

MICROBIX**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****Unaudited****As at June 30, 2022 and September 30, 2021****Canadian Funds**

	As at June 30 2022	As at September 30 2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 14,163,191	\$ 9,986,312
Accounts receivable	2,487,024	4,175,116
Inventories (Note 4)	5,298,463	4,407,509
Prepaid expenses and other assets	1,495,562	495,045
Investment tax credit receivable	31,262	30,500
TOTAL CURRENT ASSETS	23,475,502	19,094,482
LONG-TERM ASSETS		
Property, plant and equipment (Note 5)	8,283,915	8,082,749
Intangible assets	1,536,689	1,651,803
TOTAL LONG-TERM ASSETS	9,820,604	9,734,552
TOTAL ASSETS	\$ 33,296,106	\$ 28,829,034
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,519,939	\$ 1,794,923
Current portion of long-term debt (Note 7)	111,120	212,760
Current portion of debentures (Note 6)	-	2,233,758
Current portion of lease liability (Note 5)	170,359	209,821
Deferred revenue (Note 18)	1,192,020	742,932
TOTAL CURRENT LIABILITIES	2,993,438	5,194,194
Debentures (Note 6)	1,594,938	1,508,640
Lease liability (Note 5)	883,440	988,291
Long-term debt (Note 7)	3,079,228	2,581,765
TOTAL LONG-TERM LIABILITIES	5,557,606	5,078,696
TOTAL LIABILITIES	\$ 8,551,044	\$ 10,272,890
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	\$ 49,126,566	\$ 43,609,601
Equity component of convertible debentures (Note 6)	2,272,567	2,903,789
Contributed surplus	9,753,780	10,703,374
Accumulated deficit	(36,407,851)	(38,660,620)
TOTAL SHAREHOLDERS' EQUITY	\$ 24,745,062	\$ 18,556,144
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$ 33,296,106	\$ 28,829,034

Commitments and Contingencies (Note 20)

(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
	2022	2021	2022	2021
SALES				
Antigens, QAPs and DxTM	\$ 4,915,926	\$ 5,374,886	\$ 14,435,795	\$ 12,749,587
Royalties	95,099	76,948	311,394	213,679
TOTAL SALES (Notes 17, 18)	5,011,025	5,451,834	14,747,189	12,963,266
COST OF GOODS SOLD				
Antigens, QAPs and DxTM	2,232,114	1,994,465	5,593,392	5,127,627
Royalties	12,765	11,555	49,494	37,422
TOTAL COST OF GOODS SOLD (Note 4)	2,244,879	2,006,020	5,642,886	5,165,049
GROSS MARGIN	2,766,146	3,445,814	9,104,303	7,798,217
EXPENSES				
Selling and business development	435,534	190,995	1,154,581	561,211
General and administrative	1,134,256	1,193,956	3,727,866	3,295,301
Research and development	387,400	271,503	1,354,758	685,663
Financial expenses (Note 14)	170,454	273,182	614,329	801,581
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	\$ 638,502	\$ 1,516,178	\$ 2,252,769	\$ 2,454,461
NET INCOME (LOSS) PER SHARE				
Basic (Note 12)	\$ 0.005	\$ 0.013	\$ 0.016	\$ 0.022
Diluted (Note 12)	\$ 0.004	\$ 0.007	\$ 0.016	\$ 0.022

