1,553,883	3,159,029	2,556,497
GROSS MARGIN	2,605,105	1,320,613	4,352,403	2,364,347
EXPENSES				
Selling and business development	198,492	161,220	370,216	365,393
General and administrative	1,116,871	832,451	2,101,345	1,714,944
Research and development	216,283	277,603	414,161	542,952
Financial expenses	265,996	268,369	528,399	545,353
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ 807,463	$ (219,030)	$ 938,282	$ (804,295)
NET INCOME (LOSS) PER SHARE				
Basic (Note 10)	$ 0.007	$ (0.002)	$ 0.009	$ (0.008)
Diluted (Note 10)	$ 0.007	$ (0.002)	$ 0.008	$ (0.008)

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS **Unaudited**

For the three months and six months ended March 31 **Canadian Funds**

	2021	2020	2021	2020
OPERATING ACTIVITIES				
Net Income (Loss) for the Period	$ $807,463	$ (219,030)	$ $938,282	$ (804,295)
Items not affecting cash				
Amortization and depreciation	216,026	171,417	390,135	335,378
Accretion of debentures	76,942	61,986	149,769	120,812
Stock options expense (Note 9)	78,759	36,525	130,140	64,364
Accretion Interest Expense	10,667	5,283	19,806	9,303
Change in non-cash working capital balances (Note 11)	(208,209)	(834,031)	(459,682)	(265,620)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	981,648	(777,851)	1,168,450	(540,059)
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(258,806)	(172,696)	(907,761)	(303,634)
Proceeds from Government Grant (Note 6)	136,704	(1,200)	566,025	(1,200)
Additions from internal development of intangible assets	(59,703)	-	(59,703)	-
CASH USED IN INVESTING ACTIVITIES	(181,805)	(173,896)	(401,439)	(304,834)
FINANCING ACTIVITIES				
Repayments of long-term debt (Note 5)	(53,190)	(106,410)	(128,850)	(215,940)
Proceeds from Equipment Loan (Note 5)	-	-	-	286,094
Proceeds from Government Loan and Grant (Note 5, 6)	169,822	165,638	432,722	235,254
Repayments of convertible and non-convertible debentures	(29,147)	(26,629)	(57,647)	(52,668)
Payment of lease liabilities	(43,934)	(43,405)	(87,733)	(86,446)
Proceeds from exercise of warrants	284,400	-	526,995	-
Issue of common shares, net of issue costs	-	2,150,758	-	2,150,758
Repayments of credit facility (Note 5)	-	(1,090,000)	-	(1,400,000)
CASH PROVIDED BY FINANCING ACTIVITIES	327,951	1,049,952	685,487	917,052
NET CHANGE IN CASH - DURING THE PERIOD	1,127,794	98,205	1,452,498	72,159
CASH - BEGINNING OF PERIOD	417,365	69,525	92,661	95,571
CASH - END OF PERIOD	$ 1,545,159	$ 167,730	$ 1,545,159	$ 167,730

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY **Unaudited**

For the three and six months ended March 31, 2021 and 2020 **Canadian Funds**

	Share Capital (Note 7)					
	Number of Shares	Stated Capital	Contributed Surplus	Deficit	Equity Component of Debenture	Total Shareholders' Equity
Balance, September 30, 2019	96,972,705	$ 33,912,460	$ 9,387,644	$ (35,666,485)	$ 2,903,789	$10,537,408
Stock option expense	-	-	64,364	-	-	64,364
Issue of Warrants pursuant to Private Placement	-	-	748,550	-	-	748,550
Share Issuance pursuant to Private Placement	11,800,000	1,611,450	-	-	-	1,611,450
Share Issue Costs pursuant to Private Placement	-	(166,766)	(42,476)	-	-	(209,242)
Net loss and comprehensive loss for the period	-	-	-	(804,295)	-	(804,295)
Balance, March 31, 2020	**108,772,705**	**$35,357,144**	**$10,158,082**	**$(36,470,780)**	**$2,903,789**	**$11,948,235**
Balance, September 30, 2020	108,772,705	35,357,144	10,252,554	(41,894,010)	2,903,789	6,619,477
Stock option expense	-	-	130,140	-	-	130,140
Share Issuance pursuant to Exercise of Warrents	1,463,875	751,461	(224,466)	-	-	526,995
Net income and comprehensive income for the period	-	-	-	938,282	-	938,282
Balance, March 31, 2021	**110,236,580**	**$36,108,605**	**$10,158,228**	**$(40,955,728)**	**$2,903,789**	**$8,214,894**

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

1. NATURE OF THE BUSINESS

Microbix Biosystems Inc. and its subsidiary (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 wellbeing. Microbix manufactures a wide range of critical biological materials for the global diagnostics industry, notably antigens (Antigen business) used in immunoassays and its quality assessment and proficiency testing controls (QAPs business).

