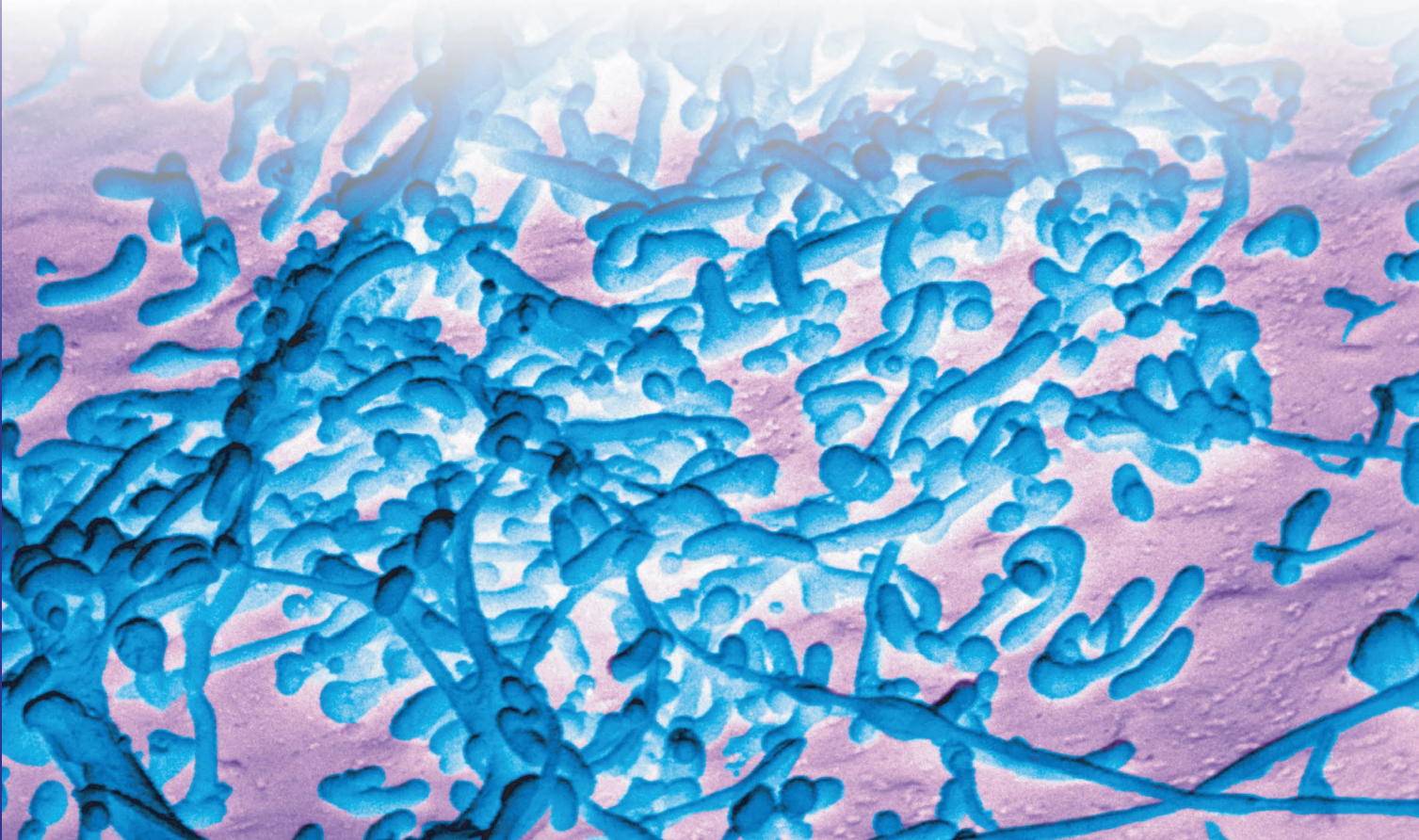


**MICROBIX
BIOSYSTEMS INC.**



2025

**ANNUAL
REPORT**

Message to Shareholders

The fourth quarter of our fiscal 2025 (“Q4” and “2025”) ended September 30, 2025 and it marked the start of our targeted recovery from externally-driven setbacks with two large clients. Q4 sales came in at C\$ 3.7 million – up 8% from the prior quarter but still down year-over-year and well below our engineered breakeven point of C\$ 5.0 to C\$ 5.5 million in sales per quarter. Q4 thereby concludes a challenging 2025, during which we were on-budget for the first half yet below it for the second half.

The lower sales generated across the second half of 2025 resulted in a net loss of C\$ 2.2 million for the year, on revenues of C\$ 18.6 million. That loss was covered by our cash reserves, which remained at C\$ 12.1 million at year-end. However, we don’t revel in net losses and are determined to regain profitability as soon as possible. To do so, we continue to develop novel products, drive more programs with existing clients, and secure new clients.

Our ability to attain targeted sales growth hinges upon the capabilities and capacity that we’ve built-out over the past several years. Our skilled team of over 120 professionals enables us to continually expand the range and sophistication of our product lines, and to build relationships with a growing list of leading participants in the global diagnostics industry. In fact, we advanced ten such products and programs to the point of justifying news release disclosures in calendar 2025 and have been adding products at the rate of about one per week.

With so much happening, it’s easy to miss important progress at Microbix over this year, so I’ll take this opportunity to highlight our achievements across each facet of our business.

In our test-ingredients (Antigens) business, we have improved reliability, capacity, and economics, by improving production methods and refining QC & QA practices. This helps ensure we remain a cost-effective and reliable supplier to our many clients, while also generating acceptable gross margins across our full portfolio of antigen products.

In our test-controls (QAPs™) business, we are continuing to add to our product-line, with additions

in our core area of infectious diseases and in newer areas such as cancer and genetics testing. Our growing list of both products and clients seems to be making it easier to win each new program and client. We look forward to advancing meaningful new collaborations to the point of announcement across fiscal 2026. We believe our prospects for growing sales of QAPs are strong for the foreseeable future.

While it doesn’t yet justify segmentation from QAPs with respect to reporting sales, we’re excited about the prospects for the new “QUANTDX™” product line we launched in July, 2025. QUANTDx comprises well-characterized, accurately-quantified, and fully-traceable reference-materials used to support the development and validation of diagnostic assays. Succinctly, QUANTDx is well-paired with QAPs to more deeply imbed Microbix as a key supplier to multinational diagnostics manufacturers. Sales of QUANTDx have become meaningful within just a few months, validating our goals for this product line.

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

For 2026, our goal is to recover above our breakeven point by fiscal yearend, which requires us to grow sales by approximately 30% from the low-point of Q3 of fiscal 2025. This is a challenging goal without assurance of success, but we believe it is achievable based on our current sales and client expectations. Beyond 2026, we’ll keep driving for double-digit annual sales growth and toward re-launch of Kinlytic – to further add to sales, net earnings and cashflow.

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

Cameron L. Groome
Chief Executive Officer and President

The Company's Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited Consolidated Financial Statements and notes for the year ended September 30, 2024, prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board and filed on SEDAR. Additional information relating to the Company, including its Annual Information Form ("AIF"), can be found on SEDAR at www.sedar.com. Reference to "we", "us", "our", or the "Company" means Microbix Biosystems Inc. unless otherwise stated. All amounts are presented in Canadian dollars unless otherwise stated. Statements contained herein, which are not historical facts, are forward looking statements that are subject to certain risks and uncertainties that could cause actual results to differ materially from those set forth or implied. These forward-looking statements include, without limitation, discussion of financial results or the outlook for the business, risks associated with its financial results and stability, its antigens, quality assessment products, and viral transport medium businesses, development projects such as those referenced herein, access to and sales to foreign jurisdictions, engineering and construction, production (including control over costs, quality, quantity and timeliness of delivery), foreign currency and exchange rates, maintaining adequate working capital and raising further capital on acceptable terms or at all, and other similar statements concerning anticipated future events, conditions or results that are not historical facts. These statements reflect management's current estimates, beliefs, intentions and expectations; they are not guarantees of future performance. The Company cautions that all forward looking information is inherently uncertain and that actual performance may be affected by a number of material factors, many of which are beyond the Company's control. Accordingly, actual future events, conditions and results may differ materially from the estimates, beliefs, intentions and expectations expressed or implied in the forward looking information. All statements are made as of the date of this disclosure and represent the Company's judgment as of that date and the Company disclaims any intent or obligation to update such forward-looking statements except as required by applicable law.

The Management Discussion and Analysis is dated December 16, 2025.

COMPANY OVERVIEW

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

In the context of Microbix's business, antigens are purified and inactivated bacteria, viruses, or their components which are used in the immunoassay format of medical tests to assess exposure to, or immunity from, those pathogens. QAPs are inactivated and stabilized samples of a pathogen or an analogue to a pathogen, that are created to closely resemble patient samples in order to support one or more of (i) the proficiency testing of clinical labs (usually unbranded "white label"), (ii) incorporated into kits of test consumables by multinational diagnostics companies (usually unbranded "white label"), (iii) test development, instrument validation and technician training (often individually branded as PROCEEDx® within branded ONBOARDx™ kits), or (iv) the quality management of patient test-workflows by clinical laboratories (branded as REDx®). QUANTDx is a product line similar to QAPs for which copy-numbers of organisms or their nucleic acids are provided and is used to assist with test development by finding limits-of-detection or with manufacturing by confirming test

COMPANY OVERVIEW (Continued)

performance. Microbix's antigens, QAPs, or QUANTDx, are sold to more than 100 customers worldwide, primarily to multinational diagnostics companies and laboratory accreditation organizations.

Initial sales of DxTM were recorded in February 2021 and continued through fiscal 2022 to agents of the Province of Ontario for pandemic-related testing. Sales of DxTM have since stopped as those agents have resumed 100% importation to satisfy domestic needs for this critical product. In consequence, Microbix has begun to secure orders of CEB from customers in private industry, with the first such sales generated in the quarter ended March 31, 2024 and that have since continued at a more modest level than prior DxTM sales. Microbix also applies its biological expertise and infrastructure to develop other proprietary products and technologies, most notably Kinlytic[®] urokinase (Kinlytic), a biologic 'thrombolytic' drug used to safely and effectively dissolve blood clots. An agreement to provide funding for the return of Kinlytic to the United States market was signed in May, 2023. The provision of the estimated C\$ 50 million of funding needed to relaunch Kinlytic was dependent on reconfirming prior United States FDA guidance received in 2017. Positive new guidance was received from the FDA in fall of 2023 and Microbix's agreement partner, Sequel Pharma, LLC and its financial backers in turn confirmed their satisfaction by providing their go-ahead notice and a tied milestone payment of US\$ 2.0 million received by Microbix on November 15, 2023. With that payment, Microbix has thus far received a total of US\$ 4.0 million from Sequel, and expects to receive further milestone and royalty payments following the parties' submission of a supplemental Biologics Licensing Application (sBLA) and re-approval by FDA in approximately two to three years' time.

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

From 2023 through 2025, Management believes COVID has transitioned from pandemic to endemic, leading revenue from the antigens and QAPs business (Antigens & QAPs) to resume more normalized growth conditions.

Beyond 2025, Antigen sales growth may again be largely driven by certain public health tests becoming more widely used in the Asia Pacific region. However, Asia-related sales have been volatile, increasing rapidly across 2024 due to increased testing for bacterial pneumoniae before abruptly falling-off in spring of 2025 – reportedly following fewer such infections across the latest Chinese New Year holidays and changes to reimbursement policies.

