

**LEXAGENE HOLDINGS INC.**  
**(former Wolfeye Resources Corp.)**

**Consolidated Condensed Interim Financial Statements**  
**For the nine months ended November 30, 2016 and 2015**

(Unaudited – Prepared by Management)

(Expressed in Canadian Dollars)

These unaudited condensed consolidated interim financial statements of Lexogene Holdings Inc. for the nine months ended November 30, 2016 have been prepared by management and approved by the Board of Directors. These unaudited condensed consolidated interim financial statements have not been reviewed by the Company's external auditors.

**LEXAGENE HOLDINGS INC.****(former Wolfeye Resources Corp.)**

Consolidated condensed interim statements of financial position

(Expressed in Canadian Dollars)

(Unaudited)

	<b>November 30, 2016</b>	<b>February 29, 2016</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 1,255,544	\$ 25,310
Receivables	7,657	2,440
Prepaid	8,352	-
	1,271,553	27,750
<b>Non-current</b>		
Intangible asset (note 6)	95,888	76,753
Property and equipment (note 7)	30,506	-
	126,394	76,753
<b>TOTAL ASSETS</b>	<b>\$ 1,397,947</b>	<b>\$ 104,503</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payables and accrued liabilities (note 10)	\$ 69,825	\$ 39,640
Loan payable	-	25,000
	69,825	64,640
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
Share capital (note 8)	5,076,830	124,010
Share-based payment reserve (note 8)	1,631,246	-
Accumulated other comprehensive loss	(932)	-
Deficit	(5,379,022)	(84,147)
<b>TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)</b>	<b>1,328,122</b>	<b>39,863</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 1,397,947</b>	<b>\$ 104,503</b>

Nature and continuance of operations (Note 1)

Subsequent event (Note 13)

**LEXAGENE HOLDINGS INC.****(former Wolfeye Resources Corp.)**

Consolidated condensed interim statements of loss and comprehensive loss

(Expressed in Canadian Dollars)

(Unaudited)

	Three months ended November 30,		Nine months ended November 30,	
	2016	2015	2016	2015
<b>Expenses</b>				
Administration (Note 10)	\$ 5,000	\$ -	\$ 5,000	\$ -
Advertising and promotion	7,553	-	7,553	-
Amortization	7,176	658	9,204	1,611
Consulting fees (Note 10)	613	-	100,613	5,132
Insurance	1,097	-	1,097	-
Office and miscellaneous	2,903	(2,104)	4,124	176
Professional fees	(18)	23,954	4,727	55,489
Research and development	195,088	-	347,822	-
Transfer agent and filing fees	12,133	-	12,133	-
Travel	11,459	-	11,459	-
Wages and salaries (Note 10)	38,574	-	38,574	-
	281,578	22,508	542,306	62,408
<b>Other items</b>				
Transaction fair value consideration (note 5)	4,752,506	-	4,752,506	-
Foreign exchange	63	-	63	-
<b>Net loss for the period</b>	<b>5,034,147</b>	<b>22,508</b>	<b>5,294,875</b>	<b>62,408</b>
<b>Other comprehensive loss</b>				
Unrealized loss on translation to reporting currency	932	-	932	-
<b>Comprehensive loss for the period</b>	<b>\$5,035,079</b>	<b>\$ 22,508</b>	<b>\$ 5,295,807</b>	<b>\$ 62,408</b>
<b>Net loss per share – basic and diluted</b>	<b>\$ 0.160</b>	<b>\$ 0.001</b>	<b>\$ 0.238</b>	<b>\$ 0.012</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b>	<b>31,498,443</b>	<b>15,692,308</b>	<b>22,285,303</b>	<b>5,192,727</b>

See accompanying notes to the consolidated condensed interim financial statements

**LEXAGENE HOLDINGS INC.**

(former Wolfeye Resources Corp.)

