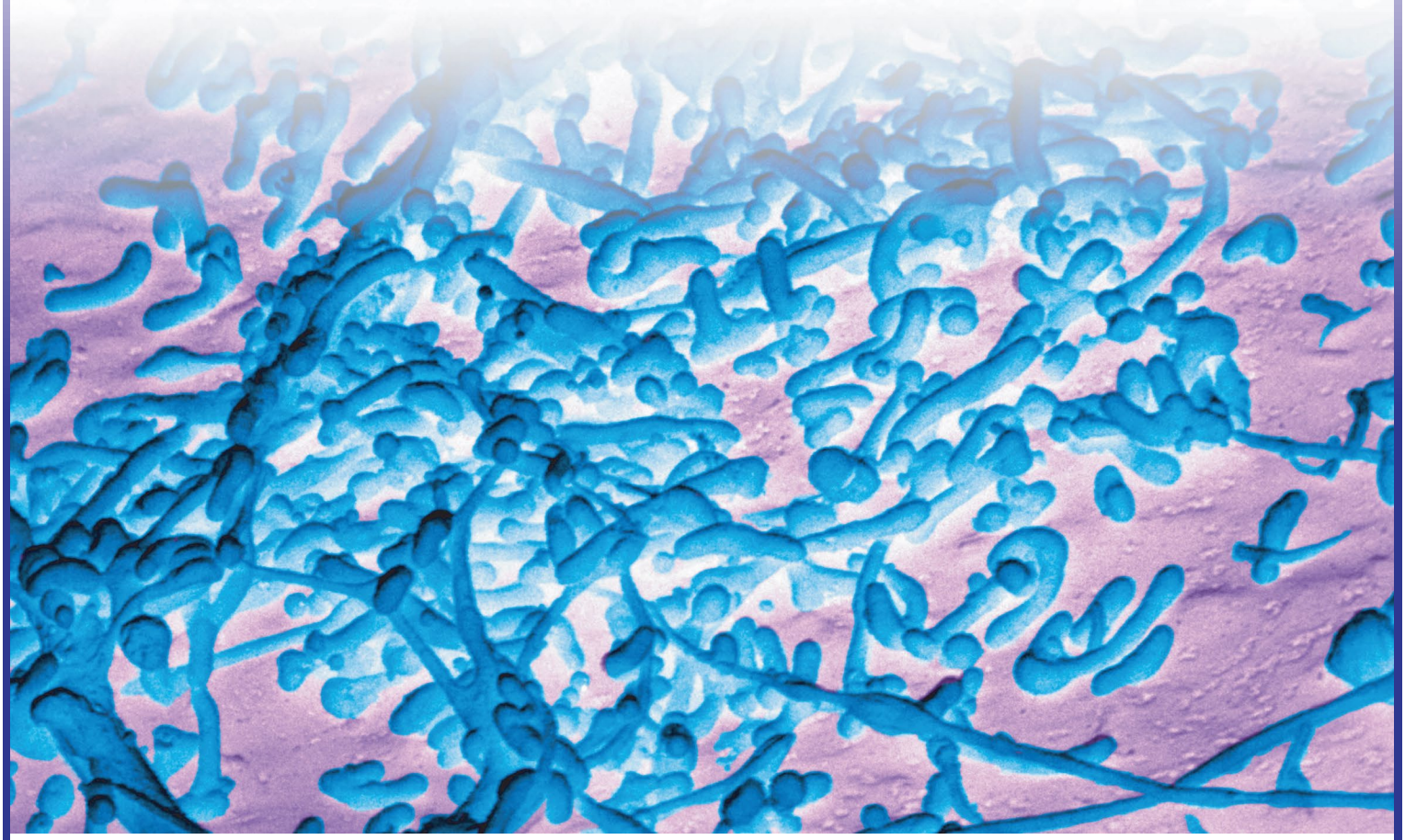
MICROBIX
BIOSYSTEMS INC.

MICROBIX



2025

THIRD INTERIM REPORT

For the nine months
ended June 30, 2025

MICROBIX.COM

Message to Shareholders

The third quarter of fiscal 2025 ending June 30, 2025 ("Q3") posted Microbix's lowest sales in 11 quarters, coming in at just $3.5 million. This was due to risk outside of Microbix's control, namely (i) a pause in sales to China due to a lower incidence of infectious respiratory disease in winter 2024/25 and (ii) a major QAPs client halting development of a new instrument platform and its assays. Those caused sales to come-in well below our budget target.

Gross margin is also impacted from reduced sales, as fixed manufacturing overheads are allocated over fewer units produced. Consequently, gross margin for Q3 declined to a recent low-point of 42%. Finally, in Q3 Microbix recorded its first material quarterly loss in two years, as operations are sized to achieve breakeven at a revenue level of over $5.0 million. In summary, Q3 was a quarter of "snakes and ladders," and we're pleased to move past it.

Thankfully, while trouble relating to any major client sets us back a few squares, that doesn't stop us from playing to win. We continue adding to our mittful of client prospects, and with those cards are targeting recovery of recurring sales of antigens and QAPs to prior high-scores and beyond. Currently, we foresee at least one more very challenging quarter before such work in business development in antigens and QAPs begins tallying new points.

By design, our financial position permits us to move past the current period whereby customer goals and even global trade rules are changing. Microbix ended Q3 with a cash and equivalents balance of $12.1 million, a strong current ratio of 9.73 and low financial leverage with a debt-to-equity ratio of 0.30. Microbix is therefore well-positioned to stay at the table beside its many multinational clients.

Antigen sales declined due to lower Chinese demand and will need more normal respiratory disease levels during winter 2025/26 to recover. To help overcome this aggravation, we are onboarding full capabilities for synthetic (recombinant) antigens – in order to be able to support a broader base of client assays. The first commercial usages of our recombinant antigen capabilities are targeted for this year.

In turn, Microbix's QAPs™ operation continues to show great promise. We are engaged in supporting the non-trivial pursuits of many multinational test-makers – with our mastermind staff helping bring their new assays and instruments to life. Based on our client interactions, I believe our prospects for growing sales are very strong – technically, we seem to be playing chess when many of our competitors scrabble with checkers. As a point of positive fact, if the effect of the program cancellation of one client is removed, YTD QAPs sales grew 27% versus 2024.