In turn, QAPs sales growth are expected to be driven by several factors, namely (i) Microbix's creation of new value-added and proprietary products for test-makers and clinical laboratories, (ii) by increasing American, European and international quality-management regulation of clinical laboratories (e.g., the U.S. VALID Act and EU IVDR regulations), and (iii) by increasing adoption of molecular testing (e.g., "PCR") by laboratories and at the point-of-care.

QUANTDx is a new product line that was introduced in July 2025. It is currently being socialized with prospective customers and initial sales were realized in fiscal 2025. Microbix intends for this product line to generate ongoing sales across fiscal 2026, with unit sales being considerably lower than QAPs but at a much higher per-unit price point.

For DxTM, production remains largely paused, principally due to ongoing issues with the overall procurement processes of the Province of Ontario, which had been Microbix's major client for that product. Currently, Microbix has little expectation that sales of DxTM for Ontario will resume and is retasking this capacity to providing custom reagents to its test-maker customers, with such sales having already begun. Specifically, Microbix has begun sales

COMPANY OVERVIEW (Continued)

of its DxTM formulation as a “control elution buffer” (hence the “CEB” brand name) for use when paired with its QAPs and ONBOARDx™ brand instrument validation and technician training kits.

The sales resulting from antigens, QAPs, QUANTDx, CEB, or DxTM are targeted to provide free cash flow to cover operating and debt service costs, and funding for new business initiatives that leverage Microbix’s expertise in the medical diagnostics field and adjacent areas such as cell-culture derived products like Kinlytic.

Microbix owns and operates a biologicals manufacturing facility at 265 Watline Avenue in Mississauga, Ontario. For that facility and its overall campus of three buildings, Microbix has a Pathogen and Toxin License issued by the Public Health Agency of Canada. The Company’s administrative offices, along with further company-created production and lab spaces, are in a leased building located at 235 Watline Avenue, Mississauga, Ontario. A third adjacent site at 275 Watline Avenue was leased as of July, 2021 and has since been renovated to support production of DxTM or other reagents, and to add product development and quality-control laboratory spaces, workstations, and warehousing. Microbix is ISO 9001 & 13485 accredited, FDA & Health Canada establishment licensed, Australian TGA registered, and provides IVDR-compliant CE marked products.

This MD&A refers to certain performance indicators including gross profit margin that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Management believes that these measures are useful to most shareholders, creditors, and other stakeholders in analyzing the Company’s operating results, and can highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers.

Gross profit margin percentage

Gross profit margin percentage represents the percentage of total revenue in excess of costs of goods sold and is an indicator of the Company’s profitability on sales before operating expenses not directly related to production. This is calculated by dividing gross profit by revenue.

FINANCIAL OVERVIEW**Year ending September 30, 2025 (“2025”)**

2025 revenues were \$18,585,366, a 27% decrease from 2024 revenues of \$25,394,148. Included in 2025 revenues were antigen revenues of \$12,368,757 (2024 - \$13,813,568), down 10% from last year due to a decline in sales into China that is believed mainly due to fewer respiratory infections this past winter. QAPs revenues of \$5,617,834 were down 20% from 2024 (\$7,015,820), due to cancellation of test-development programs by a significant customer. Revenue from royalties were up 15% to \$598,775 (2024 - \$478,100). In summary, our fiscal year sales decrease was predominantly driven the lack of Kinlytic royalty license payments (\$4,086,660 in fiscal 2024), decreased antigen sales into China, and the cancellation of programs with a significant QAPs customer.

2025 gross margin percentage was 53%, down from 61% last year. The lower 2025 gross margins were primarily driven by decreased product sales, a less-favourable product mix, fixed manufacturing costs needing to be absorbed across fewer units of production and the lack of Kinlytic royalty license payments.

Operating expenses (including finance expenses) in 2025 increased by 4% relative to 2024, due to lower investment income on short-term cash equivalents, coupled with a favourable debt-modification interest impact in 2024. In addition, our investment in trade show activity and R&D project spending on QAPS increased during fiscal 2025

Overall, lower 2025 revenues, reduced margins, and increased operating expenses led to a net loss of \$2,245,812 versus 2024 net income of \$3,520,179. Cash used in operating activities was \$80,287, compared to cash provided by operating activities of \$4,347,620 in 2024. Cash used in operating activities was impacted by deployment of funds into non-cash working capital accounts, most notably increased inventory relating to

FINANCIAL OVERVIEW (Continued)

product portfolio expansion and reduced accounts payable reflective of reduced activity with the previously cited two customers. Cash and equivalents at September 30, 2025 remained strong at \$12.1 million.

At the end of 2025, Microbix's current ratio (current assets divided by current liabilities) was 8.48 and its debt to equity ratio (total debt over shareholders' equity) was 0.35.

Quarter ending September 30, 2025 ("Q4")

Q4 revenue was \$3,744,317, a 41% decrease from Q4 2024 revenues of \$6,293,897. Included were antigen revenues of \$1,952,332 (2024 - \$4,471,960), down 56% from last year. This decrease was a result of much weaker sales to our distributor for China and timing of shipments to a large European customer. QAPs revenues of \$1,610,189 were down 5% from Q4 2024 (2024 - \$1,698,335), due to fewer sales of REDx and PROCEEDx branded products during the quarter. Revenue from royalties were \$181,796 (2024 - \$123,603). In summary, our Q4 sales decline was driven by a significant decrease in sales to China and timing of antigen shipments to a key customer.

Q4 gross margin percentage was 40%, down from 55% in 2024, primarily due to decreased product sales, a less favourable product mix, and fixed manufacturing costs needing to be absorbed across fewer units of production.

Operating expenses (including finance expenses) in Q4 increased by 7% relative to Q4 2024, principally due increased sales and marketing and R&D costs. In addition, our financing costs increased versus prior year, due to lower interest income as a result of lower interest rates on our short-term investments.

Overall, weaker Q4 revenues and decreased margins led to an operating loss (before finance expenses and income taxes) of \$1,368,074, and a net loss of \$1,480,662 versus a Q4 2024 operating income of \$590,887 and net income of \$440,324. Cash provided by operating activities was \$83,953, compared to cash provided by operating activities of \$765,930 in 2024.

FINANCIAL OVERVIEW (Continued)
Financial Highlights

	For the years ended September 30		For the quarter ended September 30	
	2025	2024	2025	2024
Total Revenue	\$ 18,585,366	\$ 25,394,148	\$ 3,744,317	\$ 6,293,897
Gross Margin	9,853,570	15,391,701	1,514,762	3,450,346
S,G&A Expenses	9,102,060	9,369,544	2,297,729	2,139,491
R&D Expense	2,327,663	2,125,382	624,036	582,462
Foreign Exchange (Gain) Loss	129,491	(8,237)	(38,929)	17,615
Financial Expenses	595,894	234,269	168,314	119,890
Operating Income (Loss) for the period	(2,301,538)	3,670,742	(1,536,388)	590,887
Income Tax Expense	(55,726)	150,563	(55,726)	150,563
Net Income (Loss) and Comprehensive Income (Loss) for the period	(2,245,812)	3,520,179	(1,480,662)	440,324
EPS - Basic	\$ (0.016)	\$ 0.026	(0.011)	0.003
- Diluted	\$ (0.016)	\$ 0.026	(0.011)	0.003
Cash Provided (Used) by Operating Activities	(80,287)	4,347,620	83,953	765,930
As at	September 30, 2025	September 30, 2024		
Cash	12,112,760	12,963,339		
Accounts receivable	1,610,509	4,161,448		
Total current assets	23,574,891	24,259,962		
Total assets	37,409,933	38,096,767		
Total current liabilities	2,778,953	3,394,822		
Total liabilities	9,622,391	9,799,339		
Total shareholders' equity	27,787,542	28,297,428		
Current ratio	8.48	7.15		
Debt to equity ratio	0.35	0.35		

SELECTED QUARTERLY FINANCIAL INFORMATION

	Dec-31-23	Mar-31-24	Jun-30-24	Sep-30-24	Dec-31-24	Mar-31-25	Jun-30-25	Sep-30-25
	\$	\$	\$	\$	\$	\$	\$	\$
Total Revenue	8,407,884	5,632,901	5,059,465	6,293,897	6,044,002	5,324,864	3,472,182	3,744,317
Net Income (Loss) and Comprehensive Income (Loss)	2,455,379	377,730	246,746	440,324	856,962	20,664	(1,642,776)	(1,480,662)
Operating Income (Loss) before reversal of impairment of intangible assets and Finance Expenses	2,569,864	459,056	165,314	710,778	970,091	178,626	(1,486,287)	(1,368,074)

SELECTED ANNUAL FINANCIAL INFORMATION

The following table sets forth selected annual statement of earnings (loss) information and balance sheet information for each of the last three fiscal years.

For the period ending	September 30, 2025	September 30, 2024	September 30, 2023
Income Statement Data			
Revenues	\$ 18,585,366	\$ 25,394,148	\$ 16,514,776
Net Income (Loss)	(2,245,812)	3,520,179	(39,483)
Net Income (Loss) per share:			
Basic	(0.016)	0.026	(0.000)
Diluted	(0.016)	0.026	(0.000)
Balance Sheet Data			
Total Assets	37,409,933	38,096,767	35,653,024
Total Non-Current Liabilities	6,843,438	6,404,517	6,678,595

THREE YEAR OVERVIEW

A discussion of the significant factors which have caused variations in the results of operations over the three most recently completed fiscal years is set out below. The selected financial information set out in this MD&A is not exhaustive and should be read in conjunction with the Company's 2025, 2024, and 2023 audited consolidated financial statements and notes thereto. The 2025 financial statements are presented for the twelve months ended September 30, 2025, compared to twelve months ended September 30, 2024 and twelve months ended September 30, 2023. It should be noted that there can be considerable quarter-by-quarter variations in Microbix's product sales, which can be driven by its customers (i) conducting periodic "campaigns" of diagnostic test production and varying their quarter-by-quarter ordering accordingly, (ii) variations in the incidence of the infectious diseases that drive need for tests and related Microbix products, (iii) customers gaining or losing business or (iv) other factors external to Microbix. Such variances are often not predictable.

Revenue

2025 revenues were \$18,585,366, a 27% decrease from 2024 revenues of \$25,394,148. Included in 2025 revenues were antigen revenues of \$12,368,757 (2024 - \$13,813,568), down 10% from last year due to a decline in sales into China that is believed mainly due to fewer respiratory infections this past winter. QAPs revenues of \$5,617,834 were down 20% from 2024 (\$7,015,820), due to cancellation of test-development programs by a significant customer. Revenue from royalties were up 15% to \$598,775 (2024 - \$478,100). In summary, our fiscal year sales decrease was predominantly driven the lack of Kinlytic royalty license payments (\$4,086,660 in fiscal 2024), decreased antigen sales into China, and the cancellation of programs with a significant QAPs customer.

2024 revenues were \$25,394,148, a significant increase from 2023 revenues of \$16,514,776, due to \$4,086,660 in Kinlytic license fees being recorded in Q1 2024 that were non-recurring, paired with strong growth in its core businesses. Notably, Antigen sales grew by 44% to \$13,813,568 (2023 - \$9,594,237), primarily driven by increased sales by our distributor into China. QAPs grew by 38% to \$7,015,820 (2023 - \$5,087,321) as a result of growth in project spending by a key diagnostic manufacturing customer and growth in our proficiency testing products. Revenue from royalties was relatively flat at \$478,100 (2023 - \$482,701).