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

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and are presented in Canadian dollars. The accounting policies used in the preparation of these interim condensed consolidated financial statements conform with those in the Company's audited annual consolidated financial statements for the year ended September 30, 2020, except as set out in note 3. These interim consolidated financial statements do not include all of the information and disclosures required in annual financial statements and, accordingly, should be read in conjunction with the Company's annual consolidated financial statements for the year ended September 30, 2020.

The Board of Directors approved these interim condensed consolidated financial statements on May 12, 2021.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of estimates and judgments

The timely preparation of the interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the financial statements and the reported amounts of revenue and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change in the interim condensed consolidated financial statements.

Global pandemic

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting standards and amendments issued but not yet adopted

Amendments to IAS 1, Presentation of Financial Statements ("IAS 1")
In January 2020, 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 its 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 1 January 2023. The Company is still assessing the impact of adopting these amendments on its financial statements.

4. INVENTORIES

Inventories consist of the following:

	March 31, 2021	September 30, 2020
Raw materials	$ 1,428,800	$ 710,587
Work in process	1,185,277	1,122,584
Finished goods	2,300,329	2,459,493
	$ 4,914,406	$ 4,292,664

During the three months ended March 31, 2021, inventories in the amount of $1,730,579 (2020 - $1,532,957) were recognized as an expense through cost of sales. For the six months ended March 31, 2021 the amount was $3,133,162 (2020- $2,522,788). The allowance for inventory impairment as at March 31, 2021 was $93,043 (September 30, 2020 - $241,378).

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

a) The Company has term loans with the Business Development Bank ("BDC") for a variety of purposes. The following summarizes these loans as at March 31, 2021:

Term Loans with the Business Development Bank ("BDC")	(a)	(b)	(c)	(d)	(e)	(f)	Total
Effective date of loan	Jun, 2008	Oct, 2014	Oct, 2015	Oct, 2015	Nov, 2015	Jul, 2018	
Initial Loan Amount	$ 3,000,000	$ 615,000	$ 50,000	$ 200,000	$ 250,000	$ 323,906	$ 4,438,906
Balance, September 30, 2019	2,046,460	102,500	3,120	49,950	62,400	196,696	2,461,126
Proceeds from loan	-	-	-	-	-	286,094	286,094
Loan repayments during the period	(111,120)	(102,500)	(3,120)	(39,960)	(49,920)	(101,640)	(408,260)
Balance, September 30, 2020	1,935,340	-	-	9,990	12,480	381,150	2,338,960
Loan repayments during the period	(55,560)	-	-	(9,990)	(12,480)	(50,820)	(128,850)
Balance, September 30, 2020	**$ 1,879,780**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 330,330**	**$ 2,210,110**
Current Portion	111,120	-	-	-	-	101,640	$ 212,760
Non-current portion	1,768,660	-	-	-	-	288,690	1,997,350
Payment frequency	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	
Maturity of loan	Feb, 2038	Jul, 2020	Dec, 2019	Dec, 2020	Dec, 2020	Jun, 2024	
Terms of repayment	Principal and interest	Principal and interest	Principal and interest	Principal and interest	Principal and interest	Principal and interest	

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

All BDC loans have a floating interest rate based on BDC's floating base rate plus 0.5% - 1.8%. At March 31, 2021, the rate was 4.55% (September 30, 2020 – 5.05%). The loans are secured with the building and equipment.

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

As at March 31, 2021, the commitments for the next five fiscal years and thereafter for the BDC loans is as follows:

	Amount
2021	$ 106,380
2022	212,760
2023	212,760
2024	187,350
2025	111,120
2026 and thereafter	$ 1,379,740

b) The Company has a revolving line of credit with a Chartered Bank with a $2,000,000 borrowing limit. This line of credit bears interest at prime plus 2% (4.45% on March 31, 2021).