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**

	2022	2021	2022	2021
OPERATING ACTIVITIES				
Net Income (Loss) for the Period	\$ 638,502	\$ 1,516,178	\$ 2,252,769	\$ 2,454,460
Items not affecting cash				
Amortization and depreciation (Note 17)	263,922	204,985	745,298	595,120
Accretion of debentures (Note 6)	39,842	82,361	169,368	232,130
Stock options expense (Note 11)	187,928	119,859	466,019	249,999
Accretion Interest Expense (Note 14)	38,810	14,414	88,633	34,220
Change in non-cash working capital balances (Note 13)	1,540,541	(2,621,132)	(403,324)	(3,080,814)
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	2,709,545	(683,335)	3,318,763	485,115
INVESTING ACTIVITIES				
Purchase of property, plant and equipment (Note 5)	(264,660)	(206,516)	(818,315)	(1,114,277)
Proceeds from Government Grant (Note 8)	-	59,417	-	625,442
Additions from internal development of intangible assets	-	-	-	(59,703)
CASH USED IN INVESTING ACTIVITIES	(264,660)	(147,099)	(818,315)	(548,538)
FINANCING ACTIVITIES				
Repayments of long-term debt (Note 7)	(27,780)	(53,190)	(362,850)	(182,040)
Proceeds from Government Loan and Grant (Note 7)	-	55,215	1,072,102	487,937
Repayments of convertible and non-convertible debentures (Note 6)	(500,000)	(30,826)	(1,816,821)	(88,473)
Payment of lease liabilities	(59,922)	(42,819)	(186,130)	(130,552)
Issue of common shares, net of issue costs	-	6,137,939	-	6,137,939
Proceeds from exercise of warrants and options (Notes 10, 11)	105,000	725,462	2,970,130	1,252,457
CASH PROVIDED BY FINANCING ACTIVITIES	(482,702)	6,791,781	1,676,431	7,477,268
NET CHANGE IN CASH - DURING THE PERIOD	1,962,183	5,961,347	4,176,879	7,413,845
CASH - BEGINNING OF PERIOD	12,201,008	1,545,159	9,986,312	92,661
CASH - END OF PERIOD	\$ 14,163,191	\$ 7,506,506	\$14,163,191	\$ 7,506,506

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

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INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY Unaudited

For the periods ended June 30, 2022 and 2021

Canadian Funds

	SHARE CAPITAL (Note 9)		CONTRIBUTED SURPLUS	DEFICIT	EQUITY COMPONENT OF DEBENTURES	TOTAL SHAREHOLDERS' EQUITY
	NUMBER OF SHARES	STATED CAPITAL				
BALANCE, SEPTEMBER 30, 2020	108,772,705	\$ 35,357,144	\$ 10,252,554	\$ (41,894,010)	\$2,903,789	\$ 6,619,477
Share-based compensation 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 year	-	-	-	2,454,461	-	2,454,461
BALANCE, JUNE 30, 2021	123,901,267	\$42,215,667	\$11,034,426	\$(39,439,549)	\$ 2,903,789	\$16,714,333
Share-based compensation expense	-	-	127,829	-	-	127,829
Share Issuance pursuant to Exercise of Warrants	2,475,900	1,400,305	(458,881)	-	-	941,424
Share Issue Costs pursuant to Public Offering and Private Placement	-	(6,371)	-	-	-	(6,371)
Net income and comprehensive income for the year	-	-	-	778,929	-	778,929
BALANCE, SEPTEMBER 30, 2021	126,377,167	\$43,609,601	\$10,703,374	\$(38,660,620)	\$2,903,789	\$18,556,144
Stock option expense	-	-	466,019	-	-	466,019
Share Issuance pursuant to Exercise of Warrants	7,030,294	3,604,673	(1,096,343)	-	-	2,508,330
Exercise of Options	1,710,000	781,070	(319,270)	-	-	461,800
Conversion of Debenture	2,173,913	1,131,222	-	-	(631,222)	500,000
Net income and comprehensive income for the period	-	-	-	2,252,769	-	2,252,769
BALANCE, JUNE 30, 2022	137,291,374	\$ 49,126,566	\$ 9,753,780	\$ (36,407,851)	\$2,272,567	\$ 24,745,062

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 subsidiaries (the “Company” or “Microbix”), incorporated under the laws of the Province of Ontario, develops and commercializes proprietary biological and technology solutions for human health and well-being. Microbix manufactures a wide range of critical biological materials for the global diagnostics industry, notably antigens (Antigen business) used in immunoassays or 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, 2021, 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, 2021.

