# MICROBIX BIOSYSTEMS INC.

MICROBIX

# ANNUAL REPORT 2024

## Message to Shareholders

The fourth quarter of fiscal 2024 ending September 30, 2024 ("Q4") provided record recurring revenues of $6.3 million, alongside a record full-year fiscal 2024 ("F2024") top-line of $25.4 million, for year-over-year growth of 54%. These results were driven by strength across each facet of our operations and reflect our success in servicing customers, creating innovative products, and strategic partnering.

Our test ingredients ("Antigens") line provided sales growth due to resurgent client demand, with better margins due to pricing updates and the benefit of our many reinvestments to improve the efficiency and reliability of manufacturing processes. F2024 Sales of Antigens were $13.8 million, up by 44%. Sales of this line is targeted to continue growing through fiscal 2025 and thereafter.

Sales of QAPs™ were likewise strong at $ 7.0 million for F2024, for year-over-year growth of 38%. While some of our customers have experienced delays in commercializing new assays, our outlook for QAPs remains very positive due to a combination of new product introductions and further client acquisition in the lab accreditation, branded test production, and clinical lab testing segments of our industry.

Kinlytic, our therapeutic asset, also contributed to revenues in F2024, with $ 4.1 million of revenues recorded in fiscal Q1. Our agreement with Sequel Pharma now provides 100% funding for the return of Kinlytic to global markets, to then provide material milestone and royalty revenues to Microbix. We are delighted to be returning this important clot-buster drug to widespread clinical use.

While growth in revenues remains a priority, it is not Microbix's only imperative. Operational discipline in controlling costs is also a critical for success. In F2024, Microbix improved gross margin on product sales to 54%, while also holding the growth of Selling, G&A, and R&D expenses below that of sales. In consequence, F2024 provided record bottom line net earnings of $ 3.5 million and earnings-per-share (EPS) of $0.026. With a F2024 return on equity (ROE) of 15%, we hope that you, as a shareholder, are pleased with our company's performance.

Looking to fiscal 2025 and beyond, Microbix intends to strike a balance between driving sales growth and demonstrating operational control by providing a reasonable level of net income. In this way, we believe that Microbix will maximally increase value for our shareholders by building our presence within the global diagnostics industry while not subjecting shareholders to dilution tied to raising new capital.

In parallel, we will continue to buy-back and cancel Microbix shares, thereby increasing the value of each shareholder's ownership stake. In fact, over F2024 our shares outstanding were reduced by 2.7 million (~2%) through buy-backs. With the share prices of smaller capitalization TSX-listed firms like Microbix largely stagnant, buying back shares remains a best-use of capital not immediately needed for growth.

Our team continues to increase Microbix's visibility across the global diagnostics industry – by way of our regular presence at leading technical meetings, presentations about innovative new products, and thought leadership. Such focus and persistence enables us to build relationships with customers and collaborators around the world and sow the seeds for ongoing and outsized growth in revenues.

In concert with product and business development work, we are constantly improving our capabilities and systems. Our skilled and talented staff are now being provided with the resources needed to do their very best work, helping create a culture in which everyone has the opportunity to excel and realize their full potential.

Concisely, our results for F2024 speak eloquently: Microbix has never been stronger in its strategic and financial position. We're poised to benefit from the next waves of innovation in medical diagnostic tests, continue strong growth in sales, and create lasting value for our shareholders. We face 2025 and the coming years with focus, determination and optimism, based on the knowledge that we have everything needed to realize great success for you.

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, 2024, prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board and filed on SEDAR. Additional information relating to the Company, including its Annual Information Form ("AIF"), can be found on SEDAR at www.sedar.com. Reference to "we", "us", "our", or the "Company" means Microbix Biosystems Inc. unless otherwise stated. All amounts are presented in Canadian dollars unless otherwise stated. Statements contained herein, which are not historical facts, are forward looking statements that are subject to certain risks and uncertainties that could cause actual results to differ materially from those set forth or implied. These forward-looking statements include, without limitation, discussion of financial results or the outlook for the business, risks associated with its financial results and stability, its antigens, quality assessment products, and viral transport medium businesses, development projects such as those referenced herein, sales to foreign jurisdictions, engineering and construction, production (including control over costs, quality, quantity and timeliness of delivery), foreign currency and exchange rates, maintaining adequate working capital and raising further capital on acceptable terms or at all, and other similar statements concerning anticipated future events, conditions or results that are not historical facts. These statements reflect management's current estimates, beliefs, intentions and expectations; they are not guarantees of future performance. The Company cautions that all forward looking information is inherently uncertain and that actual performance may be affected by a number of material factors, many of which are beyond the Company's control. Accordingly, actual future events, conditions and results may differ materially from the estimates, beliefs, intentions and expectations expressed or implied in the forward looking information. All statements are made as of the date of this disclosure and represent the Company's judgment as of that date and the Company disclaims any intent or obligation to update such forward-looking statements.

The Management Discussion and Analysis is dated December 17, 2024.

**COMPANY OVERVIEW**

Microbix Biosystems Inc. (Microbix or the Company) (TSX: MBX, OTCQX: MBXBF) is an award-winning life sciences innovator, manufacturer, and exporter making critical biological ingredients that enable the production of clinical diagnostics (referred to as antigens), creating and manufacturing medical devices, including quality assessment products that help ensure test accuracy (also known as QAPs™), testing-related reagents such as viral transport medium for enabling the collection of patient samples to test for pathogens (branded as DxTM™), and, through partnership funding, is redeveloping a biological drug (Kinlytic® urokinase).

In the context of Microbix's business, antigens are purified and inactivated bacteria, viruses, or their components which are used in the immunoassay format of medical tests to assess exposure to, or immunity from, those pathogens. QAPs are inactivated and stabilized samples of a pathogen or an analogue to a pathogen, that are created to closely resemble patient samples in order to support one or more of (i) the proficiency testing of clinical labs (usually unbranded "white label"), (ii) incorporated into kits of test consumables by multinational diagnostics companies (usually unbranded "white label"), (iii) test development, instrument validation and technician training (often individually branded as PROCEEDx® within branded ONBOARDx™ kits), or (iv) the quality management of patient test-workflows by clinical laboratories (branded as REDx®). Microbix's antigens and QAPs are sold to more than 100 customers worldwide, primarily to multinational diagnostics companies and laboratory accreditation organizations.

Initial sales of DxTM were recorded in February 2021 and continued through fiscal 2022 to agents of the Province of Ontario for pandemic-related testing. Sales of DxTM have since stopped as those agents have resumed 100% importation to satisfy domestic needs for this critical product. In consequence, Microbix has begun to secure orders of other testing-related reagents from customers in private industry, with

**COMPANY OVERVIEW (Continued)**

the first such sales generated in the quarter ended March 31, 2024 and that have since been ongoing at a low level.

Microbix also applies its biological expertise and infrastructure to develop other proprietary products and technologies, most notably Kinlytic® urokinase (Kinlytic), a biologic thrombolytic drug used to treat blood clots. An agreement to provide funding for the return of Kinlytic to the United States market was signed in May, 2023. The provision of the estimated C$ 50 million of funding needed to relaunch Kinlytic was dependent on reconfirming prior United States FDA guidance received in 2017. Positive new guidance was received from the FDA in fall of 2023 and Microbix's agreement partner, Sequel Pharma, LLC and its financial backers in turn confirmed their satisfaction by providing their go-ahead notice and a tied milestone payment of US$ 2.0 million received by Microbix on November 15, 2023. With that payment, Microbix has thus far received a total of US$ 4.0 million from Sequel, and expects to receive further milestone and royalty payments following the parties' submission of a supplemental Biologics Licensing Application (sBLA) and re-approval by FDA in approximately two to three years' time.

The COVID-19 pandemic and its health, economic, and societal impacts affected all industries, including medical diagnostics. Government and public use of, funding for, and views about, infectious disease diagnostic testing changed as a result of the pandemic and such changes continue to impact Microbix's business and those of its customers. It remains challenging to foresee and adapt to such changes. For example, from early fiscal 2020, sales of antigens were reduced due to fewer patients seeking or receiving care in relation to diseases other than COVID-19. As of the end of calendar 2022 however, Microbix began to see antigen demand recovering toward pre-COVID levels, and such demand has since become intense. Microbix has since been expanding production capacity for multiple antigen products and now believes these higher levels of demand will be persistent. Investment in expanding antigen capacity is geared to satisfying immediate customer needs, while also improving process efficiency and gross margins to better capture potential growth from newer markets such as China and stave-off competition. QAPs and DxTM likewise continue to be affected, with both positive and negative impacts.

Management believes COVID has transitioned from pandemic to endemic, leading revenue from the antigens and QAPs business (Antigens & QAPs) to resume growth 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 multiple respiratory pathogens. QAPs sales growth are expected to be driven by several factors, namely (i) Microbix's creation of new value-added and proprietary products for test-makers and clinical laboratories, (ii) by increasing American, European and international quality-management regulation of clinical laboratories (e.g., the U.S. VALID Act and EU IVDR regulations), and (iii) by increasing adoption of molecular testing (e.g., "PCR") by laboratories and at the point-of-care. For DxTM, production remains paused, due in large part to ongoing issues with the overall procurement processes of the Province of Ontario, which had been Microbix's major client for that product. Currently, Microbix has no expectation that sales of DxTM for Ontario will resume and is retasking this capacity to providing custom reagents to its test-maker customers, with such sales having recently begun. However, Microbix has begun sales of its DxTM formulation as a "control elution buffer" for use paired with its QAPs and ONBOARDx™ brand instrument validation and technician training kits.

The sales resulting from antigens, QAPs, and DxTM or reagent activities are targeted 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 company-created production and lab spaces, are in a leased building located at 235 Watline Avenue, Mississauga, Ontario. A third adjacent site at 275 Watline Avenue was leased as of July, 2021 and and has since been renovated to support production of DxTM or other reagents, and to add quality-control laboratory space, workstations, and warehousing. Microbix is ISO 9001 & 13485 accredited, FDA & Health Canada establishment licensed, Australian TGA registered, and provides CE marked products.

This MD&A refers to certain performance indicators including gross profit margin that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Management believes that these measures are useful to most shareholders, creditors, and other

**COMPANY OVERVIEW (Continued)**

stakeholders in analyzing the Company's operating results, and can highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers.

**Gross profit margin percentage**

Gross profit margin percentage represents the percentage of total revenue in excess of costs of goods sold and is an indicator of the Company's profitability on sales before operating expenses. This is calculated by dividing gross profit by revenue.

## FINANCIAL OVERVIEW

### Year ending September 30, 2024 ("2024")

2024 revenues were $25,394,148, a significant increase from 2023 revenues of $16,514,776, due to $4,086,660 in Kinlytic license fees being recorded in Q1 2024 that were non-recurring, paired with strong growth in its core businesses. Notably, Antigen sales grew by 44% to $13,813,568 (2023 - $9,594,237), while QAPs grew by 38% to $7,015,820 (2023 - $5,087,321). Revenue from royalties was relatively flat at $478,100 (2023 - $482,701).

2024 gross margin percentage was 61%, up from 2023 gross margin percentage of 45%. Gross margins were impacted by Kinlytic licensing fees and and improved product margins for our Antigen business due to process improvements and product mix.

Operating and finance expenses for the year increased by 11% versus 2023 . Operating and finance expenses increased due to agent fees related to the Kinlytic transaction in Q1, continued investment in our IT infrastructure, and investment in R&D projects to support growth of the business.