As at March 31, 2021 the Company had no funds drawn on the line of credit (September 30, 2020 - nil). The Company's usage of this facility varies across its manufacturing, sales and AR collection cycles.

c) On July 29, 2019, the Company signed an agreement with Federal Economic Development Agency for Southern Ontario to provide a repayable government contribution where the Federal Development Agency has agreed to contribute funding for 30% of the Business Scale-up and Productivity Project expenditures made by the Company, up to $2,752,500 over the next four years. The Company is required to submit eligible expenses on a quarterly basis to receive the interest-free contributions. Repayment of the contribution does not begin until December 15, 2024. As at March 31, 2021, the Company has received contributions totalling $888,713 (March 31, 2020 – $235,255). The Company determined that this "Loan" consists of two components: an obligation to repay; and a government grant in the form of the related exemption from interest. The Company fair valued the obligation to repay at $521,571, based on a discount rate of 8%, which represents management's best estimate of fair value. The residual amount of $336,136 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 March 31, 2021, the carrying value of the Loan is $542,706 (September 30, 2020 - $267,770) and $212,807 is recognized as a deferred grant within deferred revenue on the statement of financial position (September 30, 2020 - $111,210).

The Company is in compliance with the covenants associated with this loan as at March 31, 2021.

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

Fiscal Year	Amount
2025	$ 148,119
2026	177,742
2027	177,742
2028	177,742
2029	177,742
2030	29,624

6. 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 $1,450,000 will cover 50% of the cost to automate production of the Company's quality assessment products (QAPs™) that help ensure the accuracy of infectious disease diagnostic testing, and enable local, secure, and cost-effective automated production of the quantities of viral transport medium ("VTM") needed for Ontario's nucleic-acid testing for COVID-19.

An initial Grant disbursement, upon execution of the agreement, in the amount of $867,000, was received on October 13, 2020. The remaining $578,000 of the grant will be paid upon project completion and a review of Eligible Project Expenditures incurred during the project. During the three months ended March 31, 2021 the Company recognized $211,764 (2020- $165,638) of grant income and $444,257 during the six months ended March 31, 2021 (2020 - $235,254). The company also recorded a $136,704 reduction in capital asset costs during the quarter and $566,025 for the six months ended March 31, 2021. The excess claims of $143,281 are recognized in accounts receivable.

7. 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 whole 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 will be subject to a holding period, expiring four months and one day from the date of closing.

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

	Number of Shares	Stated Capital
Balance, as at September 30, 2020	108,772,705	$ 35,357,144
Exercise of Warrants	1,463,875	751,461
Balance, as at March 31, 2021	**110,236,580**	**$ 36,108,605**

8. COMMON SHARE PURCHASE WARRANTS

A continuity of the Company's warrants outstanding as at March 31, 2021 is presented in the following table:

	Units	Weighted average exercise price
Balance, September 30, 2020	23,284,552	$ 0.36
Issued	-	-
Exercised	(1,463,875)	0.36
Expired	(81,550)	0.46
Balance, March 31, 2021	**22,739,127**	**$ 0.36**

A summary of the Company's warrants outstanding as at March 31, 2021 and September 30, 2020 is presented in the following table:

	March 31, 2021			September 30, 2020		
	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life
			years			years
Range of exercise prices:						
$0.47 to $0.55	1,500,000	$ 0.55	0.53	1,500,000	$ 0.55	1.03
$0.23 to $0.46	20,239,127	0.35	2.47	21,784,552	0.35	2.93
	22,729,127	$ 0.36	2.34	23,284,552	$ 0.36	2.81

9. 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 March 31, 2021, the Company has a total of 9,979,000 options (September 30, 2020 – 10,040,000) issued and pending and is eligible to issue up to a total of 11,023,658 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 quarter and future options grants will generally be vested in a single step on the third anniversary date following their issue.

