

# MICROBIX

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

AS AT JUNE 30, 2021 AND SEPTEMBER 30, 2020

Canadian Funds

	As at June 30, 2021	As at September 30, 2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 7,506,506	\$ 92,661
Accounts receivable	4,180,464	1,877,009
Inventories (Note 4)	4,822,864	4,292,664
Prepaid expenses and other assets	295,415	220,065
Investment tax credit receivable	-	10,433
<b>TOTAL CURRENT ASSETS</b>	<b>16,805,249</b>	<b>6,492,832</b>
<b>LONG-TERM ASSETS</b>		
Property, plant and equipment	7,368,422	7,363,155
Intangible assets	1,690,175	1,742,024
<b>TOTAL LONG-TERM ASSETS</b>	<b>9,058,597</b>	<b>9,105,179</b>
<b>TOTAL ASSETS</b>	<b>\$ 25,863,846</b>	<b>\$ 15,598,011</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 1,735,512	\$ 1,488,312
Current portion of long-term debt (Note 5)	212,760	235,230
Current portion of debentures	1,004,145	892,125
Current portion of lease liability	149,604	158,633
Deferred revenue (Note 6, 15)	1,078,443	1,315,738
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,180,464</b>	<b>4,090,038</b>
Non-convertible debenture	681,423	713,853
Convertible debentures	1,483,901	1,419,834
Lease liability	271,340	383,306
Long-term debt (Note 5)	2,532,385	2,371,503
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>4,969,049</b>	<b>4,888,496</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 9,149,513</b>	<b>\$ 8,978,534</b>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 7)	\$ 42,215,667	\$ 35,357,144
Equity component of convertible debentures	2,903,789	2,903,789
Contributed surplus	11,034,426	10,252,554
Accumulated deficit	(39,439,549)	(41,894,010)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>\$ 16,714,333</b>	<b>\$ 6,619,477</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>\$ 25,863,846</b>	<b>\$ 15,598,011</b>

Commitments and Contingencies (Note 17)

(Signed) "Martin Marino"

MARTIN MARINO  
DIRECTOR

(Signed) "Cameron L. Groome"

CAMERON L. GROOME  
DIRECTOR

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

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

For the three months and nine months ended June 30

**Canadian Funds**

	2021	2020	2021	2020
<b>SALES</b>				
Antigen and QAPs	\$ 5,374,886	\$ 2,816,060	\$ 12,749,587	\$ 7,572,442
Royalties	76,948	82,268	213,679	246,730
<b>TOTAL SALES</b>	<b>5,451,834</b>	<b>2,898,328</b>	<b>12,963,266</b>	<b>7,819,172</b>
<b>COST OF GOODS SOLD</b>				
Antigen and QAPs	1,994,465	1,528,393	5,127,627	4,051,181
Royalties	11,555	14,340	37,422	48,049
<b>TOTAL COST OF GOODS SOLD</b>	<b>2,006,020</b>	<b>1,542,733</b>	<b>5,165,049</b>	<b>4,099,230</b>
<b>GROSS MARGIN</b>	<b>3,445,814</b>	<b>1,355,595</b>	<b>7,798,217</b>	<b>3,719,942</b>
<b>EXPENSES</b>				
Selling and business development	190,995	154,014	561,211	519,407
General and administrative	1,193,956	1,090,355	3,295,301	2,805,299
Research and development	271,503	294,774	685,663	837,726
Financial expenses	273,182	256,685	801,581	802,038
<b>NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>	<b>\$ 1,516,178</b>	<b>\$ (440,233)</b>	<b>\$ 2,454,461</b>	<b>\$ (1,244,528)</b>
<b>NET INCOME (LOSS) PER SHARE</b>				
Basic (Note 10)	\$ 0.013	\$ (0.004)	\$ 0.022	\$ (0.012)
Diluted (Note 10)	\$ 0.011	\$ (0.004)	\$ 0.022	\$ (0.012)

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

**MICROBIX****INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****Unaudited****For the three months and nine months ended June 30****Canadian Funds**