**Consolidated condensed interim statements of changes in shareholders' equity**

(Expressed in Canadian Dollars)

(Unaudited)

	Share Capital		Share-based payment reserve	Accumulated deficit	Accumulated Other comprehensive loss	Total
	Number	Amount				
<b>Balance, February 28, 2015</b>	99	\$ 990	\$ -	\$ (6,581)	-	\$ (5,591)
Cancellation of common shares	(99)	(990)	-	-	-	(990)
Shares issued for cash	17,000,000	37,860	-	-	-	37,860
Share issue costs	-	(1,850)	-	-	-	(1,850)
Net loss for the period	-	-	-	(62,408)	-	(62,408)
<b>Balance, November 30, 2015</b>	17,000,000	36,010	-	(68,989)	-	32,979
<b>Balance, February 29, 2016</b>	16,150,000	\$ 124,010	-	\$ (84,147)	-	\$ 39,863
Shares issued for cash,	3,850,000	251,050	-	-	-	251,050
BDI shares cancelled	(20,000,000)	(375,060)	-	-	-	(375,060)
Shares issued in relation to BDI purchase	20,225,000	375,060	-	-	-	375,060
Shares issued to the Company shareholders	10,195,260	2,548,815	-	-	-	2,548,815
Warrants granted to BDI warrant holders	-	-	1,563,432	-	-	1,563,432
Shares issued as Transaction	1,000,000	250,000	-	-	-	250,000
Warrants exercised	220,000	67,870	(50,270)	-	-	17,600
Shares issued for cash	8,400,800	2,100,200	-	-	-	2,100,200
Share issue costs	-	(265,115)	118,084	-	-	(147,031)
Net loss for the period	-	-	-	(5,294,875)	(932)	(5,295,807)
<b>Balance, November 30, 2016</b>	40,041,060	5,076,830	1,631,246	(5,379,022)	(932)	1,328,122

**LEXAGENE HOLDINGS INC.**  
**(former Wolfeye Resources Corp.)**  
**Consolidated condensed interim statements of cash flows**  
**For the nine months ended November 30, 2016 and 2015**  
(Expressed in Canadian Dollars)  
(Unaudited)

	<b>November 30, 2016</b>	<b>November 30, 2015</b>
<b>Operating Activities</b>		
Net loss for period	\$ (5,294,875)	\$ (62,408)
Item not involving cash		
Amortization	9,204	1,611
Transaction fair value consideration	4,506,832	-
Change in working capital balances		
Accounts receivable	(121)	-
Prepaid	2,247	-
Accounts payable and accrued liabilities	(155,095)	36,638
<b>Cash Used in Operating Activities</b>	<b>(931,808)</b>	<b>(24,159)</b>
<b>Investing Activity</b>		
Computers and equipment	(32,665)	-
Purchase of intangible asset	(26,202)	(32,396)
<b>Cash Used in Investing Activities</b>	<b>(58,867)</b>	<b>(32,396)</b>
<b>Financing Activities</b>		
Proceeds from loan payable	-	25,000
Proceeds from shares issued	2,351,550	45,570
Share issue costs	(147,331)	(12,000)
Warrants exercised	17,600	-
<b>Cash Provided by Financing Activities</b>	<b>2,221,819</b>	<b>58,570</b>
<b>Inflow of Cash</b>	<b>1,231,144</b>	<b>2,015</b>
<b>Cash, Beginning of Period</b>	<b>25,310</b>	<b>-</b>
Effect of foreign exchange	(910)	
<b>Cash, End of Period</b>	<b>\$ 1,255,544</b>	<b>\$ 2,015</b>

# **LEXAGENE HOLDINGS INC.**

**(former Wolfeye Resources Corp.)**

**Notes to the consolidated condensed interim financial statements  
For the nine months ended November 30, 2016 and 2015**

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## **1. NATURE AND CONTINUANCE OF OPERATIONS**

Lexagene Holdings Inc. (the “Company”) was incorporated on April 26, 2007, under the laws of the province of British Columbia, Canada. The head office, principal address, records office and registered address of the Company are located at 750 West Pender Street, Suite 303, Vancouver, British Columbia, Canada, V6C 2T7. The Company’s common shares are listed on the TSX Venture exchange under the trading symbol “LXG”. In October 2016 the Company changed its name from Wolfeye Resources Corp. to Lexagene Holdings Inc.