The activity under the Company's stock option plan for quarter ended March 31, 2021 is as follows:

	Units	Weighted average exercise price
Balance, September 30, 2020	10,040,000	$ 0.25
Stock options issued	2,339,000	$ 0.61
Options Expired/Forfeited	(2,400,000)	$ 0.54
Balance, March 31, 2021	**9,979,000**	**$ 0.33**
Exercisable, March 31, 2021	**3,250,000**	**$ 0.28**

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 March 31, 2021 and September 30, 2020:

	March 31, 2021			September 30, 2020		
	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life
			years			years
Range of exercise prices:						
$0.46 to $0.62	2,339,000	$ 0.61	4.88	2,400,000	$ 0.54	0.04
$0.22 to $0.28	7,640,000	$ 0.25	2.59	7,640,000	$ 0.25	3.09
	9,979,000	$ 0.33	3.13	10,040,000	$ 0.32	2.36

During the quarter, the Company recorded share-based compensation expense of $78,759 (2020 - $36,525) and $130,140 for the six months (2020 - $64,364).

10. INCOME (LOSS) PER SHARE

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

	for the three months ended March 31		for the six months ended March 31	
	2021	2020	2021	2020
Net income (loss) for the period for basic earnings per share	$ 807,463	$ (219,030)	$ 938,282	$ (804,295)
Net income (loss) for the period for diluted earnings per share	877,091	(219,030)	938,282	(804,295)
Weighted average common shares outstanding	109,841,580	100,866,705	109,475,611	98,978,705
Dilutive Effect	22,099,095	-	8,179,603	-
Dilutive weighted average common shares outstanding	131,940,675	100,866,705	117,655,214	98,978,705
Net income (loss) per share:				
Basic	$0.007	($0.002)	$0.009	($0.008)
Diluted	$0.007	($0.002)	$0.008	($0.008)

The following represents the warrants, stock options, and convertible debentures not included in the calculation of diluted income (loss) per share due to their anti-dilutive impact:

	for the three months ended March 31		for the six months ended March 31	
	2021	2020	2021	2020
Pursuant to warrants	1,500,000	23,284,552	1,500,000	23,284,552
Under stock options	2,239,000	9,893,000	2,339,000	9,893,000
Pursuant to convertible debentures	8,695,652	19,565,217	19,565,217	19,565,217
	12,434,652	52,742,769	23,404,218	52,742,769

11. CHANGES IN NON-CASH WORKING CAPITAL

	Three months ended March 31, 2021	Three months ended March 31, 2020	Six months ended March 31, 2021	Six months ended March 31, 2020
Accounts receivable	$ (227,934)	$ (751,163)	$ (236,952)	$ (230,665)
Inventory	(385,228)	18,669	(621,742)	(310,440)
Prepaid expenses and other assets	37,363	(102,759)	(35,657)	(28,907)
Deferred Revenue	(199,813)	228,677	(219,870)	413,404
Accounts payable and accrued liabilities	567,403	(227,455)	654,539	(109,011)
	$ (208,209)	$ (834,031)	$ (459,682)	$ (265,620)

12. CAPITAL MANAGEMENT

The Company's capital management objective is to safeguard its ability to function as a going concern to maintain and grow its operations and to fund its development activities. Microbix defines its capital to include the drawn portion of the revolving line of credit, shareholders' equity, long-term debt, and the debentures. The capital at March 31, 2021 was $14,085,645 (September 30, 2020 - $12,052,022).

To date, the Company has used cash provided by operating activities, common equity issues, debentures, bank mortgage and other financing to fund its activities. The equity is through 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, 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 8. The Company's general policy is to not pay dividends and retain cash to keep funds available to finance the Company's growth. However, the Board of Directors may, from time to time, choose to declare a dividend in assets if warranted by circumstances. There was no change during the quarter in how the Company defines its capital or how it manages its capital.

13. 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.

As at March 31, 2021 and September 30, 2020, the Company has carried at fair value financial instruments in Level 1. At March 31, 2021, the Company's only financial instrument measured at fair value is cash, which is considered to be a Level 1 instrument. There were no transfers between levels during the quarter.

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.

