

MICROBIX**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****Unaudited****As at December 31, 2025 and September 30, 2025****Canadian Funds**

	As at December 31, 2025	As at September 30, 2025
ASSETS		
CURRENT ASSETS		
Cash	\$ 9,097,580	\$ 12,112,760
Accounts receivable	3,984,395	1,610,509
Inventory (Note 4)	9,311,475	9,195,586
Prepaid expenses and other assets	648,010	656,036
TOTAL CURRENT ASSETS	23,041,460	23,574,891
LONG-TERM ASSETS		
Property, plant and equipment (Note 5)	9,940,472	10,104,298
Intangible assets (Note 6)	3,608,643	3,730,744
TOTAL LONG-TERM ASSETS	13,549,115	13,835,042
TOTAL ASSETS	\$ 36,590,575	\$ 37,409,933
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 1,652,457	\$ 1,977,360
Current portion of long-term debt (Note 8)	5,220	5,220
Current portion of lease liability (Note 5)	214,004	211,161
Deferred revenue (Note 18)	1,195,666	585,212
TOTAL CURRENT LIABILITIES	3,067,347	2,778,953
Debentures (Note 7)	2,386,535	2,298,793
Lease liability (Note 5)	1,241,464	1,295,832
Deferred revenue (Note 18)	268,454	285,269
Long-term debt (Note 8)	3,019,598	2,963,544
TOTAL LONG-TERM LIABILITIES	6,916,051	6,843,438
TOTAL LIABILITIES	\$ 9,983,398	\$ 9,622,391
SHAREHOLDERS' EQUITY		
Share capital (Note 10)	\$ 50,178,822	\$ 50,431,600
Equity component of convertible debentures (Note 7)	2,272,566	2,272,566
Contributed surplus	10,960,012	10,720,423
Accumulated deficit	(36,804,224)	(35,637,047)
TOTAL SHAREHOLDERS' EQUITY	\$ 26,607,176	\$ 27,787,542
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$ 36,590,575	\$ 37,409,933

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 AND COMPREHENSIVE INCOME	Unaudited	
For the three months ended December 31	Canadian Funds	
	2025	2024
SALES		
Product sales	\$ 4,050,632	\$ 5,893,739
Licensing fees and royalties	168,277	150,263
TOTAL SALES (Notes 17, 18)	4,218,909	6,044,002
COST OF GOODS SOLD		
Product costs (Note 4)	2,465,572	2,272,818
Licensing fees and royalties	19,870	18,504
TOTAL COST OF GOODS SOLD	2,485,442	2,291,322
GROSS MARGIN	1,733,467	3,752,680
EXPENSES		
Selling and business development	333,568	367,380
General and administrative	1,792,027	1,708,736
Research and development	557,066	599,602
Foreign exchange loss (gain)	37,787	106,871
Financial expenses (Note 14)	180,196	113,129
NET INCOME AND COMPREHENSIVE INCOME FOR THE PERIOD	\$ (1,167,177)	\$ 856,962
NET INCOME PER SHARE		
Basic (Note 12)	\$ (0.008)	\$ 0.006
Diluted (Note 12)	\$ (0.008)	\$ 0.006

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

MICROBIX

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Unaudited

For the three months ended December 31, 2025 and 2024

Canadian Funds

	SHARE CAPITAL (Note 10)		CONTRIBUTED SURPLUS	DEFICIT	EQUITY COMPONENT OF DEBENTURES	TOTAL SHAREHOLDERS' EQUITY
	NUMBER OF SHARES	STATED CAPITAL				
BALANCE, SEPTEMBER 30, 2024	135,674,136	\$48,682,853	\$10,733,243	\$(33,391,235)	\$2,272,566	\$28,297,427
Share-based compensation expense	-	-	177,427	-	-	177,427
Share Issuance pursuant to Exercise of Options	370,000	125,430	(45,879)	-	-	79,552
Repurchase of Shares	(1,567,080)	(586,391)	75,100	-	-	(511,291)
Net income and comprehensive income for the period	-	-	-	856,962	-	856,962
BALANCE, DECEMBER 31, 2024	134,477,056	\$48,221,891	\$10,939,891	\$(32,534,273)	\$2,272,566	\$28,900,076
Share-based compensation expense	-	-	472,767	-	-	472,767
Share Issuance pursuant to Exercise of Warrants	6,703,314	3,096,932	(683,738)	-	-	2,413,194
Exercise of Options	1,505,000	323,576	-	-	-	323,576
Repurchase of Shares	(3,172,892)	(1,210,799)	(8,497)	-	-	(1,219,296)
Net income and comprehensive income for the period	-	-	-	(3,102,774)	-	(3,102,774)
BALANCE, SEPTEMBER 30, 2025	139,512,478	\$50,431,600	\$10,720,423	\$(36,637,047)	\$2,272,566	\$27,787,542
Share-based compensation expense	-	-	160,530	-	-	160,530
Repurchase of Shares	(706,150)	(252,778)	79,059	-	-	(173,719)
Net income and comprehensive income for the period	-	-	-	(1,167,177)	-	(1,167,177)
BALANCE, DECEMBER 31, 2025	138,806,328	\$50,178,822	\$10,960,012	\$(36,804,224)	\$2,272,566	\$26,607,176

(1) Includes 252,960 treasury shares (book value \$60,430) as at December 31, 2025 ; see Note 10.