During the nine months ended November 30, 2016, the Company transitioned to the technology industry. The principal business of the Company is to research, develop and commercialize pathogen detection devices in the bio-chemical industry. Up to May 2015 the Company’s principal activity was the acquisition and exploration of mineral properties in North America.

Effective November 17, 2015, the Company entered into a definitive share exchange agreement to acquire all of the issued and outstanding securities (the “Acquisition” or “Transaction”) of Bionomics Diagnostics Inc. (“BDI”), an arm’s-length private British Columbia company operating in the biomedical device space (the “BDI Agreement”). Bionomics Diagnostics Inc. was incorporated in British Columbia, Canada, on February 10, 2015. The principal business of the Company is to research, develop and commercialize pathogen detection devices in the bio-chemical industry.

This transaction was accounted for as a purchase. For accounting purposes Bionomics Diagnostics Inc. was deemed to be the acquirer and Wolfeye Resource Corp the acquiree. The resulting issuer was renamed LexaGene Holdings Inc. Accordingly, the operating results of Lexagene Holdings Inc. have been included in the financial statements from the date of acquisition, which is October 12, 2016. (Note 5). The Statement of Financial Position as at February 29, 2016 is that of Bionomics Diagnostics Inc.

## **2. BASIS OF PRESENTATION**

These financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards (“IFRS”) with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

These unaudited condensed interim consolidated financial statements were approved and authorized for issue on January 27, 2017 by the directors of the Company.

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the IFRS Interpretations Committee.

These financial statements are presented in Canadian dollars, which is the Company’s functional currency.

## LEXAGENE HOLDINGS INC.

(former Wolfeye Resources Corp.)

Notes to the consolidated condensed interim financial statements  
For the nine months ended November 30, 2016 and 2015

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### 3. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Financial instruments

##### (i) Financial assets

The Company classifies its financial assets in the following categories: held-to-maturity, FVTPL, loans and receivables, and available-for-sale ("AFS"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at recognition.

##### *Fair value through profit or loss*

Financial assets are classified as FVTPL when the financial asset is held-for-trading or it is designated as FVTPL. A financial asset is classified as FVTPL when it has been acquired principally for the purpose of selling in the near future; it is part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking or if it is a derivative that is not designated and effective as a hedging instrument. Upon initial recognition, attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Cash is included in this category of financial assets.

##### *Loans and receivables*

Loans and receivables are initially recognized at the transaction value and subsequently carried at amortized cost less impairment losses. The impairment loss on receivables is based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Interest income is recognized by applying the effective interest rate method. Subscription receivable is included in this category of financial assets.

##### *Held-to-maturity*

Held-to-maturity financial assets are recognized on a trade-date basis and are initially measured at fair value using the effective interest rate method. The Company has no assets classified as held-to-maturity.

##### *Available-for-sale*

AFS financial assets are non-derivatives that are either designated as AFS or not classified in any of the other financial assets categories. Changes in the fair value of AFS financial assets other than impairment losses are recognized as other comprehensive income (loss) and classified as a component of equity. The Company has no assets classified as AFS.



## LEXAGENE HOLDINGS INC.

(former Wolfeye Resources Corp.)

Notes to the consolidated condensed interim financial statements  
For the nine months ended November 30, 2016 and 2015

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (a) Financial instruments (continued)

##### (ii) Financial liabilities

The Company classifies its financial liabilities in the following category:

##### *Borrowings and other financial liabilities*

Borrowings and other financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs incurred, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in the income statement over the period to maturity using the effective interest method.

Borrowings and other financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities and loan payable.

##### (iii) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Inputs for assets or liabilities that are not based on observable market data.

The Company's financial instruments classified as Level 1 in the fair value hierarchy are cash, subscription receivable, accounts payable and accrued liabilities, and loan payable.

##### (iv) Impairment of financial assets

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or group of financial assets.

#### (b) Research and development costs

Research costs, including costs for new patents and patent applications, are expensed in the period in which they are incurred. Development costs are expensed in the period in which they are incurred unless certain criteria, including technical feasibility, commercial feasibility, and intent and ability to develop and use the technology, are met for deferral and amortization. No research or development costs have been incurred to date.