The Board of Directors approved these interim condensed consolidated financial statements on August 10, 2022.

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.

Cash and Cash Equivalents

Cash consists of cash on hand and deposits with banks and investments in highly liquid instruments with original maturities of three months or less. During the quarter short term investments in GICs were made and the cash equivalent balance at the end of the quarter was \$9,595,262 (\$2,000,000 USD and \$7,005,731 Cdn.).

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 continue 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 and its related health, economic, political, and social consequences, it is possible that estimates in the

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)*Global pandemic (Continued)*

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 and its impacts are unknown at this time, as is the efficacy of government and central bank reactions. 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.

*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.

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.

MICROBIX**NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Canadian Funds
As at and for the three months and nine months ended June 30, 2022 and 2021****4. INVENTORIES**

Inventories consist of the following:

	June 30, 2022	September 30, 2021
Raw materials	\$ 1,298,516	\$ 1,092,359
Work in process	2,076,936	1,677,437
Finished goods	1,923,011	1,637,713
	\$ 5,298,463	\$ 4,407,509

During the three months ended June 30, 2022, inventories in the amount of \$2,232,114 (June 30, 2021 - \$1,994,465) were recognized as an expense through cost of goods sold. The allowance for inventory impairment as at June 30, 2022 was \$345,879 (September 30, 2021 - \$383,110).

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Canadian Funds As at and for the three months and nine months ended June 30, 2022 and 2021

5. PROPERTY, PLANT, AND EQUIPMENT AND LEASES

The freehold land and buildings have been pledged as security for bank loans under a mortgage (see Note 7). Property, plant and equipment consists of:

	Building and Leasehold Improvements	Research and Development Equipment	Other Equipment and Fixtures	Right of Use Assets	Land	Total
COST						
Balance, as at September 30, 2021	\$ 5,281,143	\$ 558,438	\$ 6,338,223	\$ 1,683,980	\$ 800,000	\$ 14,661,784
Additions	239,901	41,820	536,594	13,034	-	831,349
Balance, as at June 30, 2022	5,521,044	600,258	6,874,818	1,697,014	800,000	15,493,133
ACCUMULATED DEPRECIATION						
Balance, as at September 30, 2021	1,948,682	459,293	3,832,037	339,023	-	6,579,035
Depreciation	200,157	10,083	285,559	134,385	-	630,183
Balance, as at June 30, 2022	2,148,839	469,376	4,117,596	473,408	-	7,209,218
NET BOOK VALUE						
Balance, September 30, 2021	\$ 3,332,461	\$ 99,145	\$ 2,506,187	\$ 1,344,957	\$ 800,000	\$ 8,082,749
Balance, as at June 30, 2022	\$ 3,372,205	\$ 130,882	\$ 2,757,222	\$ 1,223,606	\$ 800,000	\$ 8,283,915

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

	Right-of-Use Assets		Lease Liabilities
	Property	Equipment	
Balance, September 30, 2021	\$ 1,081,900	\$ 263,057	\$ 1,198,112
Additions	13,034	-	-
Depreciation Expense	(114,050)	(20,335)	-
Interest Accretion	-	-	28,784
Payments	-	-	(173,097)
Balance, June 30, 2022	\$ 980,884	\$ 242,722	\$ 1,053,799

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Canadian Funds As at and for the three months and nine months ended June 30, 2022 and 2021

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

Lease liabilities for leases that were entered during the three months ended June 30, 2022 were discounted using an incremental borrowing rate of 3.5% (September 30, 2021 – 3.5%).