	2021	2020	2021	2020
<b>OPERATING ACTIVITIES</b>				
Net Income (Loss) for the Period	\$ 1,516,178	\$ (440,233)	\$ 2,454,460	\$ (1,244,528)
<b>Items not affecting cash</b>				
Amortization and depreciation	204,985	178,353	595,120	513,730
Accretion of debentures	82,361	66,094	232,130	186,906
Stock options expense (Note 9)	119,859	46,153	249,999	110,517
Accretion Interest Expense	14,414	6,430	34,220	15,733
Change in non-cash working capital balances (Note 11)	(2,621,132)	907,910	(3,080,814)	642,290
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(683,335)</b>	<b>764,707</b>	<b>485,115</b>	<b>224,648</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(206,516)	(365,761)	(1,114,276)	(669,395)
Proceeds from Government Grant (Note 6)	59,417	-	625,442	(1,200)
Additions from internal development of intangible assets	-	-	(59,703)	-
<b>CASH USED IN INVESTING ACTIVITIES</b>	<b>(147,099)</b>	<b>(365,761)</b>	<b>(548,537)</b>	<b>(670,595)</b>
<b>FINANCING ACTIVITIES</b>				
Repayments of long-term debt (Note 5)	(53,190)	(106,410)	(182,040)	(322,350)
Proceeds from Equipment Loan (Note 5)	-	-	-	286,094
Proceeds from Government Loan and Grant (Note 5, 6)	55,215	13,353	487,937	248,607
Repayments of convertible and non-convertible debentures	(30,826)	(27,968)	(88,472)	(80,636)
Payment of lease liabilities	(42,819)	(43,535)	(130,553)	(129,981)
Proceeds from exercise of warrants	725,462	-	1,252,457	-
Issue of common shares, net of issue costs	6,137,939	-	6,137,939	2,150,758
Repayments of credit facility (Note 5)	-	-	-	(1,400,000)
<b>CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>6,791,781</b>	<b>(164,560)</b>	<b>7,477,267</b>	<b>752,492</b>
<b>NET CHANGE IN CASH - DURING THE PERIOD</b>	<b>5,961,347</b>	<b>234,386</b>	<b>7,413,844</b>	<b>306,545</b>
<b>CASH - BEGINNING OF PERIOD</b>	<b>1,545,159</b>	<b>167,730</b>	<b>92,661</b>	<b>95,571</b>
<b>CASH - END OF PERIOD</b>	<b>\$ 7,506,506</b>	<b>\$ 402,116</b>	<b>\$ 7,506,506</b>	<b>\$ 402,116</b>

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

# MICROBIX

## INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Unaudited

For the three and nine months ended June 30, 2021 and 2020

Canadian Funds

	SHARE CAPITAL (Note 7)		CONTRIBUTED SURPLUS	DEFICIT	EQUITY COMPONENT OF DEBENTURE	TOTAL SHAREHOLDERS' EQUITY
	NUMBER OF SHARES	STATED CAPITAL				
BALANCE, SEPTEMBER 30, 2019	96,972,705	\$ 33,912,460	\$ 9,387,644	\$ (35,666,485)	\$2,903,789	\$10,537,408
Stock option expense	-	-	110,517	-	-	110,517
Issue of Warrants pursuant to Private Placement	-	-	748,550	-	-	748,550
Share Issuance pursuant to Private Placement	11,800,000	1,611,450	-	-	-	1,611,450
Share Issue Costs pursuant to Private Placement	-	(166,766)	(42,476)	-	-	(209,242)
Net loss and comprehensive loss for the period	-	-	-	(1,244,528)	-	(1,244,528)
<b>BALANCE, JUNE 30, 2020</b>	<b>108,772,705</b>	<b>\$ 35,357,144</b>	<b>\$ 10,204,235</b>	<b>\$(36,911,013)</b>	<b>\$2,903,789</b>	<b>\$11,554,155</b>
BALANCE, SEPTEMBER 30, 2020	108,772,705	35,357,144	10,252,554	(41,894,010)	2,903,789	6,619,477
Stock option expense	-	-	249,999	-	-	249,999
Share Issuance pursuant to Exercise of Warrants	3,628,562	1,685,150	(432,693)	-	-	1,252,457
Issuance of Warrants pursuant to Public Offering and Private Placement	-	-	1,096,585	-	-	1,096,585
Share Issuance pursuant to Public Offering and Private Placement	11,500,000	5,803,415	-	-	-	5,803,415
Share Issue Costs pursuant to Public Offering and Private Placement	-	(630,042)	(132,019)	-	-	(762,061)
Net income and comprehensive income for the period	-	-	-	2,454,461	-	2,454,461
<b>BALANCE, JUNE 30, 2021</b>	<b>123,901,267</b>	<b>\$42,215,667</b>	<b>\$11,034,426</b>	<b>\$(39,439,549)</b>	<b>\$2,903,789</b>	<b>\$16,714,333</b>

