

MICROBIX**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As at September 30, 2025 and 2024

Canadian Funds

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

(Signed) "Martin Marino"

MARTIN MARINO
DIRECTOR

(Signed) "Cameron L. Groome"

CAMERON L. GROOME
DIRECTOR

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

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

For the years ended September 30, 2025 and 2024

Canadian Funds

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

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

MICROBIX**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the years ended September 30, 2025 and 2024

Canadian Funds

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

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

MICROBIX

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the years ended September 30, 2025 and 2024

Canadian Funds

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

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

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

1. NATURE OF THE BUSINESS

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

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

2. BASIS OF PREPARATION

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

Basis of measurement

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

Basis of consolidation

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

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

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

Key areas of managerial judgments and estimates are as follows:

Financial assets and liabilities

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

Income taxes

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

Impairments

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

Revenue recognition

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

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

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

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

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

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

Cash and Cash Equivalents

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

Financial assets and liabilities

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Inventories

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

Property, plant and equipment

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

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

Depreciation is provided for at the following basis and rates:

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

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

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

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

Impairment of long-lived assets

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

Borrowing costs

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

Share-based compensation

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

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

Foreign currency translation

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

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

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

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

Deferred taxes

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

Research and development expenses

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

Investment tax credits

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

Leases*The Company as lessee*

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

(i) Right-of-use assets

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

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

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

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

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

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

Government Financing and Assistance

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

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

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

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

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

5. INVENTORIES

Inventories consist of the following:

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

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

MICROBIX

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

Canadian Funds

6. PROPERTY, PLANT, EQUIPMENT AND LEASES

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

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

ACCUMULATED DEPRECIATION

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

NET BOOK VALUE

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

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

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

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

Canadian Funds

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

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

Lease obligations as at September 30, 2025 are:

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

7. INTANGIBLE ASSETS

Intangible assets consist of:

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

7. INTANGIBLE ASSETS (Continued)

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

(a) Bioreactor

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

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

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

(c) Kinlytic®

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

(d) Rights and Know-how

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

8. DEBENTURES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10. GOVERNMENT GRANT

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

11. SHARE CAPITAL

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

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

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

On December 9, 2024, the Company initiated a third NCIB program for the repurchase and cancellation of outstanding common shares. In accordance with the rules of the Toronto Stock Exchange and as detailed in the Company’s news release of December 5, 2024, the NCIB enabled the Company to repurchase up to 5% of its common shares over a 12-month period.

During the year ended September 30, 2025, 4,862,731 shares were repurchased at a cost of \$1,730,586 and 4,739,972 shares were cancelled. As at September 30, 2025, 259,833 shares were in treasury, awaiting cancellation.

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

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

12. COMMON SHARE PURCHASE WARRANTS

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

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

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

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

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

13. STOCK OPTION PLAN

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

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

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

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

13. STOCK OPTION PLAN (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16. INCOME TAXES AND INVESTMENT TAX CREDITS

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

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

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

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

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

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

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

17. CHANGES IN NON-CASH WORKING CAPITAL

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

18. FINANCIAL EXPENSES, NET

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

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

19. CAPITAL MANAGEMENT

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

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

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

20. FINANCIAL INSTRUMENTS

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

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

The three levels are defined as follows:

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

20. FINANCIAL INSTRUMENTS (Continued)

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

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

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

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

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

21. FINANCIAL RISK MANAGEMENT

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

Risks arising from financial instruments and risk management

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

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

Credit risk

The Company's cash is held in accounts at one of the major Canadian chartered banks or in short-term interest bearing securities. Management perceives the credit risk to be low. Typically the outstanding accounts receivable balance is relatively concentrated with a few large customers representing the majority of the value. As at September 30, 2025, five customers accounted for 64% (September 30, 2024 - five customers accounted for 79%) of the outstanding accounts receivable balance. In addition, for the year ended September 30, 2025, five customers accounted for 74% (September 30, 2024 - five customers accounted for 75%) of sales. The Company has had minimal bad debts over the past several years and accordingly management has recorded an allowance of \$35,000 (September 30, 2024 - \$35,000).

Trade accounts receivable are aged as follows:

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

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

21. FINANCIAL RISK MANAGEMENT (Continued)
Market risk and foreign currency risk

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

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

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

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

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

Based upon 2025 results, the impact of a 5% increase in the U.S. dollar against the Canadian dollar would result in an increase in annual U.S. dollar based revenue of approximately C\$622,400. The impact of a 5% increase in the Euro against the Canadian dollar would result in an increase in annual Euro based revenue of approximately C\$272,500. Correspondingly, the impact of a 5% decrease in the U.S. dollar against the Canadian dollar would result in a loss in annual U.S. dollar based revenue of approximately C\$622,400. The impact of a 5% decrease in the Euro against the Canadian dollar would result in a loss in annual Euro-based revenue of approximately C\$272,500.

Liquidity risk

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

21. FINANCIAL RISK MANAGEMENT (Continued)***Interest rate risk***

Financial instruments that potentially subject the Company to cash flow interest rate risk are those assets and liabilities with a variable interest rate. Interest rate risk exposure is primarily on the BDC debt that has a variable rate that is pegged to the bank rate. The rate can be fixed at the Company's option, if the outlook for interest rates should move higher. The only other variable debt the Company has is the \$4,000,000 line of credit that bears interest at the bank's prime lending rate plus 1.4%. A 1% increase in the bank rate would cost the Company approximately \$540 per year for BDC and about \$40,000 on the line of credit usage if it were fully used throughout the fiscal year. However, this would be somewhat offset by increased interest income on the Company's short-term investments.

22. SEGMENTED INFORMATION

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

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

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

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

Segmented assets and liabilities are as follows:

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

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

22. SEGMENTED INFORMATION (Continued)

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

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

23. REVENUES AND GEOGRAPHIC INFORMATION

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

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

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

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

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

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

23. REVENUES AND GEOGRAPHIC INFORMATION (Continued)

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

24. RELATED PARTY TRANSACTIONS*Key Management Compensation*

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

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

25. COMMITMENTS AND CONTINGENCIES*Commitments**Payments on convertible debentures (Note 8)*

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

Contingencies

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

26. SUBSEQUENT EVENTS

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