Lease obligations as at June 30, 2022 are:

	Amount
2022	\$ 62,011
2023	190,017
2024	180,574
2025	151,322
2026	96,363
2027 and thereafter	537,729
Total	\$ 1,218,017

6. DEBENTURES

The Company has convertible and non-convertible debentures issued and outstanding as at June 30, 2022. The carrying values of the debt component of these debentures are as follows:

	Non-convertible debentures		Total non-convertible debentures	Convertible debentures			Total convertible debentures
	(a)	(b)		(c)	(d)	(e)	
Date of issue	Jan, 2014	Apr, 2017		Oct, 2016	Oct, 2016	Oct, 2016	
Face value	\$ 2,000,000	\$ 500,000	\$ 2,500,000	\$ 1,500,000	\$ 500,000	\$ 2,500,000	\$ 4,500,000
Liability component at the date of issue	928,373	268,955	-	461,550	223,050	780,750	-
Balance, September 30, 2021	1,316,821	453,033	1,769,854	554,378	463,904	954,262	1,972,544
Accretion	-	46,967	46,967	30,172	36,096	56,126	122,394
Repayments/Conversion	(1,316,821)	(500,000)	(1,816,821)	-	(500,000)	-	(500,000)
Balance, June 30, 2022	-	-	-	584,550	-	1,010,388	1,594,938
Less: current portion	-	-	-	-	-	-	-
Non-current portion	-	-	-	584,550	-	1,010,388	1,594,938
Balance, June 30, 2022	\$ -	\$ -	\$ -	\$ 584,550	-	\$ 1,010,388	\$ 1,594,938
Equity component at June 30, 2022	-	-	-	574,435	-	1,698,132	2,272,567
Conversion price per common share	\$ -	\$ -		\$ 0.23	\$ 0.23	\$ 0.23	
Effective interest rate charged	25.69%	30.20%		31.07%	30.20%	30.85%	
Payment frequency	Quarterly	Quarterly		Quarterly	Quarterly	Quarterly	
Maturity of financial instrument	Jan, 2029	Apr, 2022		Jan, 2029	Feb, 2022	Sep, 2028	
Stated interest rate	9%	12%		9%	9%	9%	
Terms of repayment	Principal and interest	Interest only		Interest only	Interest only	Interest only	
Blended quarterly repayment	\$ 61,071	N/A		N/A	N/A	N/A	

6. DEBENTURES (Continued)

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

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

All of the debentures were issued to shareholders of the Company. Over the term of the convertible debentures, the debt components are being accreted to the face value of the debentures by the recording of additional interest expense using the effective interest rate, as detailed above. During Q4 fiscal 2021, the Company recorded additional non-cash interest accretion of \$517,651 associated with the revised estimate of the planned timing of repaying of the debenture denoted as (a) above.

During this fiscal year, the Company made an early repayment of a 9% interest debenture (denoted as (a) above), repaying in full. A payment of \$1,331,758, including accrued interest, was made on October 1, 2021. In addition, on February 15, 2022 the debenture denoted as (d) above was converted into 2,173,913 common shares. During Q3 of fiscal 2022, the debenture denoted as (b) was fully repaid at maturity at the end of April 2022.

7. 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, 2022:

Term Loans with the Business Development Bank ("BDC")	(a)	(b)	(c)	(d)	Total
Effective date of loan	Jun, 2008	Oct, 2015	Nov, 2015	Jul, 2018	
Initial Loan Amount	\$ 3,000,000	\$ 200,000	\$ 250,000	\$ 323,906	\$ 4,438,906
Balance, September 30, 2020	1,935,340	9,990	12,480	381,150	2,338,960
Proceeds from loan	-	-	-	-	-
Loan repayments during the period	(111,120)	(9,990)	(12,480)	(101,640)	(235,230)
Balance, September 30, 2021	\$ 1,824,220	-	-	\$ 279,510	\$2,103,730
Proceeds from loan	-	-	-	-	-
Loan repayments during the period	(83,340)	-	-	(279,510)	(362,850)
Balance, June 30, 2022	\$ 1,740,880	-	-	-	\$ 1,740,880
Current Portion	\$ 111,120	-	-	-	\$ 111,120
Non-current portion	1,629,760	-	-	-	1,629,760
Payment frequency	Monthly	Monthly	Monthly	Monthly	
Maturity of loan	Feb, 2038	Dec, 2020	Dec, 2020	Jun, 2024	
Terms of repayment	"Principal and interest"	"Principal and interest"	"Principal and interest"	"Principal and interest"	