The accompanying notes and summary of significant accounting policies are an integral part of these interim 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 February 10, 2026.

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 significant 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.

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. On October 1, 2024, the Company concluded that there is no impact of adopting these amendments on its consolidated financial statements.

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

4. INVENTORIES

Inventories consist of the following:

	December 31, 2025	September 30, 2025
Raw materials	\$ 1,885,987	\$ 1,713,894
Work in process	2,547,147	2,738,867
Finished goods	4,878,341	4,742,825
	\$ 9,311,475	\$ 9,195,586

During the quarter ended December 31, 2025, inventories in the amount of \$2,465,572 (December 31, 2024- \$2,272,818) were recognized as an expense through cost of goods sold. The allowance for potentially impaired or stale-dated inventories as at December 31, 2025 was \$660,757, which is recognized as an expense in cost of goods sold (September 30, 2025 - \$529,715).

MICROBIX

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS As at and for the quarters ended December 31, 2025 and 2024

Canadian Funds

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 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, 2025	\$ 6,750,751	\$ 757,803	\$ 10,004,164	\$ 2,686,108	\$ 800,000	\$ 20,998,825
Additions	-	53,909	116,457	-	-	170,366
Balance, as at December 31, 2025	6,750,751	811,712	10,120,621	2,686,108	800,000	21,169,191
ACCUMULATED DEPRECIATION						
Balance, as at September 30, 2025	3,464,985	540,181	5,813,922	1,075,438	-	10,894,526
Depreciation	112,416	7,479	149,248	65,051	-	334,193
Balance, as at December 31, 2025	3,577,401	547,660	5,963,171	1,140,489	-	11,228,719
NET BOOK VALUE						
Balance, September 30, 2025	3,285,766	217,622	4,190,241	1,610,670	800,000	10,104,298
Balance, December 31, 2025	\$ 3,173,350	\$ 264,052	\$ 4,157,450	\$ 1,545,619	\$ 800,000	\$ 9,940,472

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

	Right-of-Use Assets		Lease Liabilities
	Property	Equipment	
Balance, September 30, 2025	\$ 1,434,691	\$ 175,978	\$ 1,506,993
Additions	-	-	-
Depreciation Expense	(60,490)	(4,560)	-
Interest Accretion	-	-	15,863
Payments	-	-	(67,387)
Balance, December 31, 2025	\$ 1,374,201	\$ 171,418	\$ 1,455,469
Current portion			\$ 214,004
Non-current portion			1,241,465

MICROBIX**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**
As at and for the quarters ended December 31, 2025 and 2024

Canadian Funds

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

Lease liabilities for leases that were entered during the quarter ended December 31, 2025 were discounted using an incremental borrowing rate of 4.7% (September 30, 2025 – 4.7%). During Q3 2025, 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 December 31, 2025 are:

	Amount
2026	\$ 203,874
2027	273,554
2028	281,943
2029	292,017
2030	296,512
2031 and thereafter	300,670
Total	\$ 1,648,570

6. INTANGIBLE ASSETS

Intangible assets consist of:

	Capitalized Development Costs Bioreactor (a)	Patents and Trademarks QAPs (b)	Kinlytic® License (c)	Rights and Knowhow	Total
COST					
Balance, as at September 30, 2025	2,088,575	142,470	3,078,585	270,604	5,580,235
Additions	-	-	-	-	-
Balance, as at December 31, 2025	2,088,575	142,470	3,078,585	270,604	5,580,235
ACCUMULATED AMORTIZATION					
Balance, as at September 30, 2025	1,125,510	67,673	615,718	40,590	1,849,491
Amortization expense	34,810	3,562	76,964	6,766	122,101
Balance, as at December 31, 2025	1,160,320	71,235	692,682	47,356	1,971,592
NET BOOK VALUE					
Balance, as at September 30, 2025	963,065	74,797	2,462,867	230,014	3,730,744
Balance, as at December 31, 2025	\$ 928,256	\$ 71,235	\$ 2,385,904	\$ 223,248	\$ 3,608,643

6. 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.

