MICROBIX BIOSYSTEMS INC.

FIRST INTERIM REPORT

For the three months
ended December 31, 2021

MICROBIX

Message to Shareholders

Results for the first quarter of fiscal 2022 ended December 31, 2021 ("Q1") continue demonstrating the benefits of Microbix's transformation into a creator, manufacturer, and marketer of medical devices. Sales for Q1 reached $4.9 million – another record for a seasonally weak period and an increase of over 50% from the prior year. In turn, a favourable product mix across antigens, DxTM™, and QAPs™ resulted in a record gross margin of 66%, an improvement of 11% over Q1 2020. Such sales and margin growth resulted in an increase of 573% for operating and net earnings – to $0.9 million in Q1.

It is important to note that such record bottom-line results are being achieved even while Microbix is investing heavily to add capacity and improve its control systems. Specifically, by mid-year 2022, we expect our 3rd Mississauga, Ontario production site will be operational. That third site will house semi and fully automated production of our DxTM-brand viral transport medium ("VTM"), joining site two for our large-scale QAPs (test-controls) manufacturing, and site one for antigen immunoassay ingredients production. Additionally, we're upgrading various software control systems, such as "ERP," "LIMS," and "eQMS." Such infrastructure investments, along with ongoing measures to motivate and retain our talented staff, are geared to support sales of $100 million or more within several years.

A product to be highlighted in Q1 is DxTM, as some of you had expressed concern as to the timing or extent of re-orders from Ontario authorities. I hope such concern was laid to rest on 24 December, when Microbix secured and announced a $4.7 million first reorder from Ontario, along with an immediate delivery of $1.75 million. Microbix's highest-quality "Ontario Made" VTM remains in widespread use across the province – supporting testing for COVID variants and other viral respiratory pathogens.

Microbix's QAPs are also proving important to public health in Ontario and elsewhere – helping ensure the accuracy of testing for all variants of COVID, other pathogens causing respiratory illness, and across other areas of infectious disease testing. In fact, Microbix continues demonstrating its skill in creating clinically-important new QAPs, including "IVD" grade REDx® Control or REDx®FLOQ® QAPs for all major strains of COVID (now including Omicron), and "multiplex" QAPs that support simultaneous testing for four (or more) respiratory viruses from a single patient-sample. Microbix is now supporting multiple large test-makers and is thereby at the leading-edge of diagnostics industry innovations.

Our antigens (test ingredients) operations continue to be a core part of Microbix and add to our success. In addition to being the wellspring of our overall expertise, our antigens operations are continuing to be improved with respect to the robustness and efficiency of our manufacturing operations. We are thereby justifiably expecting growth in both sales and margins for this segment of our business.

Looking more broadly, I'm reminded we're now two years into the COVID pandemic that has profoundly impacted all our lives. Microbix is no exception, and your management and staff have been innovative, skilled, and diligent in successfully addressing many unprecedented challenges and opportunities. We will certainly keep at our work and look forward to providing you updates on our progress across fiscal 2022, a year in which we are again targeting material growth in sales, further gross margin expansion, and more improvement to operating and net earnings.

In summary, Microbix is successfully navigating the pandemic and rolling-out multiple new and leading-edge products relating to diagnostic testing. As a result, we are well-positioned for growth while COVID persists and beyond it. I look forward to continuing to lead our wonderful team at Microbix and helping to build and maintain relationships with all our stakeholders – emphatically including you. In turn, I hope that you will remain a shareholder of Microbix and thereby derive financial benefits and personal satisfaction from the important work we are doing to enhance healthcare for Ontarians, Canadians, and people around the world.

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

Cameron L. Groome
Chief Executive Officer and President

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

The Management Discussion and Analysis is dated February 9, 2022.

COMPANY OVERVIEW

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

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

COMPANY OVERVIEW (Continued)

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

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

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

FINANCIAL OVERVIEW

Quarter Ending December 31, 2021 ("Q1")

Q1 revenue was $4,855,600, a 54% increase from Q1 2021 revenues of $3,157,659. Included were antigen revenues of $1,766,416 (2020 - $2,137,829). QAPs revenues were $1,149,151 (2020 - $962,421) for segment growth of 19%. In turn, revenue from DxTM was $1,817,245 (2020 - nil), and royalties were $122,787 (2020 - $57,409). Q1 2022 sales growth was most influenced by Ontario-driven deliveries of DxTM, followed by continued diagnostics industry uptake of QAPs, and offset by weaker antigen sales.

Q1 gross margin was 66%, up from 55% in Q1 2021, due to a greater proportion of sales of QAPs, new VTM sales, and the effects of antigen product sales mix with improved margins.

Operating expenses in Q1 increased by 45% relative to Q1 2021, due to increased investment in R&D projects for our QAPs business, additional spending in sales and marketing to support continued sales growth, lack of eligibility for any Canada Emergency Wage Subsidies in Q1 and no Ontario Together Fund ("OTF") grant funding this quarter vs. Q1 2021. Overall, greater sales and more available gross margin dollars during the period led to an operating income and net income of $880,778 versus a Q1 2021 operating income and net income of $130,819. Cash used in operating activities was $284,014, compared to cash provided by of $186,802 in Q1 2021, with the majority of the change coming from higher accounts receivables due to increased sales levels in the latter part of Q1 2022.

At the end of Q1, Microbix's current ratio (current assets divided by current liabilities) was 5.20 and its debt to equity ratio (total debt over shareholders' equity) was 0.41.