13. 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	31-Mar-21	$ 1,545,159	-	-
Liabilities for which fair values are disclosed:				
Non-convertible debentures	31-Mar-21	-	-	$ 1,235,755
Convertible debentures	31-Mar-21	-	-	1,882,179
Long-term-debt and other debt	31-Mar-21	-	$ 2,752,816	-

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

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

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

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

14. SEGMENTED INFORMATION

The Company operates in two ways: (i) the development, manufacturing and sales of antigens as materials for the medical diagnostic industry or as quality assessment products (as finished products) and VTM and, (ii) the development and commercialization of novel and proprietary products or technologies such as Kinlytic® and Lumisort ™. The following is an analysis of the Company's revenues and profits from continuing operations for the quarter ended March 31, segmented between antigens and Other (including Kinlytic® and Lumisort ™.

	For the three months		For the six months	
Operating Revenue	2021	2020	2021	2020
Antigens, QAPs and VTM	$ 4,351,868	$ 2,867,882	$ 7,509,527	$ 4,914,230
Other (Includes Kinlytic® and Lumisort™)	1,905	6,614	1,905	6,614
Total for continuing operations	$ 4,353,773	$ 2,874,496	$ 7,511,432	$ 4,920,844

	For the three months		For the six months	
Operating Income (Loss)	2021	2020	2021	2020
Antigens, QAPs and VTM	$ 813,653	$ (161,599)	$ 952,803	$ (720,338)
Other (Includes Kinlytic® and Lumisort™)	(6,190)	(57,431)	(14,521)	(83,957)
Total for continuing operations	$ 807,463	$ (219,030)	$ 938,282	$ (804,295)

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

Segment loss represents the profit (loss) before tax earned by each segment without allocation of central administration costs, directors' fees, and finance costs. These general costs are reflected in the Antigens and QAPs segment. 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 are as follows:

	Segment assets		Segment liabilities	
	March 31, 2021	September 30, 2020	March 31, 2021	September 30, 2020
Antigens, QAPs and VTM	$ 17,956,165	$ 15,598,011	$ 9,741,271	$ 8,978,534
Other (Includes Kinlytic® and Lumisort™)	-	-	-	-
Total for continuing operations	$ 17,956,165	$ 15,598,011	$ 9,741,271	$ 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.

14. SEGMENTED INFORMATION (Continued)

Segmented depreciation and amortization, impairment of long-lived assets and additions to non-current assets as at March 31 are as follows:

	Depreciation and amortization		Additions to non-current assets	
	2021	2020	2021	2020
Antigens, QAPs and VTM	$ 216,026	$ 171,416	$ 181,805	$ 173,896
Other (Includes Kinlytic® and Lumisort™)	-	-	-	-
	$ 216,026	$ 171,416	$ 181,805	$ 173,896

15. 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.

	For the three months		For the six months	
Revenues	2021	2020	2021	2020
North America	$ 2,109,027	$ 1,450,011	$ 4,000,295	$ 2,605,704
Europe	2,241,379	1,367,769	3,506,821	2,252,652
Other foreign countries (directly)	3,367	56,716	4,315	62,488
Total for continuing operations	$ 4,353,773	$ 2,874,496	$ 7,511,432	$ 4,920,844

	Non-current assets	
	March 31, 2021	September 30, 2020
North America	$ 9,116,484	$ 9,105,179
Europe	-	-
Other foreign countries (directly)	-	-
	$ 9,116,484	$ 9,105,179

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

as at September 30, 2020	$ 1,315,738
Cash payments or advance payments on performance obligations	1,653,230
Revenue recognized during the quarter	(1,873,100)
Deferred government grant and loan (see notes 5 and 6)	101,596
as at March 31, 2021	$ 1,197,464

16. 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 directors and key management executive officers. Compensation for the Company's key management personnel was as follows:

	Three months ended March 31, 2021	Three months ended March 31, 2020	Six months ended March 31, 2021	Six months ended March 31, 2020
Short-term wages, bonuses and benefits	$ 310,865	$ 291,693	$ 669,976	$ 523,336
Share based payments	38,944	25,015	51,211	37,916
Total key management compensation	$ 349,809	$ 316,708	$ 721,187	$ 561,252

17. COMMITMENTS AND CONTINGENCIES

Payments on convertible and non-convertible debentures

	Amount
2021	$ 354,621
2022	1,657,992
2023	604,242
2024	604,242
2025	604,242
2026 and thereafter	5,923,681
	$ 9,749,020

Contingencies

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

18. INCOME TAXES

The Company has unclaimed research and development expenses and accumulated losses for income tax purposes for which no benefit is recorded in the financial statements. For the three and six months ended March 31, 2021, the Company has utilized these losses to reduce income tax expense to nil during the period.

19. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

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

20. SUBSEQUENT EVENTS

On April 28, 2021, the Company announced that it had entered into an agreement with iA Private Wealth Inc. and Bloom Burton Securities Inc. (the "Underwriters"), pursuant to which the Underwriters have agreed to purchase, on a bought deal basis, 8,333,334 units of the Company (the "Units"), at a price of $0.60 per Unit, for aggregate gross proceeds to Microbix of approximately $5,000,000. Each Unit will be comprised of one common share and one-half of one common share purchase warrant (each whole warrant being a "Warrant"). Each Warrant will be exercisable to acquire one common share (a "Warrant Share") for a period of 24 months following the closing date of the Offering at an exercise price of $0.80 per Warrant Share, subject to adjustment in certain events.

Microbix has also granted the Underwriter an option (the "Over-Allotment Option") to purchase up to 1,250,000 additional Units of the Company on the same terms as the Offering, for a period of up to 30 days after the closing of the Offering. If the Over-Allotment Option is exercised in full, the aggregate gross proceeds of the Offering will be approximately $5,750,000.

The Company has agreed to pay the Underwriter a cash commission equal to 7.0% of the gross proceeds of the Offering, including proceeds received from the exercise of the Over-Allotment Option. The Company has also agreed to issue that number of broker warrants (the "Broker Warrants") equal to 7% of the Units issued under the Offering, including Units issued pursuant to the exercise of the Over-Allotment Option. Each Broker Warrant is exercisable for one Common Share at the Offering Price for a period of 24 months following the closing of the Offering.

The Company is also undertaking a concurrent non-brokered private placement of Units for gross proceeds of up to $1,150,000 (the "Concurrent Private Placement"). The Concurrent Private Placement shall have the same terms as the Offering.

Closing of the Offering and the Concurrent Private Placement is expected to occur on or about May 26, 2021 and is subject to certain conditions including, but not limited to, the receipt of all necessary regulatory and stock exchange approvals, including the approval of the Toronto Stock Exchange and the applicable securities regulatory authorities. Closing of the Offering is not contingent on the closing of the Concurrent Private Placement.

DIRECTORS

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Microbix Biosystems Inc.

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

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

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

CORPORATE INFORMATION

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SENIOR MANAGEMENT

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James S. Currie
Chief Financial Officer

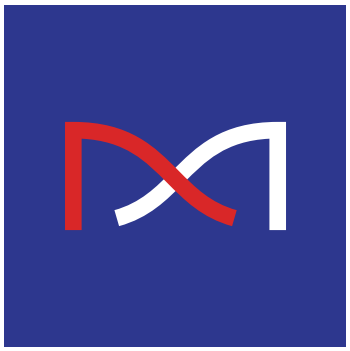
Kenneth Hughes
Chief Operating Officer

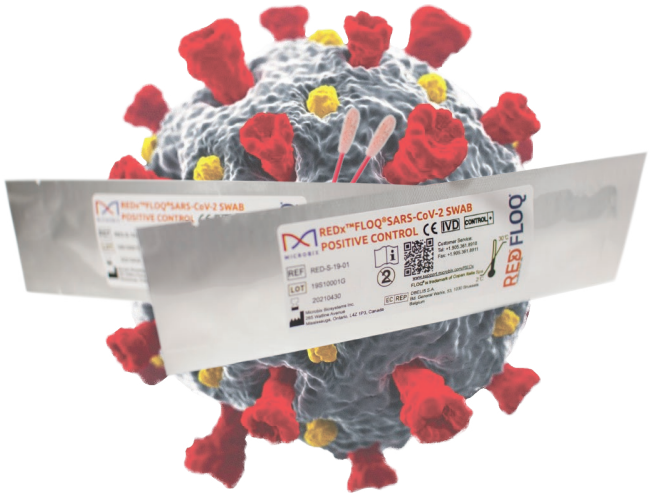
Dr. Mark Luscher
Senior Vice-President, Scientific Affairs

Phillip Casselli
Senior Vice-President, Sales & Business Development

Kevin J. Cassidy
Vice-President, Biopharmaceuticals

Christopher B. Lobb
General Counsel & Secretary





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