Notes: (a) Loan for the purchase of manufacturing facility and building improvements.
(b) Loan for the purchase of manufacturing equipment
(c) Working Capital loan
(d) Loan for the purchase of manufacturing equipment, repaid early in full in December 2021

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Canadian Funds As at and for the three months and nine months ended June 30, 2022 and 2021

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

The remaining BDC loan has a floating interest rate based on BDC's floating base rate less 1.0%. At June 30, 2022, the rate was 5.8% (2021 – 5.05%). The loan is secured with the building and equipment. On December 3, 2021 the Company prepaid in full the outstanding balance including accrued interest for loan (d) above, totalling \$266,094.

As at June 30, 2022, the commitments for the next five fiscal years and thereafter for the BDC loan is as follows:

	Amount
2022	\$ 27,780
2023	111,120
2024	111,120
2025	111,120
2026	111,120
2027 and thereafter	\$ 1,268,620

- b) The Company has a \$2,000,000 line of credit with its Chartered Bank that is available for use. This line of credit bears interest at prime plus 2% (4.70% on June 30, 2022). As at June 30, 2022 the Company had no funds drawn on the facility (June 30, 2021- nil). The Company's usage of this facility varies across its manufacturing, sales and Accounts Receivable collection cycles.
- c) On July 29, 2019, the Company signed an agreement with 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, 2022, the Company has received contributions totalling \$2,158,603 (June 30, 2021 – \$943,928). The Company determined that the "Loan" consists of two components: an obligation to repay; and a government grant in the form of exemption from interest. The Company fair valued the obligation to repay at \$1,352,426 (June 30, 2021 – \$555,679), based on a discount rate of 8%, which represents management's best estimate of fair value. The residual amount of \$806,178 (June 30, 2021 – \$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, 2022, the carrying value of the Loan is \$1,449,466 (June 30, 2021 – \$588,225) and \$365,725 is recognized as a deferred grant within deferred revenue on the statement of financial position (June 30, 2021 – \$212,609).

The Company is in compliance with the covenants associated with this loan as at June 30, 2022.

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

Fiscal Years	Amount
2025	\$ 359,767
2026	431,720
2027	431,720
2028	431,720
2029	431,720
2030	71,954

8. 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 \$1,445,000 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 was paid upon project completion following 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 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 previously recognized in accounts receivable. During Q3 of fiscal 2022, a final review of the project was completed and the contractual \$578,000 holdback was received by Microbix during April 2022.

9. 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 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 holding 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 \$6,131,568 after share issuance costs of \$768,432. \$5,167,002 has been allocated to stated capital and \$964,566 has been allocated to warrants. 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. Fair value of the broker warrants was determined to be \$157,762 using the Black-Scholes option pricing model. The volatility of the stock for the Black-Scholes options pricing model was based on 2-year historic volatility of the Company’s stock price (77%) and the risk free rate of interest of .32% is based upon the Government of Canada benchmark bond yields at the date of the award of the Broker’s warrants. Management believes that the historic stock volatility provides a fair and appropriate basis of estimate for the expected future volatility of the stock. 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 three months and nine months ended June 30, 2022 and 2021

9. 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, 2021	126,377,167	\$ 43,609,601
Exercise of Warrants	7,030,294	3,604,673
Exercise of stock options	1,710,000	781,070
Conversion of Debenture	2,173,913	1,131,222
Balance, as at June 30, 2022	137,291,374	\$ 49,126,566

