

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

The Management Discussion and Analysis is dated December 22, 2021.

COMPANY OVERVIEW

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

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

COMPANY OVERVIEW (Continued)

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

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

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

FINANCIAL OVERVIEW**Year ending September 30, 2021 ("2021")**

2021 revenue was \$18,592,960, a 77% increase from prior-year revenue of \$10,524,904. Included were antigen product revenues of \$9,082,021 (2020 - \$8,702,109), an increase of 4%. QAPs revenues were \$4,704,671, an increase of 208% from 2020 sales of \$1,527,998. Finally, DxTM revenues were \$4,506,900 (2020 - nil) and royalties were \$299,368 (2020 - \$294,797). 2021 sales were most influenced by the uptake of Microbix's COVID-19 related QAPs, especially PROCEEDx[®]FLOQ[®] and REDx[™]FLOQ[®], followed by the start of DxTM sales, and then a modest recovery in antigen sales.

2021 gross margin was 59%, up from 44% in 2020, due to significant increase in higher margin QAPs sales, the start of DxTM sales, and changes in Antigens product mix & improving yields. 2021 operating expenses increased by 20% from 2020, primarily due to year-over-year incremental foreign exchange losses, increased investment in sales and marketing and U.S. investor relations efforts. Full-year fiscal 2021 interest accretion expenses related to debentures were up due to a \$517,651 one-time and non-cash charge related to the proposed early repayment of the \$1.3 million outstanding balance on a non-convertible debenture, repayment of which was made on October 1, 2021.

Stronger sales and improved gross margins led to an operating income of \$4,836,595 and net income of \$3,233,390 versus an operating loss of \$524,601 and a net loss of \$6,227,525 in 2020 (which included one-time write-downs totaling \$4.6 million). Cash provided by operations ("CFO") was \$2,106,736, compared to \$8,566 in 2020, influenced by growth in accounts receivable, offset by strong operating income.

At the end of 2021, Microbix's current ratio (current assets divided by current liabilities) was 3.68 and its debt to equity ratio (total debt over shareholders' equity) was 0.55. Both of these financial health ratios are materially improved from fiscal 2020.

FINANCIAL OVERVIEW (Continued)

Quarter Ending September 30, 2021 (“Q4”)

Q4 revenue was \$5,629,694, a 108% increase from 2020 revenues of \$2,705,732. Included were antigen revenues of \$2,020,861 (2020 - \$2,151,767). QAPs revenues were \$1,195,545 (2020 - \$505,898) for segment growth of 136%. In turn, revenue from DxTM was \$2,327,600 (2020 - nil), and royalties were \$85,689 (2020 - \$48,067). Q4 2021 sales growth was most influenced by Ontario-driven deliveries of DxTM, followed by continued diagnostics industry uptake of QAPs, and helped by stable antigen sales at improved margins.

Q4 gross margin was 58%, up from 35% in Q4 2020, due to a greater proportion of sales of QAPs, new VTM sales, the effects of antigen product sales mix, and improved bioreactor-made antigen yields.

Operating expenses in Q4 increased by 63% relative to Q4 2020, due to increased investment in R&D/Sales and lack of eligibility for any Canada Emergency Wage Subsidies. Interest accretion expenses related to debentures were up by \$501,878, for the reasons described in the above financial overview for 2021. Overall, greater sales and more available gross margin dollars during the period led to an operating income \$1,580,553 and net income of \$778,929 versus a Q4 2020 operating loss of \$82,111 and net loss of \$4,982,997 (the net loss including one-time write-downs). Cash from operating activities was \$1,621,621, compared to cash used of \$216,083 in Q4 2020, with the majority of the increase coming from the favourable year-over-year growth in net income.