Q3 also made meaningful progress upon ensuring continuing growth in sales of QAPs. Specifically, an exclusive supply agreement with the National Center for Infectious and Parasitic Diseases (NCIPD) of Bulgaria has secured our access to a collection of organisms that it has been assembling since 1881. That access ensures our ability to expand the QAPs portfolio independent from U.S.-based sources such as ATCC, from which commercial licenses are costly.

Our therapeutic program, Kinlytic® urokinase is also moving forward, toward turning a current monopoly market into a duopoly – to remove supply-chain risk, relieve pricing pressure and address clinical needs. Microbix is working closely alongside its licensee partner, Sequel Pharma, to renew drug substance and drug product manufacturing and prepare for refiling with the U.S. FDA. We will continue to update shareholders as progress is made with Kinlytic.

Perhaps the strongest clue to our fundamental progress is our many international collaborations - with those announce year-to-date including organizations based in Australia, Bulgaria, Canada, The Netherlands, Scandinavia, the United Kingdom, and the United States. Such work, along with our infrastructure, team of skilled professionals, and relative financial strength establish that we remain committed to reaching new heights of value built upon the strongest possible business foundations.

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, access to and 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 except as required by applicable law.

The Management Discussion and Analysis is dated August 12, 2025.

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 (e.g., branded as DxTM™), and, through partnership funding, is redeveloping a clinically-important 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.

COMPANY OVERVIEW (Continued)

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 the first such sales generated in the quarter ended March 31, 2024 and that have since been ongoing at a lower 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 safely dissolve 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 became intense. Microbix has since expanded production capacity for multiple antigen products believing higher levels of demand will be persistent over the longer term. Investment in expanding antigen capacity has been 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.

From 2023 through 2025, Management believes COVID has been transitioning from pandemic to endemic, leading revenue from the antigens and QAPs business (Antigens & QAPs) to resume more normalized growth conditions. Future Antigen sales growth may be largely driven by certain public health tests becoming more widely used in the Asia Pacific region. At present, Asia-related sales have been volatile, increasing rapidly across 2024 due to increased testing for bacterial pneumoniae before abruptly falling-off in 2025 – reportedly following fewer such infections across the latest Chinese New Year holidays. In turn, 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 largely 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 already begun. Specifically, 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 new business initiatives that leverage Microbix's expertise.

COMPANY OVERVIEW (Continued)

Microbix owns and operates a biologicals manufacturing facility at 265 Watline Avenue in Mississauga, Ontario. For that facility and its overall campus, 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 product development and quality-control laboratory spaces, workstations, and warehousing. Microbix is ISO 9001 & 13485 accredited, FDA & Health Canada establishment licensed, Australian TGA registered, and provides IVDR-compliant 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 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 not directly related to production. This is calculated by dividing gross profit by revenue.

FINANCIAL OVERVIEW

Quarter ending June 30, 2025 ("Q3")

For the current quarter, Q3 revenue was $3,472,182, a 31% decrease from Q3 2024 revenues of $5,059,465. Included in Q3 were antigen revenues of $1,832,134 (2024 - $3,276,469), down 44% from last year due to a decline in sales into China that is due to fewer respiratory infections this past winter. QAPs revenues of $1,516,344 were down 9% from Q3 2024 ($1,669,653), due to cancellation of test-development programs by a key customer. Revenue from royalties were $123,704 (2024 - $113,343). In summary, our Q3 sales decrease was predominantly driven by much lower antigen sales to our Asian distributor and lower sales to a QAPs customer that cancelled its test-development programs.

Q3 gross margin percentage was 41%, down from 54% last year. The lower Q3 2025 gross margins were primarily driven by a less favourable product mix and fixed manufacturing costs needing to be absorbed across fewer units of production.

Operating expenses (including finance expenses) in Q3 increased by 22% relative to Q3 2024, principally due to lower investment income on short term cash equivalents, coupled with a favourable debt modification interest impact in Q3 2024. In addition, there was no grant income recognized in Q3 2025 ($155,133 in Q3 2024) and we incurred incremental foreign exchange losses in Q3 2025 vs. Q3 2024 of $192,180.

Overall, lower Q3 revenues, weaker margins and increased operating expenses led to a net loss of $1,642,776 versus Q3 2024 net income of $246,746. Cash used in operating activities was $1,923,694, compared to cash provided by operating activities of $604,064 in Q3 2024. Cash used in operating activities was impacted by deployment of funds into non-cash working capital accounts, most notably increased inventory relating to product portfolio expansion and reduced accounts payable reflective of reduced activity with the previously cited two customers. Cash and equivalents at June 30, 2025 remained strong at $12.1 million.

FINANCIAL OVERVIEW (Continued)

Period ending June 30, 2025 ("YTD")

YTD revenue was $14,841,048, a 22% decrease from YTD 2024 revenues of $19,100,251. Included in YTD 2025 were antigen revenues of $10,416,424 (2024 - $9,341,607), up 11% from last year. QAPs revenues of $4,007,645 were down 25% from YTD 2024 (2024 - $5,317,486), again due in large part to a year-over-year reduction in spend by one large client. Revenue from royalties were $416,979 (2024 - $354,498). In summary, the YTD 2025 antigens sales growth result was offset by lower QAPs revenues and the lack of Kinlytic licensing revenue.

YTD gross margin was 56%, down from 63% in YTD 2024, primarily due to the impact of lower sales of a higher margin antigen product, decreased QAPs revenues and lack of Kinlyic revenues/margins.

YTD operating expenses increased slightly relative to YTD 2024, principally due to increased investment in R&D projects, sales and marketing activities, lack of current year OTF grant income and increased financing costs (due to lower interest income and F24 favourable debt modification adjustment).

Overall, YTD revenues, weaker margins and increased operating expenses led to an operating loss and net loss of $765,150 versus a YTD 2024 operating income and net income of $3,079,855 (predominantly due to the $3.4 million net impact from Kinlytic licensing). Cash used in operating activities was $164,240, compared to cash provided by operating activities of $3,581,689 in YTD 2024.