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

**1. NATURE OF THE BUSINESS**

Microbix Biosystems Inc. and 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 wellbeing. Microbix manufactures a wide range of critical biological materials for the global diagnostics industry, notably antigens (Antigen business) used in immunoassays and its quality assessment and proficiency testing controls (QAPs business).

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

**2. BASIS OF PREPARATION**

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”) and are presented in Canadian dollars. The accounting policies used in the preparation of these interim condensed consolidated financial statements conform with those in the Company’s audited annual consolidated financial statements for the year ended September 30, 2020, except as set out in note 3. These interim consolidated financial statements do not include all of the information and disclosures required in annual financial statements and, accordingly, should be read in conjunction with the Company’s annual consolidated financial statements for the year ended September 30, 2020.

The Board of Directors approved these interim condensed consolidated financial statements on August 11, 2021.

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

The timely preparation of the interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies, if any, as at the date of the financial statements and the reported amounts of revenue and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future years could require a material change in the interim condensed consolidated financial statements.

*Global pandemic*

In early 2020, a novel Coronavirus (named “SARS-CoV-2” and causing the disease “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 pandemic and the societal actions required to contain the COVID-19 pandemic or remedy its impact, among others.

Any of these developments, and others, have had 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, an 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. The duration and impact of the COVID-19 pandemic are unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***Accounting standards and amendments issued but not yet adopted**Amendments to IAS 1, Presentation of Financial Statements (“IAS 1”)*

In January 2020, 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 its 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 or after 1 January 2023. The Company is still assessing the impact of adopting these amendments on its financial statements.

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## NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Canadian Funds As at and for the quarters ended June 30, 2021 and 2020

### 4. INVENTORIES

Inventories consist of the following:

	June 30, 2021	September 30, 2020
Raw materials	\$ 1,538,626	\$ 710,587
Work in process	1,243,857	1,122,584
Finished goods	2,040,380	2,459,493
	\$ 4,822,864	\$ 4,292,664

During the three months ended June 30, 2021, inventories in the amount of \$1,994,465 (2020 - \$1,528,393) were recognized as an expense through cost of sales. For the nine months ended June 30, 2021 the amount was \$5,127,627 (2020- \$4,051,181). The allowance for inventory impairment as at June 30, 2021 was \$375,858 (September 30, 2020 - \$241,378).

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

a) The Company has term loans with the Business Development Bank (“BDC”) for a variety of purposes. The following summarizes these loans as at June 30, 2021:

Term Loans with the Business Development Bank (“BDC”)	(a)	(b)	(c)	(d)	(e)	(f)	Total
Effective date of loan	Jun, 2008	Oct, 2014	Oct, 2015	Oct, 2015	Nov, 2015	Jul, 2018	
Initial Loan Amount	\$ 3,000,000	\$ 615,000	\$ 50,000	\$ 200,000	\$ 250,000	\$ 323,906	\$ 4,438,906
Balance, September 30, 2019	2,046,460	102,500	3,120	49,950	62,400	196,696	2,461,126
Proceeds from loan	-	-	-	-	-	286,094	286,094
Loan repayments during the period	(111,120)	(102,500)	(3,120)	(39,960)	(49,920)	(101,640)	(408,260)
Balance, September 30, 2020	1,935,340	-	-	9,990	12,480	381,150	2,338,960
Loan repayments during the period	(83,340)	-	-	(9,990)	(12,480)	(76,230)	(182,040)
<b>Balance, June 30, 2021</b>	<b>\$ 1,852,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 304,920</b>	<b>\$ 2,156,920</b>
Current Portion	111,120	-	-	-	-	101,640	\$ 212,760
Non-current portion	1,740,880	-	-	-	-	203,280	1,944,160
Payment frequency	Monthly	Monthly	Monthly	Monthly	Monthly	Monthly	
Maturity of loan	Feb, 2038	Jul, 2020	Dec, 2019	Dec, 2020	Dec, 2020	Jun, 2024	
Terms of repayment	Principal and interest						

