MICROBIX BIOSYSTEMS INC.

ANNUAL INFORMATION FORM

For the financial year ended September 30, 2025

As at December 18, 2025

Forward Looking Information

This Annual Information Form contains forward-looking statements and information, which involve various risks and uncertainties. There can be no assurance the statements will prove to be accurate and actual results and future events may differ materially. See “Forward Looking Information”.

Table of Contents

Forward Looking Statements

This Annual Information Form contains certain forward-looking statements and information relating to the Company including, but not limited to, the Company's operations, anticipated financial performance, business prospects and strategies. Forward-looking information typically contains statements with words such as "anticipate", "could", "expect", "seek", "may", "will", "intend" "believe", "plan" or similar words or expressions suggesting future outcomes.

All statements, other than statements of historical fact, included in this Annual Information Form are forward-looking statements that involve various risks and uncertainties, both known and unknown. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements.

By its nature, the Company's forward-looking statements and information involves numerous assumptions, inherent risks and uncertainties, including but not limited to the following factors: changes in business strategies; general global economic and business conditions; the effects of competition and pricing pressures; industry overcapacity; shifts in market demand; changes in laws and regulation changes; uncertainties of litigation; patent registration; the regulatory marketing application processes; labour disputes; timing of completion of projects; currency and interest rate fluctuations; availability of financing, either equity or debt; conducting business in foreign jurisdictions and applicability of foreign laws; results of research and development; commercialization of technologies and procedures and technological changes within the Company's industry or more broadly.

The Company undertakes no obligation to update publicly or otherwise revise forward-looking information, whether as a result of new information, future event or otherwise, except as required by applicable law.

Corporate Structure

Name, Address and Incorporation

Microbix Biosystems Inc. ("**Microbix®**", the "**Company**", "**us**", "**we**", or "**our**") was amalgamated under the laws of the Province of Ontario by articles of amalgamation dated October 1, 1990. The predecessor companies of Microbix were Animal Health Laboratories Inc., a private company incorporated on October 3, 1978 under the laws of the Province of Ontario which changed its name to Microbix Biosystems Inc. on May 4, 1984, and Autocrown Corporation Limited, a public company amalgamated under the laws of the Province of Ontario on April 27, 1980.

The registered office and principal place of business of the Company is located at 265 Watline Avenue, Mississauga, Ontario. The Company also operates and maintains a second site at 235 Watline Avenue and a third site at 275 Watline Avenue (both also in Mississauga, Ontario).

Intercorporate Relationships

On December 14, 2012, the wholly owned subsidiary Crucible Biotechnologies Limited was incorporated in Ontario for future purposes, and later applied to a vaccine-related business opportunity. During fiscal 2025 there was no business activity in this subsidiary.

General Development of the Business

Business Overview

Microbix specializes in developing biological and technology solutions for human health and well-being. It manufactures a wide range of critical biological materials for the global diagnostics industry in four categories, (1) "**Antigens**" as ingredients for making infectious disease tests ("**Tests**"), (2) quality assessment products ("**QAPs™**") for helping control Test accuracy, (3) characterized reference materials ("**QUANTDx™**") for supporting the development and validation of Tests, and (4) "**Reagents**" such as control elution buffers and viral transport medium (generically referred to as "**CEB**" or "**VTM**" with the latter branded as "**DxTM™**") to help enable quality management and patient-sampling for Tests. Microbix is also working to re-commercialize an already FDA-approved biological drug, the thrombolytic (clot-buster) Kinlytic® urokinase ("Kinlytic"). Initially, Kinlytic is targeted to return to the U.S. market for clearing blood clots from blocked indwelling venous catheters via a fully-funded redevelopment agreement.

In the context of Microbix's business, Antigens are purified and inactivated bacteria and viruses, which are used as ingredients in the manufacturing of the immunoassay format of Tests which are used to assess exposure to, or immunity from, those pathogens.

In turn, QAPs are inactivated and stabilized samples of a pathogen, or analogue of a pathogen, that are formatted to resemble patient samples in order to support one or more of (i) the proficiency testing of clinical labs, (ii) Test development, instrument validation, and technician training, (iii) the quality management of Tests by clinical laboratories, or (iv) included within kits of cartridges to help quality management of Point-of-Care Tests used beyond lab settings.

The QUANTDx product line was launched in July 2025 and features accurately-quantified and fully-traceable reference materials that enable assay developers to establish key analytical performance metrics— such as LoD (limit of detection), Sensitivity (positive accuracy), and Specificity (negative accuracy) — that are essential for regulatory submissions and validation. QUANTDx complements the QAPs product line by addressing an industry need for high-quality, reliable, and standardized reference materials. Microbix's Reagent sales began in the Spring of Calendar 2020 and sales of this product line became material in the Spring of 2021 and through the Summer of 2022. The DxTM SKU consists of vials of liquid medium that stabilize organisms, particularly viruses, in patient-samples until such time as they can be tested for disease by laboratory-based instruments. The major use of DxTM was for molecular diagnostics (e.g., RT-PCR) testing for the SARS-CoV-2 virus. Microbix was the only Health Canada approved domestic supplier of this product to the Province of Ontario during the pandemic, however agents of Ontario since returned to 100% importation of this strategically critical product. Microbix is

therefore redirecting its vial filling, capping, and labeling capacity for international customers, currently as CEB and mainly for export outside of Ontario and Canada.

Microbix's portfolio of Antigens, QAPs, QUANTDx, or Reagents are sold to more than 100 customers worldwide, primarily to multinational diagnostics companies and laboratory accreditation organizations but also to a growing number of clinical labs directly or through distributors. In its fiscal year of 2025, overall revenues $18.6 million, comprised of $ 12.4 million of antigens (67%), $ 5.6 million of QAPs, QUANTDx or reagents (30%, mainly QAPs), and $ 0.6 million from royalties (3%). Microbix now employs approximately 125 highly skilled employees, many of whom have advanced degrees.

Microbix also has interest in Kinlytic® urokinase, a thrombolytic biologic drug used to treat blood clots. From partnering this asset, Microbix has received US$ 4.0 in licensing fees across fiscal 2023 and 2024. Microbix is applying its biological expertise to return this clinically-important therapeutic to market via a fully-funded redevelopment alliance with Sequel Pharma LLC that was secured in Q3 of fiscal 2023 and reconfirmed in Q1 of fiscal 2024 after a new consultation with the U.S. FDA. Microbix, Sequel, and their contractors are now working to return Kinlytic to clinical usage in the United States.

Three-Year History

Fiscal 2023, 2024 & 2025 (Oct. 1, 2022 through Sept. 30, 2025)

Over the past three years, Microbix has been working to advance its revenue-oriented Antigens, QAPs, QUANTDx, and reagents businesses (collectively, the "**Revenue Businesses**"), and help accomplish the needed redevelopment of Kinlytic.

Over first year of the period, fiscal 2023, total sales were $16.5 million vs. $19.1 million for fiscal 2022, with the decrease in revenues primarily coming from the lack of DxTM revenues in 2023, after having $5.0 million in revenues from that product in 2022.

As will be described later in this document, demand growth during this period for its Antigen resumed post-pandemic and the Company modernized and de-bottlenecked its production to meet that growth. Over this three-year timeframe (*i.e.*, 2025 over 2023), Antigen sales have grown by 29%. Antigens continue to represent a significant percentage of total sales; 58% in fiscal 2023. 54% in fiscal 2024 (even with additional revenues from Kinlytic in 2024), and with Antigen sales representing 67% of total revenues in fiscal 2025, this business remains a critical sales and margin contributor.

An important advancement made by Microbix in the Antigens segment of its Revenue Businesses has been the development and validation of bioreactor-based production. Starting with its highest-selling product in 2017 and from which sales began in 2019, the Company developed and validated processes to move production away from the traditional and less-controlled roller-bottle cultures to a more efficient method that uses state-of-the-art bioreactors. Microbix's move to bioreactors aimed to expand its capacity, help reduce per-unit costs, improve in-process controls and batch success rates, and enhance product quality. Such goals have been accomplished for the antigen product first migrated into bioreactors.

Additionally and starting in fiscal 2024, the Company introduced another of it's key Antigen products to the bioreactor process and is thereby seeing early gains in capacity, efficiencies, and margins. In addition, Microbix has continued to expand it's bioreactor production capacity, with the addition of equipment and qualified staff and improvements to key processes.

Microbix has derived margin benefits from this conversion, alongside the benefits of other concurrent actions it has taken to improve broader Antigens production efficiency. However, bioreactor-derived sales are to a limited number of customers, some of which purchase via supply contracts that provided below-target gross margins. Microbix continues to avail itself of the annual price increases available under such contracts and improve product yields to achieve improved margins. Microbix has executed confidential disclosure agreements (CDAs) relating to current or prospective client projects over the course of fiscal 2025 and annouced several such projects, but has not executed any material contracts.