At the end of Q3, Microbix's current ratio (current assets divided by current liabilities) was 9.73 and its debt to equity ratio (total debt over shareholders' equity) was 0.30, both measures having improved from the prior year third quarter (Q3 2024) and the preceding fiscal year-end (Q4 2024).

Canadian Funds

FINANCIAL OVERVIEW (Continued)

Financial Highlights

For the three months and nine months ended	Three months ended June 30, 2025	Three months ended June 30, 2024	Nine months ended June 30, 2025	Nine months ended June 30, 2024
Total Revenue	$ 3,472,182	$ 5,059,465	$ 14,841,048	$ 19,100,251
Gross Margin	1,414,965	2,748,054	8,336,082	11,941,355
S,G&A Expenses	2,153,017	2,019,920	6,804,331	7,204,201
R&D Expense	591,563	562,820	1,700,901	1,542,920
Foreign Exchange (Gain)/Loss	156,672	(37,510)	168,420	(29,650)
Financial Expenses	156,489	(81,432)	427,580	114,379
Operating Income (Loss) for the period	(1,642,776)	246,746	(765,150)	3,079,855
Net Income (Loss) and Comprehensive Income (Loss) for the period	(1,642,776)	246,746	(765,150)	3,079,855
EPS - Basic	(0.012)	0.002	(0.005)	0.023
- Diluted	(0.012)	0.002	(0.005)	0.022
Cash Provided (Used) by Operating Activities	(1,923,694)	1,403,494	(164,240)	3,581,689

As at	June 30, 2025	September 30, 2024
Cash	12,100,900	12,963,339
Accounts receivable	2,367,436	4,161,448
Total current assets	24,103,561	24,259,962
Total assets	38,255,825	38,096,767
Total current liabilities	2,476,902	3,394,822
Total liabilities	8,939,803	9,799,339
Total shareholders' equity	29,316,021	28,297,428
Current ratio	9.73	7.15
Debt to equity ratio	0.30	0.35

SELECTED QUARTERLY FINANCIAL INFORMATION

	Sep-30-23 $	Dec-31-23 $	Mar-31-24 $	Jun-30-24 $	Sep-30-24 $	Dec-31-24 $	Mar-31-25 $	Jun-30-25 $
Total Revenue	4,264,229	8,407,884	5,632,901	5,059,465	6,293,897	6,044,002	5,324,864	3,472,182
Net Income (Loss) and Comprehensive Income (Loss)	1,997,273	2,455,379	377,730	246,746	440,324	856,962	20,664	(1,642,776)
Operating Income (Loss) before reversal of impairment of intangible asset and finance expenses	(990,563)	2,569,864	459,056	165,314	710,778	970,091	178,626	(1,486,287)

OUTLOOK

Microbix's business was started over 40 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 work upon bacteriological, mammalian cellular, and viral culturing. 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 sub-indication of venous catheter clearance which independent market intelligence services estimate as a market of US$ 400 million or more. 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 under the terms of its Agreement with Sequel, will be contractually 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 had resumed a growth trajectory, their proportion of overall company revenues is expected to continue to decline over time – as a result of faster-growing sales of other product categories, such as QAPs, and targeted milestones and royalties derived from Kinlytic.

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 mimetics 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").

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. Microbix expects this segment to be its fastest-growing revenue source through fiscal 2027, having already grown sales of QAPs to $7.0 million in fiscal 2024 from approximately $1.0 million in fiscal 2019 for a five-year compound annual growth rate of 48%.

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 grants 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 among 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 often 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.

Perhaps 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 some major international test-makers having tens of thousands of instruments already placed with customers and their 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 and more such customers are being sought among those firms with a substantial installed-base of instruments. Meaningful revenues are being sought as such multinational test-makers wend their way through the needed design optimizations, regulatory approvals, and marketing

OUTLOOK (Continued)

launches for instruments and kits of their test cartridges that include Microbix QAPs. Further QAPs alliances continue to be developed by Microbix with the goal of their being formalized and disclosed in due course. Other confidential business arrangements continue to likewise progress, including projects that are expanding Microbix's activities into new diagnostics sectors, such as genetics and oncology testing as respectively disclosed by new release in December 2024 and October 2024.

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 cutting-edge synthetic biology, modernized and scalable Enterprise Resource Planning (ERP) software, alongside moving to a paperless Quality Management System (eQMS) – each 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 more than C$ 25 million for our fiscal 2024, with the goal of growing to multiples of that sales number.. It is Microbix's intention to increase its revenues so substantially via three routes, namely (i) to expand its addressable antigens market by adding the capability of recombinant (synthetic) production as disclosed in January, 2025, (ii) continuing to build sales of its QAPs by adding SKUs, customers, and diagnostics categories as evidenced by its new product and program disclosures, and (iii) generating milestone payments and royalties from Kinlytic as described earlier herein. To accomplish our revenue growth objectives, 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. We are also pleased to be achieving financial success via improving healthcare outcomes around the world and enhancing the prosperity of our home province of Ontario, Canada.

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 $ 34,156,385 as at June 30, 2025. 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 employed on creation of new R&D and QC labs, capacity expansions, and process optimizations – of which approximately $2.0 million was capitalized. A further $0.9 million was employed to repurchase and cancel common shares, to offset

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES (Continued)

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

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 a strong liquidity position as at June 30, 2025 – with a current ratio of 9.73 . Moving across fiscal 2025, Management is targeting positive cashflow via: 1) growing overall product sales, 2) improving product pricing or other sales terms, 3) selling more higher percentage gross margin products, and 4) optimizing manufacturing processes, and 5) other business development and financial initiatives. Management aims for these factors to improve the overall liquidity position, as the Company's plans come to fruition.

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 December 31, 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, which according to third-party industry market research is 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 interrupt needed treatments and thereby require costly surgical replacement.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES (Continued)

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

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. On March 24, 2025 the Company made a further repayment of $1,150,000.

On March 26, 2025, the Company announced that it had expanded its bank line of credit ("LoC") to a maximum of C$ 4.0 million, from its prior maximum of C$ 2.0 million. The LoC is entirely undrawn at present and is being made available at a premium of 1.4% over the bank's prime rate (currently at 4.95%). The availability of the expanded demand LoC is driven by a borrowing-base formula that is predominantly driven by accounts receivable and inventory balances. The Company's availability and usage of this facility varies across its manufacturing, sales and Accounts Receivable collection cycles.