## **LEXAGENE HOLDINGS INC.**

**(former Wolfeye Resources Corp.)**

**Notes to the consolidated condensed interim financial statements  
For the nine months ended November 30, 2016 and 2015**

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **(c) Intangible assets**

Intangible assets of the Company include technology rights and patents acquired from third parties, and are recorded at cost less accumulated amortization and accumulated impairment losses. Initial acquisition cost is based on the fair value of the consideration paid or payable, and will be amortized on a straight-line basis over the estimated useful life of the underlying technologies with finite lives. Once the Company commences research and development activities, the intangible assets will be amortized on a straight-line basis over 10 years. The Company reviews the estimated useful lives and carrying values of its technology rights and patents as part of its periodic assessment for impairment of non-financial assets.

The carrying amounts for technology rights and patents do not necessarily reflect present or future value and the ultimate amounts recoverable will be dependent upon the successful development and commercialization of products based on these underlying technologies.

#### **(d) Property and equipment**

Property and equipment are initially recognized at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company. Property and equipment are subsequently measured using the cost model, cost less amortization and impairment. Amortization is recognized on a straight-line basis to amortize the cost over the estimated useful life of the property and equipment as follows: Computer equipment 5 years Lab equipment 5 to 7 years.

#### **(e) Impairment of non-financial assets**

Impairment tests on non-financial assets are undertaken annually at the financial year-end and whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized in other comprehensive income (loss).

#### **(f) Share-based payments**

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using the Black-Scholes Option Pricing Model.

## LEXAGENE HOLDINGS INC.

(former Wolfeye Resources Corp.)

Notes to the consolidated condensed interim financial statements  
For the nine months ended November 30, 2016 and 2015

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (f) Share-based payments (continued)

The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

#### (g) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

#### (h) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income (loss).

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current period and any adjustment to income taxes payable in respect of previous periods. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Current tax expense is the expected tax payable on the taxable income for the period using tax rates enacted or substantively enacted at period-end, adjusted for amendments to tax payable with regard to previous years.

Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against that excess.

## LEXAGENE HOLDINGS INC.

(former Wolfeye Resources Corp.)

Notes to the consolidated condensed interim financial statements  
For the nine months ended November 30, 2016 and 2015

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### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (i) Share capital

Instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. The proceeds from issuance of units are allocated between common shares and warrants based on the residual method. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced and any residual value is allocated to a warrants reserve.

#### (k) Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange in effect at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All exchange differences are recorded in foreign exchange gain or loss in the statement of loss and comprehensive loss under foreign exchange gain/loss.

#### (l) Significant accounting judgments, estimates and assumptions

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Significant areas requiring the use of management estimates include:

- The utilization of deferred income tax assets; and
- The useful lives of the intangible assets.

Significant areas requiring the use of management's judgments include:

- Treatment of development costs

Costs to develop products are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 *Intangible Assets* are met. Those criteria require that the product is technically and economically feasible, which management assessed based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible. The Company has not capitalized any development costs as at November 30, 2016.

## **LEXAGENE HOLDINGS INC.**

(former Wolfeye Resources Corp.)

Notes to the consolidated condensed interim financial statements  
For the nine months ended November 30, 2016 and 2015

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### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(l) Significant accounting judgments, estimates and assumptions (continued)

- Recoverability of the carrying value of intangible assets

Evaluating the recoverability requires judgments in determining whether future economic benefits from sale or otherwise are likely. Evaluation may be more complex where activities have not reached a stage that permits a reasonable assessment of the viability of the asset. Management must make certain estimates and assumptions about future events or circumstances including, but not limited to, the interpretation of marketing and sales data, as well as the Company's financial ability to continue marketing and sales activities and operations.

### **4. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

Credit risk is the risk of an unexpected loss if a third party to a financial instrument fails to meet its contractual obligations. The Company's cash is held at a single major Canadian financial institution. The Company considers credit risk on its cash to be minimal. The Company's subscriptions receivable consists of amounts receivable from its shareholders and considers credit risk on its subscriptions receivable to be minimal.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. At November 30, 2016, the Company had cash of \$1,255,544 available to meet short-term business requirements and current liabilities of \$69,825. The Company's accounts payable and accrued liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk. The Company is not exposed to significant risk.