Beyond normal-course pricing renegotiations, the adoption of new technologies for production is intended to enable Microbix to meet growth in demand without the need to proportionately expand its Antigen-related facilities or payroll – making it well-positioned to benefit from the adoption of immunoassay-based testing for infectious diseases in new markets, such as China and other nations pursuing improved and modernized healthcare. Microbix's Asia-Pacific distributor worked to incorporate Microbix Antigens into dozens of new Tests seeking Chinese FDA approval in order to provide strong opportunities for sales growth. As a consequence, Microbix benefited from greater activity in China during fiscal 2023 and 2024, with Antigen sales increasing five-fold (2024 vs. 2022). However, midway through fiscal 2025 demand from our distributor dropped significantly due to a decline in sales into China that is believed mainly due to fewer respiratory infections during the winter of 2024/25. It should be noted that all Microbix's staff and operations are wholly-based in Canada while over 95% of its sales are to other countries.

Approximately 30% of Microbix's growing sales are being realized by way of using its inactivated pathogen samples or synthetic-biology analogues as "quality assessment products," broadly branded as QAPs™. As a product line, sales of QAPs have grown considerably over the past six years, from $ 1.4 million in fiscal 2020, to $4.7 million and 25% of sales in fiscal 2021, to $5.4 million and 28% of sales in fiscal 2022, to $5.0 million and 30% of sales in fiscal 2023, to $7.0 million and 28% of sales in fiscal 2024, and to $5.6 million and 30% of sales in fiscal 2025.

That sales growth from fiscal 2020 has been realized by way of (i) upgrading Microbix's quality management systems to full medical devices standards, (ii) creating fully-regulated "IVD" QAPs, and (ii) broadening its QAPs product lines and formats while also opening new market segments and customer relationships. The QAPs product line currently comprises many discrete SKUs sold to customers around the world. At the end of fiscal 2024, Microbix also attained an important new EU regulatory accreditation – the achievement of compliance with the "IVDR" regulations for its REDx™ brand QAPs. This enables Microbix to continue to have full access to sell to clinical labs across the EU and is critical for maintaining sales growth for QAPs.

Microbix has established that there are several product/customer categories for its QAPs, namely (i) unbranded sales to clinical laboratory accreditation agencies for use in their proficiency testing ("PT" or "EQA") programs, (ii) "PROCEEDx™" or "ONBOARDx™" branded sales for use in research, Test development validation/verification of instruments, troubleshooting, and operator training (collectively designated Research Use Only ("RUO") applications), (iii) "REDx™" branded sales for use by clinical laboratories for formal In-Vitro Diagnostics ("IVD") quality assessments, and (iv) branded or unbranded sales to Point-of-Care Test ("PoCT") manufacturers for inclusion into their kits of test-cartridges at fixed ratios (*e.g.*, 1 QAP per 20 Test cartridges).

For fiscal 2025, 79% of QAPs sales were into the PT market, however Microbix expects sales to Test-makers to eventually become the dominant category. This is due to many table-top PoCT instruments being perfected and made available following the COVID pandemic, all of which require reliable and room-temperature stable test-controls. QAPs formatted onto the market-leading FLOQSwab® flocked patient-sampling swabs of Microbix strategic collaborator, Copan Italia S.p.A., are ideally-suited for supporting the accuracy of PoCTs. Notably Microbix's "PROCEEDx™FLOQ®" and "REDx™FLOQ®" co-branded swab-based QAPs are engineered to quickly and reliably help detect problems with operators, consumables, and instruments. Such assurance is becoming a predicate for PoCTs to get regulatory approvals for use in commercially-important settings outside of clinical laboratories, such as local clinics, long-term care homes, pharmacies, schools, and workplaces. FLOQ-formatted QAPs are believed to be unique in the Test-controls marketplace, offering far less variable performance than spun-fiber or sponge swabs. They are likewise protected by issued patents of Copan and patent-pending intellectual property of Microbix. For such reasons, unit volume sales of FLOQSwab-formatted QAPs matched the unit volume sales of liquid vial format QAPs over the past three years, in spite of this format only being introduced in late fiscal 2020.

Most sales of QAPs are to the PT and test-maker segments and made directly by Microbix at higher unit volumes and on a business-to-business basis. However, sales to the clinical laboratory market can be of smaller volumes and to a more diffuse base of customers. Accordingly, starting in fiscal 2020, Microbix began to build-out a network of formal distribution partners as well as direct customer service capabilities. At present, Microbix has ten (10) QAPs distributors that provide for exclusive or non-exclusive distribution access to over 30 countries, including in Africa, parts of Asia, Australia and New Zealand, Canada, the European Union, Scandinavia, parts of South America, the United Kingdom, and the United States.

To complete this review of the QAPs business, we will discuss the availability of both RUO and IVD SKUs within this segment. At the end of fiscal 2020, Microbix had 16 RUO and 7 IVD QAPs, with growth to 30 RUO and 11 IVD QAPs in fiscal 2021, 48 RUO and 33 IVD in fiscal 2022, 100 RUO and 67 IVD QAPs in fiscal 2023, well over 100 RUO and 85 IVD QAPs in fiscal 2024, and 276 RUO and 94 IVD QAPs in fiscal 2025. This rapid expansion in the number of QAPs SKUs is intentional as it increases Microbix's profile across the diagnostics industry, but it comes at the cost of lower gross margins due to the necessity for many smaller production runs.

Sales of QUANTDx and Reagents were each not material during the three-year period under discussion. For QUANTDx, this is because the product line was only launched in Q4 of fiscal 2025, leaving insufficient time to build-up. For Reagents, pandemic-era sales of DxTM to government procurement agencies have not resumed, and sales of CEB have been modest.

A further value-generating project of Microbix's must also be mentioned, as it has generated significant revenues in fiscal 2023 and 2024 and is targeted to begin generating a large stream of recurring royalty revenues starting in fiscal 2028. Specifically, Microbix has long been interested in the market potential for a human protein drug known as urokinase. A low molecular-weight and cell-culture derived form of urokinase, Kinlytic® urokinase, has had a history of clinical use in U.S. and Canadian patients — successfully treating millions of patients for a number of disorders relating to blood clots. After first exploring the market-introduction of a generic (*i.e.*, biosimilar) version of the original drug, Microbix ultimately acquired all rights to the original biological drug in 2008. Since that time, Microbix has been pursuing means to re-launch the drug into North American markets, following the dating expiry of the last lot of originator-manufactured product in 2009.

After its acquisition of the product, Microbix was focused on identifying partners to fund the construction of a new manufacturing site capable of supporting the re-launch of Kinlytic for a number of its prior clinical indications, such as pulmonary embolism, deep vein thrombosis, stroke, heart attack, and clearance of clots from implanted catheters. The funds needed for the construction and qualification of that scale of facility, coupled with the cost of human trials to revalidate the process, would have been at least US$100 million. Finding a source for such funding understandably proved to be difficult for a small firm, regardless of attractive project economics.

More recently, Microbix refocused near-term objectives for Kinlytic on a specific clinical indication previously approved by FDA, namely the clearance of blood clots blocking biomedical venous catheters, which reduced the manufacturing and clinical trial budgets to a fraction of those for the complete range of prior indications and therefore made the project more appealing to prospective partners. Microbix determined that a manufacturing and clinical trial investment of an estimated US$20 million over a period of approximately three years could enable the filing of a supplemental Biologics Licensing Application (sBLA) for re-introduction of Kinlytic for a clinical indication within which it could achieve annual North American sales of over US$200 million (based on commercially-reasonable market expectation of achieving approximately 40% unit-volume market-share). The Company reasoned that such economics would be more attractive to potential partners able to provide that smaller scale of needed investment.

Additionally, Microbix conducted a formal consultation with FDA about such plans in April 2017 and received guidance that it believed to be confirmatory and supportive. Following its FDA meeting, Microbix focused on defining the budgets and timelines for the more focused project, with those validated by way of obtaining quotations from third parties for all critical elements of the project. Microbix reasoned that having quotations from qualified contractors would provide the project greater credibility than could be obtained from its internal estimates. The

required work includes (i) restarting upstream “drug substance” manufacturing while incorporating updates to cell-bank pathogen screening and reducing or eliminating products of animal origin in cell culture media, (ii) restarting downstream “drug product” manufacturing while incorporating fully-modernized purification and ultrafiltration techniques, and (iii) potentially undertaking a clinical study to confirm performance of the newly-made product.

In 2018, after securing all needed third-party contractor quotations for approximately US$25 million in redevelopment work at pre-existing sites, Microbix made further progress with regards to Kinlytic – engaging an experienced drug licensing agent and completing a digital due diligence “data room” in support of the project. Starting in fiscal 2019, the agent undertook outreaches to many potential development partners. Such discussions led to identification of an alliance partner for returning Kinlytic to the market with interest in the project, sufficient capital, U.S.-based and hospital-directed sales and reimbursement experience, comfort with biological drugs, and an appropriate timeline for receiving its return on investment.

In fiscal 2023 Kinlytic took a big step toward generating meaningful revenues by way of the partnering Agreement with that better-resourced entity, notably a fully-funded drug commercializaton agreement with Sequel Pharma, LLC (“Sequel”) 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 will now be fully-funding Kinlytic’s return to clinical usage – initially into the United States for the US$ 400 million sub-indication of catheter clearance. Microbix recognized a US$1.0 million payment as revenue in Q3 of fiscal 2023 and a further US$ 3.0 million of revenues in Q1 of fiscal 2024. Due to this agreement that is providing full funding for the redevelopment of Kinlytic, Microbix reversed the prior impairment of Kinlytic, restoring its prior cost-based intangible value of C$ 3.1 million in Q4 of fiscal 2023 and beginning to amortize this asset. Going forward, Microbix will be eligible for (i) a further US$ 31 million in potential milestone payments driven by sales levels, and (ii) royalties on product sales, both upon re-approval of Kinlytic for clinical use in the United States. Microbix believes that its ongoing interest in Kinlytic is a material asset and that the milestones payments and royalties should become impactful from fiscal 2028 forward, given the parties’ current expected timelines for completing the required work and for review and approvals by U.S. regulatory authorities.