10. COMMON SHARE PURCHASE WARRANTS

A continuity of the Company's warrants outstanding are presented in the following table:

	Units	Weighted average exercise price
Balance, September 30, 2021	23,519,373	\$ 0.47
Exercised	(7,030,293)	0.36
Cancelled/Expired	(465,683)	0.48
Balance, June 30, 2022	16,023,397	\$ 0.52

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

	June 30, 2022			September 30, 2021		
	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life years	Number outstanding	Weighted average exercise price	Weighted average remaining contractual life years
Range of exercise prices:						
\$0.60 to \$0.80	6,420,833	\$ 0.78	0.88	7,621,333	\$ 0.74	1.38
\$0.23 to \$0.46	9,602,564	0.36	2.47	15,898,040	0.34	2.39
	16,023,397	\$ 0.52	1.83	23,519,373	\$ 0.47	2.07

On September 28, 2020, the Company extended the term of an aggregate of 7,413,052 common share purchase warrants ("Warrants") by one year, which were issued in connection with Microbix's October, 2015 and October, 2017 private placement financings. The extended Warrants entitled holders to purchase common shares of Microbix at prices from \$0.36 to \$0.55 until October, 2021. All other Warrant terms remained unchanged.

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11. 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, 2022, the Company has a total of 11,374,000 options (September 30, 2021 - 10,154,000) issued and is eligible to issue up to a total of 13,729,137 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 year and future options grants will generally be vested in a single step on the third anniversary date following their issue. Management does not expect any remaining unvested stock options at the year-end to be forfeited before they vest.

The activity under the Company's stock option plan for nine months ended June 30, 2022 is as follows:

	Units	Weighted average exercise price
Balance, September 30, 2021	10,154,000	\$ 0.34
Options Exercised	(1,710,000)	\$ 0.27
Stock options issued	2,930,000	\$ 0.60
Balance, June 30, 2022	11,374,000	\$ 0.41
Exercisable, June 30, 2022	3,730,000	\$ 0.25

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, 2022 and September 30, 2021:

	June 30, 2022			September 30, 2021		
	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 \$0.73	5,444,000	\$ 0.61	4.20	2,514,000	\$ 0.61	4.41
\$0.215 to \$0.28	5,930,000	\$ 0.24	1.64	7,640,000	\$ 0.25	2.09
	11,374,000	\$ 0.41	2.86	10,154,000	\$ 0.34	2.66

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

Option Grant Dates	May 2022
Share price on issue date	\$ 0.57
Dividend yield	0%
Volatility	67%
Risk-free interest rate	0.1%
Expected option life (years)	5
Weighted average fair value of each option (\$ / option)	\$ 0.31

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11. STOCK OPTION PLAN (Continued)

Stock options are assumed to be exercised at the end of the option's life, as management believes the probability of an early exercise is remote. During the year, the fair value of the options vested in the year were expensed and credited to contributed surplus. During the quarter, the Company recorded share-based compensation expense of \$187,928 (2021 - \$119,859) and \$466,019 for the nine months (2021 - \$249,999).

12. INCOME (LOSS) PER SHARE

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

	for the three months ended June 30		for the nine months ended June 30	
	2022	2021	2022	2021
Net income (loss) for the period for basic earnings per share	\$ 638,502	\$ 1,516,178	\$ 2,252,769	\$ 2,454,461
Net income (loss) for the period for diluted earnings per share	638,502	1,586,327	2,369,421	2,664,909
Weighted average common shares outstanding	137,103,874	117,068,924	134,170,883	112,006,715
Dilutive Effect	6,382,425	31,607,923	25,316,797	9,341,510
Dilutive weighted average common shares outstanding	143,486,299	148,676,846	159,487,680	121,348,226
Net income (loss) per share:				
Basic	\$0.005	\$0.013	\$0.017	\$0.022
Diluted	\$0.004	\$0.011	\$0.015	\$0.022