Notes: (a) Loan for the purchase of manufacturing facility and building improvements.  
(b) Loan for the purchase of equipment for our bioreactor project  
(c) Loan for the purchase of building improvements.  
(d) Loan for the purchase of manufacturing equipment  
(e) Working Capital loan  
(f) Loan for the purchase of manufacturing equipment

All BDC loans have a floating interest rate based on BDC’s floating base rate plus 0.5% - 1.8%. At June 30, 2021, the rate was 5.05% (September 30, 2020 – 5.05%). The loans are secured with the building and equipment.

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

As at June 30, 2021, the commitments for the next five fiscal years and thereafter for the BDC loans is as follows:

	Amount
2021	\$ 53,190
2022	212,760
2023	212,760
2024	187,350
2025	111,120
2026 and thereafter	\$ 1,379,740

- b) The Company has a revolving line of credit with a Chartered Bank with a \$2,000,000 borrowing limit. This line of credit bears interest at prime plus 2% (4.45% on June 30, 2021).

As at June 30, 2021 the Company had no funds drawn on the line of credit (September 30, 2020 - nil). The Company's usage of this facility varies across its manufacturing, sales and AR collection cycles.

- c) 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 next four years. The Company is required to submit eligible expenses on a quarterly basis to receive the interest-free contributions. Repayment of the contribution does not begin until December 15, 2024. As at June 30, 2021, the Company has received contributions totalling \$943,928 (June 30, 2020 – \$248,608). The Company determined that this "Loan" consists of two components: an obligation to repay; and a government grant in the form of the related exemption from interest. The Company fair valued the obligation to repay at \$555,679, based on a discount rate of 8%, which represents management's best estimate of fair value. The residual amount of \$388,249 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. As at June 30, 2021, the carrying value of the Loan is \$588,225 (September 30, 2020 - \$267,770) and \$212,609 is recognized as a deferred grant within deferred revenue on the statement of financial position (September 30, 2020 - \$111,210).

The Company is in compliance with the covenants associated with this loan as at June 30, 2021.

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

Fiscal Year	Amount
2025	\$ 157,321
2026	188,785
2027	188,785
2028	188,785
2029	188,785
2030	31,465

**6. GOVERNMENT GRANT**

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 \$1,450,000 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.

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. During the three months ended June 30, 2021 the Company recognized \$59,417 (2020- nil) of grant income and \$621,620 during the nine months ended June 30, 2021 (2020 - nil). The company also recorded a \$177,364 reduction in capital asset costs during the quarter and \$625,441 for the nine months ended June 30, 2021. The excess claims of \$380,062 are recognized in accounts receivable.

**7. 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 January 30, 2020, the Company completed a private placement offering of an aggregate of 11,800,000 units for total gross proceeds of \$2,360,000, net proceeds of \$2,150,759 after share issuance costs of \$209,242. Each unit consisted of one common share of Microbix and one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share at an exercise price of \$0.36 for five years. Fair value of the common share purchase warrants was determined to be \$ 1,205,892. Gross proceeds were allocated to common shares and common share purchase warrants in the amount of \$ 1,611,450 and \$748,550 respectively. 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. Fair value of the broker warrants was determined to be \$42,476 using the Black-Scholes option pricing model. The volatility of the stock for the Black-Scholes options pricing model was based on 5-year historic volatility of the Company’s stock price (69%) and the risk free rate of interest of 1.38% is based upon the Government of Canada benchmark bond yields - 3 to 5 year at the date of the award of the Broker’s warrants and a five year term. Management believes that the historic stock volatility provides a fair and appropriate basis of estimate for the expected future volatility of the stock. Each Broker’s Warrant entitles the holder to purchase one common share 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.

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, for net proceeds of \$6,137,939 after share issuance costs of \$762,061. 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.