Financial Matters

Financial matters over the past several years are also noteworthy. Prior to fiscal 2018, growth in sales and resulting margins was more than offset by accelerating spending on pre-revenue development projects. Such spending necessitated periodic private placement financings to fund the large sums needed to advance those projects. That approach changed in fiscal 2018, when the decision was taken to focus upon the growth of Microbix’s Antigens and QAPs businesses and on partnering-off cash-consuming projects. However, further funding was still needed to provide working capital, complete the Antigen-related bioreactor project, and to make needed improvements to the manufacturing facility. A private placement was therefore undertaken in Q1 of fiscal 2018 (October, 2017), for gross proceeds of $3.5 million.

For further funding support, the Company signed an agreement with Federal Economic Development Agency for Southern Ontario ('*FedDev*') in July, 2019 to provide a repayable government contribution whereby FedDev agreed to contribute funding for 30% of the Business Scale-up and Productivity Project expenditures made by the Company. Through this agreement, FedDev would loan up to $2,752,500 over four years. The Company submitted eligible expenses on a quarterly basis to receive the interest-free contributions, and those matching funds were utilized to support the ongoing growth of our Revenue Businesses.

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 was to begin on October 15, 2025. Subsequently on May 27, 2024, the Company signed the final 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.

During fiscal 2025 the FedDev project was completed, and the final holdback payment was received in August 2025.

On January 30, 2020, the Company completed a private placement offering of an aggregate of 11,800,000 units for total gross proceeds of $2,360,000, and net proceeds of $2,150,159 after share issuance costs of $209,241. These funds were raised to meet the Company's commitment from the agreement with FedDev, help fund growth initiatives, and bolster working capital. As of the date of the 2024 AIF, 8.9 million warrants with an exercise price of $0.36 per warrant were outstanding and due to expire on January 30, 2025. During Q2 2025 6,703,314 warrants issued on January 31, 2020 were exercised at $0.36 per warrant (for a value of $2,413,193) and an equivalent number of shares were issued. In addition, 2,178,250 warrants issued on January 31, 2020 expired on January 31, 2025. In addition, as Microbix expanded and accelerated new projects such as DxTM and additional QAPs, it required additional funding support. On May 19, 2021, the Company consequently completed a public offering and a concurrent private placement offering of an aggregate of 11,500,000 units – for total gross proceeds of $6,900,000, and net proceeds of $6,131,567 after share issuance costs of $768,433. Each unit consisted of one common share of Microbix and one-half of one common share purchase warrant. Each whole warrant entitled the holder to purchase one additional common share at an exercise price of $0.80 for two years, which was subsequently extended to May 19, 2024. The financing was a "bought deal", with co-lead underwriters of the offering (iA Private Wealth Inc. and Bloom Burton Securities Inc.). Cash commissions of $402,500 were paid and an aggregate of 670,833 Broker's Warrants were issued in the public offering. Each Broker's Warrant entitled the holder to purchase one unit at a price of $0.60 for a period of two years. All securities issued under the concurrent private placement were subject to a hold period which expired four months and one day from the date of closing.

At the end of fiscal 2020, the Company also determined that the deferred tax asset balance of $1,568,237 was to be written down due to the heightened business uncertainties related to the COVID-19 pandemic.

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 more fully 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 needed for Ontario's lab-based testing for COVID-19 disease or other Tests of concern to public 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 to be paid upon project completion and a review of Eligible Project Expenditures incurred during the project, up to February 28, 2022. During the year ended September 30, 2021 the Company recognized $766,869 (2020- nil) of grant income. The company also recorded a $680,202 reduction in capital asset costs. The excess claims of $578,000 for the remainder of the grant were recognized in accounts receivable. Microbix has met the conditions and received the balance in April 2022.

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

During fiscal 2022, the Company made an early repayment of the remaining outstanding principal relating to a $2 million non-convertible 9% interest debenture. A payment of $1,331,758, including accrued interest, was made on October 1, 2021. In addition, in April 2022 the Company repaid a non-convertible $500,000 debenture when it came due.

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

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 covered 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 thereby supported 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 project was completed in fiscal 2025, with Microbix meeting all conditions and receiving the remaining $336,000 of the grant in August 2025.

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 U.S.-based private equity firm specializing in life sciences.

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, currently a US$ 400 million per year market (as estimated by IQVIA and internal market research) that is a monopoly. Long-term venous catheters are used to administer pharmaceuticals, nutrition, or dialysis, often needing to remain in place for extended periods. About 25% of such catheters become blocked with blood clots and, if not cleared, can require costly surgical replacement.

On May 16, 2023, Microbix received an upfront payment of US$ 2.0 million under the Agreement. Subsequent to year end of fiscal 2023, the Company received the next milestone payment of US$ 2.0 million in November 2023, alongside confirmation of full project funding for Kinlytic's return to the U.S. market, meaning that Microbix is not bearing material costs in relation to this program.

Presently, cash flow from operations, along with cash, an available and undrawn bank credit facility of up to $4.0 million, and an available and undrawn mortgage facility of up to $ 8.0 million appear to be adequate to support baseline funding requirements for our Revenue businesses and Kinlytic. 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. Additionally, and as detailed later herein, Microbix continues to repurchase and cancel up to 5% of its common shares each year under a Normal Course Issuer Bid approved by the Toronto Stock Exchange and governed by its regulations.

Over the past three years, our key financial metrics have continued to stay strong with a year-end fiscal 2025 current ratio of 8.48 and debt-to-equity ratio of 0.35. This financial performance has been a result of our generating cash from operations, securing government funding, receiving funds from the exercise of warrants and options, and attracting new investors via private placements (pre-2021) and a public offering (2021). With over $12 million in cash and cash equivalents, we are poised to further invest in the growth of our businesses.

Share Capital Transactions over the 3-year period

On February 27, 2023, the Company issued 2,815,000 options to employees and directors of the Company. The options vest after three years, with a five-year term and an exercise price of $0.37 per common share.

On February 26, 2024, the Company issued 2,795,000 options to employees and directors of the Company. The options vest after three years, with a five-year term and an exercise price of $0.40 per common share.

On February 25, 2025, the Company issued 2,895,000 options to employees and directors of the Company. The options vest after three years, with a five-year term and an exercise price of $0.48 per common share.

Microbix intends to continue to use its stock option plan on an annual basis, as part of its compensation programs to incentivize and retain its board of directors, executives and managers. Scheduled usage of the stock option plan takes place each February following the issuance of Microbix's Management Information Circular.

On October 3, 2022 the Company initiated Normal Course Issuer Bid ("NCIB") program for the repurchase and cancellation of outstanding common shares across fiscal 2023. 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. 303,000 shares representing shares repurchased ($108,347 book value) but not yet cancelled is considered as treasury shares as at September 30, 2023.

The Company initiated a second NCIB program for fiscal 2024, in accordance with its news release dated December 6, 2023. During fiscal 2024 the Company repurchased 2,583,311 shares at a cost of $925,279 and cancelled 2,749,237 shares. 137,074 shares representing shares repurchased ($49,198 book value) but not yet cancelled is considered as treasury shares as at September 30, 2024. Subsequent to September 30, 2024, the Company initiated a new NCIB program, in accordance with its news release dated December 5, 2024

On December 9, 2024 the Company initiated a third Normal Course Issuer Bid ("NCIB") program for the repurchase and cancellation of outstanding common shares across fiscal 2025. 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 enabled the Company to repurchase up to 5% of its common shares over a 12-month period. During the year ended September 30, 2025, 4,862,731 shares were repurchased and 4,739,972 shares were cancelled. As at September 30, 2025, 259,833 shares were in treasury, awaiting cancellation.

On December 4, 2025 the Company initiated a fourth Normal Course Issuer Bid ("NCIB") program for the repurchase and cancellation of outstanding common shares across fiscal 2026. In accordance with the rules of the Toronto Stock Exchange and as detailed in the Company's news release of December 4, 2025, the NCIB enables the Company to repurchase up to 5% of its common shares over a 12-month period, for up to 6,949, 346 common shares.

Significant Acquisitions

Microbix has not made any significant acquisitions over the past three fiscal years. Over the history of the Company, it has made three material acquisitions:

1. The purchase of a building as the site for expanded production of its Antigen products, which was completed in 2008.
2. The acquisition of Kinlytic® urokinase for injection, the only FDA-approved Urokinase product in the US, in 2008.