2023 revenue was \$16,514,776, a 13% decrease from 2022 revenues of \$19,076,241. Antigen sales grew by 16% to \$9,592,219 (2022 - \$8,287,908), due to growth in sales to our distributor in Asia. QAPs declined by 5% to \$5,087,321 (2022 - \$5,375,329) due to lower sales to our smaller customers. Revenue from DxTM was nil in 2023, down from \$5,004,359 the prior year, while royalties increased to \$484,718 (2022 - \$408,694). 2023 revenues were most influenced by the lack of DxTM sales, which was only partially offset by growth in Antigens and receipt of Kinlytic licensing revenues of \$1,348,500 (2022 - nil).

THREE YEAR OVERVIEW (CONTINUED)**Gross Margin**

2025 gross margin percentage was 53%, down from 61% last year. The lower 2025 gross margins were primarily driven by decreased product sales, a less-favourable product mix, and fixed manufacturing costs needing to be absorbed across fewer units of production. In addition, lower margins were driven by the lack of Kinlytic royalty license payments (\$4,086,660 in fiscal 2024).

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

2023 gross margin was 45%, down from 2022 gross margins of 58%. Gross margins were impacted by increased labour, manufacturing, and supply chain costs; all due to inflationary pressures. In addition, the lack of higher margin DxTM sales negatively impacted gross margin and the Company also incurred an inventory write-off relating to DxTM.

Operating Expenses

2025 operating expenses (including finance expenses) increased by 4% relative to 2024, due to lower investment income on short-term cash equivalents, coupled with a favourable debt-modification interest impact in 2024. In addition, our investment in trade show activity and R&D project spending on QAPs business increased during fiscal 2025.

2024 operating expenses and finance expenses for the year increased by 11% versus 2023. Operating and finance expenses increased due to agent fees related to the Kinlytic transaction in Q1, continued investment in our IT infrastructure (and full year SaaS fees for both our ERP and eQMS systems), and investment in R&D projects to support growth of the business.

2023 operating expenses and finance expenses in 2023 increased by 14% relative to 2022 principally due to increased investment in R&D projects for our QAPs business and incremental consulting fees for the implementation of ERP and eQMS systems. This was somewhat offset by reduced interest costs due to the repayment of debentures and BDC loans, plus greater interest income from short-term investments.

Net Income (Loss)

Overall, lower 2025 revenues, reduced margins, and increased operating expenses led to a net loss of \$2,245,812 versus 2024 net income of \$3,520,179. For fiscal 2024, increased sales in our Antigen and QAPs businesses, increased Kinlytic licensing fees, and higher gross margin dollars led to a net income of \$3,520,179 versus a 2023 net loss of \$39,483. In fiscal 2023, lower sales, reduced gross margins, and increased operating expenses (due to increased investment into business growth and infrastructure) led to a net loss of \$39,483 versus a 2022 net income of \$1,788,689.

Key factors which have caused variations in the Company's financial position over the three most recently completed fiscal years include:

Changes in working capital

In fiscal 2025 working capital increased by \$758,575, impacted by deployment of funds into increased inventory relating to product portfolio expansion and reduced accounts payable reflective of reduced activity with the previously cited two customers. In fiscal 2024 working capital increased by \$1,774,061, due primarily to increased inventory to support business growth. For fiscal 2023 working capital increased by \$219,840, as a result of increased accounts receivable due to timing of year end shipments offset by increased deferred revenue due to timing of customer deposits.

THREE YEAR OVERVIEW (CONTINUED)**Changes in property, plant, and equipment**

During 2025, the Company capitalized \$1,777,595. \$980,298 was due to right-of-use asset additions primarily relating to the extension of a facilities lease. The remainder was predominantly for the addition of equipment to support the growth of the business and replacement of aging equipment. In fiscal 2024, the company added \$1,827,996 of assets. The key additions were equipment to support the growth of our DxTM and QAPs businesses and the construction of a new lab for our R&D and QC teams. In fiscal 2023, we capitalized \$1,025,028. A key area of investment was to enhance our bioreactor manufacturing capabilities.

Changes in non-current financial liabilities

As can be seen from the table above, there were no material changes in our total non-current financial liabilities during this three-year period.

OUTLOOK

Microbix's business was started over 40 years ago by our founder, William J. Gastle, a skilled virologist, who retired in September, 2020 and passed away in September, 2023 (we miss you Bill). The first products were types of the growth media used in cell-culturing, which were sold to public health laboratories and research-oriented customers across Ontario. This was followed by such regional lab customers asking Microbix to do some of their work upon bacteriological, mammalian cellular, and viral culturing. In due course, international manufacturers of diagnostic tests learned of Microbix's abilities and approached the company to grow such organisms on an industrial scale, then purify and inactivate them to become "antigens" – the biological ingredients at the heart of "immunoassay" tests used to diagnose infection with, exposure to, or immunity from, bacteria and viruses. That test-ingredients business remained Microbix's only major source of revenues for many years, and underpins its deep expertise in matters relating to infectious disease diagnostics. During those years, Microbix sought to branch out into other areas of healthcare, such as into the production of biological therapeutics and vaccines. The company did not succeed with such endeavors. Although it had much of the expertise required for such initiatives, it could not gain access to the large sums of capital required to bring those projects to fruition.

That being recounted, one development asset from that era remains in the Microbix portfolio, a well-validated biological "clot-buster" drug called Kinlytic[®] urokinase ("Kinlytic"). Kinlytic had been written-off as an asset in September, 2020, as the pandemic made it difficult to predict whether or when an alliance to fund its return to market could be completed. As the pandemic subsequently ebbed, Kinlytic took a big step toward generating meaningful revenues by way of the partnering Agreement with a better-funded entity, Sequel Pharma, LLC, that was signed in May, 2023. Since that time, Microbix has received a total of US\$ 4.0 million in milestone payments from Sequel, which is now fully-funding Kinlytic's return to clinical usage – initially into the United States for the sub-indication of venous catheter clearance which is reasonably estimated to be a market of US\$ 400 million or more (*Sources: IQVIA Holdings, Inc. reports, Sequel & Microbix market research*).

Kinlytic has a 30-year history of safe and effective clinical usage, having successfully resolved blood clots in venous catheters or in blood vessels for millions of patients. As a point of fact, it was FDA and Health Canada approved for venous catheter usage and the treatment of pulmonary emboli and was considered the standard-of-care for those clinical needs until it became unavailable in 2008 due to the lack of a manufacturing facility. Microbix and Sequel are now working to make Kinlytic available again by way of commissioning and validating (i) a new manufacturing site and its use of updated methods for "drug substance," and (ii) new "drug product" formulation, vial filling, lyophilization (a.k.a., freeze-drying), capping, and labeling. Such work is ongoing, and it is intended that Sequel will attain the position to file a supplemental Biologics Licensing Application (sBLA) sometime in calendar 2027, with the objective of regaining market access via an FDA re-approval in late 2027 or 2028. Should re-approval for the initial catheter clearance indication be obtained, Microbix believes that Sequel will subsequently pursue further approvals for new geographic markets, prior clinical indications

OUTLOOK (Continued)

(e.g., pulmonary emboli), and new clinical indications (e.g., ischemic stroke). While Microbix and Sequel are optimistic that they will secure renewed market access for Kinlytic, there are no assurances that they will be successful in achieving this objective in a timely manner or at all, or that the product will be commercially successful if re-launched.

Microbix recognized a US\$1.0 million payment as revenue in Q3 of fiscal 2023, recognized a further US\$ 3.0 million of revenues in Q1 of fiscal 2024, and under the terms of its Agreement with Sequel, will be contractually eligible for over US\$ 30 million of further milestone payments and sales-driven royalty payments upon re-approval of Kinlytic for clinical use in the United States. In consequence, Microbix reversed the prior impairment of Kinlytic, restoring its prior cost-based intangible value of C\$ 3.1 million in Q4 of fiscal 2023.

Microbix's antigen test-ingredients business was 90% or more of sales for many years. Over the past eight years however, Microbix has sought to more broadly employ its deep diagnostics industry expertise and thereby incrementally build its revenues. This effort has largely succeeded, with test-ingredients comprising only 58% of Microbix's sales in fiscal 2023, 54% in fiscal 2024, and 67% in fiscal 2025 – due to its creating and growing other revenue streams. While test ingredients sales had resumed a growth trajectory through Q2 fiscal 2025, their proportion of overall company revenues is expected to continue to decline over time – as a result of faster-growing sales of other product categories, such as QAPs, and targeted milestones and royalties derived from Kinlytic.

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

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

While respiratory virus tests were not the principal focus of QAPs at that time, Microbix suspected the Pandemic in January of that year and validated its first COVID-related product by the end of March, 2020. Microbix has since supported governments and industry with many QAPs products related to testing for respiratory pathogens – to lab accreditation agencies, international test-makers, governments and hospitals, clinical labs, and many workplaces and schools. Respiratory disease has become an important portion of QAPs sales, but the Microbix portfolio has been expanded to include QAPs for many bacteria, viruses, and parasites that can cause acute sickness, chronic disease, and even cancers. Collectively, QAPs comprised 34% of product sales in fiscal 2023, 33% in fiscal 2024, and 30% in fiscal 2025. Microbix expects this segment, inclusive of QUANTDx, to be its fastest-growing revenue source through fiscal 2027, having already grown sales of QAPs to \$7.0 million in fiscal 2024 from approximately \$1.0 million in fiscal 2019 for a five-year compound annual growth rate of 48%.

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

OUTLOOK (Continued)

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

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

One such POCT opportunity involves FLOQswab-based QAPs being incorporated into kits of PoCT cartridges at fixed ratios (e.g., 1 QAP per 10 to 25 PoCT tests) for use to help ensure test or test-workflow accuracy. With some major international test-makers having tens of thousands of instruments already placed with customers and their intending to sell millions of cartridges per month across multiple pathogen categories, it can be seen how revenues might build for Microbix in this industry area. A first such alliance was announced by Microbix in August, 2022 and more such customers are being sought among those firms with a substantial installed-base of instruments or the intent to build a large installed-base. Meaningful revenues are being sought as such multinational test-makers wend their way through the needed design optimizations, regulatory approvals, and marketing launches for instruments and kits of their test cartridges that include Microbix QAPs. Further QAPs alliances continue to be developed by Microbix with the goal of their being formalized and disclosed in due course. Other confidential business arrangements continue to likewise progress, including projects that are expanding Microbix's activities into new diagnostics sectors, such as genetics and oncology testing as respectively disclosed by new releases across both 2024 and 2025.

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

We thereby come to Microbix today and tomorrow. Already, a Company that has attained annual revenues of more than C\$ 25 million for our fiscal 2024, before experiencing a break-of-trend setback in revenues to C\$ 18.6 million in fiscal 2025 believed due to (i) lower incidence of pneumonia in China during the winter of 2024/25, and (ii) an international diagnostics company terminating a PoCT instrument and assays program that Microbix was supporting. While unfortunate and not related to Microbix's manufacturing or selling performance, reduced

OUTLOOK (Continued)

revenues from that set of customers led to reduced revenues for the second half of fiscal 2025 and reduced year-over-year sales for the full year of fiscal 2025. Accordingly, fiscal 2025 results were below objectives for the year, which had been to maintain product sales growth of 20% or more and realize positive net earnings. Looking into fiscal 2026, Microbix intends to recover its revenues from the low-point of Q3 of fiscal 2025 and work to get back on track toward its goal of growing sales by a double-digit percentage each fiscal year, regain profitability, and thereby ultimately growing its business to multiples of current revenues. There can be no assurance that Microbix will succeed with such a goal.