Increased sales in our Antigen and QAPs businesses, increased Kinlytic licensing fees, and higher gross margin dollars led to an operating income (before finance expenses and income taxes) of $3,905,011 and a net income of $3,520,179 versus a 2023 operating loss of $2,736,432 and net loss of $39,483. Cash provided by operating activities was $4,347,620, compared to cash used in operating activities of $1,094,561 in 2023.

At the end of 2024, Microbix's current ratio (current assets divided by current liabilities) was 7.15 and its debt to equity ratio (total debt over shareholders' equity) was 0.35.

### Quarter ending September 30, 2024 ("Q4")

Q4 revenue was $6,293,897, a 48% increase from Q4 2023 revenues of $4,264,229. Included were antigen revenues of $4,471,960 (2023 - $2,977,179), up 50% from last year. QAPs revenues of $1,698,335 were up 42% from Q4 2023 (2023 - $1,195,231), due to strong performance from our PTDx®, PROCEEDx® and REDx™ QAPs products. Revenue from royalties were $123,603 (2023 - $91,820). In summary, our Q4 sales growth result has been driven by significant growth in both our Antigens and QAPs businesses.

Q4 gross margin percentage was 55%, up from 33% in 2023, primarily due to stronger Antigen product mix, increased QAPs revenues and a lower rate of Antigen batch failures this year.

Operating expenses (including finance expenses) in Q4 increased by 14% relative to Q4 2023, principally due to amortization relating to the Kinlytic intangible asset, which began at the end of fiscal 2023 and increased consulting costs. Our financing costs increased versus prior year, due to lower interest income as a result of lower interest rates on our short-term investments.

Overall, strong Q4 revenues and stronger margins led to an operating income (before finance expenses and income taxes) of $710,778, and a net income of $440,324 versus a Q4 2023 operating loss of $990,563 and net income of $1,997,273 after adjusting for the reversal of the impairment of the Kinlytic intangible asset. Cash provided by operating activities was $765,930, compared to cash used in operating activities of $2,158,174 in 2023.

Canadian Funds

## FINANCIAL OVERVIEW (Continued)

### Financial Highlights

| | For the years ended September 30 | | For the quarter ended September 30 | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Total Revenue | $ 25,394,148 | $ 16,514,776 | $ 6,293,897 | $ 4,264,229 |
| Gross Margin | 15,391,701 | 7,481,334 | 3,450,346 | 1,425,194 |
| S,G&A Expenses | 9,361,307 | 8,171,026 | 2,157,106 | 1,851,021 |
| R&D Expense | 2,125,382 | 2,046,740 | 582,462 | 564,736 |
| Operating Income (Loss) before Reversal of Impairment of Long Term Asset and Finance Expenses | 3,905,011 | (2,736,432) | 710,778 | (990,563) |
| Reversal of Impairment of Long Term Asset | - | (3,078,585) | - | (3,078,585) |
| Finance Expenses | 234,269 | 381,636 | 119,890 | 90,749 |
| Income Tax Expense | 150,563 | - | 150,563 | - |
| **Net Income (Loss) and Comprehensive Income (Loss) for the period** | 3,520,179 | (39,483) | 440,324 | 1,997,273 |
| **Net Comprehensive Income (Loss) per share** | 0.026 | (0.000) | 0.003 | 0.014 |
| Cash Provided (Used) by Operating Activities | 4,347,620 | (1,796,539) | 765,930 | (2,158,174) |
| Cash | 12,963,339 | 11,606,487 | | |
| Accounts receivable | 4,161,448 | 4,119,771 | | |
| Total current assets | 24,259,962 | 22,302,006 | | |
| Total assets | 38,096,767 | 35,653,024 | | |
| Total current liabilities | 3,644,410 | 4,349,942 | | |
| Total liabilities | 9,799,340 | 11,028,537 | | |
| Total shareholders' equity | 28,297,428 | 24,624,487 | | |
| Current ratio | 7.15 | 5.13 | | |
| Debt to equity ratio | 0.35 | 0.45 | | |

## SELECTED QUARTERLY FINANCIAL INFORMATION

| | Dec-31-22<br>$ | Mar-31-23<br>$ | Jun-30-23<br>$ | Sep-30-23<br>$ | Dec-31-23<br>$ | Mar-31-24<br>$ | Jun-30-24<br>$ | Sep-30-24<br>$ |
|---|---|---|---|---|---|---|---|---|
| Total Revenue | 2,502,072 | 4,218,323 | 5,530,152 | 4,264,229 | 8,407,884 | 5,632,901 | 5,059,465 | 6,293,897 |
| Net Income (Loss) and Comprehensive Income (Loss) | (1,299,262) | 31,616 | (769,108) | 1,997,273 | 2,455,379 | 377,730 | 246,746 | 440,324 |
| Operating Income (Loss) before reversal of impairment of intangible assets and Finance Expenses | (1,202,184) | 122,935 | (666,618) | (990,563) | 2,569,864 | 459,056 | 165,314 | 627,962 |

**OUTLOOK**

Microbix's business was started over 35 years ago by our founder, William J. Gastle, a skilled virologist, who retired in September, 2020 and passed away in September, 2023 (we miss you Bill). The first products were types of the growth media used in cell-culturing, which were sold to public health laboratories and research-oriented customers across Ontario. This was followed by such regional lab customers asking Microbix to do some of their bacteriological, mammalian cellular, and viral culturing work. In due course, international manufacturers of diagnostic tests learned of Microbix's abilities and approached the company to grow such organisms on an industrial scale, then purify and inactivate them to become "antigens" – the biological ingredients at the heart of "immunoassay" tests used to diagnose infection with, exposure to, or immunity from, bacteria and viruses. That test-ingredients business remained Microbix's only major source of revenues for many years, and underpins its deep expertise in matters relating to infectious disease diagnostics. During those years, Microbix sought to branch out into other areas of healthcare, such as into the production of biological therapeutics and vaccines. Although it had much of the expertise required for such initiatives, it could not gain access to the large sums of capital required to bring those projects to fruition.

That being recounted, one development asset from that era remains in the Microbix portfolio, a well-validated biological "clot-buster" drug called Kinlytic® urokinase. Kinlytic had been written-off as an asset in September, 2020, as the pandemic made it impossible to predict whether or when an alliance to fund its return to market could be completed. As the pandemic subsequently ebbed, Kinlytic took a big step toward generating meaningful revenues by way of the partnering Agreement with a better-funded entity, Sequel Pharma, LLC, that was signed in May, 2023. Since that time, Microbix has received a total of US$ 4.0 million in milestone payments from Sequel, which is now fully-funding Kinlytic's return to clinical usage – initially into the United States for the US$ 400 million sub-indication of venous catheter clearance. Microbix recognized a US$1.0 million payment as revenue in Q3 of fiscal 2023, recognized a further US$ 3.0 million of revenues in Q1 of fiscal 2024, and will be eligible for over US$ 30 million of further milestone payments and sales-driven royalty payments upon re-approval of Kinlytic for clinical use in the United States. In consequence, Microbix reversed the prior impairment of Kinlytic, restoring its prior cost-based intangible value of C$ 3.1 million in Q4 of fiscal 2023.

Microbix's antigen test-ingredients business was 90% or more of sales for many years. Over the past six years however, Microbix has sought to more broadly employ its deep diagnostics industry expertise and thereby incrementally build its revenues. This effort has succeeded, with test-ingredients comprising only 43% of Microbix's sales in fiscal 2022, 58% in fiscal 2023, and 54% in fiscal 2024 – due to its creating and growing other revenue streams. While test ingredients sales are now resuming a growth trajectory, their proportion of overall company sales is expected to continue to decline over time – as a result of faster-growing sales of other product categories, such as QAPs.

Most notably, Microbix has been successfully transformed from being a manufacturer of less-regulated test-ingredients, into the producer of a catalogue of clinically important and fully-regulated medical devices relating to infectious-disease diagnostic tests. The Company has thereby created new opportunities for both increasing sales and expanding gross margins. Specifically, Microbix medical devices products are innovative, proprietary, and branded – permitting access to new markets and customers at better margins than are usual for test-ingredients. Successfully upgrading to the ISO 13485 medical devices quality standard, obtaining a Health Canada Medical Devices Establishment License, attaining EU IVDR accreditation, and securing other necessary qualifications to be able to sell into the EU, US, and other markets remains integral to those goals.

In medical devices, the first category of Microbix products are its diagnostic-test quality assessment products, which are branded as "QAPs™" and colloquially known as test-controls. The QAPs business started with providing mimics of positive patient-samples to enable assessment of the proficiency of clinical laboratories by industry accreditation agencies. Sales of Microbix QAPs were largely limited to that customer base and had come to exceed C$ 1.0 million per year (i.e., about 10% of sales) when the COVID-19 pandemic began in early 2020 (the "Pandemic").

**Canadian Funds**

**OUTLOOK (Continued)**

While respiratory virus tests were not the principal focus of QAPs at that time, Microbix suspected the Pandemic in January of that year and validated its first COVID-related product by the end of March, 2020. Microbix has since supported governments and industry with many QAPs products related to testing for respiratory pathogens – to lab accreditation agencies, international test-makers, governments and hospitals, clinical labs, and many workplaces and schools. Respiratory disease has become an important portion of QAPs sales, but the Microbix portfolio has been expanded to include QAPs for many bacteria, viruses, and parasites that can cause acute sickness, chronic disease, and even cancers. Collectively, QAPs comprised 28% of product sales in fiscal 2022, 34% in fiscal 2023, and 33% in fiscal 2024, with Microbix expecting this segment to be its fastest-growing revenue source for the foreseeable future.

As the Pandemic emerged, Microbix was also quick to recognize the fragility of supply-chains for testing-related medical supplies. This alertness extended to noting pending shortages of viral transport medium ("VTM"), a medical device that is essential for stabilizing collected patient-samples in order that they remain intact while transported to, and until processed at, the central laboratories conducting most PCR-based tests. Having decades of expertise in producing complex cell-culturing media, Microbix volunteered to begin domestic production of VTM for the province of Ontario. With the assistance of a grant from the Ontario Together Fund (OTF) of the Ontario Ministry of Economic Development, Job Creation, and Trade (MEDJCT), Microbix created a VTM formulation to meet the exacting requirements of Public Health Ontario, perfected its methods, scaled its production, and became the only fully-regulated and validated local supplier to the Province.

Sales of Microbix's "DxTM™" brand VTM began in fiscal 2021 and comprised 26% of Microbix's revenues in fiscal 2022. However, production and sales of DxTM for Ontario has since been paused. Since December 2022, the procurement authorities of the Province of Ontario have returned to purchasing imported VTM to satisfy 100% of domestic testing needs, a practice that seems at odds with political leaders' stated objectives of security of supply and domestic manufacturing. As a result, it is unclear if or when sales of DxTM will resume or the extent to which Microbix may be called to supply the needs of the Province of Ontario. In consequence, the equipment purchased for DxTM production, much of which was acquired with direct encouragement and funding from government, is being redeployed for manufacture of test-kit reagents and diluents for other, non-governmental, customers based outside of Canada.