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### NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Canadian Funds As at and for the quarters ended June 30, 2021 and 2020

#### 7. SHARE CAPITAL (Continued)

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, 2020	108,772,705	\$ 35,357,144
Issued on public offering and concurrent private placement	11,500,000	5,173,373
Exercise of Warrants	3,628,562	1,685,150
<b>Balance, as at June 30, 2021</b>	<b>123,901,267</b>	<b>\$ 42,215,667</b>

#### 8. COMMON SHARE PURCHASE WARRANTS

A continuity of the Company's warrants outstanding as at June 30, 2021 is presented in the following table:

	Units	Weighted average exercise price
Balance, September 30, 2020	23,284,552	\$ 0.36
Issued	6,420,833	0.78
Exercised	(3,628,562)	0.36
Expired	(81,550)	0.46
<b>Balance, June 30, 2021</b>	<b>25,995,273</b>	<b>\$ 0.46</b>

A summary of the Company's warrants outstanding as at June 30, 2021 and September 30, 2020 is presented in the following table:

	June 30, 2021			September 30, 2020		
	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:						
\$0.55 to \$0.80	7,888,333	\$ 0.74	1.59	1,500,000	\$ 0.55	1.03
\$0.23 to \$0.46	18,106,940	0.35	2.38	21,784,552	0.35	2.93
	<b>25,995,273</b>	<b>\$ 0.46</b>	<b>1.67</b>	<b>23,284,552</b>	<b>\$ 0.36</b>	<b>2.81</b>

## MICROBIX

### NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Canadian Funds As at and for the quarters ended June 30, 2021 and 2020

#### 9. STOCK OPTION PLAN

Under the Company's stock option plan, the Company may grant options to purchase common shares up to a maximum of 10% of the Company's issued and outstanding common shares. Under the plan as at June 30, 2021, the Company has a total of 9,979,000 options (September 30, 2020 – 10,040,000) issued and pending and is eligible to issue up to a total of 12,390,127 options.

The exercise price of each option equals no less than the market price at the date immediately preceding the date of the grant. In general, the Company's stock option plan vests options in equal amounts across a period following their issue date. The options granted during this quarter and future options grants will generally be vested in a single step on the third anniversary date following their issue.

The activity under the Company's stock option plan for quarter ended June 30, 2021 is as follows:

	Units	Weighted average exercise price
Balance, September 30, 2020	10,040,000	\$ 0.25
Stock options issued	2,339,000	\$ 0.61
Options Expired/Forfeited	(2,400,000)	\$ 0.54
<b>Balance, June 30, 2021</b>	<b>9,979,000</b>	<b>\$ 0.33</b>
<b>Exercisable, June 30, 2021</b>	<b>3,250,000</b>	<b>\$ 0.28</b>

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 of June 30, 2021 and September 30, 2020:

	June 30, 2021			September 30, 2020		
	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	2,339,000	\$ 0.61	4.63	2,400,000	\$ 0.54	0.04
\$0.22 to \$0.28	7,640,000	\$ 0.25	2.34	7,640,000	\$ 0.25	3.09
	9,979,000	\$ 0.33	2.88	10,040,000	\$ 0.32	2.36

During the quarter, the Company recorded share-based compensation expense of \$119,859 (2020 - \$46,153) and \$249,999 for the nine months (2020 - \$110,517).

**MICROBIX****NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Canadian Funds**  
**As at and for the quarters ended June 30, 2021 and 2020****10. 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 three months ended June 30		for the nine months ended June 30	
	2021	2020	2021	2020
Net income (loss) for the period for basic earnings per share	\$ 1,516,178	\$ (440,233)	\$ 2,454,461	\$(1,244,528)
Net income (loss) for the period for diluted earnings per share	1,586,327	(440,233)	2,664,909	(1,244,528)
Weighted average common shares outstanding	117,068,924	108,772,705	112,006,715	103,528,261
Dilutive Effect	31,607,923	-	9,341,510	-
Dilutive weighted average common shares outstanding	148,676,846	108,772,705	121,348,226	103,528,261
Net income (loss) per share:				
Basic	\$0.013	(\$0.004)	\$0.022	(\$0.012)
Diluted	\$0.011	(\$0.004)	\$0.022	(\$0.012)