It is Microbix's goal to increase its revenues via three routes, namely (i) to expand its addressable antigens market by adding the capability of recombinant (synthetic) production as disclosed in January, 2025, (ii) continuing to build sales of its QAPs by adding SKUs, customers, and diagnostics categories (as evidenced by informational news release disclosures of new products, customer relationships, and customer programs), and (iii) generating milestone payments and royalties from Kinlytic as described earlier herein. To accomplish our revenue growth objectives, management believes Microbix has deep and broad capabilities relating to life sciences and a strong financial position for a company of our size. We are likewise a fully-accredited medical devices firm poised to benefit from ongoing global innovations in medical diagnostics, via over 100 established international customer relationships. In summary, Management's financial goals are to achieve higher and more consistent sales volumes while expanding gross margins, thereby driving growth in net earnings, free cash flow, and the value of Microbix's common stock for the benefit of all shareholders. We are also pleased to be targeting financial success via improving healthcare outcomes around the world and with the goal of enhancing the prosperity of our home province of Ontario, Canada.

In accordance with regulatory guidance and to provide further information for investors, Microbix is providing greater detail in relation to prior disclosure of corporate goals – specifically to more precisely explain how Microbix might grow its revenues “to multiples of current levels,” “within several years.” In so doing, Microbix management cautions that any such goals are aspirational and that actual results may not in fact achieve company objectives in a timely manner or at all. With that caveat, Microbix is disclosing further detail about its goals over the three years comprising fiscal 2026, 2027, and 2028, which are as follows:

Fiscal 2026 – To regain part or all the ground lost to the two client setbacks that occurred in the latter half of fiscal 2025, and attain full-year fiscal 2026 revenues is comparable to its full-year fiscal 2025 results. While revenues are expected to be relatively flat on a full-year basis, such a result would be the result of cumulative revenue growth across the four quarters of fiscal 2026 of approximately 30% from the quarterly low-point of Q3 fiscal 2025 (i.e., fiscal 2026 revenues targeting approximately \$ 18.6 million, that being equal to full-year fiscal 2025 and approximately 30% greater than simply multiplying Q3 fiscal 2025 low-point revenues of \$ 3.5 million by four times). This quantum of revenues and growth is currently believed to be obtainable from existing clients and known client projects, as reviewed in detail by management and the board of directors pursuant to Microbix's annual budgeting-setting process that was most recently completed in November 2025. Management will update this outlook across fiscal 2026 in its continuous disclosure filings of quarterly results.¹

Fiscal 2027 – To increase revenues materially beyond those of fiscal 2026, from new customers and customer programs relating to QAPs and QUANTDx. Microbix is now working to secure sales of new products or programs with no less than seven multinational diagnostics manufacturers, while also driving to increase its sales to laboratory accreditation agencies and clinical laboratories. If it is successful in this work, significant growth in revenues from product sales seems likely – principally in Microbix's core area of QAPs that support testing for infectious diseases, a market currently estimated at US\$ 20 to 25 billion per year (Sources: Kalorama & Mnmreports). It is thereby Microbix's objective to achieve year-over year sales growth of 20% or more from new products and programs supporting assays for diagnosing infectious diseases, based upon known client programs progressing on their intended timelines and achieving commercial success. Continuous disclosure

OUTLOOK (Continued)

updates will be provided if, as, and when, such new business opportunities are secured and advance, as was done for eight such programs across calendar 2025 by way of informational news release disclosures.^{1, 2}

Fiscal 2028 – To continue growth in QAPs and QUANTDx sales to multinational diagnostics manufacturers, laboratory accreditation agencies and clinical labs – in Microbix’s core area of infectious diseases and with a growing presence in both cancer tests (e.g., per Microbix news releases of March 11, 2024, October 7, 2024, & September 23, 2025) and genetic tests (e.g., per Microbix news releases of December 10, 2024 & September 23, 2025). Again, Microbix’s objective is to grow diagnostics-oriented revenues by a targeted 20% or more each year. Additionally, Microbix may realize milestones and royalties from Kinlytic, which may re-enter clinical usage for catheter-clearance in this fiscal year (2028). To illustrate its potential impact to Microbix, if Kinlytic were to capture approximately one-third of the U.S. catheter-clearance market in fiscal 2028, Microbix’s combined milestone payments (non-recurring) and royalty revenues (recurring) could reach US\$ 31 million, supplementing its financial measures such as available gross margin, net earnings and cashflow. While there can be no assurances Microbix’s goals relating to its diagnostics-related or therapeutics endeavors will be successful, Microbix believes their individual and combined prospects are positive and sufficient to support the magnitude of growth in revenue goals stated in prior disclosures. Again, continuous disclosure updates will be provided to update shareholders about the extent to which Microbix’s goals are succeeding or failing.^{1, 2, 3}

Summary of Material Factors & Assumptions relating to deemed forward-looking information (FLI)

- 1 – That no material changes occur in relation to (i) the terms of international trade between Canada and its major markets, (ii) existing or planned programs involving our products, and (iii) risk factors such as those disclosed herein.*
- 2 – That Microbix is successful in (i) developing new products within its QAPs and QUANTDx portfolios, (ii) capturing new business from infectious disease testing clients, and (iii) that current industry trends are not disrupted.*
- 3 – That Microbix is successful in (i) retaining and expanding its presence in infectious diseases, (ii) developing new products beyond the infectious diseases test category, and (iii) advancing Kinlytic to renewed U.S. market access.*

The broader set of risk factors described later herein, individually or in combination, could cause results to differ from management’s current goals or expectations, which would then be updated via Microbix’s future continuous disclosure filings as required by applicable law.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

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

The Company has incurred historical losses resulting in an accumulated deficit of \$ 35,637,047 as at September 30, 2025. Management continuously monitors the financial position of the Company with respect to working capital needs, as well as long-term capital requirements compared to the annual operating budget. Variances are highlighted and actions are taken to ensure the Company is appropriately capitalized.

Future Liquidity and Capital Needs

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

Over the course of fiscal 2025, a portion of working capital was employed on the completion of new R&D and QC labs and equipment, capacity expansions, and process optimizations – of which approximately \$0.8 million was capitalized. A further \$1.7 million was employed to repurchase and cancel common shares, to offset options dilution and somewhat stabilize trading in Microbix shares within volatile equity capital markets. Such investments were readily supported by our operations and Microbix continues to be in a strong liquidity position as at September 30, 2025 – with a current ratio of 8.48.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES (Continued)

Moving across fiscal 2026, Management is targeting to improve cashflow via: 1) growing overall product sales, 2) improving product pricing or other sales terms, 3) selling more higher percentage gross margin products, and 4) optimizing manufacturing processes, and 5) other business development and financial initiatives. Management aims for these factors to improve the overall liquidity position, as the Company's plans come to fruition.

On July 29, 2019, the Company signed an agreement with Federal Economic Development Agency for Southern Ontario to provide a repayable government contribution where the Federal Development Agency has agreed to contribute funding for 30% of the Business Scale-up and Productivity Project expenditures made by the Company, up to \$2,752,500 over the following four years. The Company submitted eligible expenses on a quarterly basis to receive the interest-free contributions. On February 14, 2023, the Company agreed to an amendment to the original agreement providing an additional \$840,000 of repayable contributions, increasing the total funding up to \$3,592,500 and pushing out the start of repayment of all contributions until April 15, 2025. Subsequently on May 27, 2024, the Company signed an amendment to the agreement extending the project completion date to December 31, 2024, and the repayment of all contributions will now begin on January 15, 2026.

On October 13, 2020, the Company announced a grant agreement with the Ontario Together Fund ("OTF") of the Ministry of Economic Development, Job Creation and Trade (the "Grant"). The Grant of \$1,445,000 was to cover 50% of the cost to automate production of the Company's quality assessment products (QAPs™) that help ensure the accuracy of infectious disease diagnostic testing, and enable local, secure, and cost-effective automated production of the quantities of viral transport medium (generically "VTM" and branded "DxTM™") needed for Ontario's lab-based testing for COVID-19 disease or other tests of concern to public health or safety. An initial Grant disbursement, upon execution of the agreement, in the amount of \$867,000, was received on October 13, 2020. The remaining \$578,000 of the grant was paid upon project completion and a review of Eligible Project Expenditures incurred during the project, up to February 28, 2022. During the year ended December 31, 2021 the Company recognized \$717,587 (2020 - nil) of grant income. The company also recorded a \$680,202 reduction in capital asset costs.

On March 20, 2023, the Company announced an additional grant agreement with the Ontario Together Fund ("OTF") of the Ministry of Economic Development, Job Creation and Trade (the "Grant"). The Grant of \$840,000 was to cover 30% of the cost to further expand our capabilities and capacity for manufacturing specialized products relating to diagnostic testing for infectious diseases. The Government of Ontario 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 remaining \$336,000 of the grant was received during Q4 2025, upon project completion.

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

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

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

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES (Continued)

During Q3 2024, Microbix paid down 15% of the outstanding balance of the remaining loan from BDC, reducing our debt by \$229,185. On March 24, 2025 the Company made a further repayment of \$1,150,000.

On March 26, 2025, the Company announced that it had expanded its bank line of credit (“LoC”) to a maximum of C\$ 4.0 million, from its prior maximum of C\$ 2.0 million. The LoC is entirely undrawn at present and is being made available at a premium of 1.4% over the bank’s prime rate (currently at 4.45%). The availability of the expanded demand LoC is driven by a borrowing-base formula that is predominantly driven by accounts receivable and inventory balances. The Company’s availability and usage of this facility varies across its manufacturing, sales and Accounts Receivable collection cycles.

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

Outstanding Share Capital

Share capital issued and outstanding as at September 30, 2025 was \$50,431,600 for 139,512,478 common shares and September 30, 2024 was \$48,682,853 for 135,674,136 common shares. As at December 16, 2025, the Company had 138,806,329 outstanding common shares. The Company continues to repurchase shares through our NCIB, as outlined in the section below.

Normal Course Issuer Bid (“NCIB”)

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

On December 8, 2023 the Company initiated a new Normal Course Issuer Bid (“NCIB”) program for the repurchase and cancellation of outstanding common shares. In accordance with the rules of the Toronto Stock Exchange and as detailed in the Company’s news release of December 6, 2023, the NCIB enables the Company to repurchase up to 5% of its common shares over a 12-month period. During fiscal 2024 the Company repurchased 2,583,311 shares at a cost of \$925,279 and cancelled 2,749,237 shares.

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

OFF-BALANCE SHEET ARRANGEMENTS

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

TREND INFORMATION

Historical spending patterns are no indication of future expenditures. Investment in the new products and technologies is at the discretion of management and the board of directors. The Company is not aware of any material trends related to its business that have not been discussed in this Management Discussion and Analysis dated September 30, 2025.

RISKS AND UNCERTAINTIES

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

RISKS AND UNCERTAINTIES (Continued)***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.

RISKS AND UNCERTAINTIES (Continued)**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.

FINANCIAL RISK MANAGEMENT (Continued)**Liquidity risk**

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

Interest rate risk

Financial instruments that potentially subject the Company to interest rate risk include those assets and liabilities with a variable interest rate. Exposure to interest rate risk is primarily on the BDC debt that has a variable rate pegged to the bank rate. The rate can be fixed, if the outlook indicates interest rates will move higher. The only other variable debt the Company has is the \$4,000,000 line of credit that bears interest at the bank's prime lending rate plus 1.4%. As at 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.