Canadian Funds

FINANCIAL OVERVIEW (Continued)

Financial Highlights

As at and for the quarter ended	December 31, 2021	December 31, 2020
Total Revenue	$ 4,855,600	$ 3,157,659
Gross Margin	3,221,858	1,747,298
SG&A Expenses	1,635,869	1,156,198
R&D Expense	464,461	197,878
Financial Expenses	240,750	262,403
Operating Income for the period	880,778	130,819
Net Income and Comprehensive Income for the period	880,778	130,819
Cash Provided (Used) by Operating Activities	(284,014)	186,802

	December 31, 2021	September 30, 2021
Cash	10,495,425	9,986,312
Accounts receivable	5,560,421	4,175,116
Total current assets	21,548,304	19,094,482
Total assets	31,226,090	28,829,034
Total current liabilities	4,146,227	5,194,194
Total liabilities	9,028,326	10,272,890
Total shareholders' equity	22,197,764	18,556,144
Current ratio	5.20	3.68
Debt to equity ratio	0.41	0.55

SELECTED QUARTERLY FINANCIAL INFORMATION

	Mar-31-20 $	Jun-30-20 $	Sep-30-20 $	Dec-31-20 $	Mar-31-21 $	Jun-30-21 $	Sep-30-21 $	Dec-31-21 $
Total Revenue	2,874,496	2,898,328	2,705,732	3,157,659	4,353,773	5,451,834	5,629,694	4,855,600
Net Income (Loss) and Comprehensive Income (Loss)	(219,030)	(440,233)	(4,982,997)	130,819	807,463	1,516,178	778,929	880,778
Operating Income (Loss) before Impairment of Assets, Interest Accretion Expense and Finance Expenses	49,339	(183,548)	(82,111)	393,222	1,073,460	1,789,360	1,580,553	1,121,528

OUTLOOK

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

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

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

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

Microbix's QAPs business involves the use of antigens, nucleic acids, or proteins (collectively, biomaterials) for purposes beyond the large-scale manufacturing of medical test kits. This usage packages a very small amount of such stabilized and inactivated biomaterials into individual small vials (e.g., ~1.0 ml) or dried onto sample collection swabs (i.e., Copan® "FLOQSwabs®"). Such samples are used as tools to establish whether the quality objectives of clinical laboratories are being met – for example to assess whether testing equipment is functioning properly, if staff has been adequately trained and is performing properly, or if reagents have spoiled. Such innovative, proprietary, and branded quality assessment products (QAPs™, pronounced as "caps") are a high value end-use of Microbix's biologicals expertise and there is a growing need for such products as regulators progressively tighten their surveillance of the competence of medical testing labs. Regular usage of QAPs helps labs avoid systemic errors such as those which resulted in a UK-based lab falsely reporting 40-50,000 COVID-positive patients as being uninfected. Notable drivers for such demand are the U.S. "CLIA" regulations, European Union IVD-D and IVD-R regulations, and ISO 15189 standards, that are all encouraging labs to increase their use of quality assessment products from qualified third-parties across their ever-broadening portfolio of tests.

OUTLOOK (Continued)

Across fiscal 2021, Microbix derived approximately 25% of its sales from providing QAPs – to laboratory accreditation organizations, diagnostic test and instrument-makers and to clinical laboratories (directly and via distributors). This is an increase from 15% across fiscal 2020, and 10% historically – reflecting the strong growth of the QAPs product category (e.g., sales increase of 208% for YTD fiscal 2021 compared to the prior year).

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

In fiscal 2021, Microbix announced further projects to support the fight against the pandemic – including its project to produce viral transport medium (branded DxTM) in support of Ontario's RT-PCR testing for COVID-19 disease. An Ontario Together Fund (OTF) grant to support this project was announced in fiscal Q1, Microbix completed its technical file to enable Canadian sales in fiscal Q2, and a material first order of $4.25 million was received from Ontario-based procurement Authorities in April, 2021 and a follow-on order of $4.7 million in December, 2021. The benefits from these orders are reflected in the results for fiscal Q3 and Q4 2021 and for Q1 of fiscal 2022.

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

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

Benefits of the manufacturing upgrades have now become readily apparent, with Microbix proven capable of supporting year-over-year sales growth of 77% in fiscal 2021. Additionally gross margins for fiscal 2021 improved to 59% from just 44% the prior year due to both a greater proportion of branded medical devices (56% vs. 17%), better control of production processes and an improved product mix. Fiscal 2021 was the first year that fully reflects Microbix's work in positioning for continuing sales growth, to materially improve its percentage gross margins, and drive toward a higher proportion of higher margin Microbix-branded medical devices. This statement is most conclusively supported by the $3.2 million of net earnings recorded for fiscal 2021, for a gratifying full year net earnings margin of 17%. In turn, Q1 of fiscal 2022 is Microbix's fifth consecutive quarter of profitable growth.

More broadly speaking though, fiscal 2020 and 2021 proved to be challenging for many companies, including Microbix. The COVID-19 pandemic is disrupting normal antigen ordering patterns and has

OUTLOOK (Continued)

delayed the widespread uptake of Microbix' novel and innovative QAPs for such areas as high-risk Human Papilloma Virus (HPV) molecular testing. The development and registration of leading-edge QAPs to support COVID-19 test accuracy have partially, but not fully, offset these disruptions and delays. However, the full year of fiscal 2021 provided firm evidence of the interest in Microbix's QAPs from the global diagnostics and clinical laboratory industries, with fiscal 2021 sales of $4.7 million demonstrating substantial growth from the prior year. Management sees this growth continuing and, in the nearer term, being principally-driven by sales to manufacturers of diagnostics.