7. DEBENTURES

The Company has convertible debentures issued and outstanding as at December 31, 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	-
Balance, September 30, 2025	831,390	1,467,403	2,298,793
Accretion	30,834	56,908	87,742
Repayments	-	-	-
Balance, December 31, 2025	862,224	1,524,311	2,386,535
Less: current portion	-	-	-
Non-current portion	862,224	1,524,311	2,386,535
Balance, December 31, 2025	\$ 862,224	\$ 1,524,311	\$ 2,386,535
Equity component at December 31, 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.

8. 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 December 31, 2025:

Term Loans with the Business Development Bank (“BDC”)	(a)
Effective date of loan	Jun, 2008
Initial Loan Amount	\$ 3,000,000
Balance, September 30, 2024	1,261,675
Proceeds from loan	-
Loan repayments during the period	(1,207,300)
Balance, September 30, 2025	\$ 54,375
Proceeds from loan	-
Loan repayments during the period	(1,305)
Balance, December 31, 2024	\$ 53,070
Current Portion	\$ 5,220
Non-current portion	47,850
Payment frequency	Monthly
Maturity of loan	Feb, 2036
Terms of repayment	Principal and interest

Notes: (a) 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 December 31, 2025, the rate was 5.55% (September 30, 2025 – 5.80%). 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.

As at December 31, 2025, the commitments for the next five fiscal years and thereafter for the BDC loan are as follows:

Fiscal Years	Amount
2026	\$ 3,915
2027	5,220
2028	5,220
2029	5,220
2030 and thereafter	\$ 33,495

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 December 31, 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.

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

- b) 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.
- c) As at December 31, 2025, the Company has received contributions totalling \$3,592,500 (September 30, 2025 – \$3,592,500). 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, 2025 – \$2,422,736), 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, 2025 – \$1,169,764) 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 quarter ended December 31, 2025, \$16,816 has been recognized as grant income within general and administrative expenses (December 31, 2024 – (\$44,567)). As at December 31, 2025, the carrying value of the Loan is \$2,971,748 (September 30, 2025– \$2,914,388) and \$335,717 is recognized as a deferred grant within deferred revenue on the consolidated statements of financial position (September 30, 2025– \$352,533).

The Company is in compliance with the covenants associated with this Loan as at December 31, 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	179,626

9. 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.

10. 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.

On December 9, 2025, the Company initiated a fourth 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.

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, 2025	139,512,478	\$ 50,431,600
Exercise of Options and Warrants	-	-
Stock repurchase and cancellation	(706,150)	(252,778)
Balance, as at December 31, 2025	138,806,328	\$ 50,178,822

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 December 31, 2025, the Company has a total of 13,419,000 options (September 30, 2025 – 13,519,000) issued and is eligible to issue up to a total of 13,881,320 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 quarter ended December 31, 2025 is as follows:

	Units	Weighted average exercise price
Balance, September 30, 2025	13,519,000	\$ 0.49
Stock options expired	(100,000)	\$ 0.46
Balance, December 31, 2025	13,419,000	\$ 0.49
Exercisable, December 31, 2025	5,049,000	\$ 0.61

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 December 31, 2025 and September 30, 2025:

	December 31, 2025			September 30, 2025		
	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	7,944,000	\$ 0.56	1.95	8,044,000	\$ 0.56	2.17
\$0.28 to \$0.40	5,475,000	\$ 0.39	2.65	5,475,000	0.39	2.91
	13,419,000	\$ 0.49	2.24	13,519,000	\$ 0.49	2.47

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 quarter, the fair value of the options vested in the quarter were expensed and credited to contributed surplus. During the quarter, the Company recorded share-based compensation expense of \$160,530 (2024 - \$177,427).

11. STOCK OPTION PLAN (Continued)

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

12. 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 period ended December 31	2025	2024
Numerator for basic income (loss) per share:		
Net income (loss) available to common shareholders	\$ (1,167,177)	\$ 856,962
Net income (loss) for dilutive earnings per share	\$ (1,167,177)	\$ 856,962
Denominator for basic income (loss) per share:		
Weighted average common shares outstanding	139,052,020	134,914,159
Dilutive Effect	-	633,304
Dilutive weighted average common shares outstanding	139,052,020	135,547,463
Net income (loss) per share:		
Basic	\$ (0.008)	\$ 0.006
Diluted	\$ (0.008)	\$ 0.006

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 period ended December 31	2025	2024
Pursuant to warrants	-	8,881,564
Under stock options	13,419,000	11,880,696
Pursuant to convertible debentures	17,391,304	17,391,304
	30,810,304	38,153,564

MICROBIX

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS As at and for the quarters ended December 31, 2025 and 2024

Canadian Funds

13. CHANGES IN NON-CASH WORKING CAPITAL

For the period ended December 31	2025	2024
Accounts receivable	\$ (2,373,886)	\$ (758,685)
Inventory	(115,888)	(611,189)
Prepaid expenses and other assets	8,025	20,307
Investment tax credits receivable	-	-
Deferred revenue	593,638	515,603
Accounts payable and accrued liabilities	(324,904)	38,570
	<u>\$ (2,213,015)</u>	<u>\$ (795,394)</u>