Financial Highlights

	For the years ended September 30		For the quarter ended September 30	
	2021	2020	2021	2020
Total Revenue	\$ 18,592,960	\$ 10,524,904	\$ 5,629,694	\$ 2,705,732
Gross Margin	11,043,940	4,660,897	3,245,723	940,955
S,G&A Expenses	5,174,091	4,172,372	1,317,579	847,666
R&D Expense	1,033,254	1,013,126	347,591	175,400
Operating Income (Loss) before Impairment of Assets, Interest Accretion Expense and Finance Expenses	4,836,595	(524,601)	1,580,553	(82,111)
Impairment of long-lived assets	-	3,078,585	-	3,078,585
Interest accretion expense on debenture due to planned redemption, non cash	517,651	-	517,651	-
Financial Expenses	1,085,554	1,056,102	283,973	254,064
Income (Loss) before Income taxes	3,233,390	(4,659,288)	778,929	(3,414,760)
Net Comprehensive Income (Loss) for the period	3,233,390	(6,227,525)	778,929	(4,982,997)
Net Comprehensive Income (Loss) per share	0.028	(0.059)	0.006	(0.047)
Cash Provided (Used) by Operating Activities	2,106,736	8,566	1,621,621	(216,083)
Cash	9,986,312	92,661		
Accounts receivable	4,175,116	1,877,009		
Total current assets	19,094,482	6,492,832		
Total assets	28,829,034	15,598,011		
Total current liabilities	5,194,194	4,090,038		
Total liabilities	10,272,890	8,978,534		
Total shareholders' equity	18,556,144	6,619,477		
Current ratio	3.68	1.59		
Debt to equity ratio	0.55	1.36		

FINANCIAL OVERVIEW (Continued)

SELECTED QUARTERLY FINANCIAL INFORMATION

	Dec-31-19	Mar-31-20	Jun-30-20	Sep-30-20	Dec-31-20	Mar-31-21	Jun-30-21	Sep-30-21
	\$	\$	\$	\$	\$	\$	\$	\$
Total Revenue	2,046,348	2,874,496	2,898,328	2,705,732	3,157,659	4,353,773	5,451,834	5,629,694
Net Income (Loss) and Comprehensive Income (Loss)	(585,265)	(219,030)	(440,233)	(4,982,997)	130,819	807,463	1,516,178	778,929
Operating Income (Loss) before Impairment of Assets, Interest Accretion Expense and Finance Expenses	(308,281)	49,339	(183,548)	(82,111)	393,222	1,073,460	1,789,360	1,580,553

OUTLOOK

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

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

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

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

Microbix's QAPs business involves the use of antigens, nucleic acids, or proteins (collectively, biomaterials) for purposes beyond the large-scale manufacturing of medical test kits. This newer usage packages a very small

OUTLOOK (Continued)

amount of such stabilized and inactivated biomaterials into individual small vials (e.g., ~1.0 ml) or dried onto sample collection swabs (i.e., Copan® “FLOQSwabs®”). Such samples are used as tools to establish whether the quality objectives of clinical laboratories are being met – for example to assess whether testing equipment is functioning properly, if staff has been adequately trained and is performing properly, or if reagents have spoiled. Such innovative, proprietary, and branded quality assessment products (QAPs™, pronounced as “caps”) are a high value end-use of Microbix’s biologicals expertise and there is a growing need for such products as regulators progressively tighten their surveillance of the competence of medical testing labs. Notable drivers for such demand are the U.S. “CLIA” regulations, European Union IVD-D and IVD-R regulations, and ISO 15189 standards, that are all encouraging labs to increase their use of quality products from qualified third-parties across their ever-broadening portfolio of tests. Across fiscal 2021, Microbix derived approximately one-quarter of its sales from providing QAPs – to laboratory accreditation organizations, diagnostic test and instrument-makers and to clinical laboratories (directly and via distributors). This is an increase from 15% across fiscal 2020, and 10% historically – reflecting the strong growth of the QAPs product category (e.g., sales increase of 208% for YTD fiscal 2021 compared to the prior year).

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

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

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

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

Benefits of the manufacturing upgrades have now become readily apparent, with Microbix capable of supporting year-over-year sales growth of 77% in fiscal 2021. Additionally gross margins for fiscal 2021 improved to 59% from just 44% the prior year due to both a greater proportion of branded medical devices (56% vs. 17%), better control of production processes and an improved product mix. Fiscal 2021 is the first

OUTLOOK (Continued)

year that fully reflects Microbix's work in positioning for continuing sales growth, to materially improve its percentage gross margins, and drive toward a higher proportion of higher margin Microbix-branded medical devices. This statement is most conclusively supported by the \$3.2 million of net earnings recorded for fiscal 2021, for a gratifying net earnings margin of 17%.