### **5. ACQUISITION OF BIONOMICS DIAGNOSTICS INC.**

As described in the Note 1, the Company completed a reverse-take-over acquisition ("Transaction") of Bionomics Diagnostics ("BDI") effective October 12, 2016.

## LEXAGENE HOLDINGS INC.

(former Wolfeye Resources Corp.)

Notes to the consolidated condensed interim financial statements  
For the nine months ended November 30, 2016 and 2015

### 5. ACQUISITION OF BIONOMICS DIAGNOSTICS INC. (continued)

Under the terms of the Transaction, BDI shareholders received 17,150,000 common shares of the Company ("BDI shares") and BDI became a wholly owned subsidiary of the Company. As of the effective date of the Transaction, October 12, 2016, 6,980,000 BDI warrants remained outstanding and will continue to be governed by the terms and provisions of the warrant certificates; however, the holder will be entitled upon the exercise thereof to receive Lexagene Shares.

This acquisition has been accounted for as purchase and accordingly operating results of Lexagene Holdings Inc. have been included in the financial statements from the date of acquisition, which is October 12, 2016. The Statement of Financial Position as at February 29, 2016 is that of Bionomics Diagnostics Inc.

The purchase price has been allocated as follows:

	Number	Amount
Consideration		
Outstanding common shares of Wolfeye	10,195,260	\$2,548,815
Outstanding warrants of Wolfeye	6,980,000	1,563,432
		<u>\$4,112,247</u>
Identifiable assets acquired		
Receivables		5,096
Prepaid expenses		10,599
Intangible asset		26,202
Short term loan		25,000
Trade payables and accrued liabilities		(457,156)
		<u>(390,259)</u>
Transaction cost		<u>4,502,506</u>
Total net identifiable assets and transaction costs		<u>\$4,112,247</u>

The purchase price allocation for this transaction has not been finalized as of the current reporting date as management is still assessing the fair value of certain intangible assets. Under IFRS, the allocation must be finalized within one year of the acquisition date.

The weighted average fair value of the warrants of \$0.224 was determined using the Black-Scholes option pricing model with the following weighted average assumptions: a 2.37 years expected life; share price at the grant date of \$0.25; 170.59% volatility; risk free interest rate of 0.60%; and a dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices over the expected life of the options.

## **LEXAGENE HOLDINGS INC.**

**(former Wolfeye Resources Corp.)**

**Notes to the consolidated condensed interim financial statements**

**For the nine months ended November 30, 2016 and 2015**

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### **6. INTANGIBLE ASSET**

On February 4, 2015, the Company and Lawrence Livermore National Security (“LLNS”) entered into a license agreement, whereby the Company has exclusive right to develop, manufacture and sell pathogen detection devices designed to quickly identify bacteria and viruses that can cause disease with applications in both food safety and healthcare.

As consideration for the license agreement, the Company is required to pay a non-refundable License Issue Fee of US\$60,000 due on the effective date and payable as follows:

- US\$10,000 (paid) due on execution of the agreement;
- US\$10,000 (paid) due within five months after the effective date;
- US\$20,000 (paid) due within six months after the effective date; and
- US\$20,000 (paid) due within nine months after the effective date.

The execution of the agreement was June 22, 2015. A related party advanced US\$5,000 on behalf of the Company during the 19-day period ended February 28, 2015. In addition, the Company is required to pay to LLNS a non-refundable US Maintenance Patent Fee of US\$45,000 as follows:

- US\$15,000 (paid) to be paid on or before February 28, 2016;
- US\$15,000 to be paid on or before February 28, 2019; and
- US\$15,000 to be paid on or before February 28, 2023.

In the event that the Company grants sublicenses, the Company will collect an issue fee equal to or greater than the License Issue Fee mentioned above. The Company will pay to LLNS 50% of any License Issue Fee from sublicensing.