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

The largest of such opportunities involves FLOQswab-based QAPs being incorporated into kits of PoCT cartridges at fixed ratios (e.g., 1 QAP per 10 to 25 PoCT tests) for use to help ensure test or test-workflow accuracy. With major international test-makers intending to sell millions of cartridges per month across multiple pathogen categories, it is not difficult to see how revenues can build for Microbix in this industry area. A first such alliance was announced by Microbix in August, 2022 with QuidelOrtho Corporation (QDEL on NASDAQ). Meaningful revenues are being generated as that multinational test-maker, and others, wend their way through the needed design optimizations, regulatory approvals, and marketing launches for instruments and kits of their test cartridges that include Microbix QAPs. Further QAPs alliances continue to be developed by Microbix and are formalized and disclosed in due course, such as those with SpeeDx (Apr., 2021), Ulisse Biomed

**OUTLOOK (Continued)**

(Nov., 2023), BioGx (Dec., 2023), and Seegene USA (Dec. 2023). Other confidential business arrangements continue to be secured and to likewise progress.

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

We thereby come to Microbix today and tomorrow. Already, a Company that has attained annual revenues of C$ 25 million for our fiscal 2024, with the goal of exceeding C$100 million over the next several years. To do so, we have deep and broad life sciences capabilities and a a strong financial position. We are likewise a fully-fledged medical devices firm poised to benefit from medical diagnostics being used more effectively and frequently than ever, via over 100 established international customer relationships. In summary, Management's financial goals are to achieve higher and more consistent sales volumes while expanding gross margins, thereby driving growth in net earnings, free cash flow, and the value of Microbix's common stock for the benefit of all shareholders.

## LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

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

The Company has incurred historical losses resulting in an accumulated deficit of $ 33,391,235 as at September 30, 2024. Management continuously monitors the financial position of the Company with respect to working capital needs, as well as long-term capital requirements compared to the annual operating budget. Variances are highlighted and actions are taken to ensure the Company is appropriately capitalized.

### *Future Liquidity and Capital Needs*

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

Over the course of fiscal 2024, a portion of working capital was judiciously employed on creation of new R&D and QC labs, capacity expansions, and process optimizations – approximately $2.0 million was capitalized. A further $0.9 million was employed to repurchase and cancel common shares, to offset options dilution and somewhat stabilize trading in Microbix shares within volatile equity capital markets. Such investments were readily supported by our operations and Microbix continues to be in an enviable liquidity position as at September 30, 2024. Moving across fiscal 2025, Management expects cashflow to be positive 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) manufacturing process optimization efforts, and 5) other business development and financial initiatives. Management expects these factors will continue to improve the overall liquidity position, as the Company's plans come to fruition.

**LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES (Continued)**

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

On July 29, 2019, the Company signed an agreement with Federal Economic Development Agency for Southern Ontario to provide a repayable government contribution where the Federal Development Agency has agreed to contribute funding for 30% of the Business Scale-up and Productivity Project expenditures made by the Company, up to $2,752,500 over the following four years. The Company is required to submit eligible expenses on a quarterly basis to receive the interest-free contributions. On February 14, 2023 the Company agreed to an amendment to the original agreement providing an additional $840,000 of repayable contributions, increasing the total funding up to $3,592,500. Repayment of all contributions does not begin until April 15, 2025. Subsequently on May 27, 2024 the Company signed an amendment to the agreement extending the project completion date to December 31, 2024 and the repayment of all contributions will now begin on January 15, 2026.

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

On March 20, 2023, the Company announced an additional grant agreement with the Ontario Together Fund (“OTF”) of the Ministry of Economic Development, Job Creation and Trade (the “Grant”). The Grant of $840,000 is to cover 30% of the cost to further expand our capabilities and capacity for manufacturing specialized products relating to diagnostic testing for infectious diseases. The Government of Ontario is supporting the expansions at Microbix’s three adjacent sites in Mississauga. An initial Grant disbursement, upon execution of the agreement, in the amount of $504,000, was received on March 13, 2023. The remaining $336,000 of the grant will be paid upon project completion.

On May 16, 2023 announced the execution of an agreement (“Agreement”) to return Kinlytic® urokinase (“Kinlytic”) to market. Its Agreement is with Sequel Pharma, LLC (“Sequel”), a specialty pharma company with expertise in developing and commercializing drugs for the U.S. market that is funded by a leading private equity firm.

The Agreement provides for Sequel to fund and undertake the necessary work to return Kinlytic® to the U.S. for the clinical indication of clearance of blood clots from venous catheters, currently a US$ 400 million per year market that is a monopoly. Long-term venous catheters are used to administer pharmaceuticals, nutrition, or dialysis, often needing to remain in place for extended periods. About 25% of such catheters become blocked with blood clots and, if not cleared, can require costly surgical replacement.

On May 16, 2023, Microbix received an upfront payment of US$ 2.0 million under the Agreement, of which half was taken into revenues at the time and half deferred pending updated guidance from the U.S. FDA. Confirmatory guidance was received from U.S. FDA in fall of 2023. Consequently, in November 2023, Microbix received confirmation of full project funding from Sequel, recognized the second half of its initial payment from Sequel (i.e., US$ 1.0 million) and received the next milestone payment of US$ 2.0 million which was entirely recognized as revenue.

During Q3 2024, Microbix paid down 15% of the outstanding balance of the remaining loan from BDC, reducing our debt by $229,185.

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 September 30, 2024 was $48,682,854 for 135,674,136 common shares and September 30, 2023 was $49,044,488 for 136,853,373 common shares. The Company continues to repurchase shares through our NCIB, as outlined in the section below.

### Normal Course Issuer Bid ("NCIB")

On October 3, 2022 the Company initiated a Normal Course Issuer Bid ("NCIB") program for the repurchase and cancellation of outstanding common shares. In accordance with the rules of the Toronto Stock Exchange and as detailed in the Company's news release of September 28, 2022, the NCIB enabled the Company to repurchase up to 5% of its common shares over a 12-month period. During fiscal 2023 the Company repurchased 2,892,000 shares at a cost of $1,114,156 and cancelled 2,589,000 shares.

On December 8, 2023 the Company initiated a new Normal Course Issuer Bid ("NCIB") program for the repurchase and cancellation of outstanding common shares. In accordance with the rules of the Toronto Stock Exchange and as detailed in the Company's news release of December 6, 2023, the NCIB enables the Company to repurchase up to 5% of its common shares over a 12-month period. During fiscal 2024 the Company has repurchased 2,583,311 shares at a cost of $925,279.

On December 9, 2024 the Company initiated Normal Course Issuer Bid ("NCIB") program for the repurchase and cancellation of outstanding common shares. In accordance with the rules of the Toronto Stock Exchange and as detailed in the Company's news release of December 5, 2024, the NCIB enables the Company to repurchase up to 5% of its common shares over a 12-month period.

## OFF-BALANCE SHEET ARRANGEMENTS

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

## TREND INFORMATION

Historical spending patterns are no indication of future expenditures. Investment in the new products and technologies is at the discretion of management and the board of directors. The Company is not aware of any material trends related to its business that have not been discussed in this Management Discussion and Analysis dated September 30, 2024.

## 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, 2024.

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

**RISKS AND UNCERTAINTIES (Continued)**

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

A significant share of the Company's 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, as well as the value of inventories and other assets.

***Environmental, safety and other regulatory***

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

***Quality Assessment Products in development***

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

***Viral Transport Medium Products (DxTM)***

Microbix's DxTM is principally reliant upon sales to designates of the Government of Ontario. There is no assurance that sales to such designates will resume or that other customers of similar revenue potential 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 other organizations in academia, biotechnology, diagnostics, or pharmaceuticals (among other fields). It is possible the Company may be unable to negotiate mutually acceptable terms with such organizations.

***Operating and capital requirements***

Microbix seeks to earn a profit on the sale of its Antigens, QAPs and DxTM 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.

## RISKS AND UNCERTAINTIES (Continued)

***Failure to obtain and protect intellectual property could adversely affect business***

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

***Microbix will continue to face significant competition***

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

## FINANCIAL RISK MANAGEMENT

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

**Credit risk:**

The Company's cash is held in accounts or short-term interest-bearing accounts at one of the major Canadian chartered banks. With regards to its accounts receivable, 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. With respect to the outstanding trade accounts receivable balance, as at September 30, 2024, five customers accounted for 79% (September 30, 2023 - five customers accounted for 81%). Concerning revenues, for the year ending September 30, 2024, five customers accounted for 75% (September 30, 2023- five customers accounted for 64%). The Company has had minimal bad debts over the past several quarters and accordingly management has recorded an allowance of $35,000 (September 30, 2023- $35,000).

**Canadian Funds**

**FINANCIAL RISK MANAGEMENT (Continued)**

**Currency risk:**

The Company is exposed to currency risk given its global customer base. Over 90% of its revenue is denominated in either U.S. dollars or Euros. The Company does not use financial instruments to hedge this currency risk. At September 30, 2024 and September 30, 2023, the significant balances, quoted in Canadian dollars, held in foreign currencies are:

| | U.S. dollars | | Euros | |
|---|---|---|---|---|
| | September 30 2024 | September 30 2023 | September 30 2024 | September 30 2023 |
| Cash and cash equivalents | **$ 1,477,218** | $ 2,168,075 | **$ 37,815** | $ 25,225 |
| Accounts receivable | **$ 2,429,236** | $ 2,700,930 | **$ 1,020,804** | $ 1,043,883 |
| Accounts payable and accrued liabilities | **$ 164,692** | $ 173,959 | **$ -** | $ 40,753 |

Based upon 2024 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 $1,053,000 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 $189,400. 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 $1,053,000 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 $189,400.

**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 has helped to satisfy the Company's liquidity needs and to manage the liquidity risk.

**Interest rate risk**

Financial instruments that potentially subject the Company to interest rate risk include those assets and liabilities with a variable interest rate. Exposure to interest rate risk is primarily on the BDC debt that has a variable rate pegged to the bank rate. The rate can be fixed, if the outlook indicates interest rates will move higher. The only other variable debt the Company has is the $2,000,000 line of credit that bears interest at the bank's prime lending rate plus 2.0%. As at September 30, 2024 the Company has not drawn on this line of credit. A 1% increase in the bank rate would cost the Company approximately $13,000 per year for BDC and about $20,000 on the line of credit usage if it were fully used throughout the fiscal year. However, this would be somewhat offset by increase interest income on our short-term investments.

**FINANCIAL RISK MANAGEMENT (Continued)**

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

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

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

## CRITICAL ACCOUNTING ESTIMATES

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

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

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

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

## CRITICAL ACCOUNTING ESTIMATES

**Deferred income taxes**

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

**Share-based payments**

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

**Revenue Recognition**

Variable consideration included within a revenue arrangement requires significant judgment to determine the amount and timing of revenue recognition due to revenue being constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur.

## FINANCIAL INSTRUMENTS

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

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

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

**Disclosure Controls**

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures, as defined in the National Instrument 52-109 Certification of Disclosure in Issuer's Annual Filings (NI 52-109F1). As at September 30, 2024, management has concluded that the disclosure controls are effective in providing reasonable assurance that information required to be disclosed in the Company's reports is recorded, processed summarized and reported within the time periods specified in the Canadian Securities Administrator's rules and forms.

**FINANCIAL INSTRUMENTS (Continued)**

**Internal Controls Over Financial Reporting**

The design of internal controls over financial reporting ("ICFR") within the company is a management responsibility to provide reasonable assurance that the reliability of financial reporting and that the preparation of financial statements for external purposes is in accordance with generally accepted accounting principles of IFRS. While the CEO and CFO believe that the internal controls are adequate to provide the above information, the process to evaluate and document all policies and procedures that could impact financial reporting is continuously reviewed with consultation with the Audit Committee. Shareholders should be aware that Microbix is a small company without the department resources associated with larger firms. Management is using the Committee of Sponsoring Organization of the Treadway Commission ("COSO"). Framework and has concluded that the Internal Control over Financial Reporting ("ICFR") as defined in NI 52-109 is effective as at the period ended September 30, 2024. Examination by the Chief Executive Officer and the Chief Financial Officer showed that there were no changes to the internal controls over financial reporting during the period ended September 30, 2024 that have materially affected, or are reasonably thought to materially affect, the internal control over financial reporting.