CRITICAL ACCOUNTING ESTIMATES

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

CRITICAL ACCOUNTING ESTIMATES (Continued)**Intangible Assets**

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

Impairment of Long-lived Assets

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

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

Share-based payments

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

Revenue Recognition

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

FINANCIAL INSTRUMENTS

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

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

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

FINANCIAL INSTRUMENTS (Continued)**Disclosure Controls**

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures, as defined in the National Instrument 52-109 Certification of Disclosure in Issuer's Annual Filings (NI 52-109F1). As at September 30, 2025, management has concluded that the disclosure controls are effective in providing reasonable assurance that information required to be disclosed in the Company's reports is recorded, processed summarized and reported within the time periods specified in the Canadian Securities Administrator's rules and forms.

Deferred income taxes

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

Internal Controls Over Financial Reporting

The design of internal controls over financial reporting ("ICFR") within the company is a management responsibility to provide reasonable assurance that the reliability of financial reporting and that the preparation of financial statements for external purposes is in accordance with generally accepted accounting principles of IFRS. While the CEO and CFO believe that the internal controls are adequate to provide the above information, the process to evaluate and document all policies and procedures that could impact financial reporting is continuously reviewed with consultation with the Audit Committee. Shareholders should be aware that Microbix is a small company without the department resources associated with larger firms. Management is using the Committee of Sponsoring Organization of the Treadway Commission ("COSO") Framework and has concluded that the Internal Control over Financial Reporting ("ICFR") as defined in NI 52-109 is effective as at the period ended September 30, 2025. Examination by the Chief Executive Officer and the Chief Financial Officer showed that there were no changes to the internal controls over financial reporting during the period ended September 30, 2025 that have materially affected, or are reasonably thought to materially affect, the internal control over financial reporting.

CHANGES IN ACCOUNTING POLICIES**IAS 1 – Presentation of Financial Statements ("IAS 1")**

In January 2020, the IASB issued an amendment to IAS 1, which affects the presentation of liabilities in the statement of financial position and not the amount or timing of their recognition. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least 12 months. That classification is unaffected by the likelihood that an entity will exercise its deferral right. The amendments are effective for annual periods beginning on or after January 1, 2024 and are to be applied retrospectively. The Company has concluded that there is no impact of adopting these amendments on its consolidated financial statements on October 1, 2024.

IMPACT OF NEW ACCOUNTING STANDARDS BUT NOT YET ADOPTED**IFRS 18 – Presentation and Disclosure in Financial Statements (“IFRS 18”)**

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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Microbix Biosystems Inc. and its subsidiaries [the "Group"], which comprise the consolidated statements of financial position as at September 30, 2025 and 2024, and the consolidated statements of income (loss) and comprehensive income (loss), consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at September 30, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRS"].

Basis for opinion

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

Key audit matters

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

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

Key Audit Matters

Inventories Costing – work in process and finished goods

As at September 30, 2025, the inventories balance was \$9.2 million, which consists of raw materials, work in process and finished goods. Inventory is recorded at the lower of cost and net realizable value. The cost of work in process and finished goods consists of direct costs incurred in production including raw materials, direct labour, depreciation, amortization and directly attributable overhead costs and indirect overhead costs based on normal operating capacity. The Group uses the weighted average cost method to measure the cost of work in process and finished goods. Note 3 of the consolidated financial statements describes the accounting policy for inventories.

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

How our audit addressed the key audit matter

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

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

Other information

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

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

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

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

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

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

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

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

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

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

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

MICROBIX

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

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

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

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

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

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

Toronto, Canada
December 16, 2025

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

MICROBIX**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As at September 30, 2025 and 2024

Canadian Funds

	As at September 30, 2025	As at September 30, 2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 12,112,760	\$ 12,963,339
Accounts receivable (Note 21)	1,610,509	4,161,448
Inventories (Note 5)	9,195,586	6,464,407
Prepaid expenses and other assets	656,036	643,469
Investment tax credit receivable	-	27,299
TOTAL CURRENT ASSETS	23,574,891	24,259,962
LONG-TERM ASSETS		
Property, plant and equipment (Note 6)	\$ 10,104,298	\$ 9,617,657
Intangible assets (Note 7)	3,730,744	4,219,148
TOTAL LONG-TERM ASSETS	13,835,042	13,836,805
TOTAL ASSETS	\$ 37,409,933	\$ 38,096,767
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,977,360	\$ 2,662,417
Current portion of long-term debt (Note 9)	5,220	111,120
Current portion of lease liability (Note 6)	211,161	130,815
Deferred revenue (Notes 9, 23)	585,212	490,470
TOTAL CURRENT LIABILITIES	2,778,953	3,394,822
LONG-TERM LIABILITIES		
Debentures (Note 8)	\$ 2,298,793	\$ 2,006,436
Lease liability (Note 6)	1,295,832	568,919
Deferred revenue (Note 23)	285,269	249,588
Long-term debt (Note 9)	2,963,544	3,579,574
TOTAL LONG-TERM LIABILITIES	6,843,438	6,404,517
TOTAL LIABILITIES	\$ 9,622,391	\$ 9,799,339
SHAREHOLDERS' EQUITY		
Share capital (Note 11)	\$ 50,431,600	\$ 48,682,854
Equity component of convertible debentures (Note 8)	2,272,566	2,272,566
Contributed surplus	10,720,423	10,733,243
Accumulated deficit	(35,637,047)	(33,391,235)
TOTAL SHAREHOLDERS' EQUITY	\$ 27,787,542	\$ 28,297,428
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$ 37,409,933	\$ 38,096,767
Commitments and Contingencies (Note 25)		

(Signed) "Martin Marino"

MARTIN MARINO
DIRECTOR

(Signed) "Cameron L. Groome"

CAMERON L. GROOME
DIRECTOR

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

MICROBIX**CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)**

For the years ended September 30, 2025 and 2024

Canadian Funds

	2025	2024
SALES		
Product sales (Notes 22, 23)	\$ 17,712,222	\$20,617,233
Royalties and other sales	873,144	4,776,915
TOTAL SALES	18,585,366	25,394,148
COST OF GOODS SOLD		
Product costs (Notes 5, 15)	8,651,885	9,945,836
Royalties	79,911	56,611
TOTAL COST OF GOODS SOLD	8,731,796	10,002,447
GROSS MARGIN	9,853,570	15,391,701
EXPENSES		
Selling and business development (Note 15)	1,615,931	1,475,561
General and administrative (Note 15)	7,486,130	7,893,983
Research and development (Note 15)	2,327,663	2,125,382
Foreign exchange loss (gain)	129,490	(8,237)
OPERATING INCOME (LOSS) BEFORE FINANCE EXPENSES	(1,705,644)	3,905,011
Finance expenses, net (Note 18)	595,894	234,269
INCOME (LOSS) BEFORE INCOME TAXES	(2,301,538)	3,670,742
INCOME TAXES		
Current income taxes (Note 16)	(55,726)	150,563
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	\$ (2,245,812)	\$ 3,520,179
NET INCOME (LOSS) PER SHARE		
Basic (Note 14)	\$ (0.016)	\$ 0.026
Diluted (Note 14)	\$ (0.016)	\$ 0.026

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

MICROBIX**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the years ended September 30, 2025 and 2024

Canadian Funds

	2025	2024
OPERATING ACTIVITIES		
Net Income (Loss) for the Year	\$ (2,245,812)	\$ 3,520,179
Items not affecting cash		
Amortization and depreciation (Note 22)	1,779,356	1,612,813
Accretion of debentures (Note 8)	292,357	217,042
Share-based compensation (Note 13)	650,194	714,290
Accretion interest expense (Notes 6, 9, 18)	237,363	223,986
Gain on debt modification (Notes 9,18)	-	(166,630)
Grant income	(35,170)	-
Change in non-cash working capital balances (Note 17)	(758,575)	(1,774,061)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(80,287)	4,347,620
INVESTING ACTIVITIES		
Purchase of property, plant and equipment (Note 6)	(797,297)	(1,636,146)
Additions to intangible assets (Note 7)	-	(270,604)
CASH USED IN INVESTING ACTIVITIES	(797,297)	(1,906,750)
FINANCING ACTIVITIES		
Repayments of long-term debt (Note 9)	(1,207,300)	(340,305)
Proceeds from Government Loan and Grants (Note 10)	359,250	-
Payment of lease liabilities	(210,678)	(182,184)
Repurchase of common share units, net of costs (Note 11)	(1,730,586)	(925,279)
Proceeds from exercise of warrants and options (Notes 12, 13)	2,816,318	363,750
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	27,004	(1,084,018)
NET CHANGE IN CASH - DURING THE YEAR	(850,580)	1,356,852
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	12,963,339	11,606,487
CASH AND CASH EQUIVALENTS - END OF YEAR	\$12,112,760	\$12,963,339

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

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended September 30, 2025 and 2024

Canadian Funds

	SHARE CAPITAL (Note 11)		CONTRIBUTED SURPLUS	DEFICIT	EQUITY COMPONENT OF DEBENTURES	TOTAL SHAREHOLDERS' EQUITY
	NUMBER OF SHARES	STATED CAPITAL				
BALANCE, SEPTEMBER 30, 2023	136,853,373	\$49,044,488	\$10,218,847	\$(36,911,414)	\$2,272,566	\$24,624,487
Share-based compensation expense	-	-	714,290	-	-	714,290
Share Issuance pursuant to Exercise of Options	1,570,000	565,070	(201,321)	-	-	363,749
Repurchase of Shares	(2,749,237)	(926,704)	1,426	-	-	(925,278)
Net income and comprehensive income for the year	-	-	-	3,520,179	-	3,520,179
BALANCE, SEPTEMBER 30, 2024⁽¹⁾	135,674,136	\$48,682,853	\$10,733,243	\$(33,391,235)	\$2,272,566	\$28,297,427
Share-based compensation expense	-	-	650,194	-	-	650,194
Share Issuance pursuant to Exercise of Warrants	6,703,314	3,096,932	(683,738)	-	-	2,413,194
Exercise of Options	1,875,000	449,005	(45,880)	-	-	403,125
Repurchase of Shares	(4,739,972)	(1,797,190)	66,604	-	-	(1,730,586)
Net loss and comprehensive loss for the year	-	-	-	(2,245,812)	-	(2,245,812)
BALANCE, SEPTEMBER 30, 2025⁽¹⁾	139,512,478	\$50,431,600	\$10,720,423	\$(35,637,047)	\$2,272,566	\$27,787,542

(1) Includes 259,833 (book value \$93,926) treasury shares as at September 30, 2025 (September 30, 2024 - 137,074 (book value \$49,198)); see Note 11.

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

1. NATURE OF THE BUSINESS

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

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

2. BASIS OF PREPARATION

The Company’s management prepared these consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). The Board of Directors approved these consolidated financial statements on December 16, 2025.

Basis of measurement

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

Basis of consolidation

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Use of estimates and judgments**

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

Key areas of managerial judgments and estimates are as follows:

Financial assets and liabilities

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

Income taxes

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

Impairments

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

Revenue recognition

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

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

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

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

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

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

Cash and Cash Equivalents

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

Financial assets and liabilities

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

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

- Amortized cost: Financial instruments that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income (expense) from these financial instruments is recorded in net income (loss) using the effective interest rate method.
- Fair value through profit or loss ("FVTPL"): Financial instruments that do not meet the criteria for amortized cost or Fair value through other comprehensive income are measured at FVTPL. A gain or loss on a financial instrument that is subsequently measured at FVTPL and is not part of a hedging relationship is recognized in net income (loss) and presented net in comprehensive income (loss) within other gains (losses) in the period in which it arose.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gross carrying amount of the amortized cost of the financial liability as the present value of the estimated future contractual cash flows that are discounted adjustment is recognized in income.