3. The acquisition of rights to the precursor technology to a cell-sorting technology in 2005.

Business of the Company

General

Microbix Biosystems Inc. ("**Microbix®**" or the "**Company**") (TSX: MBX, OTCQB: MBXBF) specializes in developing biological and technology solutions for human health and well-being. It manufactures a wide range of critical biological materials for the global diagnostics industry in three current categories, (1) **Antigens**, (2) quality assessment products ("**QAPs™**"), characterized reference materials ("**QUANTDx™**"), and (3) diagnostic-testing related reagents ("**Reagents**") such as viral transport medium or control elution buffer. Microbix is also working to create value from its therapeutic biological drug, Kinlytic® urokinase, which it is aiming to return to clinical use in the United States via a fully-funded development agreement.

In the context of Microbix's business, Antigens are purified and inactivated bacteria and viruses, which are used in the immunoassay format of Tests to assess exposure to, or immunity from, those pathogens. Historically, Microbix has focused on so-called "native" antigens made from purified and inactivated pathogens, but it extended its involvement to include "recombinant" (a.k.a., synthetic) antigens in January 2025 when it began to onboard capability for developing and manufacturing such antigens.

QAPs are inactivated and stabilized samples of a pathogen (or an analogue with similar properties), that are created to resemble patient samples in order to support one or more of (i) clinical laboratory accreditation agencies for use in their proficiency testing ("PT") programs, (ii) research, Test development validation/verification of instruments, troubleshooting, and operator training (collectively designated Research Use Only ("RUO") applications), (iii) clinical laboratories for formal In-Vitro Diagnostics ("IVD") quality assessments, and (iv) Point-of-Care Test ("PoCT") manufacturers for inclusion into their kits of test-cartridges. Microbix's Antigens and QAPs are sold to more than 100 customers worldwide, primarily to multinational diagnostics companies and laboratory accreditation organizations**.**

The QUANTDx product line was launched in July 2025 and features accurately-quantified and fully-traceable reference materials that enable assay developers to establish key analytical performance metrics— such as LoD (limit of detection), Sensitivity (positive accuracy), and Specificity (negative accuracy) — that are essential for regulatory submissions and validation. QUANTDx complements the QAPs product line by addressing an industry need for high-quality, reliable, and standardized reference materials. Sales of QUANTDx have begun and it is Microbix's objective that such revenues grow on a similar trajectory to QAPs (as previously described in the "Three-Year History" section herein).

Reagents include Microbix's brand of viral transport medium, a product generically known as a

"VTM," as well as control-elution buffers referred to as "CEB. VTM stabilize the nucleic acids and Antigens in patient specimens until such time as they can be tested using laboratory-based instruments. A widespread use of VTM is for molecular diagnostic testing for respiratory viruses, such as Influenza (Flu) and SARS-CoV-2 (COVID). CEB is used to reliably extract biological material from QAPs and is thereby a tool for evaluating test and test-process accuracy. Sales of VTM are currently not material due to the changes in post-pandemic procurement by government, while sales of CEB are ongoing at a low level to private industry.

Microbix has also applied its biological expertise and infrastructure to create proprietary new products or technologies. Currently it has one; Kinlytic® urokinase, the aforementioned biologic thrombolytic drug (used to dissolve blood clots).

Antigens Business

An Antigen is defined as a substance foreign to the (human) body that evokes an immune response and binds a product of the immune response (e.g., with an antibody). As relates to Microbix, an Antigen is best considered a preparation of concentrated, purified, intact, and inactivated bacteria, parasites, or viruses (or purified fractions of such organisms), that is used as a key ingredient in Tests that establish the presence or extent of human antibodies to that bacteria, parasite, or virus.

Such "immunoassay" Tests are used to determine whether patients have been exposed to a disease organism (e.g., to bacteria causing a respiratory illness such as pneumonia) or to measure pre-existing exposure or immunity to a disease by establishing the presence of circulating antibodies to it (e.g., a pregnant woman's immunity to a virus that could harm her baby *in-utero*). Immunoassays are used to diagnose exposure to disease or resistance to it, and are a mainstay of medical testing in North America, Europe and other regions of the economically-developed world.

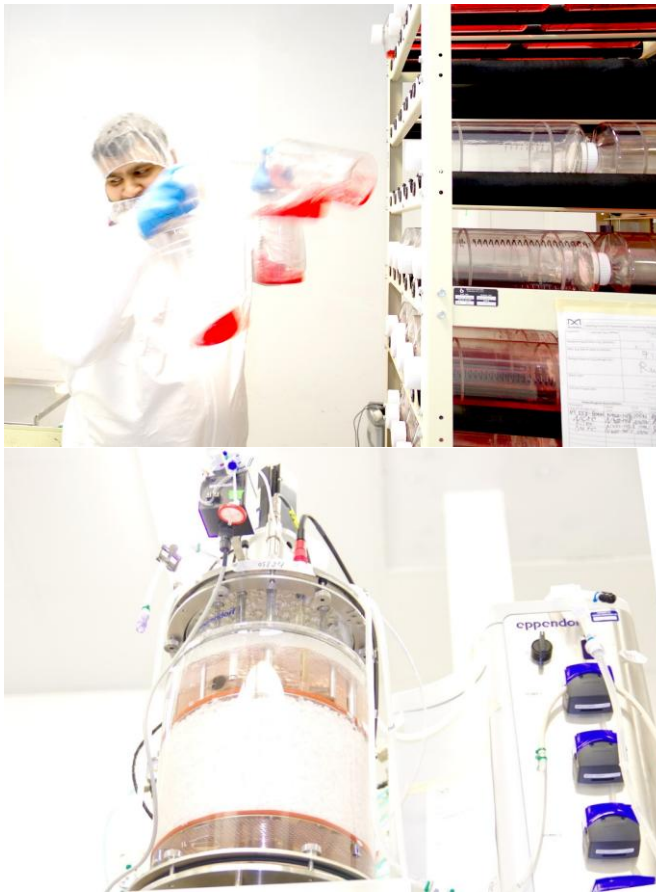
Microbix's business of producing high quality Antigens is the result of over three decades of experience in the field, including strain selection, safe, reliable and efficient organism culture at scale, purification, and methods of inactivation. As a result of Microbix's expertise, its products have received widespread and longstanding customer acceptance, with continuing growth in demand. Microbix's current catalogue of Antigens covers over 30 bacterial and viral pathogens that are implicated in maternal, pediatric, childhood, respiratory, sexually-transmitted and insect-borne diseases.

Microbix is a leading supplier of natural pathogen-derived Antigens to many multinational producers of immunoassays, with over 100 customers principally located in the United States and Europe. The top five Antigen customers account for approximately 80% of Antigen sales.

Due to a multi-month Antigens production cycle, customers under contract typically order product well in advance of targeted delivery dates, with Microbix maintaining a backlog of open purchase orders. To improve its management of working capital in the face of growing demand, Microbix has moved to partial sales deposits upon the order of product by some larger contract

customers, with such deposits being accounted for as “deferred revenues” and totaling $1,064,048 at September 30, 2025.

Until the COVID-19 pandemic, growth in demand for its Antigens had been accelerating as a number of diagnostic protocols for infectious diseases important to public health gain adoption in the Asia-Pacific region. Microbix’s distribution agreement for the Asia-Pacific region, executed in 2017, positioned it to capture this growth. Following the pandemic, sales of antigens into China grew substantially, through fiscal 2023, fiscal 2024, and the first half of fiscal 2025. Since that time, sales into China have slowed dramatically, which Microbix’s distribution partner relates to (i) reduced respiratory disease across winter 2024/25 resulting in lower sell-through of tests and need for test-ingredients, and (ii) tighter test-eligibility and reimbursement criteria.



Microbix’s expertise in large-scale roller bottle culturing (upper frame) remains a core skill, while our bioreactor culturing (lower frame) further improves process control and yields.

Even given a present-day reduction in sales to some markets, the resumption of Antigens sales growth since the ebbing of the COVID-19 pandemic should provide Microbix benefits due to it having increased its capacity to make Antigen using bioreactors, reallocating its traditional (*e.g.*, roller-bottle) Antigen production space, and improving its in-process controls and downstream production capacity and methods. It is still intended that these steps increase the revenue potential of current facilities while also improving margins. As a result of these efforts, management expects to continue longer-term growth of Antigen sales and improve profitability. See the preceding discussion in the Three-Year History section of this document for further bioreactor information.

Quality Assessment Products

Immunoassays using natural pathogen-derived Antigens are not the only means of diagnosing diseases. In some cases, Antigens can be made synthetically for immunoassays — generally where a single Antigen is highly abundant and conserved within a pathogen species. In other instances, Tests can look for the genetic material of a pathogen to identify disease — using a class of techniques called nucleic-acid amplification (*e.g.*, “PCR” polymerase chain reaction-based

amplification of DNA), with Tests based on such techniques broadly dubbed "**molecular diagnostics.**" There can be advantages to using synthetic (a.k.a., recombinant) Antigens or molecular diagnostics, but for certain vital applications such as assessing maternal immunity, natural Antigens such as those made by Microbix are not readily substituted.

To capture such growth opportunities beyond the natural Antigens market, Microbix is exploiting its expertise for a newer class of products that assist diagnostics industry participants with meeting quality objectives or requirements — broadly characterized as quality assessment products and branded as QAPs™. At present, such products comprise approximately 30% of annual sales, with that proportion expected to increase.