**CHANGES IN ACCOUNTING POLICIES**

**IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")**

Amendments to IAS 8 were issued in February 2021, IASB issued Definition of Accounting Estimates, which amends IAS 8. The amendment replaces the definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company has concluded that there is no impact of adopting these amendments on its consolidated financial statements on October 1, 2023.

**IAS 12 – Income Taxes ("IAS 12")**

Amendments to IAS 12 were issued in May 2021, IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which amends IAS 12. The amendment narrows the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offset temporary differences. As a result, companies will need to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition of transactions such as leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company has concluded that there is no impact of adopting these amendments on its consolidated financial statements on October 1, 2023.

**IMPACT OF NEW ACCOUNTING STANDARDS BUT NOT YET ADOPTED**

**IFRS 9 – Financial Instruments ("IFRS 9") and IFRS 7 – Financial Instruments: Disclosures ("IFRS 7")**

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7, relating to the classification and measurement requirements of financial instruments recognized within those standards. These amendments will be effective for annual periods beginning on or after January 1, 2026 and will be applied retrospectively with an adjustment to opening retained earnings. Prior periods will not be required to be restated and can only be restated without using hindsight. Entities can early adopt the amendments that relate to the classification of financial assets plus the related disclosures and can apply other amendments subsequently. The Company does not expect material impacts of adopting these amendments on its consolidated financial statements.

**IMPACT OF NEW ACCOUNTING STANDARDS BUT NOT YET ADOPTED (Continued)**

**IFRS 18 – Presentation and Disclosure in Financial Statements ("IFRS 18")**

In April 2024, the IASB issued an amendment to IFRS 18, which will replace IAS 1. The issuance introduces new categories and subtotals in the statements of comprehensive income (loss), requires disclosure of management-defined performance measures, and includes new requirements for the location, aggregation and disaggregation of financial information. IFRS 18 will be effective for annual periods beginning on or after January 1, 2027 and are to be applied retrospectively. Early adoption is permitted and must be disclosed. The Company is still assessing the impact of adopting this amendment on its consolidated financial statements.

**IAS 1 – Presentation of Financial Statements ("IAS 1")**

In January 2020, the IASB issued an amendment to IAS 1, which affects 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 12 months. That classification is unaffected by the likelihood that an entity will exercise its deferral right. The amendments are effective for annual periods beginning on or after January 1, 2024 and are to be applied retrospectively. The Company is still assessing the impact of adopting these amendments on its consolidated financial statements.

## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the consolidated financial statements of Microbix Biosystems Inc. and its subsidiaries [the "Group"], which comprise the consolidated statements of financial position as at September 30, 2024 and 2023, and the consolidated statements of income (loss) and comprehensive income (loss), consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRS"].

### Basis for opinion

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

### Key audit matters

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

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

## Key Audit Matters

### Inventories Costing – work in process and finished goods

As at September 30, 2024, the inventories balance was $6.5 million, which was comprised of raw materials, work in process and finished goods. Inventory is recorded at the lower of cost and net realizable value. The cost for work in process and finished goods includes direct costs incurred in production including raw materials, direct labour, depreciation and directly attributable overhead costs and indirect overhead costs based on normal operating capacity. The Group uses the weighted average cost method to measure the cost of work in process and finished goods. Note 3 of the consolidated financial statements describes the accounting policy for inventories.

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

### How our audit addressed the key audit matter

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

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

**Other information**

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

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

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

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

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

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

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

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

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

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

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

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Laura Sluce.

Toronto, Canada
December 17, 2024

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

**As at September 30, 2024 and 2023** | **Canadian Funds**

| | As at September 30, 2024 | As at September 30, 2023 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and cash equivalents | $ 12,963,339 | $ 11,606,487 |
| Accounts receivable (Note 21) | 4,161,448 | 4,119,771 |
| Inventories (Note 5) | 6,464,407 | 5,752,031 |
| Prepaid expenses and other assets | 643,469 | 767,451 |
| Investment tax credit receivable | 27,299 | 56,266 |
| **TOTAL CURRENT ASSETS** | 24,259,962 | 22,302,006 |
| **LONG-TERM ASSETS** | | |
| Property, plant and equipment (Note 6) | $ 9,617,657 | $ 8,927,600 |
| Intangible assets (Note 7) | 4,219,148 | 4,423,418 |
| **TOTAL LONG-TERM ASSETS** | 13,836,805 | 13,351,018 |
| **TOTAL ASSETS** | $ 38,096,767 | $ 35,653,024 |
| **LIABILITIES** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable and accrued liabilities | $ 2,662,417 | $ 2,080,284 |
| Current portion of long-term debt (Note 9) | 111,120 | 111,120 |
| Current portion of lease liability (Note 6) | 130,815 | 156,231 |
| Deferred revenue (Notes 9, 23) | 490,470 | 2,004,237 |
| **TOTAL CURRENT LIABILITIES** | 3,394,822 | 4,349,942 |
| **LONG-TERM LIABILITIES** | | |
| Debentures (Note 8) | $ 2,006,436 | $ 1,789,394 |
| Lease liability (Note 6) | 568,919 | 699,733 |
| Other long-term liabilities (Note 23) | 249,588 | 298,691 |
| Long-term debt (Note 9) | 3,579,574 | 3,890,777 |
| **TOTAL LONG-TERM LIABILITIES** | 6,404,517 | 6,678,595 |
| **TOTAL LIABILITIES** | $ 9,799,339 | $ 11,028,537 |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital (Note 11) | $ 48,682,854 | $ 49,044,488 |
| Equity component of convertible debentures (Note 8) | 2,272,566 | 2,272,566 |
| Contributed surplus | 10,733,243 | 10,218,847 |
| Accumulated deficit | (33,391,235) | (36,911,414) |
| **TOTAL SHAREHOLDERS' EQUITY** | $ 28,297,428 | $ 24,624,487 |
| **TOTAL LIABILITIES & SHAREHOLDERS' EQUITY** | $ 38,096,767 | $ 35,653,024 |

Commitments and Contingencies (Note 25)

(Signed) "Martin Marino"
MARTIN MARINO
DIRECTOR

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

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

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

**For the years ended September 30, 2024 and 2023** **Canadian Funds**

| | 2024 | 2023 |
|---|---|---|
| **SALES** | | |
| Product sales (Notes 22, 23) | $ 20,617,233 | $14,679,541 |
| Royalties and other sales | 4,776,915 | 1,835,235 |
| **TOTAL SALES** | 25,394,148 | 16,514,776 |
| **COST OF GOODS SOLD** | | |
| Product costs (Notes 5, 15) | 9,945,836 | 8,965,536 |
| Royalties | 56,611 | 67,906 |
| **TOTAL COST OF GOODS SOLD** | 10,002,447 | 9,033,442 |
| **GROSS MARGIN** | 15,391,701 | 7,481,334 |
| **EXPENSES** | | |
| Selling and business development (Note 15) | 1,475,561 | 1,478,277 |
| General and administrative (Note 15) | 7,885,746 | 6,692,749 |
| Research and development (Note 15) | 2,125,382 | 2,046,740 |
| **OPERATING INCOME (LOSS) BEFORE, FINANCE EXPENSES AND REVERSAL OF IMPAIRMENT OF LONG-TERM ASSET** | 3,905,011 | (2,736,432) |
| Reversal of impairment of intangible asset (Note 7) | - | (3,078,585) |
| Finance expenses, net (Note 18) | 234,269 | 381,636 |
| **INCOME (LOSS) FOR THE YEAR, BEFORE INCOME TAXES** | 3,670,742 | (39,483) |
| **INCOME TAXES** | | |
| Current income taxes (Note 16) | 150,563 | - |
| **NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE YEAR** | $ 3,520,179 | $ (39,483) |
| **NET INCOME (LOSS) PER SHARE** | | |
| Basic (Note 14) | $ 0.026 | $ (0.000) |
| Diluted (Note 14) | $ 0.026 | $ (0.000) |

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**For the years ended September 30, 2024 and 2023** | **Canadian Funds**

| | 2024 | 2023 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net Income (Loss) for the Year | $ 3,520,179 | $ (39,483) |
| **Items not affecting cash** | | |
| Amortization and depreciation (Note 15) | 1,612,813 | 1,157,169 |
| Accretion of debentures (Note 8) | 217,042 | 161,132 |
| Share-based compensation (Note 13) | 714,290 | 735,318 |
| Accretion interest expense (Notes 6, 9, 18) | 223,986 | 189,728 |
| Gain on debt modification (Notes 9,18) | (166,630) | - |
| Reversal of impairment of intangible asset (Note 7) | - | (3,078,585) |
| Change in non-cash working capital balances (Note 17) | (1,774,061) | (219,840) |
| **CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES** | 4,347,620 | (1,094,561) |
| **INVESTING ACTIVITIES** | | |
| Purchase of property, plant and equipment (Note 6) | (1,636,146) | (1,016,232) |
| Additions to intangible assets (Note 7) | (270,604) | - |
| **CASH USED IN INVESTING ACTIVITIES** | (1,906,750) | (1,016,232) |
| **FINANCING ACTIVITIES** | | |
| Repayments of long-term debt (Note 9) | (340,305) | (111,120) |
| Proceeds from Government Loan and Grants (Note 9) | - | 1,540,530 |
| Payment of lease liabilities | (182,184) | (190,202) |
| Repurchase of common share units, net of costs (Note 11) | (925,279) | (1,115,263) |
| Proceeds from exercise of warrants and options (Notes 12, 13) | 363,750 | 105,260 |
| **CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES** | (1,084,018) | 229,205 |
| **NET CHANGE IN CASH - DURING THE YEAR** | 1,356,852 | (1,881,588) |
| **CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR** | 11,606,487 | 13,488,075 |
| **CASH AND CASH EQUIVALENTS - END OF YEAR** | $12,963,339 | $ 11,606,487 |

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

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

**For the years ended September 30, 2024 and 2023** **Canadian Funds**

| | Share Capital (Note 11) | | | | | |
|---|---|---|---|---|---|---|
| | Number of Shares | Stated Capital | Contributed Surplus | Deficit | Equity Component of Debentures | Total Shareholders' Equity |
| **Balance, September 30, 2022** | **138,991,373** | **$49,918,916** | **$9,619,104** | **$(36,871,932)** | **$2,272,566** | **$24,938,655** |
| Share-based compensation expense | - | - | 735,318 | - | - | 735,318 |
| Share Issuance pursuant to | | | | | | |
| Exercise of Warrants | 21,000 | 9,702 | (2,142) | - | - | 7,560 |
| Exercise of Options | 430,000 | 152,070 | (54,370) | - | - | 97,700 |
| Repurchase of Shares | (2,589,000) | (1,036,200) | (79,063) | - | - | (1,115,263) |
| Net loss and comprehensive loss for the year | - | - | - | (39,482) | - | (39,482) |
| **Balance, September 30, 2023(1)** | **136,853,373** | **$49,044,488** | **$10,218,847** | **$(36,911,414)** | **$2,272,566** | **$24,624,487** |
| Share-based compensation expense | - | - | 714,290 | - | - | 714,290 |
| Share Issuance pursuant to Exercise of Options | 1,570,000 | 565,070 | (201,321) | - | - | 363,749 |
| Repurchase of Shares | (2,749,237) | (926,704) | 1,426 | - | - | (925,278) |
| Net income and comprehensive income for the year | - | - | - | 3,520,179 | - | 3,520,179 |
| **Balance, September 30, 2024(1)** | **135,674,136** | **$48,682,853** | **$10,733,243** | **$(33,391,235)** | **$2,272,566** | **$28,297,427** |

(1) Includes 137,074 (book value $49,198) treasury shares as at September 30, 2024 (September 30, 2023 - 303,000 (book value $108,347)); see Note 11.