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

Outstanding Share Capital

Share capital issued and outstanding as at June 30, 2025 was $50,710,989 for 140,260,112 common shares and September 30, 2024 was $48,682,854 for 135,674,136 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 repurchased 2,583,311 shares at a cost of $925,279 and cancelled 2,749,237 shares.

On December 9, 2024 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 5, 2024, the NCIB enables the Company to repurchase up to 5% of its common shares over a 12-month period. During fiscal 2025 the Company has repurchased 4,089,978 shares at a cost of $1,522,239 and cancelled 3,992,338 shares.

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 June 30, 2025.

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:

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, can materially impact revenue and profitability, as well as the value of inventories and other assets. Microbix is also closely monitoring threats of tariffs being imposed on Canadian goods sold into the United States from the U.S. Federal Government (i.e., the Trump Administration). Microbix believes that such tariffs could be disruptive to many Canadian companies but that the technical and regulated nature of its work should largely protect its sales, unless such tariffs are imposed at a high level and for a protracted time. Currently, Microbix believes that its product sales to the United States are exempt from tariffs due to their being compliant with the current trade agreement between Canada, Mexico, and the United States (*i.e.*, the CUSMA/USMCA).

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.

RISKS AND UNCERTAINTIES (Continued)

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.

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. Additionally, the imposition of tariffs by the United States could make companies based in that country more competitive for products that are not technically differentiated.

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 June 30, 2025, five customers accounted for 81% (June 30, 2024 - five customers accounted for 77%). Concerning revenues, for the quarter ending June 30, 2025, five customers accounted for 77% (June 30, 2024- five customers accounted for 70%). The Company has had minimal bad debts over the past several quarters and accordingly management has recorded an allowance of $35,000 (June 30, 2024- $35,000).

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 entirely hedge this currency risk via use of financial instruments. At June 30, 2025 and September 30, 2024, the significant balances, quoted in Canadian dollars, held in foreign currencies are:

	U.S. dollars		**Euros**	
	June 30 2025	September 30 2024	June 30 2025	September 30 2024
Cash	**$ 2,010,630**	$ 1,477,218	**$ 158,380**	$ 37,815
Accounts receivable	**$ 854,641**	$ 2,429,236	**$ 854,520**	$ 1,020,804
Accounts payable and accrued liabilities	**$ 102,529**	$ 164,692	**$ 32,666**	$ -

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. Changes to exchange rates can impact financial results due to mark-to-market requirements on the value of foreign currency holdings.

FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

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

Interest rate risk

Financial instruments that potentially subject the Company to interest rate risk include those assets and liabilities with a variable interest rate. Exposure to interest rate risk is primarily on the BDC debt that has a variable rate pegged to the bank rate. The rate can be fixed, if the outlook indicates interest rates will move higher. The only other variable debt the Company has is the $4,000,000 line of credit that bears interest at the bank's prime lending rate plus 1.4%. As at June 30, 2025 the Company has not drawn on this line of credit. A 1% increase in the bank rate would cost the Company approximately $540 per year for BDC, and about $40,000 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.

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.

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 June 30, 2025, 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.

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.

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.

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.

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

As at June 30, 2025 and September 30, 2024 **Canadian Funds**

	As at June 30, 2025	As at September 30, 2024
ASSETS		
CURRENT ASSETS		
Cash	$ 12,100,900	$ 12,963,339
Accounts receivable	2,367,436	4,161,448
Inventory (Note 4)	8,860,594	6,464,407
Prepaid expenses and other assets	747,543	643,469
Investment tax credit receivable	27,087	27,299
TOTAL CURRENT ASSETS	24,103,561	24,259,962
LONG-TERM ASSETS		
Property, plant and equipment (Note 5)	10,299,419	9,617,657
Intangible assets (Note 6)	3,852,845	4,219,148
TOTAL LONG-TERM ASSETS	14,152,264	13,836,805
TOTAL ASSETS	$ 38,255,825	$ 38,096,767
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 1,596,163	$ 2,662,417
Current portion of long-term debt (Note 8)	5,148	111,120
Current portion of lease liability (Note 5)	207,644	130,815
Deferred revenue (Note 19)	667,948	490,470
TOTAL CURRENT LIABILITIES	2,476,902	3,394,822
LONG-TERM LIABILITIES		
Debentures (Note 7)	2,217,349	2,006,436
Lease liability (Note 5)	1,350,327	568,919
Other long-term liabilities	270,258	249,588
Long-term debt (Note 8)	2,624,966	3,579,574
TOTAL LONG-TERM LIABILITIES	6,462,901	6,404,517
TOTAL LIABILITIES	$ 8,939,803	$ 9,799,339
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	$ 50,710,989	$ 48,682,854
Equity component of convertible debentures (Note 7)	2,272,566	2,272,566
Contributed surplus	10,488,851	10,733,243
Accumulated deficit	(34,156,385)	(33,391,235)
TOTAL SHAREHOLDERS' EQUITY	$ 29,316,021	$ 28,297,428
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	$ 38,255,825	$ 38,096,767

Commitments and Contingencies (Note 21)

(Signed) "Martin Marino"
MARTIN MARINO
DIRECTOR

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

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

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

For the three months and nine months ended June 30 **Canadian Funds**

	2025	2024	2025	2024
SALES				
Product Sales	$ 3,348,478	$ 4,946,122	$ 14,424,069	$14,659,092
Licensing Fees and Royalties	123,704	113,343	416,979	4,441,158
TOTAL SALES (Note 18, 19)	3,472,182	5,059,465	14,841,048	19,100,251
COST OF GOODS SOLD				
Product Sales	2,042,283	2,297,371	6,449,376	7,116,325
Licensing Fees and Royalties	14,934	14,040	55,590	42,572
TOTAL COST OF GOODS SOLD (Note 4)	2,057,217	2,311,411	6,504,966	7,158,896
GROSS MARGIN	1,414,965	2,748,054	8,336,082	11,941,355
EXPENSES				
Selling and business development	399,391	364,852	1,221,599	1,101,603
General and administrative	1,753,626	1,692,578	5,582,732	6,132,248
Research and development	591,563	562,820	1,700,901	1,542,920
Foreign Exchange (Gain)/Loss	156,672	(37,510)	168,420	(29,650)
Financial expenses (Note 15)	156,489	(81,432)	427,580	114,379
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	$ (1,642,776)	$ 246,746	$ (765,150)	$ 3,079,855
NET INCOME (LOSS) PER SHARE				
Basic (Note 13)	$ (0.012)	$ 0.002	$ (0.005)	$ 0.023
Diluted (Note 13)	$ (0.012)	$ 0.002	$ (0.005)	$ 0.022