Microbix's QAPs consist of samples of pure, intact and inactivated pathogen samples (or synthetic or semi-synthetic analogues) that may also include human cells or nucleic acids (and negative "mock" samples) that are used to establish whether or not an antigen, immunoassay, or molecular Test is being performed properly. Such QAPs samples may be used to establish Test operator/lab proficiency (as either "white label" product or under the PTDx™ or ONBOARDx™ line), whether a test or testing instrument is functioning properly (PROCEEDx™ and PROCEEDx™FLOQ® lines), or as part of a formal laboratory quality management system (REDx™ and REDx™FLOQ® lines). For all such usage, it is vital that the sample be like that of a real pathogen that is inactivated, stable over time, and consistent. Microbix's expertise is well-suited for the creation of such products, with longstanding success in growing and inactivating pathogens at scale in relation to its Antigens business line.

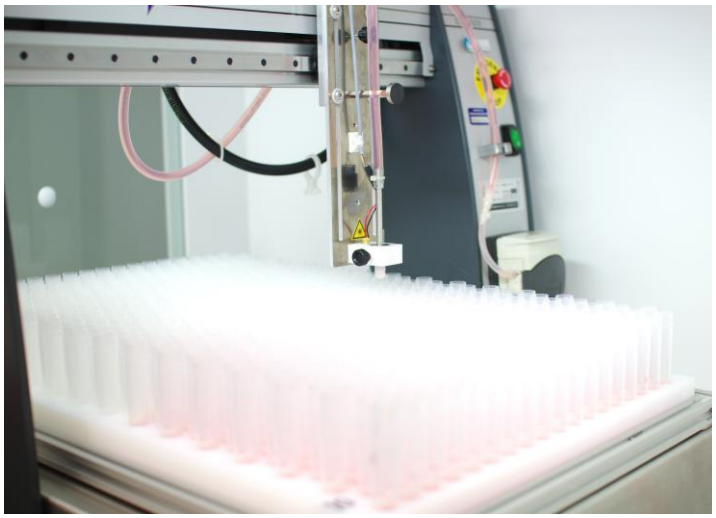
Microbix's REDx Controls and REDxFLOQ QAPs are for use to support the testing Quality Measurement Systems of Clinical Laboratories.

The manufacture of Microbix's quality assessment products is governed by the requirements of the ISO 13485 quality management system standard (International), the IVDD and IVDR standards (Europe) and 21CFR part 820 (United States). Microbix was first certified as compliant with the 13485 standard in December of 2018 and has since been audited and re-certified. In October 2024 Microbix was also accredited to the

new EU IVDR standards, obtaining such status for an initial basket of its REDx QAPs.

In general, the Company's QAPs products are unassayed (not quantitatively certified) controls intended for evaluating molecular diagnostic testing workflow performance for Tests that detect various human pathogens. The REDx family of controls have received one or both of EU "CE mark" and U.S. FDA registrations.

Microbix has a selection of QAPs for the proficiency sub-set of applications (its PTDx line) which represented over 20% of its fiscal 2025 sales. Additions to its catalogue of offerings and the creation of the PROCEEDx and REDx product lines increased QAPs sales to approximately 30% of total sales for fiscal 2025 and are expected to grow in fiscal 2026 and beyond. Management believes these moves will enable it to realize the full scope of opportunities for quality assessment product (QAPs) sales.



Microbix's DxTM brand of viral transport medium was widely-used for COVID-19 testing across the Province of Ontario.

A third revenue generating segment was created in July 2025 with the launch of the QUANTDx product line, which consists of quantified and traceable reference materials that enable assay developers to determine essential performance properties such as LoD (limit of detection), Sensitivity (positive accuracy), and Specificity (negative accuracy). Knowing such properties is essential for regulatory filings and validation. The initial QUANTDx line covers the most commonly tested disease areas — fungal, human papillomaviruses, gastrointestinal, meningitis, respiratory, & sexually-transmitted. Microbix believes that QUANTDx thereby meets a critical need within the industry for high-quality, reliable, and standardized reference and complements its preexisting QAPs portfolio.

Fourth, Microbix's Reagents line is comprised of its **DxTM** brand of viral transport medium and its control-elution buffer. These Reagents are each well-paired with Microbix's

other diagnostics-oriented product offerings and are being targeted for sale to Microbix private-industry customers for Antigens, QAPs, and QUANTDx, in addition to resuming sales to government procurement agencies using Microbix's validated and commercially-competitive automated filling line.

A summary of Microbix's product offerings is set out in our product catalogue, which can be found or requested on our corporate website **www.microbix.com** .

Development Projects

Microbix has one active development project that has not generated revenues from product sales over the last three years. This project is Kinlytic® urokinase (Kinlytic), which generated US$ 1.0 million in licensing revenues in fiscal 2023 and US$ 3.0 million in licensing revenues in Q1 of fiscal 2024. Kinlytic is targeted to begin generating ongoing royalty revenues in fiscal 2028 – predicated upon re-approval for clinical usage in the United States.

Kinlytic is a biological therapeutic that requires material additional investment to complete its commercialization and return to clinical use – in amounts much greater than can be supported from the near-term free cash flow realizable from Microbix's Revenue Businesses. Accordingly, management determined that full realization of the value of this asset would best be accomplished by partnering the project, as opposed to funding it with Company resources.

Partnering efforts were ongoing in relation to Kinlytic when the COVID-19 pandemic interrupted such work. Consequently, in Q4 of fiscal 2020, Microbix wrote-off the carried value of this asset as a result of the heightened difficulty of achieving a funded partnership for this asset. As the pandemic ebbed, Microbix was able to resume its partnering efforts, which culminated in a fully-funded redevelopment agreement in fiscal 2023. Consequently the carried value of this asset was restored to Microbix's balance sheet in Q4 of fiscal 2023. The drivers for these assessments are detailed in other financial filings, so discussion in this AIF will focus upon the nature of this project asset.

Kinlytic® urokinase

Kinlytic® urokinase for injection is an FDA-approved biologic drug that has a long history of successfully clearing blood clots in a variety of conditions — including pulmonary embolism, deep vein thrombosis, stroke, heart attack, and from indwelling venous catheters. The drug is a natural human protein that acts by activating another human protein called plasminogen, converting plasminogen found in blood clots to its active form, plasmin, that in turn dissolves the protein fibrin, which forms much of the structural substance of a blood clot. It is through this mechanism that the drug dissolves clots.

Kinlytic is a low molecular weight form of urokinase, a protein naturally excreted by human kidney cells and that was developed into a drug by a major international drug company in the 1970s. Peak annual U.S. sales were estimated to be US$275 million in 1998, principally for its two FDA-approved indications of treating pulmonary embolism and catheter-based clots. An estimated 4 million patients have been treated over the commercial history of the drug, with an excellent record of safety and efficacy.

The drug is produced by propagating small seeding quantities of donated human kidney cells into greater numbers of urokinase-excreting cells using roller-bottle culturing methods. Mammalian cell culture in roller-bottles is a process that has been successfully practiced by Microbix for many years, as such methods are used for the production of the host cells for some of its viral Antigen products. It is that closely-related expertise that led Microbix to first pursue the introduction of a “biosimilar” to the original product in the 1990s, and later to purchase all rights to the original drug in 2008, after the drug’s innovator faced regulatory missteps, a corporate restructuring, and asset divestments.

The acquisition of all rights to the product included its U.S. “NDA” regulatory approval (now an active “BLA”), all manufacturing process information and regulatory files, along with a substantial amount of finished product inventory and raw material to produce new drug. However, the transaction did not include facilities for manufacturing, which meant that no new product could be made without a new and fully-validated manufacturing site. The purchased product inventory reached its expiration dating in 2009 and no Kinlytic has been available for treating patients since that time.

Microbix's Kinlytic Urokinase for injection

The need for a clot-busting drug in the U.S. has since been fulfilled by a single product, another protein-based drug called tissue Plasminogen Activator (usually abbreviated to "tPA"). tPA is produced by culturing of genetically-engineered (recombinant) cells from the ovaries of Chinese hamsters ("CHO" cells). The drug was approved for sale in the U.S. in 1996 and it has had an effective monopoly since Kinlytic became unavailable in 2009. U.S. sales of tPA are currently estimated at US$800 million per year, down from a peak of US$ 1.2 billion due to, Microbix believes, ongoing tPA manufacturing problems. The U.S. catheter clearance sub-indication which is of greatest pertinence to Microbix is estimated at nearly US$ 400 million and is continuing to grow by approximately 6% per year via a combination of unit volume growth and price increases *(sources: IQVIA & Microbix or Sequel analyses)*.

From 2008 until 2017, Microbix pursued financial partners to fund its construction of a manufacturing facility of sufficient scale to enable the reintroduction of Kinlytic urokinase for its prior systemic applications, such as pulmonary embolism. This project would have required a large production facility, one or more large Phase III clinical trials to re-establish the clinical efficacy of the product and a process for regularly obtaining human kidney cell donations.

The economics of the product fully-justified such investment, but a high overall project cost, likely totalling US$100 million or more, limited the list of potential partners. One such partner was secured in August of 2012, but shifting strategic priorities of the partner firm alongside an adverse currency move, led to the project being returned to Microbix in December of 2013. Thereafter, Microbix was unable to secure a partner to fund such a full product re-introduction.