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

**1. NATURE OF THE BUSINESS**

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

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

**2. BASIS OF PREPARATION**

The Company's management prepared these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The Board of Directors approved these consolidated financial statements on December 17, 2024.

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

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

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### Use of estimates and judgments

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

Key areas of managerial judgments and estimates are as follows:

***Property, plant and equipment***

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

***Financial assets and liabilities***

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

***Income taxes***

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

***Fair value of share-based compensation***

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

***Impairments***

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

***Revenue recognition***

Variable consideration included within a revenue arrangement requires significant judgment to determine the amount and timing of revenue recognition due to revenue being constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### Revenue Recognition

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

Revenues from licensing of the Company's intangible assets are recognized when the service is rendered and control of the service is transferred to the Company's customers. Licensing revenue is comprised of upfront payments and certain milestones, and royalties. Upfront payments and milestones not representing a financing component are recognized to coincide with the timing of when control is transferred, which may either be a point in time or over time. Certain of the Company's licensing agreements include variable consideration due to uncertainty as to the amount of revenue earned. Revenue from variable consideration is recognized only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved (variable consideration constraint).

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

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

### Cash and Cash Equivalents

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

### Financial assets and liabilities

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

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

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

| | Classification and Measurement Method | 2024 | 2023 |
|---|---|---|---|
| Financial assets: | | | |
| Cash and cash equivalents | FVTPL | $ 12,963,339 | $ 11,606,487 |
| Accounts receivable | Amortized cost | 4,161,448 | 4,119,771 |
| Financial liabilities: | | | |
| Accounts payable and accrued liabilities | Amortized cost | $ 2,662,417 | $ 2,080,284 |
| Debentures | Amortized cost | 2,006,436 | 1,789,394 |
| Long-term-debt | Amortized cost | 3,690,694 | 4,001,897 |

## Inventories

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

## Property, plant and equipment

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

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

Depreciation is provided for at the following basis and rates:

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

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Intangible assets**

Intangible assets include technology costs, patents, trademarks, and licenses. Each is recorded at cost and amortized on a straight-line basis over the term of the agreements or useful life of the asset. Amortization commences when the intangible asset is available for use.

**Impairment of long-lived assets**

An impairment charge is recognized for long-lived assets, including intangible assets with definite lives, when an event or change in circumstances indicates that the assets' carrying value may not be recoverable. The impairment loss is calculated as the difference between the carrying value of the asset and the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and value in use. A previously recognized impairment loss on long-lived assets is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there is a subsequent increase in the recoverable amount. An impairment loss is reversed only to the extent that the asset's or CGU's carrying value does not exceed the carrying value that would have been determined, net of amortization expense, had no impairment loss been recognized. Such reversal is recognized in the statement of profit and loss.

**Borrowing costs**

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

**Share-based compensation**

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

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

**Foreign currency translation**

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

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

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Income (Loss) per common share**

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

**Deferred taxes**

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

**Research and development expenses**

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

**Investment tax credits**

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

**Leases**

*The Company as lessee*

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

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Leases (Continued)**

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

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

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

**Government Financing and Assistance**

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

**Changes in Accounting Policies**

**IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8")**

Amendments to IAS 8 were issued in February 2021, IASB issued Definition of Accounting Estimates, which amends IAS 8. The amendment replaces the definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The amendment provides clarification to help entities to distinguish between accounting policies and accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company has concluded that there is no impact of adopting these amendments on its consolidated financial statements on October 1, 2023.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### IAS 12 – Income Taxes ("IAS 12")

Amendments to IAS 12 were issued in May 2021, IASB issued Deferred Tax related to Assets and Liabilities arising from a Single Transaction, which amends IAS 12. The amendment narrows the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offset temporary differences. As a result, companies will need to recognize a deferred tax asset and deferred tax liability for temporary differences arising on initial recognition of transactions such as leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after January 1, 2023 and are to be applied retrospectively. The Company has concluded that there is no impact of adopting these amendments on its consolidated financial statements on October 1, 2023.

## 4. IMPACT OF NEW ACCOUNTING STANDARDS AND AMENDMENTS ISSUED BUT NOT YET ADOPTED

### IFRS 9 – Financial Instruments ("IFRS 9") and IFRS 7 – Financial Instruments: Disclosures ("IFRS 7")

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7, relating to the classification and measurement requirements of financial instruments recognized within those standards. These amendments will be effective for annual periods beginning on or after January 1, 2026 and will be applied retrospectively with an adjustment to opening retained earnings. Prior periods will not be required to be restated and can only be restated without using hindsight. Entities can early adopt the amendments that relate to the classification of financial assets plus the related disclosures and can apply other amendments subsequently. The Company does not expect material impacts of adopting these amendments on its consolidated financial statements.

### IFRS 18 – Presentation and Disclosure in Financial Statements ("IFRS 18")

In April 2024, the IASB issued an amendment to IFRS 18, which will replace IAS 1. The issuance introduces new categories and subtotals in the statements of comprehensive income (loss), requires disclosure of management-defined performance measures, and includes new requirements for the location, aggregation and disaggregation of financial information. IFRS 18 will be effective for annual periods beginning on or after January 1, 2027 and are to be applied retrospectively. Early adoption is permitted and must be disclosed. The Company is still assessing the impact of adopting this amendment on its consolidated financial statements.

### IAS 1 – Presentation of Financial Statements ("IAS 1")

In January 2020, the IASB issued an amendment to IAS 1, which affects 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 12 months. That classification is unaffected by the likelihood that an entity will exercise its deferral right. The amendments are effective for annual periods beginning on or after January 1, 2024 and are to be applied retrospectively. The Company has concluded that there is no impact of adopting these amendments on its consolidated financial statements on October 1, 2024.

## 4. IMPACT OF NEW ACCOUNTING STANDARDS AND AMENDMENTS ISSUED BUT NOT YET ADOPTED (Continued)

### IAS 1 – Presentation of Financial Statements ("IAS 1")

In January 2020, the IASB issued an amendment to IAS 1, which affects 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 12 months. That classification is unaffected by the likelihood that an entity will exercise its deferral right. The amendments are effective for annual periods beginning on or after January 1, 2024 and are to be applied retrospectively. The Company has concluded that there is no impact of adopting these amendments on its consolidated financial statements on October 1, 2024.

## 5. INVENTORIES

Inventories consist of the following:

| | September 30, 2024 | September 30, 2023 |
|---|---|---|
| Raw materials | $ 1,759,743 | $ 1,714,606 |
| Work in process | 2,154,703 | 1,873,132 |
| Finished goods | 2,549,961 | 2,164,293 |
| | $ 6,464,407 | $ 5,752,031 |

During the year ended September 30, 2024, inventories in the amount of $9,945,836 (September 30, 2023 - $8,965,536) were recognized as an expense through cost of goods sold. The allowance for inventories as at September 30, 2024 was $718,726, which is recognized in cost of goods sold (September 30, 2023 - $1,200,596). The allowance recognized as at September 30, 2023, included an amount related to our DxTM products.

## 6. PROPERTY, PLANT, AND EQUIPMENT AND LEASES

The freehold land and buildings have been pledged as security for bank loans under a mortgage (see Note 9). Property, plant and equipment and right-of-use assets 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, 2022 | $ 6,198,311 | $ 600,258 | $ 7,072,624 | $ 1,697,014 | $ 800,000 | $ 16,368,206 |
| Additions | 67,368 | 123,289 | 825,576 | 8,796 | - | 1,025,028 |
| Balance, as at September 30, 2023 | $ 6,265,678 | $ 723,546 | $ 7,898,200 | $ 1,705,810 | $ 800,000 | $ 17,393,234 |
| Additions | 352,949 | - | 1,475,047 | - | - | 1,827,996 |
| **Balance, as at September 30, 2024** | **$ 6,618,627** | **$ 723,546** | **$ 9,373,246** | **$ 1,705,810** | **$ 800,000** | **$19,221,230** |
| ACCUMULATED DEPRECIATION | | | | | | |
| Balance, as at September 30, 2022 | $ 2,221,807 | $ 472,737 | $ 4,249,204 | $ 518,203 | - | $ 7,461,950 |
| Depreciation | 398,967 | 20,351 | 406,744 | 177,621 | - | 1,003,684 |
| Balance, as at September 30, 2023 | $ 2,620,774 | $ 493,088 | $ 4,655,948 | $ 695,824 | - | $8,465,634 |
| Depreciation | 396,640 | 23,986 | 541,283 | 176,030 | - | 1,137,940 |
| **Balance, as at September 30, 2024** | **3,017,414** | **517,074** | **5,197,231** | **871,854** | **-** | **9,603,574** |
| NET BOOK VALUE | | | | | | |
| Balance, September 30, 2023 | $ 3,644,904 | $ 230,458 | $ 3,242,252 | $ 1,009,986 | $ 800,000 | $ 8,927,600 |
| **Balance, as at September 30, 2024** | **$ 3,601,213** | **$ 206,473** | **$ 4,176,015** | **$ 833,956** | **$ 800,000** | **$ 9,617,657** |

Fiscal 2024 additions include $352,949 for lab construction in progress.

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

| | Right-of-Use Assets | | |
|---|---|---|---|
| | Property | Equipment | Lease Liabilities |
| Balance, September 30, 2022 | $ 942,867 | $ 235,944 | $ 1,002,346 |
| Additions | 8,796 | - | - |
| Depreciation Expense | (153,097) | (24,525) | - |
| Interest Accretion | - | - | 33,094 |
| Payments | - | - | (181,406) |
| Balance, September 30, 2023 | $ 798,567 | $ 211,419 | $ 854,034 |
| Additions | - | - | - |
| Depreciation Expense | (153,831) | (22,199) | - |
| Interest Accretion | - | - | 27,884 |
| Payments | - | - | (182,184) |
| **Balance, September 30, 2024** | **$ 644,736** | **$ 189,220** | **$ 699,734** |
| Current portion | | | $ 130,815 |
| Non-current portion | | | 568,919 |

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

Lease liabilities for leases that were entered during the year ended September 30, 2024 were discounted using an incremental borrowing rate of 3.5% (September 30, 2023 – 3.5%). There were no new leases entered into in fiscal 2024.