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

	for the three months ended June 30		for the nine months ended June 30	
	2021	2020	2021	2020
Pursuant to warrants	6,420,833	23,284,552	7,888,333	23,284,552
Under stock options	2,239,000	9,893,000	2,239,000	9,893,000
Pursuant to convertible debentures	-	19,565,217	8,695,652	19,565,217
	8,659,833	52,742,769	18,822,985	52,742,769

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### NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Canadian Funds As at and for the quarters ended June 30, 2021 and 2020

#### 11. CHANGES IN NON-CASH WORKING CAPITAL

	Three months ended June 30, 2021	Three months ended June 30, 2020	Nine months ended June 30, 2021	Nine months ended June 30, 2020
Accounts receivable	\$ (2,066,503)	\$ 683,327	\$(2,303,455)	\$ 452,662
Inventory	91,542	(44,522)	(530,200)	(354,962)
Prepaid expenses and other assets	(29,260)	(30,546)	(64,917)	(59,453)
Investment tax credit receivable	-	20,484	-	20,484
Deferred Revenue	(118,913)	258,372	(338,784)	671,775
Accounts payable and accrued liabilities	(497,998)	20,795	156,541	(88,215)
	<u>\$(2,621,132)</u>	<u>\$ 907,910</u>	<u>\$(3,080,815)</u>	<u>\$ 642,290</u>

#### 12. CAPITAL MANAGEMENT

The Company's capital management objective is to safeguard its ability to function as a going concern to maintain and grow its operations and to fund its development activities. Microbix defines its capital to include the drawn portion of the revolving line of credit, shareholders' equity, long-term debt, and the debentures. The capital at June 30, 2021 was \$22,628,947 (September 30, 2020 - \$12,052,022).

To date, the Company has used cash provided by operating activities, common equity issues, debentures, bank mortgage and other financing to fund its activities. The equity is through private placements, the debentures are all controlled by private individuals known to the Company and the mortgage and other financing are with the Business Development Bank, FedDev and TD Bank. If possible, the Company tries to optimize its liquidity needs by non-dilutive sources, including cash provided by operating activities, investment tax credits, grants and interest income. The Company has a revolving line of credit of \$2,000,000 with its Canadian chartered bank, Note 8. The Company's general policy is to not pay dividends and retain cash to keep funds available to finance the Company's growth. However, the Board of Directors may, from time to time, choose to declare a dividend in assets if warranted by circumstances. There was no change during the quarter in how the Company defines its capital or how it manages its capital.

#### 13. FINANCIAL INSTRUMENTS

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

As at June 30, 2021 and September 30, 2020, the Company has carried at fair value financial instruments in Level 1. At June 30, 2021, the Company's only financial instrument measured at fair value is cash, which is considered to be a Level 1 instrument. There were no transfers between levels during the quarter.

The three levels are defined as follows:

- Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in active markets.
- 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
- Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs.

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### NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Canadian Funds As at and for the quarters ended June 30, 2021 and 2020

#### 13. FINANCIAL INSTRUMENTS (Continued)

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

	Date of valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:				
Cash	30-Jun-21	\$ 7,506,506	-	-
Liabilities for which fair values are disclosed:				
Non-convertible debentures	30-Jun-21	-	-	\$ 1,243,771
Convertible debentures	30-Jun-21	-	-	1,925,698
Long-term-debt and other debt	30-Jun-21	-	\$ 2,745,145	-

	Date of valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:				
Cash	30-Sep-20	\$ 92,661	-	-
Liabilities for which fair values are disclosed:				
Non-convertible debentures	30-Sep-20	-	-	\$ 1,221,617
Convertible debentures	30-Sep-20	-	-	1,804,195
Long-term-debt and other debt	30-Sep-20	-	\$ 2,606,733	-

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 and non-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.

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### NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Canadian Funds As at and for the quarters ended June 30, 2021 and 2020

#### 14. SEGMENTED INFORMATION

The Company operates in two ways: (i) the development, manufacturing and sales of antigens as materials for the medical diagnostic industry or as quality assessment products (as finished products) and VTM and, (ii) the development and commercialization of novel and proprietary products or technologies such as Kinlytic® and Lumisort™. The following is an analysis of the Company's revenues and profits from continuing operations for the quarter ended June 30, segmented between antigens and Other (including Kinlytic® and Lumisort™).