Going forward, Microbix is working to keep improving its percentage gross margin while also growing its sales of antigens and QAPs, and of DxTM. Strong percentage gross margins, such as those seen across fiscal 2021 and in Q1 2022, should be achievable by way of operational discipline across antigens, QAPs and DxTM, although variation in product sales mix will drive some quarter-to-quarter volatility. Achievement of Microbix's sales and gross margin goals is expected to lead to increasingly meaningful quarterly net earnings, with results reporting to regularly update shareholders on progress with such operational goals.

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

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

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

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

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

The Company has incurred historical losses resulting in an accumulated deficit of $37,779,842 as at December 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 2022, cash flow is expected to improve due to: 1) continued growth in overall product sales, 2) improvements in product pricing or other sales terms, 3) greater sales of higher percentage gross margin products, and 4) other business development and financial initiatives. Management expects these developments will continue to significantly improve the overall liquidity position, as the Company's plans come to fruition.

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

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

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

During the three months ending December 31, 2021, the Company received $2,418,196 from the exercise of 6,779,919 warrants and $215,000 from the exercise of 800,000 options.

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

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

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

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES (Continued)

Outstanding Share Capital

Share capital issued and outstanding as at December 31, 2021 was $47,464,801 for 133,957,086 common shares and September 30, 2021 was $43,609,601 for 126,377,167 common shares.

Global pandemic

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

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

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

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

TREND INFORMATION

Historical spending patterns are no indication of future expenditures. Investment in the new products and technologies is at the discretion of management and the board of directors. The Company is not aware of any material trends related to its business that have not been discussed in this Management Discussion and Analysis dated February 9, 2022.

RISKS AND UNCERTAINTIES

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

RISKS AND UNCERTAINTIES (Continued)

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:

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

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

Environmental, safety and other regulatory

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

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.

RISKS AND UNCERTAINTIES (Continued)

Viral Transport Medium Products (DxTM)

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

Product commercialization requires strategic relationships

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

Operating and capital requirements

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

Future success may depend on successfully commercializing new products or technologies

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

Failure to obtain and protect intellectual property could adversely affect business

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

Microbix will continue to face significant competition

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

FINANCIAL RISK MANAGEMENT

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

Credit risk:
The Company's cash is held in accounts or short-term interest bearing accounts at one of the major Canadian chartered banks. Management perceives the credit risk to be low. Typically the outstanding accounts receivable balance is relatively concentrated with a few large customers representing the majority of the value. As at December 31, 2021, five customers accounted for 80% (December 31, 2020 - five customers accounted for 83%) of the outstanding balance. In addition, for the year ended December 31, 2021, five customers accounted for 79% (December 31, 2020 - five customers accounted for 69%) of revenues. The Company has had minimal bad debts over the past several years and accordingly management has recorded an allowance of $35,000 (September 30, 2021 - $35,000).

Currency risk:
The Company is exposed to currency risk given its global customer base. 60-70% of its revenue is denominated in either U.S. dollars or Euros. The Company does not use financial instruments to hedge this currency risk. At December 31, 2021, the significant balances, quoted in Canadian dollars, held in foreign currencies are:

	U.S. dollars		Euros	
	December 31 2021	September 30 2021	December 31 2021	September 30 2021
Cash	**$ 4,200,432**	$ 3,601,394	**$ 6,025**	$ 135,388
Accounts receivable	**$ 2,394,203**	$ 836,390	**$ 109,912**	$ 727,708
Accounts payable and accrued liabilities	**$ 95,652**	$ 131,002	**$ 45,099**	$ 47,009

Based upon 2021 results, the impact of a 5% increase in the U.S. dollar against the Canadian dollar would result in an increase in annual U.S. dollar based revenue of approximately $433,600 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 $222,400. 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 $433,600 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 $222,400.

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

FINANCIAL RISK MANAGEMENT (Continued)

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 December 31, 2021 the Company has not drawn on this line of credit. A 1% increase in the bank rate would cost the Company approximately $20,000 per year for BDC and about $20,000 on the line of credit usage if it were fully used throughout the fiscal year.

Market risk

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

Fair value

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

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

CRITICAL ACCOUNTING ESTIMATES

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

Intangible Assets

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

Impairment of Long-lived Assets

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

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

Non-Convertible and Convertible Debentures

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

Deferred income taxes

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

CRITICAL ACCOUNTING ESTIMATES (Continued)

Share-based payments

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

FINANCIAL INSTRUMENTS

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

The carrying amounts of cash and cash equivalents, accounts receivable, bank indebtedness 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 December 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. 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 December 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 December 31, 2021 that have materially affected, or are reasonably thought to materially affect, the internal control over financial reporting.