Lease obligations as at September 30, 2024 are:

| | | Amount |
|---|---|---|
| 2025 | $ | 153,410 |
| 2026 | | 98,451 |
| 2027 | | 95,606 |
| 2028 | | 94,388 |
| 2029 | | 93,518 |
| 2030 and thereafter | | 257,175 |
| **Total** | **$** | **792,549** |

## 7. INTANGIBLE ASSETS

Intangible assets consist of:

| | Capitalized Development Costs Bioreactor (a) | Patents and Trademarks QAPs (b) | Kinlytic® License (c) | Rights and Knowhow (d) | Total |
|---|---|---|---|---|---|
| **COST** | | | | | |
| Balance, as at September 30, 2022 | 2,088,575 | 142,470 | - | - | 2,231,045 |
| Additions | - | - | 3,078,585 | - | 3,078,585 |
| Balance, as at September 30, 2023 | 2,088,575 | 142,470 | 3,078,585 | - | 5,309,630 |
| Additions | - | - | - | 270,604 | 270,604 |
| **Balance, as at September 30, 2024** | **2,088,575** | **142,470** | **3,078,585** | **270,604** | **5,580,234** |
| **ACCUMULATED AMORTIZATION** | | | | | |
| Balance, as at September 30, 2022 | 707,795 | 24,932 | - | - | 732,727 |
| Amortization expense | 139,238 | 14,247 | - | - | 153,485 |
| Balance, as at September 30, 2023 | $847,033 | 39,179 | - | - | 886,212 |
| Amortization expense | 139,238 | 14,247 | 307,859 | 13,530 | 474,874 |
| **Balance, as at September 30, 2024** | **986,272** | **53,426** | **307,859** | **13,530** | **1,361,086** |
| **NET BOOK VALUE** | | | | | |
| Balance, as at September 30, 2023 | 1,241,542 | 103,291 | 3,078,585 | - | 4,423,418 |
| **Balance, as at September 30, 2024** | **1,102,304** | **89,044** | **2,770,727** | **257,074** | **4,219,148** |

**7. INTANGIBLE ASSETS (Continued)**

The Bioreactor intangible asset is amortized on a straight-line basis at a rate of 7%. At each reporting date, the Company is required to assess its long-lived assets for potential indicators of impairment. If any such indication exists, the Company estimates the recoverable amount of the asset or CGU and compares it to the carrying value.

***(a) Bioreactor***

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

***(b) Patents and Trademarks - Quality Assessment Products (“QAPs”)***

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

***(c) Kinlytic®***

The Company acquired the assets and rights pertaining to the development, production, and licensing of Kinlytic® from ImaRX Therapeutics, Inc. in 2008. In Q4 2020, this intangible asset, which was not yet available for use and included in the Kinlytic cash-generating unit (“CGU”) was determined to be impaired and accordingly the Company had recognized an impairment charge of $3,078,585 during the year ended September 30, 2020.

On May 16, 2023, the Company announced the execution of an agreement (“Agreement”) to return Kinlytic® urokinase (“Kinlytic”) to market. Its Agreement is with Sequel Pharma, LLC (“Sequel”), a specialty pharma company with expertise in developing and commercializing drugs for the U.S. The Agreement provides for Sequel to fund and undertake the necessary work to return Kinlytic® to the U.S. for the clinical indication of venous catheter clearance.

During the year ended September 30, 2023, the Company determined that there were indicators that the impairment charge recognized in prior periods may no longer exist and the Company estimated the recoverable amount of the CGU based on its estimated future discounted cash flows resulting in a reversal of impairment recognized earlier in the amount of $3,078,585. The recoverable amount of the Kinlytic® intangible asset has been estimated based on the future estimated discounted cash flows. The significant assumptions applied in the impairment reversal tests are described below:

- The expected future cash flows calculated based on revenue projections, which included estimated market share, growth rates and contractual royalty rates.
- The pre-tax discount rate of 12% used to reflect the current market assessment of the risks specific to the CGU.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not be less than the carrying amount. The asset will be amortized over an estimated period of 10 years.

***(d) Rights and Know-how***

On March 4, 2024, the Company acquired QAPs related rights and know-how from a supplier. These rights and know-how include the following: (i) viable cell-lines that can be propagated by Microbix, (ii) disclosure of supplier methods under which such propagation can be performed, and (iii) any licenses to the Intellectual Property of the supplier that are reasonably required by Microbix. The purchase price was $200,000 US ($270,604 Cdn.) The asset will be amortized over an estimated period of 20 years.

## 8. DEBENTURES

The Company has convertible debentures issued and outstanding as at September 30, 2024. The carrying values of the debt component of these debentures are as follows:

| | Convertible debentures (a) | Convertible debentures (b) | Total convertible debentures |
|---|---|---|---|
| Date of issue | Oct, 2016 | Oct, 2016 | |
| Face value | $ 1,500,000 | $ 2,500,000 | $ 4,000,000 |
| Liability component at the date of issue | 461,550 | 780,750 | 1,242,300 |
| Balance, September 30, 2022 | 596,208 | 1,032,054 | 1,628,262 |
| Accretion | 56,423 | 104,709 | 161,132 |
| Balance, September 30, 2023 | 652,631 | 1,136,763 | 1,789,394 |
| Accretion | 76,106 | 140,937 | 217,042 |
| **Balance, September 30, 2024** | **728,737** | **1,277,700** | **2,006,436** |
| Non-current portion | **728,737** | **1,277,700** | **2,006,436** |
| **Balance, September 30, 2024** | **$ 728,737** | **1,277,700** | **2,006,436** |
| **Equity component at September 30, 2024** | **574,435** | **1,698,131** | **2,272,566** |
| Conversion price per common share | $ 0.23 | $ 0.23 | |
| Effective interest rate charged | 31.07% | 30.85% | |
| Payment frequency | Quarterly | Quarterly | |
| Maturity of financial instrument | Jan, 2029 | Sep, 2028 | |
| Stated interest rate | 9% | 9% | |
| Terms of repayment | Interest only | Interest only | |
| Blended quarterly repayment | N/A | N/A | |

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

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

All of the debentures were issued to shareholders of the Company. Over the term of the convertible debentures, the debt components are being accreted to the face value of the debentures by the recording of additional interest expense using the effective interest rate, as detailed above.

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

a) The Company has an outstanding loan with the Business Development Bank of Canada ("BDC"). The following summarizes the outstanding balance as at September 30, 2024:

| Term Loans with the Business Development Bank ("BDC") | (a) |
|---|---|
| Effective date of loan | Jun, 2008 |
| Initial Loan Amount | $ 3,000,000 |
| Balance, September 30, 2022 | 1,713,100 |
| Loan repayments during the year | (111,120) |
| Balance, September 30, 2023 | $ 1,601,980 |
| Loan repayments during the year | (340,305) |
| **Balance, September 30, 2024** | **$ 1,261,675** |
| Current Portion | $ 111,120 |
| Non-current portion | 1,150,555 |
| Payment frequency | Monthly |
| Maturity of loan | Feb, 2038 |
| Terms of repayment | Principal and interest |

Notes: (a) Loan for the purchase of manufacturing facility and building improvements.

The remaining BDC loan has a floating interest rate based on BDC's floating base rate less 1.0%. As at September 30, 2024, the rate was 7.55% (September 30, 2023 – 8.30%). The loan is secured with the building and equipment. On May 21, 2024, the Company prepaid $229,185, 15% of the outstanding balance.

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

As at September 30, 2024, the commitments for the next five fiscal years and thereafter for the BDC loan is as follows:

| | | Amount |
|---|---|---|
| 2025 | $ | 111,120 |
| 2026 | | 111,120 |
| 2027 | | 111,120 |
| 2028 | | 111,120 |
| 2029 | | 111,120 |
| 2030 and thereafter | $ | 706,075 |

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% (8.45% on September 30, 2024). As at September 30, 2024 the Company had no funds drawn on the facility (September 30, 2023- nil). The Company's availability and usage of this facility varies across its manufacturing, sales and Accounts Receivable collection cycles.

c) On July 29, 2019, the Company signed an agreement with the Federal Economic Development Agency for Southern Ontario ("FedDev") to provide a repayable government contribution of 30% of the Business Scale-up and Productivity Project expenditures made by the Company, up to $2,752,500 over the following four years. The Company is required to submit eligible expenses on a quarterly basis to receive the interest-free contributions. On February 14, 2023, the Company agreed to an amendment to the original agreement providing an additional $840,000 of repayable contributions, increasing the total funding up to $3,592,500. Repayment of all contributions was to begin April 15, 2025. On March 8, 2024, the agreement was further amended to extend the project completion date to September 30, 2024 and the repayment of all contributions will begin on October 15, 2025. Subsequently on May 27, 2024, the Company signed an amendment to the agreement extending the project completion date to December 31, 2024 and the repayment of all contributions will now begin on January 15, 2026. As a result of this extension to the timing of repayment, a gain on debt modification of $166,630 was recognized in Q3 2024.

d) As at September 30, 2024, the Company has received contributions totalling $3,233,250 (September 30, 2023 – $3,233,250). 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 $2,117,358 (September 30, 2023 – $$2,117,358), based on a discount rate of 8%, which represents management's best estimate of fair value. The residual amount of $1,115,892 (September 30, 2023 – $1,115,892) 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. During the year ended September 30, 2024, $95,677 has been recognized as grant income within general and administrative expenses (September 30, 2023 - $250,995). As at September 30, 2024, the carrying value of the Loan is $2,429,019 (September 30, 2023 – $2,399,917) and $315,777 is recognized as a deferred grant within deferred revenue on the consolidated statements of financial position (September 30, 2023– $411,083).

The Company is in compliance with the covenants associated with this loan as at September 30, 2024.

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

| Fiscal Years | | Amount |
|---|---|---|
| 2026 | $ | 484,987 |
| 2027 | | 646,650 |
| 2028 | | 646,650 |
| 2029 | | 646,650 |
| 2030 | | 646,650 |
| 2031 | | 161,663 |

## 10. GOVERNMENT GRANT

On March 20, 2023, the Company announced an additional grant agreement with the Ontario Together Fund ("OTF") of the Ministry of Economic Development, Job Creation and Trade (the "Grant"). The Grant of $840,000 is to cover 50% of the cost to further expand our capabilities and capacity for manufacturing specialized products relating to diagnostic testing for infectious diseases. The Government of Ontario is supporting the expansions at Microbix's three adjacent sites in Mississauga. An initial Grant disbursement, upon execution of the agreement, in the amount of $504,000 was received on March 13, 2023. During fiscal 2024 $402,162 of grant income was recognized. In addition, $369,719 was recognized as a reduction to property, plant and equipment. At September 30,2024, other receivables include $268,774 in grants receivable (September 30, 2023 – nil). The remaining $336,000 of the grant will be paid upon project completion following a review of Eligible Project Expenditures incurred during the project.

## 11. SHARE CAPITAL

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

On October 3, 2022, the Company initiated a Normal Course Issuer Bid ("NCIB") program for the repurchase and cancellation of outstanding common shares. In accordance with the rules of the Toronto Stock Exchange and as detailed in the Company's news release of September 28, 2022, the NCIB enables the Company to repurchase up to 5% of its common shares over a 12-month period. During fiscal 2023, the Company repurchased 2,892,000 shares at a cost of $1,114,156 and cancelled 2,589,000 shares. 303,000 shares representing shares repurchased ($108,347 book value) but not yet cancelled are considered as treasury shares as at September 30, 2023.

On December 8, 2023, the Company initiated new a Normal Course Issuer Bid ("NCIB") program for the repurchase and cancellation of outstanding common shares. In accordance with the rules of the Toronto Stock Exchange and as detailed in the Company's news release of December 6, 2023, the NCIB enables the Company to repurchase up to 5% of its common shares over a 12-month period. During the year ended September 30, 2024, 2,583,311 shares were repurchased. As at September 30, 2024 137,074 shares were in treasury, awaiting cancellation.