In fiscal 2017, Microbix refined its thinking around the project. The continuing monopoly for clot-busting drugs in the U.S. market expanded the market for a clinical sub-indication to the point where it is attractive to re-introduce Kinlytic® urokinase for that sub-indication — clearance of blood clots from indwelling venous catheters. Given Microbix's status as holder of the original NDA/BLA, such a focused indication reduced the overall project cost and complexity – by shrinking the scale of manufacturing requirements, the cost, risk and duration of manufacturing revalidation or clinical trial work, and eliminating the need for a regular source of cell donations.

In fact, when it was available, Kinlytic urokinase (under its prior brand name of Abbokinase®) was the standard of care for the clearance of blocked venous catheters, including catheters

placed deep within the body (central venous catheters or CVCs). Millions of such venous catheters are used annually in the US for indications such as oncology, infection, nutrition and dialysis, and use of these devices has continued to grow. These types of catheters often become blocked through the deposition of blood clots inside the catheter lumen (catheter occlusion). This results in the inability to remove blood for sampling and/or the inability to infuse medications though the catheter into the body.

Specifically, catheter-related thrombosis occurs in approximately 1.5 million patients per year, indicating a high incidence of clotting given the estimated 7 to 8 million annual catheter placements (United States market figures, Source: *McGee DC, Gould MK, et Al., Preventing complications of central venous catheterization. NEJM 2003; 348(12) 1123-33. pmid: 12646670*). Replacement of clot-occluded catheters can cost approximately US$ 7,000 per patient and brings the risk of serious complications such as catheter-related bloodstream infections and catheter-related thrombosis. Both of those complications entail considerable personal and healthcare costs.

Microbix undertook to consult with the U.S. FDA in April 2017 about the refined manufacturing, clinical and regulatory plans for the re-introduction of the product into the U.S. market for the indication of clearing blood clots from catheters. Management believes that the formal feedback received from FDA was supportive, clarifies important questions about Kinlytic's return to market and greatly de-risks the project.

Following the FDA consultation, Microbix obtained third-party quotations for the key elements of its re-introduction plan and developed a project plan with an overall cost to the filing of a supplemental BLA (sBLA) of an estimated US$20 million on the basis of full outsourcing to qualified third-parties. With annual product sales potential for the targeted sub-indication estimated at over US$200 million (based on commercially-reasonable market expectation of achieving approximately 40% unit-volume market-share), the economics of the project were more compelling for partners capable of committing US$20 million over a three-year term.

Across fiscal 2018, Microbix perfected its detailed development plans for returning Kinlytic to the U.S. market for its catheter-clearance indication. This work included non-confidential outreach presentations and an extensive electronic "data room" of confidential materials to support the due diligence investigations of prospective development partners. This work was completed to management's satisfaction subsequent to the fiscal 2018 year-end.

A U.S. agent then engaged by Microbix assisted in the editing and organization of partnering materials. During fiscal 2019 and 2020, the agent led a program of outreaches to prospective partners, with the goal of securing an optimal agreement with an appropriately-resourced party. Many initial approaches were conducted and multiple parties entered-into confidential discussions. However, the pandemic negatively-impacted Microbix's partnering discussions, as firms supplying hospital-oriented therapies such as Kinlytic experienced substantial declines in their sales – thereby reducing their appetite for taking on new projects. In spite of this more-challenging environment, Microbix's objective remained to conclude a beneficial development agreement to provide all or most of the needed project funding.

That objective was achieved in fiscal 2023, with the execution of an agreement to provide all needed funding for the redevelopment of Kinlytic, as announced in May, 2023 and re-affirmed in November, 2023. Microbix has since received a total of US$ 4.0 million in licensing revenues, and will receive further milestone payments and royalties on U.S. FDA re-approval of Kinlytic and its renewed sale for clinical use. Microbix believes that Kinlytic can capture a significant proportion of the current sales of tPA – initially for the catheter clearance sub-indictation and potentially followed by use for treatment of systemic clots such as pulmonary emboli. If Microbix is correct in its analyses, its royalties on sales of Kinlytic may become quite meaningful as early as fiscal 2028. Depending on the level of sales actually achieved in fiscal 2028 and beyond, one-time milestones could total US$31 million, to which recurring double-digit royalties on net sales would be additional.

Summary of the Business of the Company

To summarize, management believes that the outlook for Microbix's Revenue Businesses is positive and that increased sales, margins and profits are likely from those operations. In due course, Kinlytic should further contribute to growth in revenues and profits.

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, 2025.

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 operational regulatory

Microbix' research and manufacturing operations involve potentially hazardous materials. The Company takes extensive precautions to appropriately manage these materials as regulated by the applicable environmental and safety authorities. Changes in environmental and safety legislation may limit the Company's activities or increase costs. An environmental

accident could adversely impact its operations. Microbix' antigen products are considered a production ingredient and not directly regulated by governments in Canada or other jurisdictions. Commercialization of certain quality assessment products require approval of regulatory agencies such as the FDA, in which case Microbix will not receive revenue until regulatory approval is obtained.

Quality Assessment Products in development

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

Viral Transport Medium Products (DxTM)

Microbix's DxTM is principally reliant upon sales to designates of the Government of Ontario. There is no assurance that sales to such designates will resume or that other customers of similar revenue potential will be secured.

Product commercialization requires strategic relationships

To commercialize large market products in development, Microbix may need to establish strategic partnerships, joint ventures or licensing relationships with other organizations in academia, biotechnology, diagnostics, or pharmaceuticals (among other fields). It is possible the Company may be unable to negotiate mutually acceptable terms with such organizations.

Operating and capital requirements

Microbix seeks to earn a profit on the sale of its Antigens, QAPs and DxTM products, which is a major source of funding for its new product oriented research and development activities. The Company believes that cash generated from operations is sufficient to meet normal operating and capital requirements. However, the Company may need to raise additional funds, from time to time for several reasons including, to expand production capacity, to advance its

current research and development programs, to support various collaboration initiatives with

third parties, to underwrite the cost of filing, prosecuting and enforcing patents and other intellectual property rights, to invest in acquisitions, new technologies and new market developments. Additional financing may not be available, and even if available, may not be offered on acceptable terms.

Future success may depend on successfully commercializing new products or technologies

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

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.

Cybercrime and Cybersecurity

Companies of all sizes are becoming increasingly-reliant on the use of computer hardware and software to remain competitive locally and internationally. This reliance in turn presents potential vulnerability to those systems being attacked by cybercriminals with such actions as denying access

to systems via ransomware, theft and misuse of confidential data, and financial fraud such as theft of money or identity. Microbix is working to keep ahead of such risks but has been and may continue to be impacted by them. As a small to medium sized enterprise (an "SME") there are finite limits to the resources the company can deploy on cybersecurity and specialized cybercriminal networks or state-level actors may have greater resources to attack than SMEs such as Microbix may have to expend on their defensive efforts.

Public Company Obligations

As a publicly listed corporate entity, the Company is subject to evolving rules and regulations promulgated by a number of governmental and self-regulated organizations, including the Canadian Securities Administrators (CSA), and the TSX, which govern corporate governance and public disclosure regulations. These rules and regulations continue to evolve in scope and complexity and are thereby creating many new requirements, which increase compliance costs and the risk of non-compliance. The Company's efforts to comply with these rules and obligations could result in increased general and administration expenses and a diversion of management time and attention from financing, development, operations and, eventually, revenue-generating activities.

Financial Risk Management

The primary financial 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 at one of the major Canadian chartered banks or in short-term interest-bearing securities

A further credit risk relates to accounts receivable. Typically, the outstanding accounts receivable balance is relatively concentrated with a few large customers representing the majority of the value. As at September 30, 2025, five customers accounted for 64% (September 30, 2024 - five customers accounted for 79%) of the outstanding accounts receivable balance. In addition, for the year ended September 30, 2025, five customers accounted for 74% (September 30, 2024 - five customers accounted for 75%) of sales. The Company has had minimal bad debts over the past several years and accordingly management has recorded an allowance of $35,000 (September 30, 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 September 30, 2025 and September 30, 2024, the significant balances, quoted in Canadian dollars, held in foreign currencies are:

	U.S. Dollars		Euros	
	September 30 2025	September 30 2024	**September 30 2025**	September 30 2024
Cash and cash equivalents	**$ 779,777**	$ 1,477,218	**$ 325,248**	$ 37,815
Accounts receivable	**$ 1,124,530**	$ 2,429,236	**$ 60,938**	$ 1,020,804
Accounts payable and accrued liabilities	**$ 55,475**	$ 164,692	**$ -**	$ -

Based upon 2025 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 $622,400 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 $272,500 Cdn.

Correspondingly, the impact of a 5% decrease in the U.S. dollar against the Canadian dollar would result in a loss in annual U.S. dollar based revenue of approximately $622,400 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 $272,500 Cdn. Changes to exchange rates can impact financial results due to mark-to-market requirements on the value of foreign currency holdings.

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 September 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.

Business Conduct and Ethics

The Company has a Code of Business Conduct and Ethics, which governs the behaviour of board members, management and employees. The Code is posted on its website at www.microbix.com. Microbix is an equal opportunity employer as set out in its Human Resources Policies and Procedures.

Dividends

Microbix has never declared dividends on its common shares. Other than the generally applicable corporate law provisions respecting the declaration and payment of dividends there are no constraints or restrictions that could prevent the Company from paying dividends.