Segment Revenue	For the three months		For the nine months	
	2021	2020	2021	2020
Antigens, QAPs and VTM	\$ 5,451,834	\$ 2,896,235	\$12,963,266	\$ 7,817,079
Other (Includes Kinlytic® and Lumisort™)	-	2,093	-	2,093
Total for continuing operations	\$ 5,451,834	\$ 2,898,328	\$12,963,266	\$ 7,819,172

Operating Income (Loss)	For the three months		For the nine months	
	2021	2020	2021	2020
Antigens, QAPs and VTM	\$ 1,526,908	\$ (397,464)	\$ 2,473,522	\$(1,175,233)
Other (Includes Kinlytic® and Lumisort™)	(10,730)	(42,769)	(19,061)	(69,295)
Total for continuing operations	\$ 1,516,178	\$ (440,233)	\$ 2,454,461	\$(1,244,528)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current period (2020 - \$Nil).

Segment 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 the Antigens and QAPs 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	
	June 30, 2021	September 30, 2020	June 30, 2021	September 30, 2020
Antigens, QAPs and VTM	\$ 25,863,846	\$ 15,598,010	\$ 9,149,513	\$ 8,978,534
Other (Includes Kinlytic® and Lumisort™)	-	-	-	-
	\$ 25,863,846	\$ 15,598,010	\$ 9,149,513	\$ 8,978,534

All assets are allocated to reportable segments other than interests in associates 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.

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### NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Canadian Funds As at and for the quarters ended June 30, 2021 and 2020

#### 14. SEGMENTED INFORMATION (Continued)

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

	Depreciation and amortization		Additions to non-current assets	
	2021	2020	2021	2020
Antigens, QAPs and VTM	\$ 204,985	\$ 178,353	\$ 147,098	\$ 365,761
Other (Includes Kinlytic® and Lumisort™)	-	-	-	-
	<u>\$ 204,985</u>	<u>\$ 178,353</u>	<u>\$ 147,098</u>	<u>\$ 365,761</u>

#### 15. 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.

Revenues	For the three months		For the nine months	
	2021	2020	2021	2020
North America	\$ 3,838,859	\$ 1,071,081	\$ 7,839,154	\$ 3,676,785
Europe	1,610,106	1,827,247	5,116,927	4,079,899
Other foreign countries (directly)	2,869	-	7,185	62,488
	<u>\$ 5,451,834</u>	<u>\$ 2,898,328</u>	<u>\$12,963,266</u>	<u>\$ 7,819,172</u>

	Non-current assets	
	June 30, 2021	September 30, 2020
North America	\$ 9,058,597	\$ 9,105,179
Europe	-	-
Other foreign countries (directly)	-	-
	<u>\$ 9,058,597</u>	<u>\$ 9,105,179</u>

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

as at September 30, 2020	\$ 1,315,738
Cash payments or advance payments on performance obligations	2,142,740
Revenue recognized during the quarter	(2,481,524)
Deferred government grant and loan (see notes 5 and 6)	101,489
as at June 30, 2021	<u>\$ 1,078,443</u>

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### NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Canadian Funds As at and for the quarters ended June 30, 2021 and 2020

#### 16. 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 directors and key management executive officers. Compensation for the Company's key management personnel was as follows:

	Three months ended June 30, 2021	Three months ended June 30, 2020	Nine months ended June 30, 2021	Nine months ended June 30, 2020
Short-term wages, bonuses and benefits	\$ 344,809	\$ 237,396	\$1,014,785	\$ 760,732
Share based payments	60,032	23,541	123,030	61,457
Total key management compensation	\$ 404,841	\$ 260,937	\$1,137,815	\$ 822,189

#### 17. COMMITMENTS AND CONTINGENCIES

##### *Payments on convertible and non-convertible debentures*

	Amount
2021	\$ 177,310
2022	1,657,992
2023	604,242
2024	604,242
2025	604,242
2026 and thereafter	5,923,682
	\$ 9,571,710

##### *Contingencies*

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

#### 18. INCOME TAXES

The Company has unclaimed research and development expenses and accumulated losses for income tax purposes for which no benefit is recorded in the financial statements. For the three and nine months ended June 30, 2021, the Company has utilized these losses to reduce income tax expense to nil during the period.

#### 19. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2021 interim condensed consolidated financial statements.