IMPACT OF NEW ACCOUNTING STANDARDS NOT YET ADOPTED

Amendments to IAS 1

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

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

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

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

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

Amendments to IAS 1 and IFRS Practice Statement 2

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

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION **Unaudited**

As at December 31, 2021 and September 30, 2021 **Canadian Funds**

	As at December 31 2021	As at September 30 2021
ASSETS		
CURRENT ASSETS		
Cash	$ 10,495,425	$ 9,986,312
Accounts receivable	5,560,421	4,175,116
Inventory (Note 4)	4,850,297	4,407,509
Prepaid expenses and other assets	611,661	495,045
Investment tax credit receivable	30,500	30,500
TOTAL CURRENT ASSETS	21,548,304	19,094,482
LONG-TERM ASSETS		
Property, plant and equipment (Note 5)	8,064,354	8,082,749
Intangible assets	1,613,432	1,651,803
TOTAL LONG-TERM ASSETS	9,677,786	9,734,552
TOTAL ASSETS	$ 31,226,090	$ 28,829,034
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 1,811,607	$ 1,794,923
Current portion of long-term debt (Note 7)	111,120	212,760
Current portion of debentures (Note 6)	959,917	2,233,758
Current portion of lease liability (Note 5)	199,726	209,821
Deferred revenue (Note 18)	1,063,857	742,932
TOTAL CURRENT LIABILITIES	4,146,227	5,194,194
Convertible debentures (Note 6)	1,535,292	1,508,640
Lease liability (Note 5)	958,618	988,291
Long-term debt (Note 7)	2,388,189	2,581,765
TOTAL LONG-TERM LIABILITIES	4,882,099	5,078,696
TOTAL LIABILITIES	$ 9,028,326	$ 10,272,890
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	$ 47,464,801	$ 43,609,601
Equity component of convertible debentures (Note 6)	2,903,789	2,903,789
Contributed surplus	9,609,016	10,703,374
Accumulated deficit	(37,779,842)	(38,660,620)
TOTAL SHAREHOLDERS' EQUITY	$ 22,197,764	$ 18,556,144
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	$ 31,226,090	$ 28,829,034

Commitments and Contingencies (Note 20)

(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 AND COMPREHENSIVE INCOME **Unaudited**

For the three months ended December 31 **Canadian Funds**

	2021	2020
SALES		
Product Sales	$ 4,732,813	$ 3,100,250
Royalties	122,787	57,409
TOTAL SALES (Notes 17, 18)	4,855,600	3,157,659
COST OF GOODS SOLD		
Product costs (Notes 4)	1,616,136	1,402,583
Royalties	17,606	7,778
TOTAL COST OF GOODS SOLD	1,633,742	1,410,361
GROSS MARGIN	3,221,858	1,747,298
EXPENSES		
Selling and business development	337,781	171,724
General and administrative	1,298,088	984,474
Research and development	464,461	197,878
Financial expenses (Note 14)	240,750	262,403
NET INCOME AND COMPREHENSIVE INCOME FOR THE PERIOD	880,778	130,819
NET INCOME PER SHARE		
Basic (Note 12)	$ 0.007	$ 0.001
Diluted (Note 12)	$ 0.006	$ 0.001

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 ended December 31 **Canadian Funds**

	2021	2020
OPERATING ACTIVITIES		
Net income for the period	$ 880,778	$ 130,819
Items not affecting cash		
Amortization and depreciation (Note 17)	223,084	174,109
Accretion of debentures (Note 6)	69,632	72,827
Stock options expense (Note 11)	127,647	51,381
Accretion interest expense (Note 14)	24,132	9,139
Change in non-cash working capital balances (Note 13)	(1,609,287)	(251,473)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(284,014)	186,802
INVESTING ACTIVITIES		
Purchase of property, plant and equipment (Note 5)	(153,283)	(648,956)
Proceeds from Government Grant	-	429,321
CASH USED IN INVESTING ACTIVITIES	(153,283)	(219,635)
FINANCING ACTIVITIES		
Repayments of long-term debt (Note 7)	(307,290)	(75,660)
Proceeds from Government Loan and Grant (Note 7)	-	262,900
Repayments of convertible and non-convertible debentures (Note 6)	(1,316,821)	(28,500)
Payment of lease liabilities	(62,674)	(43,798)
Proceeds from exercise of warrants and options	2,633,196	242,595
CASH PROVIDED BY FINANCING ACTIVITIES	946,411	357,537
NET CHANGE IN CASH - DURING THE PERIOD	509,113	324,704
CASH - BEGINNING OF YEAR	9,986,312	92,661
CASH - END OF PERIOD	$10,495,425	$ 417,365

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

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

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

	Share Capital (Note 10)					
	Number of Shares	Stated Capital	Contributed Surplus	Deficit	Equity Component of Debentures	Total Shareholders' Equity
Balance, September 30, 2020	**108,772,705**	**$ 35,357,144**	**$ 10,252,554**	**$ (41,894,010)**	**$2,903,789**	**$ 6,619,477**
Stock option expense	-	-	51,381	-	-	51,381
Share Issuance pursuant to Exercise of Warrants	6,779,919	3,556,388	(67,388)	-	-	3,489,000
Net income and comprehensive income for the period	-	-	-	880,778	-	880,778
Balance, December 31, 2020	**115,552,624**	**$ 38,913,532**	**$ 10,236,547**	**$(41,013,232)**	**$2,903,789**	**$ 11,040,636**
Share-based compensation expense	-	-	326,447	-	-	326,447
Share Issuance pursuant to Exercise of Warrents	(675,457)	(470,933)	(824,186)	-	-	(1,295,119)
Issuance of Warrants pursuant to Public Offering and Private Placement	-	-	1,096,585	-	-	1,096,585
Share Issuance pursuant to Public Offering and Private Placement	11,500,000	5,803,415	-	-	-	5,803,415
Share Issue Costs pursuant to Public Offering and Private Placement	-	(636,413)	(132,019)	-	-	(768,432)
Net income and comprehensive income for the year	-	-	-	2,352,612	-	2,352,612
Balance, September 30, 2021	**126,377,167**	**$43,609,601**	**$10,703,374**	**$(38,660,620)**	**$2,903,789**	**$18,556,144**
Stock option expense	-	-	127,647	-	-	127,647
Share Issuance pursuant to Exercise of Warrants	6,779,919	3,489,000	(1,070,805)	-	-	2,418,195
Exercise of Options	800,000	366,200	(151,200)	-	-	215,000
Net income and comprehensive income for the period	-	-	-	880,778	-	880,778
Balance, December 31, 2021	**133,957,086**	**$ 47,464,801**	**$ 9,609,016**	**$(37,779,842)**	**$2,903,789**	**$ 22,197,764**

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

1. NATURE OF THE BUSINESS

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

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

2. BASIS OF PREPARATION

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, 2021, 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, 2021.