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, 2022 | 138,991,373 | $ 49,918,916 |
| Exercise of Warrants | 21,000 | 9,702 |
| Exercise of stock options | 430,000 | 152,070 |
| Stock repurchase and cancellation | (2,589,000) | (1,036,200) |
| Balance, as at September 30, 2023 | 136,853,373 | $ 49,044,488 |
| Exercise of stock options | 1,570,000 | 565,070 |
| Stock repurchase and cancellation | (2,749,237) | (926,704) |
| **Balance, as at September 30, 2024** | **135,674,136** | **$ 48,682,854** |

## 12. COMMON SHARE PURCHASE WARRANTS

A continuity of the Company's warrants outstanding as at September 30, 2024 is presented in the following table:

| | Units | Weighted average exercise price |
|---|---|---|
| Balance, September 30, 2022 | 15,573,397 | $ 0.53 |
| Exercised | (21,000) | 0.36 |
| Expired | (920,833) | 0.52 |
| Balance, September 30, 2023 | 14,631,564 | $ 0.53 |
| Expired | (5,750,000) | 0.80 |
| **Balance, September 30, 2024** | **8,881,564** | **$ 0.36** |

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

| | September 30, 2024 | | | September 30, 2023 | | |
|---|---|---|---|---|---|---|
| | 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 | - | - | - | 5,750,000 | $ 0.80 | 0.64 |
| $0.36 | 8,881,564 | 0.36 | 0.34 | 8,881,564 | 0.36 | 1.34 |
| | 8,881,564 | $ 0.36 | 0.34 | 14,631,564 | $ 0.53 | 1.06 |

## 13. STOCK OPTION PLAN

Under the Company's stock option plan, the Company may grant options to purchase common shares up to a maximum of 10% of the Company's issued and outstanding common shares. Under the plan as at September 30, 2024, the Company has a total of 12,884,000 options (September 30, 2023 – 11,959,000) issued and is eligible to issue up to a total of 13,567,414 options.

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

The activity under the Company's stock option plan for year ended September 30, 2024 is as follows:

| | Units | Weighted average exercise price | |
|---|---|---|---|
| Balance, September 30, 2022 | 9,724,000 | $ | 0.44 |
| Stock options exercised | (430,000) | $ | 0.23 |
| Stock options issued | 2,815,000 | $ | 0.37 |
| Stock options forfeited | (150,000) | $ | 0.63 |
| Balance, September 30, 2023 | 11,959,000 | $ | 0.43 |
| Stock options exercised | (1,570,000) | $ | 0.23 |
| Stock options issued | (2,795,000) | $ | 0.40 |
| Stock options forfeited | (300,000) | $ | 0.42 |
| **Balance, September 30, 2024** | **12,884,000** | **$** | **0.45** |
| **Exercisable, September 30, 2024** | **4,644,000** | **$** | **0.43** |

**13. STOCK OPTION PLAN (Continued)**

The exercise price of each option equals the closing market price of the Company's capital stock on the day preceding the grant date. The following table reflects the number of options, their weighted average price and the weighted average remaining contract life for the options grouped by price range as at September 30, 2024 and 2023:

| | September 30, 2024 | | | September 30, 2023 | | |
|---|---|---|---|---|---|---|
| | Number outstanding | Weighted average exercise price | Weighted average remaining contractual life | Number outstanding | Weighted average exercise price | Weighted average remaining contractual life |
| | | | years | | | years |
| Range of exercise prices: | | | | | | |
| $0.46 to $0.62 | 5,169,000 | $ 0.60 | 1.93 | 5,294,000 | $ 0.60 | 2.93 |
| $0.215 to $0.40 | 7,715,000 | $ 0.34 | 2.93 | 6,665,000 | $ 0.29 | 2.45 |
| | 12,884,000 | $ 0.45 | 2.52 | 11,959,000 | $ 0.43 | 2.77 |

The fair value of options granted during fiscal 2024 was estimated at the grant date using the Black-Scholes options pricing model, resulting in the following weighted-average assumptions:

| Option Grant Dates | Feb 2024 | Feb 2023 |
|---|---|---|
| Share price on issue date | $ 0.40 | $ 0.37 |
| Dividend yield | 0% | 0% |
| Volatility | 63% | 66% |
| Risk-free interest rate | 3.6% | 3.5% |
| Expected option life (years) | 5 | 5 |
| Weighted average fair value of each option ($ / option) | $ 0.22 | $ 0.21 |

Stock options are assumed to be exercised at the end of the option's life, as management believes the probability of an early exercise is remote. During the year, the fair value of the options vested in the year were expensed and credited to contributed surplus. During the year, the Company recorded share-based compensation expense of $714,290 (2023 - $735,318).

## 14. INCOME (LOSS) PER SHARE

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

| for the year ended September 30 | | 2024 | | 2023 |
|---|---|---|---|---|
| Numerator for basic income (loss) per share: | | | | |
| Net income (loss) available to common shareholders | $ | 3,520,179 | $ | (39,483) |
| Net income (loss) for dilutive earnings per share | $ | 3,520,179 | $ | (39,483) |
| Denominator for basic income (loss) per share: | | | | |
| Weighted average common shares outstanding | | 136,697,660 | | 137,911,884 |
| Dilutive Effect | | 793,188 | | - |
| Dilutive weighted average common shares outstanding | | 137,490,848 | | 137,911,884 |
| Net income (loss) per share: | | | | |
| Basic | $ | 0.026 | $ | (0.000) |
| Diluted | $ | 0.026 | $ | (0.000) |

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

| for the year ended September 30 | 2024 | 2023 |
|---|---|---|
| Pursuant to warrants | 8,881,564 | 5,750,000 |
| Under stock options | 10,704,000 | 5,294,000 |
| Pursuant to convertible debentures | 17,391,304 | 17,391,304 |
| | 36,976,868 | 28,435,304 |

## 15. EXPENSES BY NATURE

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

*Depreciation and amortization*

| | 2024 | 2023 |
|---|---|---|
| Included in: | | |
| Cost of goods sold | $ 1,092,443 | $ 961,029 |
| General and administrative expenses | 482,138 | 161,244 |
| Reasearch and development | 38,232 | 34,896 |
| Total depreciation and amortization | $ 1,612,813 | $ 1,157,169 |

*Employee costs*

| | 2024 | 2023 |
|---|---|---|
| Short-term wages, bonuses and benefits | $ 11,679,461 | $ 9,816,104 |
| Share based payments | 478,340 | 552,347 |
| Total employee costs | $ 12,157,801 | $ 10,368,451 |
| Included in: | | |
| Cost of goods sold | $ 5,836,379 | $ 5,307,015 |
| Research and development | 1,805,184 | 1,695,042 |
| General and administrative expenses | 3,287,355 | 2,296,546 |
| Selling and business development | 1,228,883 | 1,069,848 |
| Total employee costs | $ 12,157,801 | $ 10,368,451 |

## 16. INCOME TAXES AND INVESTMENT TAX CREDITS

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

| | 2024 | 2023 |
|---|---|---|
| Provision based on combined federal and provincial statutory rates of 25.43 % (September 30, 2023 – 25.43%) | $ 941,687 | $ (10,041) |
| Increase (decrease) resulting from: | | |
| Non deductible expenses | - | 329 |
| Stock-based compensation | 181,644 | 186,991 |
| Change in deferred tax assets not recognized | (993,967) | 135,870 |
| Effect of change in tax rate | - | (94,603) |
| Adjustment in respect of income taxes of prior year and other | 21,199 | (218,546) |
| Income tax expense | $ 150,563 | $ - |

The Company has unclaimed research and development expenses, research and development investment tax credits, and accumulated losses for income tax purposes. The associated tax benefits have not been recognized in the consolidated financial statements. In addition, an income tax expense of $67,747 was booked in Q4 2024 as a result of an amendment to the 2022 corporate tax return to recognize investment tax credits that would have otherwise expired. The income taxes payable balance as of September 30, 2024 is $82,816 and is included in accounts payable and accrued liabilities.

## 16. INCOME TAXES AND INVESTMENT TAX CREDITS (Continued)

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

| | 2024 | 2023 |
|---|---|---|
| Deferred income tax assets: | | |
| Non-capital loss carry-forwards | $ - | $ 28,125 |
| Difference in net book value compared to undepreciated capital cost | 1,973,535 | 2,588,410 |
| Deferred financing fees and other reserves | 224,039 | 387,429 |
| Unclaimed research and development expenses | 4,016,725 | 4,032,381 |
| Lease liabilities | 177,943 | 217,181 |
| Deferred income tax liabilities related to debentures | (506,963) | (562,157) |
| Difference between government assistance amount and fair market value | (123,960) | (107,124) |
| Right of use assets | (212,076) | (256,839) |
| Tax assets not recognized | (5,549,244) | (6,327,406) |
| Deferred tax assets recognized | $ - | $ - |

The unrecognized balance of federal research and development investment tax credits carried forward is $2,758,344, reduced by a deferred tax liability of $739,377. The credits expire between 2025 and 2044.

## 17. CHANGES IN NON-CASH WORKING CAPITAL

| | 2024 | 2023 |
|---|---|---|
| Accounts receivable | $ (41,677) | $ (1,061,974) |
| Inventories | (712,376) | (467,111) |
| Prepaid expenses and other assets | 123,981 | (139,266) |
| Investment tax credits receivable | 28,967 | (25,004) |
| Deferred revenue | (1,562,871) | 1,222,380 |
| Accounts payable and accrued liabilities | 389,915 | 251,135 |
| | $ (1,774,061) | $ (219,840) |

## 18. FINANCIAL EXPENSES, NET

| | 2024 | 2023 |
|---|---|---|
| Cash interest: | | |
| Interest on long-term debt | $ 120,747 | $ 127,598 |
| Interest on debentures | 360,000 | 360,000 |
| Interest other | (158,062) | 921 |
| Interest income | (529,444) | (457,742) |
| Non-cash interest: | | |
| Accretion on debentures (Note 8) | 217,042 | 161,131 |
| Accretion interest expense (Note 6, 9) | 223,986 | 189,728 |
| Financial expenses, net | $ 234,269 | $ 381,636 |

On May 27, 2024, the Company signed an amendment to the FedDev agreement (see note 8) extending the project completion date to December 31, 2024, and the repayment of all contributions will now begin on January 15, 2026. As a result of this extension to the timing of repayment, a gain on debt modification of $166,630 was recognized in Q3 and reflected under interest other (above).

## 19. CAPITAL MANAGEMENT

The Company's capital management objective is to safeguard its ability to function as a going concern while also maintaining and growing its operations and funding its development activities. Microbix defines its capital to include any drawn portion of the revolving line of credit, shareholders' equity, long-term debt, and debentures. The capital as at September 30, 2024 was $33,994,557 (September 30, 2023 - $30,415,778).

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 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 (see note 9).

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

## 20. FINANCIAL INSTRUMENTS

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

For the years ended September 30, 2024 and 2023, the Company has carried at fair value financial instruments in Level 1. At September 30, 2024, the Company's only financial instrument measured at fair value is cash and cash equivalents, which is considered to be a Level 1 instrument. There were no transfers between levels during the year.