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

	for the three months ended		for the nine months ended	
	2022	2021	2022	2021
Pursuant to warrants	6,420,833	6,420,833	5,750,000	7,888,333
Under stock options	5,344,000	2,239,000	50,000	2,239,000
Pursuant to convertible debentures	17,391,304	-	-	8,695,652
	29,156,138	8,659,833	5,800,000	18,822,985

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Canadian Funds As at and for the three months and nine months ended June 30, 2022 and 2021

13. CHANGES IN NON-CASH WORKING CAPITAL

	Three months ended June 30, 2022	Three months ended June 30, 2021	Nine months ended June 30, 2022	Nine months ended June 30, 2021
Accounts receivable	\$ 2,060,759	\$ (2,066,503)	\$ 1,688,092	\$ (2,303,455)
Inventory	43,957	91,542	(890,954)	(530,200)
Prepaid expenses and other assets	(491,211)	(29,260)	(1,001,279)	(64,917)
Deferred Revenue	(83,797)	(118,913)	311,519	(338,784)
Accounts payable and accrued liabilities	10,833	(497,998)	(510,702)	156,541
	<u>\$ 1,540,541</u>	<u>\$ (2,621,132)</u>	<u>\$ (403,324)</u>	<u>\$ (3,080,815)</u>

14. FINANCIAL EXPENSES

	Three months ended June 30, 2022	Three months ended June 30, 2021	Nine months ended June 30, 2022	Nine months ended June 30, 2021
Cash interest:				
Interest on long-term debt	\$ 19,039	\$ 27,862	\$ 68,413	\$ 84,916
Interest on debentures	94,993	146,494	306,269	443,489
Interest Income	(23,783)	-	(23,783)	-
Interest other	1,553	2,051	5,429	6,826
Non-cash interest:				
Accretion on debentures	39,842	82,361	169,368	232,130
Accretion interest expense	38,810	14,414	88,633	34,220
Financial expenses	<u>\$ 170,454</u>	<u>\$ 273,182</u>	<u>\$ 614,329</u>	<u>\$ 801,581</u>

15. 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 any drawn portion of the revolving line of credit, shareholders' equity, long-term debt, and debentures. The capital at June 30, 2022 was \$29,530,348 (September 30, 2021 - \$25,093,066).

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 provided through net earnings, public offerings or private placements, the debentures are all controlled by private individuals known to the Company and the mortgage and other financing are with the Business Development Bank (BDC), FedDev and TD Bank. If possible, the Company tries to optimize its liquidity needs by non-dilutive sources, including cash provided by operating activities, investment tax credits, grants and interest income. The Company has a revolving line of credit of \$2,000,000 with its Canadian chartered bank, Note 7.

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

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16. 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.

For the quarter ended June 30, 2022 and year ended September 30, 2021, the Company has carried at fair value financial instruments in Level 1. At June 30, 2022, 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 year.

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.

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

	Date of valuation	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets measured at fair value:				
Cash and Cash Equivalents	30-Jun-22	\$ 14,163,191	-	-
Liabilities for which fair values are disclosed:				
Non-convertible debentures	30-Jun-22	-	-	-
Convertible debentures	30-Jun-22	-	1,564,938	-
Long-term-debt and other debt	30-Jun-22	-	3,190,348	-

	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-21	\$ 9,986,312	-	-
Liabilities for which fair values are disclosed:				
Non-convertible debentures	30-Sep-21	-	1,769,854	-
Convertible debentures	30-Sep-21	-	1,972,544	-
Long-term-debt and other debt	30-Sep-21	-	2,794,525	-

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.

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Canadian Funds As at and for the three months and nine months ended June 30, 2022 and 2021

16. FINANCIAL INSTRUMENTS (Continued)

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.