The Board of Directors approved these interim condensed consolidated financial statements on February 9, 2022.

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, a novel Coronavirus (named "SARS-CoV-2" and causing the disease "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 pandemic and the societal actions required to continue to contain the COVID-19 pandemic 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.

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

4. INVENTORIES

Inventories consist of the following:

	December 31, 2021	September 30, 2021
Raw materials	$ 1,254,800	$ 1,092,359
Work in process	1,672,357	1,677,437
Finished goods	1,923,141	1,637,713
	$ 4,850,297	$ 4,407,509

During the three months ended December 31, 2021, inventories in the amount of $1,616,136 (December 31, 2020 - $1,402,583) were recognized as an expense through cost of goods sold. The allowance for inventory impairment as at December 31, 2021 was $345,879 (September 30, 2021 - $383,110).

5. PROPERTY, PLANT, AND EQUIPMENT AND LEASES

The freehold land and buildings have been pledged as security for bank loans under a mortgage (see Note 7). Property, plant and equipment consists of:

	Building and Leasehold Improvements	Research and Development Equipment	Other Equipment and Fixtures	Right of Use Assets	Land	Total
COST						
Balance, as at September 30, 2021	$ 5,281,143	$ 558,438	$ 6,338,223	$ 1,683,980	$ 800,000	$ 14,661,784
Additions	7,221	40,468	105,594	13,034	-	166,317
Balance, as at December 31, 2021	**5,288,364**	**598,906**	**6,443,817**	**1,697,014**	**800,000**	**14,828,101**
ACCUMULATED DEPRECIATION						
Balance, as at September 30, 2021	1,948,682	459,293	3,832,037	339,023	-	6,579,035
Depreciation	55,914	3,344	80,660	44,795	-	184,713
Balance, as at December 31, 2021	**2,004,596**	**462,637**	**3,912,696**	**383,818**	**-**	**6,763,747**
NET BOOK VALUE						
Balance, September 30, 2021	3,332,461	99,145	2,506,187	1,344,957	800,000	8,082,749
Balance, December 31, 2021	**$ 3,283,768**	**$ 136,269**	**$ 2,531,121**	**$ 1,313,196**	**$ 800,000**	**$ 8,064,354**

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

	Right-of-Use Assets		
	Property	Equipment	Lease Liabilities
Balance, September 30, 2021	$ 1,081,900	$ 263,057	$ 1,198,112
Additions	13,034	-	-
Depreciation Expense	(38,017)	(6,778)	-
Interest Accretion	-	-	9,873
Payments	-	-	(49,641)
Balance, December 31, 2021	**$ 1,056,917**	**$ 256,279**	**$ 1,158,344**

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

Lease liabilities for leases that were entered during the three months ended December 31, 2021 were discounted using an incremental borrowing rate of 3.5% (September 30, 2021 – 3.5%).

Lease obligations as at December 31, 2021 are:

	Amount
2022	$ 188,831
2023	190,017
2024	180,574
2025	151,322
2026	96,363
2027 and thereafter	545,522
Total	**$ 1,352,630**

6. DEBENTURES

The Company has convertible and non-convertible debentures issued and outstanding as at December 31, 2021. The carrying values of the debt component of these debentures are as follows:

	Non-convertible debentures		Total non-convertible debentures	Convertible debentures			Total convertible debentures
	(a)	(b)		(c)	(d)	(e)	
Date of issue	Jan, 2014	Apr, 2017		Oct, 2016	Oct, 2016	Oct, 2016	
Face value	$ 2,000,000	$ 500,000	$ 2,500,000	$ 1,500,000	$ 500,000	$ 2,500,000	$ 4,500,000
Liability component at the date of issue	928,373	268,955	-	461,550	223,050	780,750	-
Balance, September 30, 2021	1,316,821	453,033	1,769,854	554,378	463,904	954,262	1,972,544
Accretion	-	19,204	19,204	9,315	23,776	17,337	50,428
Repayments	(1,316,821)	-	(1,316,821)	-	-	-	-
Balance, December 31, 2021	-	472,237	472,237	563,693	487,680	971,599	2,022,972
Less: current portion	-	472,237	472,237	-	487,680	-	487,680
Non-current portion	-	-	-	563,693	-	971,599	1,535,292
Balance, December 31, 2021	**$ -**	**$ 472,237**	**$ 472,237**	**$ 563,693**	**$ 487,680**	**$ 971,599**	**$ 2,022,972**
Equity component at December 31, 2021	-	-	-	574,435	631,222	1,698,132	2,903,789
Conversion price per common share	$ -	$ -		$ 0.23	$ 0.23	$ 0.23	
Effective interest rate charged	25.69%	30.20%		31.07%	30.20%	30.85%	
Payment frequency	Quarterly	Quarterly		Quarterly	Quarterly	Quarterly	
Maturity of financial instrument	Jan, 2029	Apr, 2022		Jan, 2029	Feb, 2022	Sep, 2028	
Stated interest rate	9%	12%		9%	9%	9%	
Terms of repayment	Principal and interest	Interest only		Interest only	Interest only	Interest only	
Blended quarterly repayment	$ 61,071	N/A		N/A	N/A	N/A	

6. DEBENTURES (Continued)

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

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

All of the debentures were issued to shareholders of the Company. Over the term of the convertible debentures, the debt components will be accreted to the face value of the debentures by the recording of additional interest expense using the effective interest rate, as detailed above. During the Q4 fiscal 2021, the Company recorded additional non-cash interest accretion of $517,651 associated with the revised estimate of the planned timing of repaying of the debenture denoted as (a) above.