The three levels are defined as follows:

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

**20. FINANCIAL INSTRUMENTS (Continued)**

| | Date of valuation | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|---|---|---|---|---|
| Assets measured at fair value: | | | | |
| Cash and Cash Equivalents | 30-Sep-24 | $ 12,963,339 | - | - |
| Liabilities for which fair values are disclosed: | | | | |
| Debentures | 30-Sep-24 | - | 2,006,436 | - |
| Long-term-debt and other debt | 30-Sep-24 | - | 3,690,694 | - |

| | Date of valuation | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
|---|---|---|---|---|
| Assets measured at fair value: | | | | |
| Cash and Cash Equivalents | 30-Sep-23 | $ 11,606,487 | - | - |
| Liabilities for which fair values are disclosed: | | | | |
| Debentures | 30-Sep-23 | - | 1,950,526 | - |
| Long-term-debt and other debt | 30-Sep-23 | - | 4,001,897 | - |

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

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

## 21. FINANCIAL RISK MANAGEMENT

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

### *Risks arising from financial instruments and risk management*

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

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

### *Credit risk*

The Company's cash is held in accounts at one of the major Canadian chartered banks or in short-term interest bearing securities. Management perceives the credit risk to be low. Typically the outstanding accounts receivable balance is relatively concentrated with a few large customers representing the majority of the value. As at September 30, 2024, five customers accounted for 79% (September 30, 2023 - five customers accounted for 81%) of the outstanding accounts receivable balance. In addition, for the year ended September 30, 2024, five customers accounted for 75% (September 30, 2023 - five customers accounted for 64%) of sales. The Company has had minimal bad debts over the past several years and accordingly management has recorded an allowance of $35,000 (September 30, 2023 - $35,000).

Trade accounts receivable are aged as follows:

| | September 30, 2024 | September 30, 2023 |
|---|---|---|
| Current | $ 3,103,217 | $ 2,183,648 |
| 0 - 30 days past due | 261,529 | 1,136,461 |
| 31 - 60 days past due | 9,424 | 263,365 |
| 61 days and over past due | 108,845 | 215,844 |
| | $ 3,483,015 | $ 3,799,318 |

In addition to trade receivables, the Company had other receivables relating primarily to accrued royalties receivable, grants receivable, and HST receivable of $678,433 (September 30, 2023 - $320,453).

**21. FINANCIAL RISK MANAGEMENT (Continued)**

***Market risk and foreign currency risk***

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

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

| | U.S. dollars | | Euros | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Cash and cash equivalents | $ 1,477,218 | $ 2,168,075 | $ 37,815 | $ 25,225 |
| Accounts receivable | 2,429,236 | 2,700,930 | 1,020,804 | 1,043,883 |
| Accounts payable and accrued liabilities | 164,692 | 173,959 | - | 40,753 |

The Company's revenue and expenses by foreign currency for the years ended September 30, 2024 and 2023 are as follows:

| | 2024 | 2023 |
|---|---|---|
| **Revenue** | | |
| Euros | 15% | 20% |
| U.S. dollars | 83% | 75% |
| **Expenses** | | |
| U.S. dollars | 8% | 9% |

Based upon 2024 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 $1,053,000 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 $189,400 Cdn. 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 $1,053,000 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 $189,400 Cdn.

***Liquidity risk***

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

## 21. FINANCIAL RISK MANAGEMENT (Continued)

### *Interest rate risk*

Financial instruments that potentially subject the Company to cash flow interest rate risk are those assets and liabilities with a variable interest rate. Interest rate risk exposure is primarily on the BDC debt that has a variable rate that is pegged to the bank rate. The rate can be fixed at the Company's option, if the outlook for interest rates should move higher. The only other variable debt the Company has is the $2,000,000 line of credit that bears interest at the bank's prime lending rate plus 2.0%. A 1% increase in the bank rate would cost the Company approximately $13,000 per year for BDC and about $20,000 on the line of credit usage if it were fully used throughout the fiscal year. However, this would be somewhat offset by increase interest income on the Company's short-term investments.

## 22. SEGMENTED INFORMATION

The Company operates in two ways: (i) the development, manufacturing, and sale 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 years ended September 30, segmented between categories (i) and (ii) (including Kinlytic):

| | Segment revenue | | Income (loss) | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Antigens, QAPs and DxTM | $ 21,307,488 | $ 15,164,258 | $ 427,578 | $ (4,067,015) |
| Other (Includes Kinlytic®) | 4,086,660 | 1,350,518 | 3,092,601 | 4,027,532 |
| Total for continuing operations | $ 25,394,148 | $ 16,514,776 | $ 3,520,179 | $ (39,483) |

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (September 30, 2023 - $nil).

Segment income (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 as at September 30 are as follows:

| | Segment assets | | Segment liabilities | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Antigens, QAPs and DxTM | $ 35,326,040 | $ 32,574,439 | $ 9,799,339 | $ 9,680,037 |
| Other (Includes Kinlytic®) | 2,770,727 | 3,078,585 | - | 1,348,500 |
| Total for continuing operations | $ 38,096,767 | $ 35,653,024 | $ 9,799,339 | $11,028,537 |

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

## 22. SEGMENTED INFORMATION (Continued)

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

| | Depreciation and amortization | | Additions to non-current assets | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| Antigens, QAPs and DxTM | $ 1,304,954 | $ 1,157,169 | $ 1,906,750 | $ 1,016,232 |
| Other (Includes Kinlytic®) | 307,859 | - | - | 3,078,585 |
| | $ 1,612,813 | $ 1,157,169 | $ 1,906,750 | $ 4,094,817 |

## 23. REVENUES AND GEOGRAPHIC INFORMATION

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

| | Revenue from external customers | | Non-current assets | |
|---|---|---|---|---|
| For the year ended September 30, | 2024 | 2023 | 2024 | 2023 |
| North America | $ 19,047,364 | $ 10,832,067 | $ 13,836,805 | $ 13,351,018 |
| Europe | 6,014,175 | 5,678,744 | - | - |
| Other foreign countries (directly) | 332,609 | 3,965 | - | - |
| Total for continuing operations | $ 25,394,148 | $ 16,514,776 | $ 13,836,805 | $ 13,351,018 |

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

| For the years ended September 30, | 2024 | 2023 |
|---|---|---|
| Balance, beginning of the year | $ 2,302,928 | $ 554,631 |
| Cash payments or advance payments on performance obligations | 1,797,626 | 2,828,253 |
| Revenue recognized during the year | (2,788,081) | (1,617,097) |
| Deferred government grants (Note 9) | (572,415) | 537,141 |
| | $ 740,059 | $ 2,302,928 |

As of September 30, 2024, $249,588 of deferred revenue is reported in Other long-term liabilities (September 30, 2023 - $298,691).

The Company recognizes revenue from the sale of products at a point in time, when control of the promised good is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods.

## 23. REVENUES AND GEOGRAPHIC INFORMATION (Continued)

Revenue from licensing of the Company's intangible assets are recognized when the service is rendered and control of the service is transferred to the Company's customers. As part of the Agreement signed with Sequel on May 16, 2023, Microbix received an upfront payment of $ 2.0 million U.S. under the Agreement, recognized $1,348,500 ($1 million U.S.) within royalties and other sales in the consolidated statements of income (loss) and $1,348,500 ($1 million U.S.) within deferred revenue as a contract liability on the consolidated statements of financial position as at September 30, 2023. The Company has determined that royalty milestone payments received under the Agreement represent one performance obligation and are recognized at a point in time. The royalty milestones in the Agreement are considered variable consideration and are estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. During Q1 2024, the uncertainty of the consideration originally deferred was recognized as sales. In November 2023, Microbix received confirmation of full project funding from Sequel, recognized the second half of its initial payment from Sequel (i.e., $ 1.0 million U.S.) and received the next milestone payment of $ 2.0 million U.S. which was entirely recognized as revenue.

## 24. RELATED PARTY TRANSACTIONS

*Key Management Compensation*

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

| For the year ended September 30, | 2024 | 2023 |
|---|---|---|
| Short-term wages, bonuses and benefits | $ 1,579,874 | $ 1,274,518 |
| Share based payments | 447,491 | 436,764 |
| Total key management compensation | $ 2,027,365 | $ 1,711,282 |

## 25. COMMITMENTS AND CONTINGENCIES

*Payments on convertible debentures (Note 8)*

| | Amount |
|---|---|
| 2025 | $ 360,000 |
| 2026 | 360,000 |
| 2027 | 360,000 |
| 2028 | 2,860,000 |
| 2029 and thereafter | 1,539,497 |
| | $ 5,479,497 |

*Contingencies*

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

## 26. SUBSEQUENT EVENTS

On December 9, 2024 the Company initiated Normal Course Issuer Bid ("NCIB") program for the repurchase and cancellation of outstanding common shares. In accordance with the rules of the Toronto Stock Exchange and as detailed in the Company's news release of December 5, 2024, the NCIB enables the Company to repurchase up to 5% of its common shares over a 12-month period.

## DIRECTORS

Peter M. Blecher
*Ontario, Canada*
*Medical Director*
*NeuPath Centre for Pain & Spine*

Mark A. Cochran [2]
*Virginia, USA*
*Managing Director (Retired)*
*Johns Hopkins Medicine*

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

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

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

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

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

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

## CORPORATE INFORMATION

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

## SENIOR MANAGEMENT

Cameron L. Groome
*Chief Executive Officer and President*

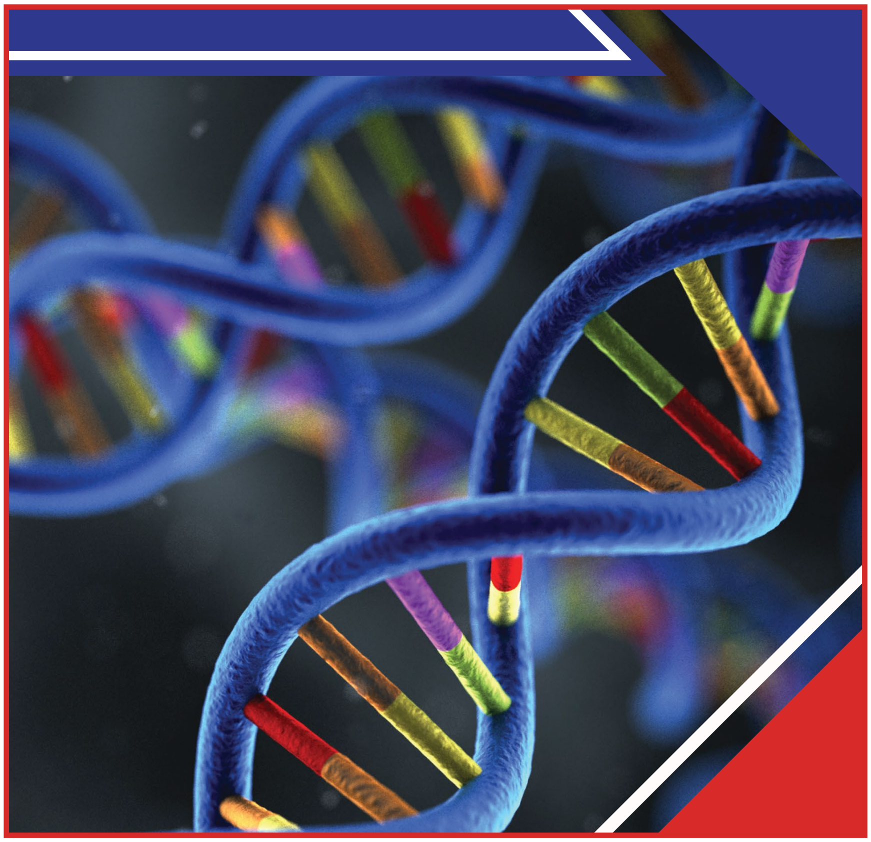
James S. Currie
*Chief Financial Officer*

Kenneth Hughes
*Chief Operating Officer*

Dr. Mark Luscher
*Senior Vice-President, Scientific Affairs*

Phillip Casselli
*Senior Vice-President, Sales & Business Development*

Christopher B. Lobb
*General Counsel & Secretary*



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