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

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

For the three months and nine months ended June 30 **Canadian Funds**

	2025	2024	2025	2024
OPERATING ACTIVITIES				
Net Income (Loss) for the Period	$ (1,642,776)	$ 246,746	$ (765,150)	$ 3,079,855
Items not affecting cash				
Amortization and depreciation (Note 18)	444,846	426,655	1,307,831	1,213,240
Accretion of debentures (Note 7)	75,600	56,125	210,913	156,579
Stock options expense (Note 12)	160,530	181,892	489,664	571,045
Accretion interest expense (Note 15)	58,763	54,642	166,645	170,908
Gain on Debt Modification (Note 15)	-	(166,630)	-	(166,630)
Change in non-cash working capital balances (Note 14)	(1,020,657)	604,064	(1,574,144)	(1,443,307)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(1,923,694)	1,403,494	(164,240)	3,581,689
INVESTING ACTIVITIES				
Purchase of property, plant and equipment (Note 5)	(194,651)	(732,053)	(642,992)	(1,406,658)
Purchase of intangible assets (Note 6)	-	(270,604)	-	(270,604)
CASH USED IN INVESTING ACTIVITIES	(194,651)	(1,002,657)	(642,992)	(1,677,262)
FINANCING ACTIVITIES				
Repayments of long-term debt (Note 8)	(435)	(256,965)	(1,205,994)	(312,525)
Proceeds from Government Loan and Grant (Note 9)	-	-	-	-
Payment of lease liabilities	(52,423)	(45,546)	(143,292)	(136,636)
Repurchase of common shares	(266,675)	(162,632)	(1,522,238)	(610,273)
Proceeds from exercise of warrants and options (Notes 11, 12)	-	-	2,816,318	357,300
CASH PROVIDED BY FINANCING ACTIVITIES	(319,533)	(465,143)	(55,206)	(702,133)
NET CHANGE IN CASH - DURING THE PERIOD	(2,437,878)	(64,306)	(862,439)	1,202,294
CASH - BEGINNING OF PERIOD	14,538,778	12,873,087	12,963,339	11,606,487
CASH - END OF PERIOD	$ 12,100,900	$12,808,781	$12,100,900	$ 12,808,781

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

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

For the period ended June 30, 2025 and 2024 **Canadian Funds**

	Share Capital (Note 10)					
	Number of Shares	Stated Capital	Contributed Surplus	Deficit	Equity Component of Debentures	Total Shareholders' Equity
Balance, September 30, 2023	136,853,373	$49,044,488	$10,218,847	$(36,911,414)	$2,272,566	$24,624,487
Stock option expense	-	-	571,045	-	-	571,045
Share Issuance pursuant to Exercise of Options	1,540,000	614,900	-	-	-	614,900
Repurchase of Shares	(1,688,658)	(593,858)	(274,015)	-	-	(867,873)
Net income and comprehensive income for the period	-	-	-	3,079,855	-	3,079,855
Balance, June 30, 2024	**136,704,715**	**$49,065,530**	**$10,515,877**	**$(33,831,559)**	**$2,272,566**	**$28,022,414**
Share-based compensation expense	-	-	143,245	-	-	143,245
Share Issuance pursuant to Exercise of Options	30,000	(49,830)	(201,321)	-	-	(251,151)
Repurchase/cancellation of Shares	(1,060,579)	(332,846)	275,441	-	-	(57,405)
Net loss and comprehensive for the year	-	-	-	440,324	-	440,324
Balance, September 30, 2024	**135,674,136**	**$48,682,854**	**$10,733,243**	**$(33,391,235)**	**$2,272,566**	**$28,297,427**
Share-based compensation expense	-	-	489,664	-	-	489,664
Share Issuance pursuant to Exercise of Options and Warreants	8,578,314	3,545,936	(729,618)	-	-	2,816,319
Repurchase/cancellation of Shares	(3,992,338)	(1,517,801)	(4,438)	-	-	(1,522,239)
Net income and comprehensive income for the period	-	-	-	(765,150)	-	(765,150)
Balance, June 30, 2025	**140,260,112**	**$50,710,989**	**$10,488,851**	**$(34,156,385)**	**$2,272,566**	**$29,316,021**

(1) Includes 234,714 treasury shares (book value $90,927) as at June 30, 2025 ; see Note 10.

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

1. NATURE OF THE BUSINESS

Microbix Biosystems Inc. and it's 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

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and are presented in Canadian dollars. The accounting policies used in the preparation of these interim condensed consolidated financial statements conform with those in the Company's audited annual consolidated financial statements for the year ended September 30, 2024, except as set out in note 3. These interim consolidated financial statements do not include all of the information and disclosures required in annual financial statements and, accordingly, should be read in conjunction with the Company's annual consolidated financial statements for the year ended September 30, 2024. The Board of Directors approved these consolidated financial statements on August 12, 2025.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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. INVENTORIES

Inventories consist of the following:

	June 30, 2025	September 30, 2024
Raw materials	$ 1,919,823	$ 1,759,743
Work in process	2,788,585	2,154,703
Finished goods	4,152,186	2,549,961
	$ 8,860,594	$ 6,464,407

During the quarter ended June 30, 2025, inventories in the amount of $2,042,283 (June 30, 2024- $2,641,173) were recognized as an expense through cost of goods sold. The allowance for potentially impaired or stale-dated inventories as at June 30, 2025 was $514,771, which is recognized as an expense in cost of goods sold (September 30, 2024 - $718,726).