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

7. **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 December 31, 2021:

Term Loans with the Business Development Bank ("BDC")	(a)	(b)	(c)	(d)	Total
Effective date of loan	Jun, 2008	Oct, 2015	Nov, 2015	Jul, 2018	
Initial Loan Amount	$ 3,000,000	$ 200,000	$ 250,000	$ 323,906	$ 4,438,906
Balance, September 30, 2020	1,935,340	9,990	12,480	381,150	2,338,960
Proceeds from laon	-	-	-	-	-
Loan repayments during the period	(111,120)	(9,990)	(12,480)	(101,640)	(235,230)
Balance, September 30, 2021	**$ 1,824,220**	**-**	**-**	**$ 279,510**	**$2,103,730**
Proceeds from loan	-	-	-	-	-
Loan repayments during the period	(27,780	-	-	(279,510)	(307,290)
Balance, December 31, 2021	**$ 1,796,440**	**-**	**-**	**-**	**$ 1,796,440**
Current Portion	$ 111,120	-	-	-	$ 111,120
Non-current portion	1,685,320	-	-	-	1,685,320
Payment frequency	Monthly	Monthly	Monthly	Monthly	
Maturity of loan	Feb, 2038	Dec, 2020	Dec, 2020	Jun, 2024	
Terms of repayment	"Principal and interest"	"Principal and interest"	"Principal and interest"	"Principal and interest"	

Notes: (a) Loan for the purchase of manufacturing facility and building improvements.
(b) Loan for the purchase of manufacturing equipment
(c) Working Capital loan
(d) Loan for the purchase of manufacturing equipment, repaid early in full in December 2021

All BDC loans have a floating interest rate based on BDC's floating base rate plus 0.5% - 1.8%. At December 31, 2021, the rate was 5.05% (2020 – 4.45%). The loans are secured with the building and equipment. On December 3, 2021 the Company prepaid in full the outstanding balance including accrued interest for loan (d) above, totalling $266,094.

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

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

	Amount
2022	$ 83,340
2023	111,120
2024	111,120
2025	111,120
2026	111,120
2027 and thereafter	$ 1,268,620

b) The Company has a $2,000,000 line of credit with its Chartered Bank that is available for use. This line of credit bears interest at prime plus 2% (4.45% on December 31, 2021). As at December 31, 2021 the Company had no funds drawn on the facility (December 31, 2020- nil). The Company's usage of this facility varies across its manufacturing, sales and Accounts Receivable collection cycles.

c) On July 29, 2019, the Company signed an agreement with Federal Economic Development Agency for Southern Ontario to provide a repayable government contribution where the Federal Development Agency has agreed to contribute funding for 30% of the Business Scale-up and Productivity Project expenditures made by the Company, up to $2,752,500 over the next four years. The Company is required to submit eligible expenses on a quarterly basis to receive the interest-free contributions. Repayment of the contribution does not begin until December 15, 2024. As at December 31, 2021, the Company has received contributions totalling $1,086,501 (December 31, 2020 – $513,705). The Company determined that the "Loan" consists of two components: an obligation to repay; and a government grant in the form of exemption from interest. The Company fair valued the obligation to repay at $646,118 (December 31, 2020 – $293,469), based on a discount rate of 8%, which represents management's best estimate of fair value. The residual amount of $440,383 (December 31, 2020 – $220,236) 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 December 31, 2021, the carrying value of the Loan is $690,795 (December 31, 2020 – $307,791) and $116,947 is recognized as a deferred grant within deferred revenue on the statement of financial position (December 31, 2020 – $111,565).

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

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

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

8. GOVERNMENT GRANT

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

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

9. SHARE CAPITAL

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

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

On May 19, 2021, the Company completed a public offering and concurrent private placement offering of an aggregate of 11,500,000 units for total gross proceeds of $6,900,000, for net proceeds of $6,131,568 after share issuance costs of $768,432. $5,167,002 has been allocated to stated capital and $964,566 has been allocated to warrants. Each unit consisted of one common share of Microbix and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at an exercise price of $0.80 for two years. The financing was a bought deal, with co-lead underwriters of the Offering (iA Private Wealth Inc. and Bloom Burton Securities Inc.). Cash commissions of $402,500 were paid and an aggregate of 670,833 Broker's Warrants were issued in the public offering. Each Broker's Warrant entitles the holder to purchase one unit at a price of $0.60 for a period of two years. Fair value of the broker warrants was determined to be $157,762 using the Black-Scholes option pricing model. The volatility of the stock for the Black-Scholes options pricing model was based on 2-year historic volatility of the Company's stock price (77%) and the risk free rate of interest of .32% is based upon the Government of Canada benchmark bond yields at the date of the award of the Broker's warrants. Management believes that the historic stock volatility provides a fair and appropriate basis of estimate for the expected future volatility of the stock. Each Broker's Warrant entitles the holder to purchase one common share at a price of $0.60 for a period of two years. All securities issued under the concurrent private placement were subject to a hold period, which expired four months and one day from the date of closing.