Description of Capital Structure and Market for Securities

The Company is authorized to issue an unlimited number of Common Shares without nominal or par value.

Common Shares

The holders of the Company's Common Shares are entitled to dividends as and when declared by the board of directors of the Company, to one vote per share at meetings of shareholders of the Company and, upon liquidation, to receive such assets of the Company as are distributable to the holders of the Common Shares. All of the Common Shares are fully paid and non-assessable.

Market for Securities

The Common Shares of the Company are listed for trading on the Toronto Stock Exchange (the "TSX") under the trading symbol "MBX" and the majority of share trades are transacted on the TSX. Microbix shares are also traded on the United States OTCQX® Best Market under the symbol MBXBF. The following charts set forth the reported high and low prices and the volume of trading of the Common Shares on the TSX for the periods indicated.

Monthly Summary — Common Shares

Date	High	Low	Volume
9/01/25	0.28	0.22	1,643,300
8/01/25	0.31	0.23	4,026,500
7/01/25	0.34	0.28	1,569,700
6/01/25	0.34	0.29	1,852,700
5/01/25	0.41	0.33	1,375,800
4/01/25	0.45	0.33	1,359,100
3/01/25	0.44	0.37	3,806,900
2/01/25	0.55	0.44	2,580,800
1/01/25	0.52	0.40	5,912,900
12/01/24	0.42	0.30	1,859,800
11/01/24	0.32	0.30	685,600
10/01/24	0.37	0.30	4,010,000

Directors and Officers

The board of directors as of September 30, 2025 consisted of seven (7) directors to be elected annually. The following table states the names of the directors and officers, all other positions and offices with the Company held by them, their principal occupations or employments, the period or periods of service as directors of the Company and the number of voting securities of the Company beneficially owned, directly or indirectly, or over which control or direction is maintained. Microbix's management and board directors are of the opinion that no directors or executive officers have potential conflicts of interest between themselves and Microbix.

Name, Office and Principal Occupation	Position with the Company	Director/Officer Since	No. of Voting Securities Owned, Controlled or Directed [1] as at September 30, 2025	% of Total Outstanding Shares
Peter Blecher Ontario, Canada Medical Director NeuPath Centre for Pain & Spine	Director	December 6, 2005	2,989,407	2.1%
Mark A. Cochran [3] Virginia, USA Director and Chair of the Human Resources, Compensation and Governance Committee Executive Director (Retired) Johns Hopkins Healthcare Solutions	Director	October 1, 1990 to August 28, 2002 and since October 16, 2002	549,277	0.4%
Vaughn Embro-Pantalony[2][3] Ontario, Canada Director and Chair of the Audit Committee CEO, StratPath Management Inc.	Director	February 6, 2007	1,841,704	1.3%
Cameron Groome[3] Ontario Canada Director President and Chief Executive Officer Microbix Biosystems Inc.	President, Chief Executive Officer and Director	March 8, 2012	3,347,500	2.4%
Martin Marino[2][3] Ontario Canada Director and Chairman of the Board CEO, Mambac Holdings Inc.	Director, Chairman	February 17, 2009	1,591,667	1.1%
Joseph D. Renner[2][3] New Jersey, USA Director Chairman, Zydus Pharmaceutical	Director	February 25, 2003	9,565,037	6.9%
Jennifer Stewart[3] Kanata, Ontario Director Strategy Consultant, Syntax Strategic	Director	March 30, 2022	26,345	0.0%

Notes:

(1) The information as to voting securities beneficially owned, controlled or directed, not being within the knowledge of the Company, has been furnished by the respective directors and officers as of September 30, 2025

(2) Member of the Audit Committee.

(3) Member of the Human Resources, Compensation and Governance Committee.

(4) Directors and executive officers collectively hold 14.9% of the outstanding shares of the Company

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of Microbix, no director or officer of Microbix, or any shareholder holding a sufficient number of securities of Microbix to materially affect, its control, is or has been, within 10 years preceding the date of this annual information form, a director or officer of any other issuer which, while that person was acting in that capacity:

- was the subject of a cease trade or similar order, or any order that denied the relevant company access to any statutory exceptions for a period of more than 30 consecutive days;
- was subject to an event that resulted, after the director or officer ceased to be a director or officer, in the issuer being the subject of a cease trade or similar order
- or an order that denied the relevant issuer access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- or within a year of ceasing to act in that capacity became bankrupt, made a proposal under any legislation relating to the bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, manager or trustee appointed to hold its assets.

To the knowledge of the Company, no director or officer of the Company or any shareholder holding a sufficient number of securities of the Company to affect materially its control, or a personal holding company of any such persons has, within 10 years before the date of this annual information form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver manager or trustee appointed to hold the assets of the director, officer or shareholder.

To the knowledge of Microbix, no director or officer of Microbix or any shareholder holding a sufficient number of securities of Microbix to materially affect its control, has:

- been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

Conflicts of Interest

Certain of the directors of the Corporation also serve as directors and officers of other companies involved in a wide range of industry sectors, including biotechnology; consequently, there exists the possibility for such directors to be in a conflict of interest.

Conflicts of interest will be subject to the applicable provisions of the Business Corporations Act (Ontario) and may result in a director abstaining from voting on a resolution of the board of directors which involves a conflict in order to have the matter resolved by the independent directors, or the matter may be presented to the shareholders of the Corporation for

ratification. When a conflict of interest arises, the directors of the Corporation must, in accordance with the applicable provisions of the Business Corporations Act (Ontario) act honestly and in good faith with a view to the best interests of the Corporation and must exercise the care, diligence and skill a reasonably prudent person would exercise in comparable circumstances.

Transfer Agent and Registrar

The Company's transfer agent and registrar is TSX Trust Company, 1 Toronto Street, Suite 1200, Toronto, ON M5C 2V6

Audit Committee Information

Members

The members of the Audit Committee on September 30, 2025 were Vaughn Embro-Pantalony (Chair), Martin Marino, and Joseph Renner, with Cameron Groome and Jim Currie participating in a non-voting capacity. Mr. Embro-Pantalony, Mr. Marino, and Mr. Renner are considered independent. Mr. Groome is President and Chief Executive Officer and Mr. Currie is Chief Financial Officer. All members of the Audit Committee are financially literate.

Mr. Embro-Pantalony's background is financial and general management. He has a degree in economics, an MBA and he is a Fellow Chartered Professional Accountant. He also holds the designations Chartered Director and Audit Committee Certified. Professionally, he was CFO and General Manager in large companies including a large reporting issuer.

Mr. Marino's background is legal and financial. He is a corporate lawyer and has been general counsel to companies in the pharmaceutical industry. He has also had international business development responsibilities involving large transactions as well as responsibility for financial results relating to foreign operating entities. He has a thorough knowledge of the global industry in which Microbix practices its business

Mr. Renner's background is principally as a senior executive in the pharmaceutical industry. He currently serves as Chairman of the Board of the U.S. division of an established international firm and has served as COO of other such firms, with more than 25 years of experience in the industry.

Mr. Groome's background is in the financial, human life sciences and animal health industries. He has held senior executive roles with life sciences companies, headed life sciences investment banking for a major national investment dealer and has over 30 years of experience as an equity research analyst, corporate advisor and director.

Mr. Currie most recently served as CFO of SMTC Corporation, a publicly-traded global electronic manufacturing services company. Previously, he was Vice President, Finance at MDS SCIEX, a global leader in life sciences and analytical technologies.

Auditors

The following table summarizes the fees billed to the Company for services provided by its external auditors, Ernst & Young LLP, Chartered Accountants during fiscal year ended September 30, 2025:

Fiscal Year	Audit Fees	Tax Fees	Other Fees
2024(1)	$258,500	$4,290	$0
2025(2)	$262,465	$6,000	$0

(1) Actual audit fees and taxes paid relating to the period
(2) Estimated audit fees and taxes to be paid as of date hereof

Audit Fees

Audit Fees were for professional services provided by Ernst & Young LLP, Chartered Accountants, for the audit of our annual consolidated financial statements.

Tax Fees

Tax Fees were for tax compliance, tax advice, tax review and tax planning professional services.

Audit Committee Charter

A copy of the Company's Audit Committee Charter can be found at Appendix "A".

Additional Information

Additional information relating to Microbix may be found on SEDAR at www.sedarplus.ca**.** Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans is contained in the Company's information circular for the annual meeting held March 26, 2025 available on SEDAR at www.sedarplus.ca. Additional information is provided in the Company's audited financial statements and Management Discussion and Analysis, both for the most recently completed financial year ended September 30, 2025 available on SEDAR at www.sedarplus.ca**.**

Glossary

Antigen — A foreign substance which, when introduced into the body, stimulates the production of antibodies, which are part of the protective immune response. In general, disease-causing organisms, including viruses, fungi and bacteria, are Antigens in humans. Microbix manufactures disease-causing organisms and, after they are purified and inactivated, provides them in various forms for use in detecting infections and immune responses in medical diagnostic tests. For this reason, the organisms manufactured by Microbix are customarily and correctly referred to as Antigens.

Bioreactor — equipment for the growth of cells in relatively large numbers and in a small footprint, providing a high degree of control and monitoring of the nutrients, waste products, and growth environment.