14. FINANCIAL EXPENSES, NET

For the period ended December 31	2025	2024
Cash interest:		
Interest on long-term debt	\$ 752	\$ 22,301
Interest on debentures	90,000	90,000
Interest other	-	-
Interest income	(71,520)	(117,938)
Non-cash interest:		
Accretion on debentures	87,742	65,138
Accretion interest expense	73,223	53,628
Financial expenses	<u>\$ 180,196</u>	<u>\$ 113,129</u>

15. 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 December 31, 2025 was \$32,018,530 (September 30, 2025 - \$33,055,099).

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 access to 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 buyback of issued common shares per its normal-course issuer bid program (see note 10). There was no change during the quarter in how the Company defines its capital or how it manages its capital.

16. 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 quarters ended December 31, 2025 and September 30, 2025, the Company has carried at fair value financial instruments in Level 1. As at December 31, 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 quarter.

The three levels are defined as follows:

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

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	31-Dec-25	\$ 9,097,580	-	-
Liabilities for which fair values are disclosed:				
Convertible debentures	31-Dec-25	-	2,386,535	-
Long-term-debt and other debt	31-Dec-25	-	3,024,818	-

	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-25	\$ 12,112,760	-	-
Liabilities for which fair values are disclosed:				
Convertible debentures	30-Sep-25	-	2,298,793	-
Long-term-debt and other debt	30-Sep-25	-	2,298,764	-

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.

17. 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, reference materials for test development or manufacturing, and testing-related reagents such as 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 quarters ended December 31, segmented between categories (i) and (ii) (including Kinlytic):

For the quarter ended December 31	Segment revenue		Operating Income (loss)	
	2025	2024	2025	2024
Product Sales	\$ 4,050,632	\$ 5,893,739	\$ (1,239,985)	\$ 802,168
Licensing Fees and Royalties	168,277	150,263	72,808	54,794
Total for continuing operations	\$ 4,218,909	\$ 6,044,002	\$ (1,167,177)	\$ 856,962

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current quarter (December 31, 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	
	December 31 2025	September 30 2025	December 31 2025	September 30 2025
Product Sales	\$ 34,204,671	\$ 34,947,065	\$ 9,983,398	\$10,399,071
Licensing Fees and Royalties	2,385,904	2,462,868	-	-
Total for continuing operations	\$ 36,590,575	\$ 37,409,933	\$ 9,983,398	\$10,399,071

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.

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 December 31 are as follows:

	Depreciation and amortization		Additions to non-current assets	
	2025	2024	2025	2024
Product Sales	\$ 379,329	\$ 357,977	\$ 170,366	\$ 203,052
Licensing Fees and Royalties	76,965	76,965	-	-
	\$ 456,294	\$ 434,942	\$ 170,366	\$ 203,052

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. 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 period ended December 31,	Revenue from external customers		Non-current assets	
	2025	2024	2025	2024
North America	\$ 2,502,764	\$ 4,069,268	\$13,549,114	\$ 13,604,915
Europe	1,673,487	1,877,988	-	-
Other foreign countries (directly)	42,658	96,746	-	-
Total for continuing operations	\$ 4,218,909	\$ 6,044,002	\$13,549,114	\$13,604,915

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

For the period ended December 31,	2025	2024
Balance, beginning of the year	\$ 870,481	\$ 740,058
Cash payments or advance payments on performance obligations	1,226,178	1,245,536
Revenue recognized during the quarter	(615,724)	(774,500)
Deferred government grant and loan (see notes 8 and 9)	(16,816)	44,567
Balance, end of quarter	\$ 1,464,119	\$ 1,255,661

As at December 31, 2025, \$268,454 of deferred revenue is reported in Long-term liabilities (September 30, 2025 - \$285,269).

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.

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.

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 five key management executive officers. Compensation for the Company's key management personnel was as follows:

	Three months ended December 31, 2025	Three months ended December 31, 2024
Short-term wages, bonuses and benefits	\$ 380,230	\$ 369,537
Share based payments	103,371	114,779
Total key management compensation	\$ 483,601	\$ 484,316

During the quarter the Company expensed \$18,250 related to consulting services provided by Syntax Strategic Inc. (a company owned by one of Microbix' directors), for government relations initiatives. The Company pays \$6,250 per month on a month-to-month agreement.

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

	Amount
2026	\$ 270,000
2027	360,000
2028	2,860,000
2029	1,539,497
	\$ 5,029,497

Principal payments in 2028 (\$2,500,000) and 2029 (\$1,500,000) will be payable if the debenture holder does not convert the debentures into shares.

Contingencies

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