9. SHARE CAPITAL (Continued)

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

	Number of Shares	Stated Capital
Balance, as at September 30, 2021	126,377,167	$ 43,609,601
Exercise of Warrants	6,779,919	3,489,000
Exercise of stock options	800,000	366,200
Balance, as at December 31, 2021	**133,957,086**	**$ 47,464,801**

10. COMMON SHARE PURCHASE WARRANTS

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

	Units	Weighted average exercise price
Balance, September 30, 2021	23,519,373	$ 0.52
Exercised	(6,779,919)	0.36
Cancelled/Expired	(465,683)	0.48
Balance, December 31, 2021	**16,273,771**	**$ 0.52**

A summary of the Company's warrants outstanding are presented in the following table:

	December 31, 2021			September 30, 2021		
	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life
			years			years
Range of exercise prices:						
$0.60 to $0.80	6,420,833	$ 0.78	1.38	7,621,333	$ 0.74	1.38
$0.23 to $0.46	9,852,938	0.36	2.97	15,898,040	0.34	2.39
	16,273,771	$ 0.52	2.34	23,519,373	$ 0.47	2.07

On September 28, 2020, the Company extended the term of an aggregate of 7,413,052 common share purchase warrants ("Warrants") by one year, which were issued in connection with Microbix's October, 2015 and October, 2017 private placement financings. The extended Warrants entitled holders to purchase common shares of Microbix at prices from $0.36 to $0.55 until October, 2021. All other Warrant terms remained unchanged.

11. 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 December 31, 2021, the Company has a total of 9,404,000 options (September 30, 2021 – 10,154,000) issued and is eligible to issue up to a total of 13,395,709 options.

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

The activity under the Company's stock option plan for three months ended December 31, 2021 is as follows:

	Units	Weighted average exercise price
Balance, September 30, 2021	10,154,000	$ 0.34
Options Exercised	(800,000)	$ 0.27
Stock options issued	50,000	$ 0.73
Balance, December 31, 2021	**9,404,000**	**$ 0.34**
Exercisable, December 31, 2021	**2,650,000**	**$ 0.26**

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 December 31, 2021 and September 30, 2021:

	December 31, 2021			September 30, 2021		
	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life
			years			years
Range of exercise prices:						
$0.46 to $0.73	2,564,000	$ 0.61	4.17	2,514,000	$ 0.61	4.41
$0.215 to $0.28	6,840,000	$ 0.24	1.96	7,640,000	$ 0.25	2.09
	9,404,000	$ 0.34	2.57	10,154,000	$ 0.34	2.66

11. STOCK OPTION PLAN (Continued)

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

Option Grant Dates	Nov. 2021
Share price on issue date	$ 0.73
Dividend yield	0%
Volatility	70%
Risk-free interest rate	0.1%
Expected option life (years)	5
Weighted average fair value of each option ($ / option)	$ 0.42

Stock options are assumed to be exercised at the end of the option's life, as management believes the probability of an early exercise is remote. During the year, the fair value of the options vested in the year were expensed and credited to contributed surplus. During the quarter, the Company recorded share-based compensation expense of $127,647 (2020 - $51,381).

12. INCOME (LOSS) PER SHARE

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

For the period ended December 31	2021	2020
Numerator for basic income (loss) per share:		
Net income (loss) available to common shareholders	$ 880,778	$ 130,819
Net income (loss) for dilutive earnings per share	$ 923,843	$ 130,819
Denominator for basic income (loss) per share:		
Weighted average common shares outstanding	130,401,577	108,995,084
Dilutive Effect	16,369,231	-
Dilutive weighted average common shares outstanding	146,770,808	108,995,084
Net income (loss) per share:		
Basic	$0.007	$0.001
Diluted	$0.006	$0.001

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

For the period ended December 31	2021	2020
Pursuant to warrants	5,750,000	1,500,000
Under stock options	50,000	4,490,000
Pursuant to convertible debentures	13,043,478	19,565,217
	18,843,478	25,555,218

13. CHANGES IN NON-CASH WORKING CAPITAL

For the period ended December 31	2021	2020
Accounts receivable	$ (1,385,305)	$ (9,018)
Inventory	(442,788)	(236,514)
Prepaid expenses and other assets	(116,616)	(73,020)
Deferred Revenue	328,090	(20,057)
Accounts payable and accrued liabilities	7,332	87,136
	$ (1,609,287)	**$ (251,473)**

14. FINANCIAL EXPENSES

For the period ended December 31	2021	2020
Cash interest:		
Interest on long-term debt	$ 28,553	$ 29,095
Interest on debentures	116,250	148,821
Interest other	2,183	2,521
Non-cash interest:		
Accretion on debentures	69,632	72,827
Accretion interest expense	24,132	9,139
Financial expenses	**$ 240,750**	**$ 262,403**

15. CAPITAL MANAGEMENT

The Company's capital management objective is to safeguard its ability to function as a going concern to maintain and grow its operations and to fund its development activities. Microbix defines its capital to include any drawn portion of the revolving line of credit, shareholders' equity, long-term debt, and debentures. The capital at December 31, 2021 was $27,192,282 (September 30, 2021 - $25,093,066).