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

	Classification and Measurement Method	2025	2024
Financial assets:			
Cash and cash equivalents	FVTPL	\$ 12,112,760	\$ 12,963,339
Accounts receivable	Amortized cost	1,610,509	4,161,448
Financial liabilities:			
Accounts payable and accrued liabilities	Amortized cost	\$ 1,977,360	\$ 2,662,417
Debentures	Amortized cost	2,298,793	2,006,436
Long-term-debt	Amortized cost	2,968,764	3,690,694

Inventories

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

Property, plant and equipment

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

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

Depreciation is provided for at the following basis and rates:

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

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

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

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

Impairment of long-lived assets

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

Borrowing costs

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

Share-based compensation

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

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

Foreign currency translation

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Income (Loss) per common share**

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

Deferred taxes

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

Research and development expenses

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

Investment tax credits

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

Leases*The Company as lessee*

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

(i) Right-of-use assets

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

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

(ii) Lease liabilities

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

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

(iii) Short term leases and leases of low-value assets

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

Government Financing and Assistance

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

Changes in Accounting Policies**IAS 1 – Presentation of Financial Statements (“IAS 1”)**

In January 2020, the IASB issued amendments to IAS 1, which affects the presentation of liabilities in the statement of financial position and not the amount or timing of their recognition. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the right to defer settlement by at least 12 months. That classification is unaffected by the likelihood that an entity will exercise its deferral right. The amendments are effective for annual periods beginning on or after January 1, 2024 and are to be applied retrospectively. The Company has concluded that there is no impact of adopting these amendments on its consolidated financial statements on October 1, 2024.

4. IMPACT OF NEW ACCOUNTING STANDARDS AND AMENDMENTS ISSUED BUT NOT YET ADOPTED**IFRS 18 – Presentation and Disclosure in Financial Statements (“IFRS 18”)**

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

5. INVENTORIES

Inventories consist of the following:

	September 30, 2025	September 30, 2024
Raw materials	\$ 1,713,896	\$ 1,759,743
Work in process	2,738,867	2,154,703
Finished goods	4,742,825	2,549,961
	\$ 9,195,586	\$ 6,464,407

During the year ended September 30, 2025, inventories in the amount of \$8,651,885 (September 30, 2024 - \$9,945,836) were recognized as an expense through cost of goods sold. The allowance for potentially impaired or stale-dated inventories as at September 30, 2025 was \$529,715, which is recognized as an expense in cost of goods sold (September 30, 2024 - \$718,726).

MICROBIX

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS As at and for the years ended September 30, 2025 and 2024

Canadian Funds

6. PROPERTY, PLANT, EQUIPMENT AND LEASES

The freehold land and buildings have been pledged as security for bank loans under a mortgage (see Note 9). Property, plant and equipment consists of:

	Building and Leasehold Improvements	Research and Development Equipment	Other Equipment and Fixtures	Right of Use Assets	Land	Total
COST						
Balance, as at September 30, 2023	\$ 6,265,678	\$ 723,546	\$ 7,898,200	\$ 1,705,810	\$ 800,000	\$ 17,393,234
Additions	352,949	-	1,475,047	-	-	1,827,996
Balance, as at September 30, 2024	\$ 6,618,627	\$ 723,546	\$ 9,373,246	\$ 1,705,810	\$ 800,000	\$ 19,221,230
Additions	132,123	34,256	630,917	980,298	-	1,777,595
Balance, as at September 30, 2025	\$ 6,750,751	\$ 757,803	\$10,004,164	\$ 2,686,108	\$ 800,000	\$20,998,825

ACCUMULATED DEPRECIATION

Balance, as at September 30, 2023	\$ 2,620,774	\$ 493,088	\$ 4,655,948	\$ 695,824	-	\$ 8,465,634
Depreciation	396,640	23,986	541,283	176,030	-	1,137,939
Balance, as at September 30, 2024	\$ 3,017,414	\$ 517,074	\$ 5,197,231	\$ 871,854	-	\$ 9,603,573
Depreciation	447,571	23,107	616,691	203,584	-	1,290,953
Balance, as at September 30, 2025	\$ 3,464,985	\$ 540,181	\$ 5,813,922	\$ 1,075,438	-	\$10,894,526

NET BOOK VALUE

Balance, September 30, 2024	\$ 3,601,213	\$ 206,473	\$ 4,176,015	\$ 833,956	\$ 800,000	\$ 9,617,656
Balance, as at September 30, 2025	\$ 3,285,766	\$ 217,622	\$ 4,190,241	\$ 1,610,669	\$ 800,000	\$10,104,298

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

	Right-of-Use Assets		Lease Liabilities
	Property	Equipment	
Balance, September 30, 2023	\$ 798,567	\$ 211,419	\$ 854,034
Additions	-	-	-
Depreciation Expense	(153,831)	(22,199)	-
Interest Accretion	-	-	27,884
Payments	-	-	(182,184)
Balance, September 30, 2024	\$ 644,736	\$ 189,220	\$ 699,734
Additions	973,279	7,019	980,298
Depreciation Expense	(183,324)	(20,261)	-
Interest Accretion	-	-	37,639
Payments	-	-	(210,678)
Balance, September 30, 2025	\$ 1,434,691	\$ 175,978	\$ 1,506,993
Current portion			\$ 211,161
Non-current portion			1,295,832

MICROBIX

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS As at and for the years ended September 30, 2025 and 2024

Canadian Funds

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

Lease liabilities for leases that were entered during the year ended September 30, 2025 were discounted using an incremental borrowing rate of 4.7% (September 30, 2024 – 3.5%). During Q3, the Company's lease at 235 Watline Avenue was extended for an additional three years with an option for an additional three years.

Lease obligations as at September 30, 2025 are:

	Amount
2026	\$ 271,262
2027	273,554
2028	281,943
2029	292,017
2030	296,512
2031 and thereafter	300,670
Total	\$ 1,715,958

7. INTANGIBLE ASSETS

Intangible assets consist of:

	Capitalized Development Costs Bioreactor (a)	Patents and Trademarks QAPs (b)	Kinlytic® License (c)	Rights and Knowhow (d)	Total
COST					
Balance, as at September 30, 2023	\$ 2,088,575	\$ 142,470	\$ 3,078,585	-	\$ 5,309,630
Additions	-	-	-	270,604	270,604
Balance, as at September 30, 2024	\$ 2,088,575	\$ 142,470	\$ 3,078,585	\$ 270,604	\$ 5,580,235
Additions	-	-	-	-	-
Balance, as at September 30, 2025	\$ 2,088,575	\$ 142,470	\$ 3,078,585	\$ 270,604	\$ 5,580,235
ACCUMULATED AMORTIZATION					
Balance, as at September 30, 2023	\$ 847,033	\$ 39,179	-	-	\$ 886,212
Amortization expense	139,238	14,247	307,859	13,530	474,874
Balance, as at September 30, 2024	\$ 986,272	\$ 53,426	\$ 307,859	\$ 13,530	\$ 1,361,087
Amortization expense	139,238	14,247	307,859	27,060	488,404
Balance, as at September 30, 2025	\$ 1,125,510	\$ 67,673	\$ 615,718	\$ 40,590	\$ 1,849,491
NET BOOK VALUE					
Balance, as at September 30, 2024	\$ 1,102,304	\$ 89,044	\$ 2,770,727	\$ 257,074	\$ 4,219,148
Balance, as at September 30, 2025	\$ 963,065	\$ 74,797	\$ 2,462,868	\$ 230,013	\$ 3,730,744

7. INTANGIBLE ASSETS (Continued)

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

(a) Bioreactor

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

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

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

(c) Kinlytic®

The Company acquired the assets and rights pertaining to the development, production, and licensing of Kinlytic® from ImaRX Therapeutics, Inc. in 2008. The asset is being amortized over an estimated period of 10 years, from the year of the agreement.

(d) Rights and Know-how

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

8. DEBENTURES

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

	Convertible debentures		Total convertible debentures
	(a)	(b)	
Date of issue	Oct, 2016	Oct, 2016	
Face value	\$ 1,500,000	\$ 2,500,000	\$ 4,000,000
Liability component at the date of issue	461,550	780,750	1,242,300
Balance, September 30, 2023	652,631	1,136,763	1,789,394
Accretion	76,106	140,937	217,042
Balance, September 30, 2024	728,737	1,277,700	2,006,436
Accretion	102,653	189,703	292,357
Balance, September 30, 2025	\$ 831,390	\$ 1,467,403	\$ 2,298,793
Equity component as at September 30, 2025	\$ 574,435	\$ 1,698,131	\$ 2,272,566
Conversion price per common share	\$ 0.23	\$ 0.23	
Effective interest rate charged	31.07%	30.85%	
Payment frequency	Quarterly	Quarterly	
Maturity of financial instrument	Jan, 2029	Sep, 2028	
Stated interest rate	9%	9%	
Terms of repayment	Interest only	Interest only	
Blended quarterly repayment	N/A	N/A	

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

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

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

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

a) The Company has an outstanding loan with the Business Development Bank of Canada (“BDC”). The following summarizes the outstanding balance as at September 30, 2025:

Term Loan with BDC	
Effective date of loan	Jun, 2008
Initial Loan Amount	\$ 3,000,000
Balance, September 30, 2023	1,601,980
Loan repayments during the year	(340,305)
Balance, September 30, 2024	\$ 1,261,675
Loan repayments during the year	(1,207,300)
Balance, September 30, 2025	\$ 54,375
Current Portion	\$ 5,220
Non-current portion	49,155
Payment frequency	Monthly
Maturity of loan	Feb, 2036
Terms of repayment	Principal and interest

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

The remaining BDC loan has a floating interest rate based on BDC’s floating base rate less 1.0%. As at September 30, 2025, the rate was 5.80% (September 30, 2024 – 7.55%). The loan is secured with the building and equipment. On May 21, 2024, the Company prepaid \$229,185, 15% of the outstanding balance, without indemnity. On March 24, 2025 the Company made a further principle prepayment of \$1,150,000, along with an indemnity equal to three months further interest on the principal prepaid of \$17,537.

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

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

	Amount
2026	\$ 5,220
2027	5,220
2028	5,220
2029	5,220
2030	5,220
2031 and thereafter	\$ 28,275

- b) On March 26, 2025, the Company announced that it had expanded its bank line of credit (“LoC”) to a maximum of C\$4.0 million, from its prior maximum of C\$ 2.0 million. The LoC is entirely undrawn at September 30, 2025 and is being made available at a premium of 1.4% over the bank’s prime rate (4.45% at September 30, 2025). The availability of the expanded demand LoC is driven by a borrowing-base formula that is predominantly driven by accounts receivable and inventory balances. The Company’s availability and usage of this facility varies across its manufacturing, sales and accounts receivable collection cycles.
- c) On July 29, 2019, the Company signed an agreement with the Federal Economic Development Agency for Southern Ontario (“FedDev”) to provide a repayable government contribution of 30% of the Business Scale-up and Productivity Project expenditures made by the Company, up to \$2,752,500 over the following four years. The Company is required to submit eligible expenses on a quarterly basis to receive the interest-free contributions. On February 14, 2023, the Company agreed to an amendment to the original agreement providing an additional \$840,000 of repayable contributions, increasing the total funding up to \$3,592,500. Repayment of all contributions was to begin April 15, 2025. On March 8, 2024, the agreement was further amended to extend the project completion date to September 30, 2024 and the repayment of all contributions was to begin on October 15, 2025. Subsequently, on May 27, 2024, the Company signed an amendment to the agreement extending the project completion date to December 31, 2024 and the repayment of all contributions will now begin on January 15, 2026. As a result of this extension to the timing of repayment, a gain on debt modification of \$166,630 was recognized in Q3 2024.
- d) As at September 30, 2025, the Company has received contributions totalling \$3,592,500 (September 30, 2024 – \$3,233,250). The Company determined that the “Loan” consists of two components: an obligation to repay and a government grant in the form of exemption from interest. The Company fair valued the obligation to repay at \$2,422,736 (September 30, 2024 – \$2,117,358), based on a discount rate of 8%, which represents management’s best estimate of fair value. The residual amount of \$1,169,764 (September 30, 2024 – \$1,115,892) is allocated to the associated government grant and recognized as income over the period in which the related costs they are intended to compensate are recognized. During the year ended September 30, 2025, \$36,849 has been recognized as grant income within general and administrative expenses (September 30, 2024 - \$95,677). As at September 30, 2025, the carrying value of the Loan is \$2,914,388 (September 30, 2024– \$2,429,019) and \$352,533 is recognized as a deferred grant within deferred revenue on the consolidated statements of financial position (September 30, 2024– \$315,777).