More broadly speaking though, fiscal 2020 and 2021 have proved to be challenging for many companies, including Microbix. The COVID-19 pandemic is disrupting normal antigen ordering patterns and has delayed the widespread uptake of Microbix' novel and innovative QAPs for such areas as high-risk Human Papilloma Virus (HPV) molecular testing. The development and registration of leading-edge QAPs to support COVID-19 test accuracy have partially, but not fully, offset these disruptions and delays in fiscal 2020 and 2021. However, the full year of fiscal 2021 is now providing firm evidence of the interest in Microbix's QAPs from the global diagnostics and clinical laboratory industries, with fiscal 2021 sales of \$4.7 million demonstrating substantial growth from the prior year. Management sees this growth continuing.

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

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

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

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

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES

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

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES (Continued)

The Company has incurred historical losses resulting in an accumulated deficit of \$38,660,620 as at September 30, 2021. Management continuously monitors the financial position of the Company with respect to working capital needs, as well as long-term capital requirements compared to the annual operating budget. Variances are highlighted and actions are taken to ensure the Company is appropriately capitalized.

Future Liquidity and Capital Needs

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

Over the course of fiscal 2022, cash flow is expected to improve due to: 1) continued growth in overall product sales, 2) improvements in product pricing or other sales terms, 3) greater sales of higher percentage gross margin products, and 4) other business development and financial initiatives. Management expects these developments will continue to significantly improve the overall liquidity position, as the Company's plans come to fruition.

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

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

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

Subsequent to the end of fiscal 2021, the Company received \$1,863,796 from the exercise of 5,239,919 warrants.

LIQUIDITY, CASH FLOWS AND CAPITAL RESOURCES (Continued)

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

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, 2021 was \$43,609,601 for 126,377,167 common shares and September 30, 2020 was \$35,357,144 for 108,772,705 common shares.

Global pandemic

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

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

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

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

TREND INFORMATION

Historical spending patterns are no indication of future expenditures. Investment in the new products and technologies is at the discretion of management and the board of directors. The Company is not aware of any material trends related to its business that have not been discussed in this Management Discussion and Analysis dated December 22, 2021.

RISKS AND UNCERTAINTIES

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

COVID-19 Pandemic

As previously discussed, the Company's business may be negatively impacted by the COVID-19 pandemic, which has created, and continues to create, significant societal and economic disruptions. The changing and rapidly-evolving effects of the COVID-19 pandemic – the duration, extent and severity of which are currently unknown – on investors, businesses, the economy, government bodies, society and the financial markets could, among other things, add volatility to the global stock markets and change interest rate environments. The COVID-19 pandemic and measures to prevent its spread may negatively impact the Company, its customers, counterparties, employees, third-party service providers and other stakeholders, as applicable, in a number of ways, including, but not limited to, by: (i) adversely affecting the business operations of the Company, including the Company's planned sales and marketing processes for its approved products; (ii) disrupting the Company's supply chain, including the manufacture and/or delivery of its products to its customers and distributors on which the Company relies; (iii) adversely affecting local, national or international economies and employment levels; (iv) causing business interruptions, including as a result of steps taken by the Company in compliance with government recommendations and orders, such as requiring employee to work remotely, which may cause strain on such existing resources as information technology systems, and suspension of all non-essential travel; (v) disrupting public and private infrastructure, including communications and financial services, which could disrupt the Company's normal business operations; (vi) disrupting health care delivery; disrupting or prolonging business development initiatives such as the partnering of Kinlytic® urokinase. At this point, the extent to which the COVID-19 pandemic will or may impact the Company is uncertain and these factors are beyond the Company's control; however, any of these events, in isolation or in combination, could have a material adverse effect on the Company's business, results of operations and financial condition and the market price of the Company's securities.

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

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

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

Environmental, safety and other regulatory

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

Quality Assessment Products in development

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

Viral Transport Medium Products (DxTM)

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

Product commercialization requires strategic relationships

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

Operating and capital requirements

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

RISKS AND UNCERTAINTIES (Continued)***Future success may depend on successfully commercializing new products or technologies***

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

Failure to obtain and protect intellectual property could adversely affect business

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

Microbix will continue to face significant competition

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

FINANCIAL RISK MANAGEMENT

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

Credit risk:

The Company's cash is held in accounts or short-term interest bearing accounts at one of the major Canadian chartered banks. Management perceives the credit risk to be low. Typically the outstanding accounts receivable balance is relatively concentrated with a few large customers representing the majority of the value. As at September 30, 2021, five customers accounted for 80% (September 30, 2020 - five customers accounted for 74%) of the outstanding balance. In addition, for the year ended September 30, 2021, five customers accounted for 63% (September 30, 2020 - five customers accounted for 61%) of revenues. The Company has had minimal bad debts over the past several years and accordingly management has recorded an allowance of \$35,000 (September 30, 2020 - \$10,000).