To date, the Company has used cash provided by operating activities, common equity issues, debentures, bank mortgage and other financing to fund its activities. The equity is provided through public offerings or private placements, the debentures are all controlled by private individuals known to the Company and the mortgage and other financing are with the Business Development Bank (BDC), FedDev and TD Bank. If possible, the Company tries to optimize its liquidity needs by non-dilutive sources, including cash provided by operating activities, investment tax credits, grants and interest income. The Company has a revolving line of credit of $2,000,000 with its Canadian chartered bank, Note 7.

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

16. FINANCIAL INSTRUMENTS

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

For the quarter ended December 31, 2021 and year ended September 30, 2021, the Company has carried at fair value financial instruments in Level 1. At December 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 year.

The three levels are defined as follows:

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

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-Dec-21	$ 10,495,425	-	-
Liabilities for which fair values are disclosed:				
Non-convertible debentures	31-Dec-21	-	472,237	-
Convertible debentures	31-Dec-21	-	2,022,972	-
Long-term-debt and other debt	31-Dec-21	-	2,499,309	-

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

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

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

16. FINANCIAL INSTRUMENTS (Continued)

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

17. SEGMENTED INFORMATION

The Company operates in two ways: (i) the development, manufacturing and sales of products relating to the medical diagnostics industry, namely antigens as test ingredients, quality assessment products to help ensure the accuracy of test workflows and viral transport medium to enable collection of patient test samples and, (ii) the development and commercialization of novel and proprietary products or technologies such as Kinlytic. The following is an analysis of the Company's revenues and profits from continuing operations for the quarter ended December 31, segmented between categories (i) and (ii) (including Kinlytic):

	Segment revenue		Operating Income (loss)	
	2021	2020	2021	2020
Antigens, QAPs and DxTM	$ 4,854,356	$ 3,157,659	$ 902,343	$ 139,150
Other (Includes Kinlytic ®)	1,244	-	(21,565)	(8,331)
Total for continuing operations	$ 4,855,600	$ 3,157,659	$ 880,778	$ 130,819

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

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

Segmented assets and liabilities are as follows:

	Segment assets		Segment liabilities	
	December 31 2021	September 30 2021	December 31 2021	September 30 2021
Antigens, QAPs and DxTM	$ 31,226,090	$28,829,034	$ 9,028,326	$10,272,890
Other (Includes Kinlytic ®)	-	-	-	-
	$ 31,226,090	$28,829,034	$ 9,028,326	$10,272,890

17. SEGMENTED INFORMATION (Continued)

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

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

	Depreciation and amortization		Additions to non-current assets	
	2021	2020	2021	2020
Antigens, QAPs and DxTM	$ 223,084	$ 174,109	$ 153,283	$ 219,635
Other (Includes Kinlytic ®)	-	-	-	-
	$ 223,084	$ 174,109	$ 153,283	$ 219,635

18. REVENUES AND GEOGRAPHIC INFORMATION

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

	Revenue from external customers		Non-current assets	
For the period ended December 31	2021	2020	2021	2020
North America	$ 3,563,492	$ 1,891,268	$ 9,677,786	$ 9,150,705
Europe	1,283,591	1,265,443	-	-
Other foreign countries (directly)	8,517	948	-	-
	$ 4,855,600	$ 3,157,659	$ 9,677,786	$ 9,150,705

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

For the period ended December 31	2021	2020
Balance, beginning of the quarter	$ 742,932	$ 1,315,738
Cash payments or advance payments on performance obligations	603,175	1,058,262
Revenue recognized during the quarter	(275,084)	(1,078,319)
Deferred government grant and loan (see notes 8 and 9)	(7,166)	205,541
Balance, end of quarter	$ 1,063,857	$ 1,501,222

19. RELATED PARTY TRANSACTIONS

Key Management Compensation

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

	Three months ended December 31, 2021	Three months ended December 31, 2020
Short-term wages, bonuses and benefits	$ 297,686	$ 359,111
Share based payments	60,032	12,267
Total key management compensation	$ 357,718	$ 371,378

20. COMMITMENTS AND CONTINGENCIES

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

	Amount
2022	$ 1,297,500
2023	360,000
2024	360,000
2025	360,000
2026	360,000
2027 and thereafter	4,759,497
	$ 7,496,997

Contingencies

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

21. 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 months ended December 31, 2021, the Company has utilized these losses to reduce income tax expense to nil during the period.

22. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

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

DIRECTORS

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

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

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

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

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

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

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

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

CORPORATE INFORMATION

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

SENIOR MANAGEMENT

Cameron L. Groome
Chief Executive Officer and President

James S. Currie
Chief Financial Officer

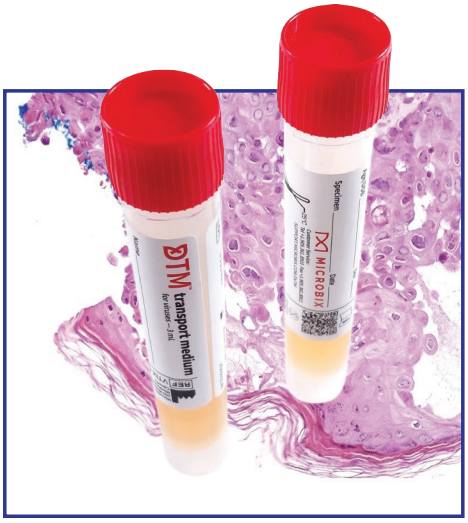
Kenneth Hughes
Chief Operating Officer

Dr. Mark Luscher
Senior Vice-President, Scientific Affairs

Phillip Casselli
Senior Vice-President, Sales & Business Development

Kevin J. Cassidy
Vice-President, Biopharmaceuticals

Christopher B. Lobb
General Counsel & Secretary



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