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

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

Fiscal Years	Amount
2026	\$ 538,875
2027	718,500
2028	718,500
2029	718,500
2030	718,500
2031	179,625

10. GOVERNMENT GRANT

On March 20, 2023, the Company announced a second grant agreement with the Ontario Together Fund (“OTF”) of the Ministry of Economic Development, Job Creation and Trade (the “Grant”). This Grant of \$840,000 was to cover 30% of the cost to further expand the Company’s capabilities and capacity for manufacturing specialized products relating to diagnostic testing for infectious diseases. The Government of Ontario supported the expansions at Microbix’s three adjacent sites in Mississauga. An initial Grant disbursement, upon execution of the Grant agreement, in the amount of \$504,000 was received on March 13, 2023. During fiscal 2025, \$218 of Grant-related income was recognized (2024 - \$402,162). In addition, \$369,719 was recognized as a reduction to property, plant and equipment. At September 30, 2025, other receivables did not include any grants receivable (September 30, 2024– \$336,000). The remaining \$336,000 of the Grant was paid on August 25, 2025, following completion of the project.

11. SHARE CAPITAL

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

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

On December 8, 2023, the Company initiated a second NCIB program for the repurchase and cancellation of outstanding common shares. In accordance with the rules of the Toronto Stock Exchange and as detailed in the Company’s news release of December 6, 2023, the NCIB enabled the Company to repurchase up to 5% of its common shares over a 12-month period. During fiscal 2024, the Company repurchased 2,583,311 shares at a cost of \$925,279 and cancelled 2,749,237 shares. 137,034 shares representing shares repurchased (\$49,198 book value) but not yet cancelled were considered as treasury shares as at September 30, 2024.

On December 9, 2024, the Company initiated a third NCIB program for the repurchase and cancellation of outstanding common shares. In accordance with the rules of the Toronto Stock Exchange and as detailed in the Company’s news release of December 5, 2024, the NCIB 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 at a cost of \$1,730,586 and 4,739,972 shares were cancelled. As at September 30, 2025, 259,833 shares were in treasury, awaiting cancellation.

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

	Number of Shares	Stated Capital
Balance, as at September 30, 2023	136,853,373	\$ 49,044,488
Exercise of stock options	1,570,000	565,070
Stock repurchase and cancellation	(2,749,237)	(926,704)
Balance, as at September 30, 2024	135,674,136	\$ 48,682,853
Exercise of stock options	1,875,000	449,005
Exercise of warrants	6,703,314	3,096,932
Stock repurchase and cancellation	(4,739,972)	(1,797,190)
Balance, as at September 30, 2025	139,512,478	\$ 50,431,600

12. COMMON SHARE PURCHASE WARRANTS

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

	Units	Weighted average exercise price
Balance, September 30, 2023	14,631,564	\$ 0.53
Exercised	(5,750,000)	0.80
Expired	8,881,564	0.36
Balance, September 30, 2024	(6,703,314)	\$ 0.36
Expired	(2,178,250)	0.36
Balance, September 30, 2025	-	-

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

	September 30, 2025			September 30, 2024		
	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life years	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life years
Range of exercise prices:						
\$0.60 to \$0.80	-	-	-	-	-	-
\$0.36	-	-	-	8,881,564	0.36	0.34
	-	-	-	8,881,564	\$ 0.36	0.34

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

13. STOCK OPTION PLAN

Under the Company's stock option plan, the Company may grant options to purchase common shares up to a maximum of 10% of the Company's issued and outstanding common shares. Under the plan, as at September 30, 2025, the Company has a total of 13,519,000 options (September 30, 2024 – 12,884,000) issued and is eligible to issue up to a total of 13,951,248 options.

The exercise price of each option equals no less than the market price at the date immediately preceding the date of the grant. The options granted during any given year and future option grants will generally be vested in a single step on the third anniversary date following their issue. Management does not expect any remaining unvested stock options at the year-end to be forfeited before they vest.

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

	Units	Weighted average exercise price
Balance, September 30, 2023	11,959,000	\$ 0.43
Stock options exercised	(1,570,000)	\$ 0.23
Stock options issued	2,795,000	\$ 0.40
Stock options forfeited/expired	(300,000)	\$ 0.42
Balance, September 30, 2024	12,884,000	\$ 0.45
Stock options exercised	(1,875,000)	\$ 0.22
Stock options issued	2,895,000	\$ 0.48
Stock options forfeited/expired	(385,000)	\$ 0.20
Balance, September 30, 2025	13,519,000	\$ 0.49
Exercisable, September 30, 2025	5,149,000	\$ 0.60

13. STOCK OPTION PLAN (Continued)

The exercise price of each option equals the closing market price of the Company's capital stock on the day preceding the grant date. The following table reflects the number of options, their weighted average price and the weighted average remaining contract life for the options grouped by price range as at September 30, 2025 and September 30, 2024:

	September 30, 2025			September 30, 2024		
	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life years	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life years
Range of exercise prices:						
\$0.46 to \$0.62	8,044,000	\$ 0.56	2.17	5,169,000	\$ 0.60	1.93
\$0.215 to \$0.40	5,475,000	\$ 0.39	2.91	7,715,000	\$ 0.34	2.93
	13,519,000	\$ 0.49	2.47	12,884,000	\$ 0.45	2.52

The fair value of options granted during fiscal 2025 was estimated at the grant date using the Black-Scholes options pricing model, resulting in the following weighted-average assumptions:

Option Grant Dates	Feb 2025	Feb 2024
Share price on issue date	\$ 0.48	\$ 0.40
Dividend yield	0%	0%
Volatility	59%	63%
Risk-free interest rate	2.8%	3.6%
Expected option life (years)	5	5
Weighted average fair value of each option (\$ / option)	\$ 0.25	\$ 0.22

Stock options are assumed to be exercised at the end of the option's life, as management believes the probability of an early exercise is remote. During the year, the fair value of the options vested in the year were expensed and credited to contributed surplus. During the year, the Company recorded share-based compensation expense of \$650,194 (2024 - \$714,290).

Option issuances in February for the past five years have been on the order of 2% of shares outstanding and are as follows:

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

MICROBIX**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
As at and for the years ended September 30, 2025 and 2024**Canadian Funds****14. INCOME (LOSS) PER SHARE**

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

for the year ended September 30	2025	2024
Numerator for basic and diluted income (loss) per share:		
Net income (loss) available to common shareholders	\$ (2,245,812)	\$ 3,520,179
Net income (loss) for dilutive earnings per share	\$ (2,245,812)	\$ 3,520,179
Denominator for basic and diluted income (loss) per share:		
Weighted average common shares outstanding	139,153,666	137,697,660
Dilutive Effect	-	793,188
Dilutive weighted average common shares outstanding	139,153,666	138,490,848
Net income (loss) per share:		
Basic	\$ (0.016)	\$ 0.026
Diluted	\$ (0.016)	\$ 0.026

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

for the year ended September 30	2025	2024
Pursuant to warrants	-	8,881,564
Under stock options	13,519,000	10,704,000
Pursuant to convertible debentures	17,391,304	17,391,304
	30,910,304	36,976,868

MICROBIX**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
As at and for the years ended September 30, 2025 and 2024**Canadian Funds****15. EXPENSES BY NATURE**

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

	2025	2024
Short-term wages, bonuses and benefits	\$ 12,606,468	\$ 11,679,461
Share based payments	449,106	478,340
Total employee costs	\$ 13,055,574	\$ 12,157,801
Included in:		
Cost of goods sold	\$ 6,918,081	\$ 5,836,379
Research and development	1,736,425	1,805,184
General and administrative expenses	3,122,924	3,287,355
Selling and business development	1,278,144	1,228,883
Total employee costs	\$ 13,055,574	\$ 12,157,801

16. INCOME TAXES AND INVESTMENT TAX CREDITS

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

	2025	2024
Provision based on combined federal and provincial statutory rate of 25.50 % (2024 – 25.43%)	\$ (596,397)	\$ 941,687
Increase (decrease) resulting from:		
Non deductible expenses	5,467	-
Stock-based compensation	165,791	181,644
Change in deferred tax assets not recognized	138,948	(993,967)
Effect of change in tax rate	(15,002)	-
Adjustment in respect of income taxes of prior year and other	245,466	21,199
Income tax expense / (Recovery)	\$ (55,726)	\$ 150,563

The Company has unclaimed research and development expenses, research and development investment tax credits, and accumulated losses for income tax purposes. The associated tax benefits have not been recognized in the consolidated financial statements. In addition, an income tax recovery of \$55,726 was booked in Q4 2025 as a result of differences in the 2024 tax provision and the 2024 tax return filed and assessed. There are no income taxes payable as at September 30, 2025.

MICROBIX**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
As at and for the years ended September 30, 2025 and 2024**Canadian Funds****16. INCOME TAXES AND INVESTMENT TAX CREDITS (Continued)**

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

	2025	2024
Deferred income tax assets:		
Non-capital loss carry-forwards	\$ 23,168	\$ -
Difference in net book value compared to undepreciated capital cost	2,226,466	1,973,535
Deferred financing fees and other reserves	143,995	224,039
Unclaimed research and development expenses	4,027,584	4,016,725
Lease liabilities	384,264	177,943
Deferred income tax liabilities related to debentures	(433,786)	(506,963)
Difference between government assistance amount and fair market value	(83,019)	(123,960)
Right of use assets	(410,701)	(212,075)
Other	104	-
Tax assets not recognized	(5,878,076)	(5,549,244)
Deferred tax assets recognized	-	-

The unrecognized balance of federal research and development investment tax credits carried forward is \$2,455,104 reduced by a deferred tax liability of \$626,021. The credits expire between 2026 and 2044.

17. CHANGES IN NON-CASH WORKING CAPITAL

	2025	2024
Accounts receivable	\$ 2,550,939	\$ (41,677)
Inventories	(2,731,179)	(712,376)
Prepaid expenses and other assets	(12,568)	123,981
Investment tax credits receivable	27,299	28,967
Deferred revenue	91,991	(1,562,871)
Accounts payable and accrued liabilities	(685,057)	389,915
	\$ (758,575)	\$ (1,774,061)

18. FINANCIAL EXPENSES, NET

	2025	2024
Cash interest:		
Interest on long-term debt	\$ 60,692	\$ 120,747
Interest on debentures	360,000	360,000
Interest other	-	(158,062)
Interest income	(354,518)	(529,444)
Non-cash interest:		
Accretion on debentures (Note 8)	292,357	217,042
Accretion interest expense (Note 6, 9)	237,363	223,986
Financial expenses, net	\$ 595,894	\$ 234,269

On May 27, 2024, the Company signed an amendment to the FedDev agreement (see note 9) extending the project completion date to December 31, 2024, and the repayment of all contributions will now begin on January 15, 2026.