FINANCIAL RISK MANAGEMENT (Continued)

Currency risk:

The Company is exposed to currency risk given its global customer base. Over 90% of its revenue is denominated in either U.S. dollars or Euros. The Company does not use financial instruments to hedge this currency risk. At September 30, 2021, the significant balances, quoted in Canadian dollars, held in foreign currencies are:

	U.S. dollars		Euros	
	2021	2020	2021	2020
Cash	\$ 3,601,394	\$ 15,397	\$ 135,388	\$ 1,551
Accounts receivable	836,390	1,186,876	727,708	273,858
Accounts payable and accrued liabilities	131,002	150,600	47,009	-

Based upon 2021 results, the impact of a 5% increase in the U.S. dollar against the Canadian dollar would result in an increase in annual U.S. dollar based revenue of approximately \$327,900 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 \$180,200. 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 \$327,900 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 \$180,200.

Liquidity risk

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

Interest rate risk

Financial instruments that potentially subject the Company to interest rate risk include those assets and liabilities with a variable interest rate. Exposure to interest rate risk is primarily on the BDC debt that has a variable rate pegged to the bank rate. The rate can be fixed, if the outlook indicates interest rates will move higher. The only other variable debt the Company has is the \$2,000,000 line of credit that bears interest at the bank's prime lending rate plus 2.0%. As at September 30, 2021 the Company has not drawn on this line of credit. A 1% increase in the bank rate would cost the Company approximately \$20,000 per year for BDC and about \$20,000 on the line of credit usage if it were fully used throughout the fiscal year.

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

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

Fair value

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

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

CRITICAL ACCOUNTING ESTIMATES

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

Intangible Assets

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

Impairment of Long-lived Assets

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

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

CRITICAL ACCOUNTING ESTIMATES (Continued)**Non-Convertible and Convertible Debentures**

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

Deferred income taxes

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

Share-based payments

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

FINANCIAL INSTRUMENTS

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

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

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

Disclosure Controls

The Chief Executive Officer and the Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures, as defined in the National Instrument 52-109 Certification of Disclosure in Issuer's Annual Filings (NI 52-109F1). As at September 30, 2021, management has concluded that the disclosure controls are effective in providing reasonable assurance that information required to be disclosed in the Company's reports is recorded, processed summarized and reported within the time periods specified in the Canadian Securities Administrator's rules and forms.

FINANCIAL INSTRUMENTS (Continued)**Internal Controls Over Financial Reporting**

The design of internal controls over financial reporting (“ICFR”) within the company is a management responsibility to provide reasonable assurance that the reliability of financial reporting and that the preparation of financial statements for external purposes is in accordance with generally accepted accounting principles of IFRS. While the CEO and CFO believe that the internal controls are adequate to provide the above information, the process to evaluate and document all policies and procedures that could impact financial reporting is continuously reviewed with consultation with the Audit Committee. Shareholders should be aware that Microbix is a small company without the department resources associated with larger firms. Management is using the Committee of Sponsoring Organization of the Treadway Commission (“COSO”) Framework and has concluded that the Internal Control over Financial Reporting (“ICFR”) as defined in NI 52-109 is effective as at the period ended September 30, 2021.

Examination by the Chief Executive Officer and the Chief Financial Officer showed that there were no changes to the internal controls over financial reporting during the period ended September 30, 2021 that have materially affected, or are reasonably thought to materially affect, the internal control over financial reporting.

IMPACT OF NEW ACCOUNTING STANDARDS NOT YET ADOPTED**Amendments to IAS 1**

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

Amendments to IFRS 9, Financial Instruments (“IFRS 9”)

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

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

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

IMPACT OF NEW ACCOUNTING STANDARDS NOT YET ADOPTED (Continued)**Amendments to IAS 1 and IFRS Practice Statement 2**

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