17. SEGMENTED INFORMATION

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

Segment Revenue	For the three months		For the nine months	
	2022	2021	2022	2021
Antigens, QAPs and DxTM	\$ 5,011,025	\$ 5,451,834	\$14,742,766	\$12,963,266
Other (Includes Kinlytic [®])	-	-	4,423	-
Total for continuing operations	\$ 5,011,025	\$ 5,451,834	\$14,747,189	\$ 12,963,266

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current period (2021 - \$nil).

Operating Income (Loss)	For the three months		For the nine months	
	2022	2021	2022	2021
Antigens, QAPs and DxTM	\$ 646,179	\$ 1,526,908	\$ 2,287,823	\$ 2,473,522
Other (Includes Kinlytic [®])	(7,677)	(10,730)	(35,054)	(19,061)
Total for continuing operations	\$ 638,502	\$ 1,516,178	\$ 2,252,769	\$ 2,454,461

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 category (i) and (ii) segments. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

MICROBIX**NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Canadian Funds
As at and for the three months and nine months ended June 30, 2022 and 2021****17. SEGMENTED INFORMATION (Continued)**

Segmented assets and liabilities as at June 30 are as follows:

	Segment assets		Segment liabilities	
	June 30 2022	September 30 2021	June 30 2022	September 30 2021
Antigens, QAPs and DxTM	\$ 33,296,106	\$ 28,829,034	\$ 8,551,044	\$ 10,272,890
Other (Includes Kinlytic [®])	-	-	-	-
	\$ 33,296,106	\$ 28,829,034	\$ 8,551,044	\$ 10,272,890

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.

Segmented depreciation and amortization and additions to non-current assets as at June 30 are as follows:

	Depreciation and amortization		Additions to non-current assets	
	2022	2021	2022	2021
Antigens, QAPs and DxTM	\$ 263,922	\$ 204,985	\$ 264,660	\$ 147,098
Other (Includes Kinlytic [®])	-	-	-	-
	\$ 263,922	\$ 204,985	\$ 264,660	\$ 147,098

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS Canadian Funds As at and for the three months and nine months ended June 30, 2022 and 2021

18. 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. 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	
	2022	2021	2022	2021
North America	\$ 3,492,693	\$ 3,838,859	\$10,945,757	\$ 7,839,154
Europe	1,514,039	1,610,106	3,787,137	5,116,927
Other foreign countries (directly)	4,293	2,869	14,296	7,185
Total for continuing operations	\$ 5,011,025	\$ 5,451,834	\$14,747,189	\$ 12,963,266

Information about its non-current assets by location of assets are detailed below.

	Non-current assets	
	June 30, 2022	September 30, 2021
North America	\$ 9,820,604	\$ 9,734,552
Europe	-	-
Other foreign countries (directly)	-	-
	\$ 9,820,604	\$ 9,734,552

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

as at September 30, 2021	\$ 742,932
Cash payments or advance payments on performance obligations	1,589,314
Revenue recognized during the quarter	(1,277,793)
Deferred government grant and loan (see note 7)	137,568
as at June 30, 2022	\$ 1,192,020

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19. RELATED PARTY TRANSACTIONS

Key Management Compensation

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

	Three months ended June 30, 2022	Three months ended June 30, 2021	Nine months ended June 30, 2022	Nine months ended June 30, 2021
Short-term wages, bonuses and benefits	\$ 267,864	\$ 344,809	\$ 932,710	\$ 1,014,785
Share based payments	88,080	60,032	219,300	123,030
Total key management compensation	\$ 355,943	\$ 404,841	\$ 1,152,009	\$ 1,137,815

20. COMMITMENTS AND CONTINGENCIES

Payments on convertible and non-convertible debentures (Note 6)

	Amount
2022	\$ 90,000
2023	360,000
2024	360,000
2025	360,000
2026	360,000
2027 and thereafter	4,759,497
	\$ 6,289,497

Contingencies

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

21. 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, 2022, the Company has utilized these losses to reduce income tax expense to nil during the period.

22. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

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