In addition, the Company will pay LLNS a minimum annual royalty. This minimum annual royalty will be credited against the earned royalty of 3% due on all net sales. The minimum annual royalty is due as follows:

- US\$5,000 to be paid on or before February 28, 2017;
- US\$10,000 to be paid on or before February 28, 2018;
- US\$10,000 to be paid on or before February 28, 2019;
- US\$25,000 to be paid on or before February 28, 2023 and each year thereafter.

The license agreement will remain in effect until the expiration or abandonment of the last of the patent rights.

**LEXAGENE HOLDINGS INC.**

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Notes to the consolidated condensed interim financial statements

For the nine months ended November 30, 2016 and 2015

**6. INTANGIBLE ASSET** (continued)

For the nine months ended November 30, 2016, years ended February 29, 2016 and 2015:

<b>Cost</b>	
Balance, February 28, 2015	\$ 6,345
Additions	74,782
Balance, February 29, 2016	\$ 81,127
Additions	26,202
Balance, November 30, 2016	\$ 107,329
<b>Accumulated Amortization</b>	
Balance, February 28, 2015	\$ -
Additions	4,374
Balance, February 29, 2016	4,374
Additions	7,067
Balance, November 30, 2016	\$ 11,441
<b>Carrying value</b>	
February 28, 2015	\$ 6,345
February 28, 2016	\$ 76,753
November 30, 2016	\$ 95,888

**7. PROPERTY AND EQUIPMENT**

During the the nine months ended November 30, 2016 and year ended February 29, 2016:

	Computer equipment	Lab equipment	Total
<b>Cost</b>			
Balance, February 29, 2016	\$ -	\$ -	\$ -
Additions	3,107	29,558	32,665
Balance, November 30, 2016	\$ 3,107	29,558	32,665
<b>Accumulated Amortization</b>			
Balance, February 29, 2016	\$ -	\$ -	\$ -
Additions	102	2,057	2,159
Balance, November 30, 2016	\$ 102	2,057	2,159
<b>Carrying value</b>			
February 28, 2016	\$ -	\$ -	\$ -
November 30, 2016	\$ 3,005	\$ 27,501	\$ 30,506



## **LEXAGENE HOLDINGS INC.**

(former Wolfeye Resources Corp.)

**Notes to the consolidated condensed interim financial statements  
For the nine months ended November 30, 2016 and 2015**

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### **8. SHARE CAPITAL**

(a) Authorized

Unlimited common shares without par value.

(b) Issued and outstanding

**The following were issued during the nine months ended November 30, 2016:**

- On March 23, 2016, the Company issued 1,000,000 common shares at a price of \$0.10 per common share for total proceeds of \$100,000. Share issue costs totaled \$300.
- On July 7, 2016, the Company issued 1,000,000 common shares at a price of \$0.10 per common share for total proceeds of \$100,000.
- On July 21, 2016, the Company issued 500,000 common shares at a price of \$0.10 per common share for total proceeds of \$50,000.
- On July 22, 2016, the Company issued 1,350,000 common shares at a price of \$0.001 per common share for total proceeds of \$1,350.
- On October 4, 2016, the Company issued 8,400,800 common shares at a price of \$0.25 per common share for total proceeds of \$2,100,200. The Company paid \$147,031 in finders and legal fees. The Company granted 535,000 finders warrants exercisable at \$0.25 and expiring on October 4, 2018. The fair value of the warrants of \$118,084 was recorded as share issue costs. The fair value of the warrants of \$0.224 per warrant was determined using the Black-Scholes option pricing model with the following weighted average assumptions: 2 years expected life; share price at the grant date of \$0.25; 182% volatility; risk free interest rate of 0.54%; and a dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices of the issuers in similar business over the expected life of the options.
- On October 12, 2016, pursuant to the Transaction (note 5) 20,000,000 shares of BDI were cancelled and 20,225,000 shares were issued to BDI shareholders. 1,000,000 shares were issued to the Transaction finders. These shares were valued at the market price of \$0.25 recorded as Transaction cost.
- During the nine months ended November 30, 2016 220,000 warrants were exercised at \$0.08 per warrant. The fair value of the warrants of \$50,270 was deducted from share-based payment reserve.