19. CAPITAL MANAGEMENT

The Company's capital management objective is to safeguard its ability to function as a going concern while also maintaining and growing its operations and funding its development activities. Microbix defines its capital to include any drawn portion of the revolving line of credit, shareholders' equity, long-term debt, and debentures. The capital as at September 30, 2025 was \$33,055,099 (September 30, 2024 - \$33,994,557).

To date, the Company has used cash provided by operating activities, common equity issues, debentures, bank mortgage and other financing to fund its activities. Equity is provided through public offerings or private placements, the debentures are all controlled by private individuals known to the Company and the mortgage and other financing are with BDC, FedDev, and TD Bank. If possible, the Company tries to optimize its liquidity needs by non-dilutive sources, including cash provided by operating activities, investment tax credits, grants and interest income. The Company has a revolving line of credit of \$4,000,000 with its Canadian chartered bank (see note 9).

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

20. FINANCIAL INSTRUMENTS

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

For the years ended September 30, 2025 and September 30, 2024, the Company has carried at fair value financial instruments in Level 1. As at September 30, 2025, the Company's only financial instrument measured at fair value is cash and cash equivalents, which is considered to be a Level 1 instrument. There were no transfers between levels during the year.

The three levels are defined as follows:

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

20. FINANCIAL INSTRUMENTS (Continued)

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

	Date of valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:				
Cash and Cash Equivalents	30-Sep-25	\$ 12,112,760	-	-
Liabilities for which fair values are disclosed:				
Debentures	30-Sep-25	-	\$ 2,298,793	-
Long-term-debt and other debt	30-Sep-25	-	\$ 2,968,764	-
	Date of valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:				
Cash and Cash Equivalents	30-Sep-24	\$ 12,963,339	-	-
Liabilities for which fair values are disclosed:				
Debentures	30-Sep-24	-	\$ 2,298,793	-
Long-term-debt and other debt	30-Sep-24	-	\$ 3,690,694	-

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

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

21. FINANCIAL RISK MANAGEMENT

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

Risks arising from financial instruments and risk management

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

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

Credit risk

The Company's cash is held in accounts at one of the major Canadian chartered banks or in short-term interest bearing securities. Management perceives the credit risk to be low. Typically the outstanding accounts receivable balance is relatively concentrated with a few large customers representing the majority of the value. As at September 30, 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).

Trade accounts receivable are aged as follows:

	September 30, 2025	September 30, 2024
Current	\$ 534,694	\$ 3,103,217
0 - 30 days past due	543,347	261,529
31 - 60 days past due	1,578	9,424
61 days and over past due	132,758	108,845
	<u>\$ 1,212,377</u>	<u>\$ 3,483,015</u>

In addition to trade receivables, the Company had other receivables relating primarily to accrued royalties receivable, and HST receivable of \$351,198 (September 30, 2024 - \$678,433).

21. FINANCIAL RISK MANAGEMENT (Continued)

Market risk and foreign currency risk

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

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

	U.S. dollars		Euros	
	2025	2024	2025	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	-	-

The Company's revenue and expenses by foreign currency for the years ended September 30, 2025 and 2024 are as follows:

	2025	2024
Revenue		
Euros	29%	15%
U.S. dollars	67%	83%
Expenses		
U.S. dollars	7%	8%

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 C\$622,400. 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 C\$272,500. 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 C\$622,400. 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 C\$272,500.

Liquidity risk

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

21. FINANCIAL RISK MANAGEMENT (Continued)
Interest rate risk

Financial instruments that potentially subject the Company to cash flow interest rate risk are those assets and liabilities with a variable interest rate. Interest rate risk exposure is primarily on the BDC debt that has a variable rate that is pegged to the bank rate. The rate can be fixed at the Company's option, if the outlook for interest rates should move higher. The only other variable debt the Company has is the \$4,000,000 line of credit that bears interest at the bank's prime lending rate plus 1.4%. 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 increased interest income on the Company's short-term investments.

22. SEGMENTED INFORMATION

The Company operates in two ways: (i) the development, manufacturing, and sale of products relating to the medical diagnostics industry, namely antigens as test ingredients, quality assessment products to help ensure the accuracy of test workflows and viral transport medium to enable collection of patient test samples, and (ii) the development and commercialization of novel and proprietary products or technologies such as Kinlytic. The following is an analysis of the Company's revenues and income (loss) from continuing operations for the years ended September 30, segmented between categories (i) and (ii) (including Kinlytic):

	Segment revenue		Segment Income (loss)	
	2025	2024	2025	2024
Antigens, QAPs and DxTM	\$ 18,585,366	\$ 21,307,488	\$ (1,937,328)	\$ 427,578
Other (Includes Kinlytic®)	-	4,086,660	(308,484)	3,092,601
Total for continuing operations	\$ 18,585,366	\$ 25,394,148	\$ (2,245,812)	\$ 3,520,179

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (September 30, 2024 - \$nil).

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

Segmented assets and liabilities are as follows:

	Segment assets		Segment liabilities	
	2025	2024	2025	2024
Antigens, QAPs and DxTM	\$ 34,947,065	\$ 35,326,040	\$ 9,622,391	\$ 9,799,339
Other (Includes Kinlytic®)	2,462,868	2,770,727	-	-
Total for continuing operations	\$ 37,409,933	\$ 38,096,767	\$ 9,622,391	\$ 9,799,339

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

MICROBIX

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS As at and for the years ended September 30, 2025 and 2024

Canadian Funds

22. SEGMENTED INFORMATION (Continued)

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

	Depreciation and amortization		Additions to non-current assets	
	2025	2024	2025	2024
Antigens, QAPs and DxTM	\$ 1,471,497	\$ 1,304,954	\$ 797,297	\$ 1,905,750
Other (Includes Kinlytic®)	307,859	307,859	-	-
	\$ 1,779,356	\$ 1,612,813	\$ 797,297	\$ 1,905,750

23. REVENUES AND GEOGRAPHIC INFORMATION

The Company operates in three principal geographical areas – North America (where it is domiciled), Europe, and in other foreign countries. The Company's revenue from external customers is tracked based on the bill-to location. Information about its non-current assets by location of assets are also detailed below. It should be noted that our distribution partner for Asia is based in the United States, so most sales destined to Asia are reflected in the North American total. Additionally, due to its distributor for Asia being domiciled in North America, Microbix believes it is not subject to the receivables collection risks sometimes associated with sales to Asia.

For the year ended September 30,	Revenue from external customers		Non-current assets	
	2025	2024	2025	2024
North America	\$ 11,569,547	\$ 19,047,364	\$ 13,835,042	\$ 13,836,805
Europe	6,735,893	6,014,175	-	-
Other foreign countries (directly)	279,926	332,609	-	-
Total for continuing operations	\$ 18,585,366	\$ 25,394,148	\$ 13,835,042	\$ 13,836,805

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

For the years ended September 30,	2025	2024
Balance, beginning of the year	\$ 740,059	\$ 2,302,928
Cash payments or advance payments on performance obligations	2,443,726	1,797,626
Revenue recognized during the year	(2,350,059)	(2,788,081)
Deferred government grants (Note 10)	36,756	(572,415)
Balance, end of year	\$ 870,482	\$ 740,059

As at September 30, 2025, \$285,269 of deferred revenue is reported in long-term liabilities (September 30, 2024 - \$249,588).

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

23. REVENUES AND GEOGRAPHIC INFORMATION (Continued)

Revenue from licensing of the Company’s intangible assets is recognized when the service is rendered and control of the service is transferred to the Company’s customers. The Company has determined that royalty milestone payments received under the Agreement represent one performance obligation and are recognized at a point in time. The royalty milestones in the Agreement are considered variable consideration and are estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. In 2024, the uncertainty of the consideration originally deferred was recognized as sales. In November 2023, Microbix received confirmation of full project funding from Sequel, recognized the second half of its initial payment from Sequel (i.e., US\$ 1.0 million) and received the next milestone payment of US\$ 2.0 million which was entirely recognized as revenue in 2024.

24. RELATED PARTY TRANSACTIONS

Key Management Compensation

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

For the year ended September 30,	2025	2024
Short-term wages, bonuses and benefits	\$ 1,446,502	\$ 1,579,874
Share based payments	400,975	447,491
Total key management compensation	\$ 1,847,477	\$ 2,027,365

25. COMMITMENTS AND CONTINGENCIES

Commitments

Payments on convertible debentures (Note 8)

	Amount
2026	\$ 360,000
2027	360,000
2028	2,860,000
2029	1,539,497
2030 and thereafter	-
	\$ 5,119,497

Contingencies

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

26. SUBSEQUENT EVENTS

On December 9, 2025 the Company initiated Normal Course Issuer Bid (“NCIB”) program for the repurchase and cancellation of outstanding common shares. In accordance with the rules of the Toronto Stock Exchange and as detailed in the Company’s news release of December 4, 2025, the NCIB enables the Company to repurchase up to 5% of its common shares over a 12-month period.

MICROBIX

DIRECTORS

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

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

Vaughn C. Embro-Pantalony ^{(1) (2)}
Ontario, Canada
Pharmaceutical Executive

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

Martin A. Marino ^{(1) (2)}
Ontario, Canada
Pharmaceutical Executive

Joseph D. Renner ^{(1) (2)}
New Jersey, USA
Pharmaceutical Executive

Jennifer A. Stewart ⁽²⁾
Ontario, Canada
Chief Executive Officer
Syntax Strategic

⁽¹⁾Member of Audit Committee.

⁽²⁾Member of the Human Resources,
Compensation and Governance Committee.

CORPORATE INFORMATION

Corporate Counsel *Boyle & Co. LLP*

Auditors *Ernst & Young LLP*
Chartered Accountants

Transfer Agent *TSX Trust Company*

Bankers *The Toronto Dominion Bank*

Head Office *Microbix Biosystems Inc.*
265 Watline Avenue, Mississauga,
Ontario Canada L4Z 1P3
Tel: 905-361-8910
Fax: 905-361-8911
www.microbix.com

SENIOR MANAGEMENT

Cameron L. Groome
Chief Executive Officer and President

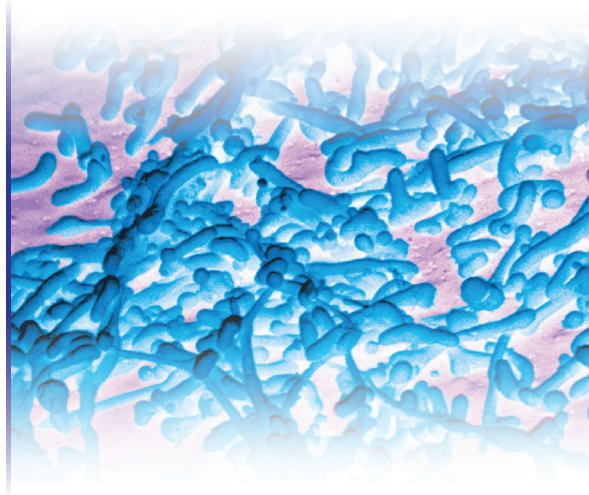
James S. Currie
Chief Financial Officer

Kenneth Hughes
Chief Operating Officer

Dr. Mark Luscher
Senior Vice-President, Scientific Affairs

Phillip Casselli
Senior Vice-President, Sales & Business Development

Christopher B. Lobb
General Counsel & Secretary



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