5. PROPERTY, PLANT, AND EQUIPMENT AND LEASES

The freehold land and buildings have been pledged as security for bank loans under a mortgage (see Note 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, 2024	$ 6,265,678	$ 723,546	$ 9,373,246	$ 1,705,810	$ 800,000	$ 19,221,230
Additions	71,223	34,256	537,513	980,298	-	1,623,290
Balance, as at June 30, 2025	**6,689,850**	**757,803**	**9,910,760**	**2,686,108**	**800,000**	**20,844,520**
ACCUMULATED DEPRECIATION						
Balance, as at September 30, 2024	3,017,414	517,074	5,197,231	871,854	-	9,603,574
Depreciation	331,380	16,569	455,516	138,063	-	941,528
Balance, as at June 30, 2025	**3,348,794**	**533,642**	**5,652,748**	**1,009,917**	**-**	**10,545,101**
NET BOOK VALUE						
Balance, September 30, 2024	3,601,213	206,473	4,176,015	833,956	800,000	9,617,656
Balance, as at June 30, 2025	**$ 3,341,056**	**$ 224,160**	**$ 4,258,012**	**$1,676,191**	**$ 800,000**	**$ 10,299,419**

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

	Right-of-Use Assets		
	Property	Equipment	Lease Liabilities
Balance, September 30, 2024	$ 644,736	$ 189,220	$ 699,734
Additions	980,298	-	973,279
Depreciation Expense	(129,853)	(8,210)	-
Interest Accretion	-	-	21,230
Payments	-	-	(136,230)
Balance, June 30, 2025	**$ 1,495,181**	**$ 181,010**	**$ 1,557,971**
Current portion			$ 207,644
Non-current portion			1,350,327

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

Lease liabilities for leases that were entered during the quarter ended June 30, 2025 were discounted using an incremental borrowing rate of 4.7% (September 30, 2024 – 3.5%). During the quarter, the lease at 235 Watline Avenue was extended for three years with a option for an additional three years.

Lease obligations as at June 30, 2025 are:

	Amount
2025	$ 67,001
2026	269,718
2027	272,011
2028	279,356
2029	290,475
2030 and thereafter	596,283
Total	**$ 1,774,844**

6. INTANGIBLE ASSETS

Intangible assets consist of:	Capitalized Development Costs Bioreactor (a)	Patents and Trademarks QAPs (b)	Kinlytic® License (c)	Rights and Knowhow	Total
COST					
Balance, as at September 30, 2024	2,088,575	142,470	3,078,585	270,604	5,580,235
Additions	-	-	-	-	-
Balance, as at June 30, 2025	**2,088,575**	**142,470**	**3,078,585**	**270,604**	**5,580,235**
ACCUMULATED AMORTIZATION					
Balance, as at September 30, 2024	986,272	53,426	307,859	13,530	1,361,087
Amortization expense	104,429	10,685	230,894	20,295	366,303
Balance, as at June 30, 2025	**1,090,700**	**64,112**	**538,752**	**33,826**	**1,727,390**
NET BOOK VALUE					
Balance, as at September 30, 2024	1,102,304	89,044	2,770,727	257,074	4,219,148
Balance, as at June 30, 2025	**$ 997,875**	**$ 78,359**	**$ 2,539,833**	**$ 236,779**	**$ 3,852,845**

6. 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 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 causes for 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.

7. DEBENTURES

The Company has convertible debentures issued and outstanding as at June 30, 2025. The carrying values of the debt component of these debentures are as follows:

	Convertible debentures		Total convertible debentures
	(a)	(b)	
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	-
Balance, September 30, 2024	728,737	1,277,700	2,006,436
Accretion	74,043	136,869	210,912
Repayments	-	-	-
Balance, June 30, 2025	**802,780**	**1,414,569**	**2,217,349**
Less: current portion	-	-	-
Non-current portion	802,780	1,414,569	2,217,349
Balance, June 30, 2025	**$ 802,780**	**$ 1,414,569**	**$ 2,217,349**
Equity component at June 30, 2025	**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.

8. 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 June 30, 2025:

Term Loans with the Business Development Bank ("BDC")	(a)
Effective date of loan	Jun, 2008
Initial Loan Amount	$ 3,000,000
Balance, September 30, 2023	1,601,980
Proceeds from loan	-
Loan repayments during the period	(340,305)
Balance, September 30, 2024	$ 1,261,675
Proceeds from loan	-
Loan repayments during the period	(1,205,995)
Balance, June 30, 2025	**$ 55,680**
Current Portion	5,148
Non-current portion	50,532
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 June 30, 2025, the rate was 6.05% (September 30, 2024 – 7.55%). The loan is secured with the building and equipment. On May 21, 2024, the Company prepaid $229,185, 15% of the outstanding balance. On March 24, 2025 the Company made a further repayment of $1,150,000.

As at June 30, 2025, the commitments for the next five fiscal years and thereafter for the BDC loan is as follows:

	Amount
2025	$ 1,287
2026	5,148
2027	5,148
2028	5,148
2029	5,148
2030 and thereafter	$ 33,801

b) On March 26, 2025, the Company announced that it had expanded its bank line of credit ("LoC") to a maximum of C$ 4.0 million, from its prior maximum of C$ 2.0 million. The LoC is entirely undrawn at present and is being made available at a premium of 1.4% over the bank's prime rate (currently at 4.95%). The availability of the expanded demand LoC is driven by a borrowing-base formula that is predominantly driven by accounts receivable and inventory balances. The Company's availability and usage of this facility varies across its manufacturing, sales and Accounts Receivable collection cycles.

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

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 June 30, 2025, 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, 2024 – $$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, 2024 – $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 quarter ended June 30, 2025, $15,014 has been recognized as grant income within general and administrative expenses (June 30, 2024- $23,752). As at June 30, 2025, the carrying value of the Loan is $2,574,434 (June 30, 2024– $2,501,170) and $330,315 is recognized as a deferred grant within deferred revenue on the consolidated statements of financial position (June 30, 2024– $363,480).

The Company is in compliance with the covenants associated with this loan as at June 30, 2025.

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

Fiscal Years	Amount
2026	$ 484,987
2027	646,649
2028	646,650
2029	646,650
2030	646,650
2031	161,664

9. 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 June 30, 2025, other receivables include $336,000 in grants receivable (June 30, 2024– 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.