Biosimilar — biologic medical product which is almost an identical copy of an original product that is manufactured by a different company.

BLA and sBLA — The Biologics License Application (BLA) or supplemental Biologics License Application (sBLA) is a request for permission to introduce, or deliver for introduction, a biologic product into the United States under applicable federal regulations.

CEB – An acronym for "control elution buffer," a reagent used to re-suspend biological materials, such as those found on a swab-formatted QAP.

Diagnostics — Tests used to help identify a disease or medical condition.

DNA — a molecule that carries the genetic instructions used in the growth, development, functioning and reproduction of all known living organisms and many viruses.

DxTM — Microbix's brand of VTM.

FDA — the U.S. Food and Drug Administration.

Immunoassay — a test that measures some aspect of the immune response to an Antigen.

IVD – The abbreviation for *In-Vitro Diagnostic.* In this context meaning a "QAPs" product that is registered or licensed as a medical device for workflow support of infectious-disease assays evaluating patient samples.

Molecular Diagnostics — Tests that can detect the genetic material within a patient sample in order to diagnose disease.

NDA — The New Drug Application (NDA) is a request for permission to introduce, or deliver for introduction, a drug product into the United States under applicable federal regulations.

Pathogen — an organism, including a virus, fungus, or bacterium, that is capable of causing disease.

PCR — Polymerase Chain Reaction. A technology for the highly sensitive and specific detection of genetic material. PCR permits (among other things) the detection of disease-causing

organisms in very small quantities. When used to diagnose disease, PCR is part of a group of related technologies referred to as Molecular Diagnostics.

QAPs — Microbix's shorthand name for its Test Quality Assessment Products, capturing their usages for both IVD- and RUO-oriented purposes.

Revenue Businesses — The Microbix operations creating, manufacturing, and selling Antigens, QAPs, and DxTM.

RUO – The abbreviation for *Research Use Only.* In this context meaning a QAPs product that is not registered or licensed as a medical device for use with patient samples, but that can be used by lab accreditation agencies, to help qualify instruments for use or train technicians, or to assist with assay development.

Tests — Medical tests to establish whether a human patient has been infected with a pathogen such as bacteria, fungi, parasites, or viruses.

Thrombolytic — a protein or drug that is capable of breaking down a blood clot ('thrombus'), or more generally a protein such as Urokinase that is capable of initiating a process that leads to the breakdown of a blood clot. Thrombolytic drugs are used to treat conditions involving blockage of blood vessels in the lung (pulmonary embolism), heart (coronary artery thrombosis) or brain (ischemic stroke).

Urokinase — a naturally occurring protein enzyme capable of initiating the process leading to the breakdown of a blood clot by the degradation of the fibrin; an FDA approved drug owned by Microbix under the brand name Kinlytic® urokinase.

VTM — Viral Transport Medium, the generic term for vials of liquid solutions used for the purpose of stabilizing patient-specimens until such time as they can be tested by a clinical laboratory (e.g., medical testing for the presence of viral pathogens)

Trademarks

Trademarks used in this document are:

Copan® (Copan Italia S.p.A.)

DxTM® (Microbix Biosystems Inc.)

FLOQ® and FLOQSwab® (Copan Italia S.p.A.)

Kinlytic® (Microbix Biosystems Inc.)

Microbix® (Microbix Biosystems Inc.)

OTCQX® (OTC Markets Group Inc.)

PROCEEDx™ (Microbix Biosystems Inc.)

PROCEEDx™FLOQ® (Microbix Biosystems Inc. in association with Copan Italia S.p.A.)

QAPs™ (Microbix Biosystems Inc.)

REDx® Controls (Microbix Biosystems Inc.)

REDx®FLOQ® (Microbix Biosystems Inc. in association with Copan Italia S.p.A.)

Appendix "A"

Microbix Biosystems Inc.

Audit Committee Charter

Role

The purpose of the Audit Committee of the Board of Directors (the "Board") of Microbix Biosystems Inc. (the "Company") is to assist the Board in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing, and reporting practices of the Company, and such other duties as directed by the Board. The Audit Committee's role includes a particular focus on the qualitative aspects of financial reporting to shareholders, on the Company's processes to manage business and financial risk, and on compliance with applicable legal, ethical and regulatory requirements.

Membership

The membership of the Audit Committee shall consist of at least three directors who are (or within a reasonable period of time become) financially literate and generally knowledgeable in financial and auditing matters, including at least one member with accounting or related financial management expertise. Each member of the Audit Committee must be financially literate, that is having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements. Each member shall be independent, meaning that the member shall be free of any direct or indirect material relationship with the Company. A material relationship means a relationship that, in the view of the Board, could reasonably interfere with the exercise of the member's independent judgment. The provisions and requirements of Multilateral Instrument 52-110 "Audit Committee" related to determining the independence of individuals shall apply to members of the Audit Committee. In addition, each member of the Audit Committee shall be an "unrelated director" within the meaning of the rules of the Toronto Stock Exchange (the "TSX").

The Chair of the Audit Committee shall be appointed by the full Board.

Communications and Reporting

The Committee is expected to maintain free and open communication with the external auditors, the internal accounting staff, and the Company's management. This communication shall include private executive sessions, at least annually, with each of these parties. The Committee chairperson shall report on Audit Committee activities to the full Board.

Authority

In discharging its oversight role, the Audit Committee is empowered to investigate any matter brought to its attention, with full power to retain outside counsel or other advisors and experts for this purpose. The Audit Committee shall be empowered to set and pay the compensation for any such advisors employed by the Audit Committee. The Audit Committee shall have the authority to communicate directly with the internal and external auditors of the Company.

Responsibilities

Oversight

The Audit Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management of the Company and the external auditor regarding financial reporting.

Recommend Auditor

The Audit Committee must recommend to the Board the external auditor to be nominated (subject to shareholder approval) for the purpose of preparing and issuing an auditor's report or performing other audit, review or attest services for the Company and the compensation of the external auditor.

Pre-Approve Non-Audit Services

The Audit Committee must pre-approve all non-audit services to be provided to the Company (or any of its subsidiary entities) by the Company's external auditor.

Review Financial Disclosure

The Audit Committee must review the Company's financial statements, management's discussion and analysis (MD&A) and annual and interim financial press releases before the Company publicly discloses this information.

The Audit Committee must be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements, and must periodically assess the adequacy of those procedures.

Whistle Blower Procedures

The Audit Committee must establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Reliance on Management and Auditors

The Audit Committee relies on the expertise and knowledge of management, the internal auditors, and the external auditor in carrying out its oversight responsibilities. Management of the Company is responsible for determining the Company's financial statements are complete, accurate, and in accordance with generally accepted accounting principles. The external auditor is responsible for auditing the Company's financial statements. The Audit Committee should assure itself that the Company's internal policies, procedures and controls are adequate and are being implemented and followed.

Relationship with Auditors

The Audit Committee is also responsible for ensuring that the Company's external auditors submit on a periodic basis to the Committee a formal written statement delineating all relationships between the external auditors and the Company and actively engaging in a dialogue with the external auditors with respect to any disclosure relationships or services that may impact the objectivity and independence of the external auditors and for taking appropriate action to ensure the independence of the external auditors within the meaning of applicable Canadian law.

The Audit Committee must review and approve the Company's hiring policy regarding partners, employees and former partners and employees of the present and former external auditor of the Company.

Guidelines for Audit Committee

With respect to the exercise of its duties and responsibilities, the Audit Committee should, among other things:

- report regularly to the Board on its activities, as appropriate;
- exercise reasonable diligence in gathering and considering all material information;
- remain flexible, so that it may be in a position to best react or respond to changing circumstances or conditions;
- understand and weigh alternative courses of conduct that may be available;
- focus on weighing the benefit versus harm to the Company and its shareholders when considering alternative recommendations or courses of action;
- if the Audit Committee deems it appropriate, secure independent expert advice and understand the expert's findings and the basis for such findings, including retaining independent counsel, accountants or others to assist the Audit Committee in fulfilling its duties and responsibilities; and
- provide management and the Company's independent auditors with appropriate opportunities to meet privately with the Audit Committee.

Meetings

The Audit Committee shall meet with such frequency and at such intervals as it shall determine is necessary to carry out its duties and responsibilities. As part of its purpose to foster open

communications, the Audit Committee shall meet at least annually with management and the Company's external auditors in separate executive sessions to discuss any matters that the Audit Committee or each of these groups or persons believe should be discussed privately. In addition, the Audit Committee should meet or confer with the external auditors and management to review the Company's interim consolidated financial statements and related filings prior to their filing with the Ontario Securities Commission, or any other regulatory body. The Chairman should work with the Chief Financial Officer and management to establish the agendas for Audit Committee meetings. The Audit Committee, in its discretion, may ask members of management or others to attend its meetings (or portions thereof) and to provide pertinent information as necessary. The Audit Committee shall maintain minutes of its meetings and records relating to those meetings and the Audit Committee's activities and provide copies of such minutes to the Board to be included in the minute books of the Company.

Disclosure and Review of Charter

This Charter shall be published in the Company's annual report, information circular or annual information form of the Company as required by law. The Audit Committee should review and assess annually the adequacy of this Charter as required by the applicable rules of the TSX or applicable Canadian securities regulators.