## LEXAGENE HOLDINGS INC.

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For the nine months ended November 30, 2016 and 2015

### 8. SHARE CAPITAL (continued)

(b) Issued and outstanding (continued)

The following were issued during the year ended February 29, 2016:

- On September 7, 2015, the Company issued 16,860,000 common shares at a price of \$0.001 per common share for total proceeds of \$16,860. On December 1, 2015, 1,850,000 shares were repurchased for \$1,850 and were then cancelled.
- On September 7, 2015, the Company issued 140,000 common shares at a price of \$0.15 per common share for total proceeds of \$21,000.
- On February 22, 2016, the Company issued 1,000,000 common shares at a price of \$0.10 per common share for total proceeds of \$100,000.
- Share issue costs totaled \$12,000.

(d) Warrants

The changes in warrants during the nine months ended November 30, 2016 and 2015 are as follows:

	Nine months ended November 30, 2016		Year ended February 29, 2016	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning of year	8,005,000	\$ 0.08	6,005,000	\$ 0.08
Warrants issued	535,000	0.25	2,000,000	0.08
Warrants exercised	(1,145,000)	0.08	-	
Warrants outstanding, end of year	7,395,000	\$ 0.09	8,005,000	\$ 0.08

Details of warrants outstanding as at November 30, 2016 are as follows:

Number of warrants	Exercise Price	Expiry Date
4,860,000	\$ 0.08	June 20, 2019
2,000,000	\$ 0.08	May 7, 2018
535,000	\$ 0.25	October 4, 2018

(c) Stock options

There were no options outstanding as at November 30, 2016 and February 29, 2016.

## **LEXAGENE HOLDINGS INC.**

**(former Wolfeye Resources Corp.)**

**Notes to the consolidated condensed interim financial statements**

**For the nine months ended November 30, 2016 and 2015**

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### **9. CAPITAL MANAGEMENT**

The Company plans to develop, manufacture and sell pathogen detection devices for various health-related concerns, which involves a high degree of risk. The Company has not determined whether it will be successful in its endeavors and does not generate cash flows from operations. The Company's primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations, and is not subject to any externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern.

The Company defines its capital as shareholders' equity. Capital requirements are driven by the Company's general operations. To effectively manage the Company's capital requirements, the Company monitors expenses and overhead to ensure costs and commitments are being paid.

There have been no changes to the Company's approach to capital management during the year.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this financing.

### **10. RELATED PARTY TRANSACTIONS**

During the period from March 1, 2016 up to the completion of the Transaction the Company paid \$3,000 to a former director in form of a management fee, \$35,000 in administration expenses to a management company for providing administrative services including CFO services, and \$35,000 in consulting fees to a director of the Company. All these fees are included in the Transaction fair value consideration expense. During the period from the completion of the Transaction to the end of the period the Company paid \$37,112 in wages to directors of the Company; \$20,000 in consulting fees to an officer of the Company, and \$5,000 in administration expenses to a management company for providing administrative services including CFO services.

As of November 30, 2016, \$5,250 (February 29, 2016 - \$nil) is payable to a management company for providing administrative services including CFO services.

### **11. RESEARCH AND DEVELOPMENT**

The Company's product development plan is divided into three phases: alpha prototype, beta prototype, and production unit for commercialization.

The Company has begun the process of building the alpha prototype by engaging Boston Engineering Corporation ("Boston Engineering"). The alpha prototype is expected to take approximately 12 months with estimated fees of USD\$1,210,000. During the nine months ended November 30, 2016, US\$316,555 (November 30, 2015 - \$nil) has been paid to Boston Engineering pursuant to this agreement.

### **12. SEGMENTED INFORMATION**

The Company has one operating segment, the development of medical imaging devices. All its assets are based in Canada.

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**Notes to the consolidated condensed interim financial statements**

**For the nine months ended November 30, 2016 and 2015**

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**13. SUBSEQUENT EVENTS**

Subsequent to the nine months ended November 30, 2016 1,760,000 warrants exercisable at \$0.08 were exercised.