10. 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 fiscal 2024, the Company repurchased 2,583,311 shares at a cost of $925,279 and cancelled 2,749,237 shares. 137,034 shares representing shares repurchased ($49,198 book value) but not yet cancelled are considered as treasury shares as at September 30, 2024.

On December 9, 2024 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 5, 2024, the NCIB enables the Company to repurchase up to 5% of its common shares over a 12-month period.

During the quarter ended June 30, 2025, 771,623 shares were repurchased. As at June 30, 2025 234,714 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, 2024	135,674,136	$ 48,682,854
Exercise of stock options	8,578,314	3,545,936
Stock repurchase and cancellation	(3,992,338)	(1,517,801)
Balance, June 30, 2025	**140,260,112**	**$ 50,710,989**

11. COMMON SHARE PURCHASE WARRANTS

A continuity of the Company's warrants outstanding as at June 30, 2025 is presented in the following table:

	Units	Weighted average exercise price
Balance, September 30, 2024	8,881,564	$ 0.36
Exercised	(6,703,314)	$ 0.36
Expired	(2,178,250)	$ 0.36
Balance, June 30, 2025	**-**	**$ -**

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

	June 30, 2025			September 30, 2024		
	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life
			years			years
Exercise price:						
$0.36	-	-	-	8,881,564	0.36	1.34
	-	-	-	8,881,564	$ 0.36	1.34

During Q2 2025 6,703,314 warrants issued on January 31, 2020 were exercised at $0.36 per warrant and an equivalent number of shares were issued. In addition, 2,178,250 warrants issued on January 31, 2020 expired on January 31, 2025. As at June 30, 2025, there are no warrants outstanding.

12. 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 June 30, 2025, the Company has a total of 13,669,000 options (September 30, 2024 – 12,884,000) issued and is eligible to issue up to a total of 14,026,011 options.

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

12. STOCK OPTION PLAN (Continued)

The activity under the Company's stock option plan for quarter ended June 30, 2025 is as follows:

	Units	Weighted average exercise price
Balance, September 30, 2024	12,884,000	$ 0.45
Stock options exercised	(1,875,000)	$ 0.22
Stock options issued	2,895,000	$ 0.48
Stock options forfeited	(235,000)	$ 0.22
Balance, June 30, 2025	**13,669,000**	**$ 0.49**
Exercisable, June 30, 2025	**5,299,000**	**$ 0.60**

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 June 30, 2025 and September 30, 2024:

	June 30, 2025			September 30, 2024		
	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	8,044,000	$ 0.56	2.43	5,169,000	$ 0.60	1.93
$0.28 to $0.40	5,625,000	$ 0.38	3.08	7,715,000	$ 0.34	2.93
	13,669,000	$ 0.49	2.69	12,884,000	$ 0.45	2.52

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 quarter, the fair value of the options vested in the quarter were expensed and credited to contributed surplus. During the quarter, the Company recorded share-based compensation expense of $160,530 (2024 - $190,904).

Scheduled usage of the Microbix stock option plan occurs each February following the issuance of Microbix's full-year results and annual information form (AIF) in December and the publication of Q1 results and the management information circular (MIC) in mid-February. The board and management believe that option issuance at the same time each year constitutes optimal governance and that shareholders have maximal information at that time of year due to the recent publication of the AIF and MIC. Option issuances in February for the preceding five years have been on the order of 2% of shares outstanding and are as follows:

Fiscal Year	Option Quantity	Option Strike Price
2021	2,239,000	$0.62
2022	2,805,000	$0.60
2023	2,815,000	$0.37
2024	2,795,000	$0.40
2025	2,895,000	$0.48

13. 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:

	Three months ended June 30		Nine months ended June 30	
	2025	2024	2025	2024
Net income (loss) for the period for basic earnings per share	$ (1,642,776)	$ 246,746	$ (765,150)	$ 3,079,855
Net income (loss) for the period for diluted earnings per share	(1,642,776)	246,746	(765,150)	3,079,855
Weighted average common shares outstanding	140,580,854	136,839,806	140,131,729	136,826,418
Dilutive Effect	27,907	788,006	74,133	808,555
Dilutive weighted average common shares outstanding	140,608,761	137,627,812	140,205,862	137,634,973
Net income (loss) per share:				
Basic	$ (0.012)	$ 0.002	$ (0.005)	$ 0.023
Diluted	$ (0.012)	$ 0.002	$ (0.005)	$ 0.022

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 three months ended		For the nine months ended	
	2025	2024	2025	2024
Pursuant to warrants	-	8,881,564	-	8,881,564
Under stock options	13,641,093	12,325,994	13,594,867	12,305,445
Pursuant to convertible debentures	17,391,304	17,391,304	17,391,304	17,391,304
	31,032,397	38,598,863	30,986,171	38,578,314

14. CHANGES IN NON-CASH WORKING CAPITAL

	Three months ended June 30, 2025	Three months ended June 30, 2024	Nine months ended June 30, 2025	Nine months ended June 30, 2024
Accounts receivable	$ 118,769	$ 394,837	$ 1,794,012	$ 106,978
Inventory	(585,181)	(92,032)	(2,396,186)	(497,448)
Prepaid expenses and other assets	(129,325)	398,514	(103,863)	(22,781)
Deferred Revenue	(77,861)	(392,448)	198,147	(812,462)
Accounts payable and accrued liabilities	(347,059)	295,193	(1,066,254)	(217,594)
	$ (1,020,657)	$ 604,064	$ (1,574,144)	$ (1,443,307)

15. FINANCIAL EXPENSES, NET

	Three months ended June 30, 2025	Three months ended June 30, 2024	Nine months ended June 30, 2025	Nine months ended June 30, 2024
Cash interest:				
Interest on long-term debt	$ 758	$ 30,256	$ 59,856	$ 95,522
Interest on debentures	90,000	89,750	270,000	269,750
Interest other	-	-	-	30
Interest income	(68,633)	(145,575)	(279,834)	(411,781)
Non-cash interest:				
Accretion on debentures	75,600	56,125	210,912	156,580
Accretion interest expense	58,763	54,642	166,645	170,908
Gain on Debt Modification	-	(166,630)	-	(166,630)
Financial expenses	$ 156,489	$ (81,432)	$ 427,580	$ 114,379

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.

16. 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 June 30, 2025 was $ $34,163,485 (September 30, 2024 - $33,994,557).

To date, the Company has used cash provided by operating activities, common equity issues, debentures, bank mortgage and other financing to fund its activities. 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 $4,000,000 with its Canadian chartered bank (see note 8).

The Company's general policy is to not pay dividends and retain cash to keep funds available to finance the Company's growth. 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 quarter in how the Company defines its capital or how it manages its capital.

17. 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 quarter ended June 30, 2025 and September 30, 2024, the Company has carried at fair value financial instruments in Level 1. At June 30, 2025, 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 quarter.

The three levels are defined as follows:

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

17. FINANCIAL INSTRUMENTS (Continued)

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

	Date of valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:				
Cash	30-Jun-25	$ 12,100,900	-	-
Liabilities for which fair values are disclosed:				
Convertible debentures	30-Jun-25	-	2,217,349	-
Long-term-debt and other debt	30-Jun-25	-	2,630,114	-

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

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.

18. 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 quarters ended September 30, segmented between categories (i) and (ii) (including Kinlytic):

	For the three months		For the nine months	
Segment Revenue	2025	2024	2025	2024
Product Sales	$ 3,348,478	$ 4,946,122	$ 14,424,069	$ 14,659,092
Licensing Fees and Royalties	123,704	113,343	416,979	4,441,158
Total for continuing operations	$ 3,472,182	$ 5,059,465	$ 14,841,048	$19,100,250

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

	For the three months		For the nine months	
Operating Income (Loss)	2025	2024	2025	2024
Product Sales	$ (1,674,581)	$ 224,408	$ (895,643)	$ (401,637)
Licensing Fees and Royalties	31,805	22,338	130,493	3,481,491
Total for continuing operations	$ (1,642,776)	$ 246,746	$ (765,150)	$ 3,079,855

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 are as follows:

	Segment assets		Segment liabilities	
	June 30 2025	September 30 2024	June 30 2025	September 30 2024
Product Sales	$ 35,715,992	$ 35,326,040	$ 8,939,803	$ 9,799,339
Licensing Fees and Royalties	2,539,833	2,770,727	-	-
Total for continuing operations	$ 38,255,825	$ 38,096,767	$ 8,939,803	$ 9,799,339

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.

18. 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 June 30 are as follows:

	Depreciation and amortization		Additions to non-current assets	
	2025	2024	2025	2024
Product Sales	$ 367,881	$ 349,690	$ 1,623,290	$ 1,677,262
Licensing Fees and Royalties	76,965	76,965	-	-
	$ 444,846	$ 426,655	$ 1,623,290	$ 1,677,262

19. 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. Additionally, due to its distributor for Asia being domiciled in North America, Microbix believes it is not subject to the receivables collection risks sometimes associated with sales to Asia.

	For the three months		For the nine months	
Revenues	2025	2024	2025	2024
North America	$ 2,119,122	$ 3,790,907	$ 9,215,082	$15,297,935
Europe	1,327,107	1,076,215	5,314,004	3,407,589
Other foreign countries (directly)	25,953	192,344	311,962	394,726
	$ 3,472,182	$ 5,059,466	$ 14,841,048	$19,100,250

	Non-current assets	
	June 30, 2025	September 30, 2024
North America	$ 14,152,264	$ 13,836,805
Europe	-	-
Other foreign countries (directly)	-	-
Balance, end of quarter	$ 14,152,264	$ 13,836,805

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

For the period ended June 30,	2025	2024
Balance, beginning of the quarter	$ 1,016,067	$ 1,567,498
Cash payments or advance payments on performance obligations	457,859	616,171
Revenue recognized during the quarter	(520,705)	(254,175)
Deferred government grant and loan (see notes 8 and 9)	(15,014)	(438,655)
Balance, end of quarter	$ 938,206	$ 1,490,838

19. REVENUES AND GEOGRAPHIC INFORMATION (Continued)

As of June 30, 2025, $270,258 of deferred revenue is reported in Other long-term liabilities (September 30, 2024 - $249,588).

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.

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.

20. RELATED PARTY TRANSACTIONS

Key Management Compensation

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

	Three months ended June 30, 2025	Three months ended June 30, 2024
Short-term wages, bonuses and benefits	$ 299,217	$ 290,539
Share based payments	95,957	109,273
Total key management compensation	$ 395,174	$ 399,812

21. COMMITMENTS AND CONTINGENCIES

Payments on convertible debentures (Note 7)

	Amount
2025	$ 90,000
2026	360,000
2027	360,000
2028	2,860,000
2029	1,539,497
	$ 5,209,497

Contingencies

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

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

SENIOR MANAGEMENT

Cameron L. Groome
Chief Executive Officer and President

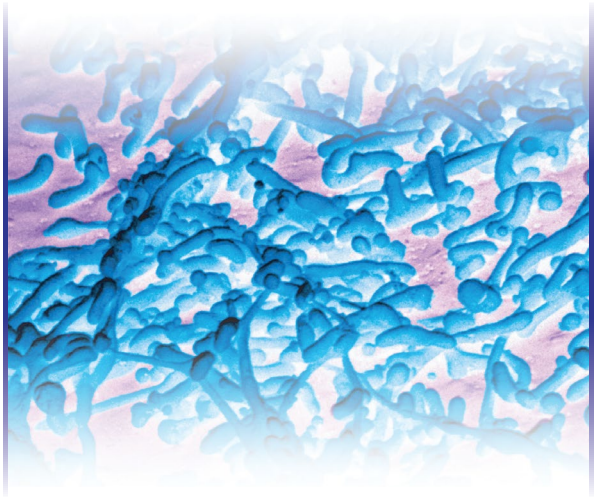
James S. Currie
Chief Financial Officer

Kenneth Hughes
Chief Operating Officer

Dr. Mark Luscher
Senior Vice-President, Scientific Affairs

Phillip Casselli
Senior Vice-President, Sales & Business Development

Christopher B. Lobb
General Counsel & Secretary



MICROBIX

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