CONSOLIDATED FINANCIAL STATEMENTS

For the years ended February 28, 2017 and February 29, 2016

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Lexagene Holdings Inc.

We have audited the accompanying consolidated financial statements of Lexagene Holdings Inc. which comprise the consolidated statement of financial position as at February 28, 2017, and the consolidated statements of comprehensive loss, changes in shareholder's equity and cash flows for the year then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lexagene Holdings Inc. as at February 28, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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INDEPENDENT AUDITORS' REPORT

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Lexagene Holdings Inc. to continue as a going concern.

Other Matter

The financial statements for the year ended February 29, 2016 and period ended February 28, 2015 (prior to the retrospective application of the change in accounting policy described in Note 2), which are presented for comparative purposes, were audited by another auditor who expressed an unmodified opinion on those financial statements on April 8, 2016. The statement of financial position as at March 1, 2015 has been derived from the statement of financial position as at February 28, 2015 (not presented herein).

As part of our audit of the consolidated financial statements of LexaGene Holdings Inc. for the year period ended February 28, 2017, we also audited the adjustments described in Note 2 of the consolidated financial statements that were applied to restate the consolidated financial statements to retrospectively apply the change in accounting policy for the change in the presentation currency as at and for the year ended February 28, 2017, and to derive the statement of financial position as at March 1, 2015. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the consolidated financial statements of the Company for the year ended February 29, 2016 or to the statement of financial position as at February 29, 2016 and March 1, 2015 other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the financial statements as at and for the year ended February 29, 2016 or to the statement of financial position as at March 1, 2015 taken as a whole.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
June 26, 2017

LEXAGENE HOLDINGS INC.
Consolidated statements of financial position
(Expressed in US dollars)

	Note	February 28, 2017	February 29, 2016	March 1, 2015
ASSETS				
Current assets				
Cash		$ 867,483	$ 18,716	$ -
Receivables		11,375	1,804	792
Prepaid		69,895	-	-
		948,753	20,520	792
Non-current				
Intangible license	6	73,574	56,758	5,073
Property and equipment	7	29,947	-	-
TOTAL ASSETS		**$ 1,052,274**	**$ 77,278**	**$ 5,865**
LIABILITIES				
Current liabilities				
Accounts payables and accrued liabilities	10	$ 130,615	$ 29,313	$ 10,335
Loan payable		-	18,488	-
		130,615	47,801	10,335
SHAREHOLDERS' EQUITY				
Share capital	8	4,469,182	94,973	792
Share subscriptions		132,413	-	-
Share-based payment reserve	8	857,496	-	-
Accumulated other comprehensive income (loss)		10,444	(835)	-
Deficit		(4,547,876)	(64,661)	(5,262)
TOTAL SHAREHOLDERS' EQUITY		**921,659**	**29,477**	**(4,470)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$ 1,052,274**	**$ 77,278**	**$ 5,865**

Nature and continuance of operations (Note 1)
Subsequent event (Note 15)

Approved on behalf of the Board on June 26, 2017:

"Jack Reagan" *"Daryl Rebeck"*

Jack Reagan, Chairman Daryl Rebeck, Director

LEXAGENE HOLDINGS INC.
Consolidated statements of comprehensive loss
(Expressed in US Dollars)

	Note	Year ended February 28, 2017	Year ended February 29, 2016
Expenses			
Administration	10	$ 15,072	$ -
Advertising and promotion		11,768	-
Amortization of intangible license		9,085	3,350
Amortization of property and equipment		3,251	-
Consulting fees	10	77,179	12,658
Insurance		2,314	-
Office and miscellaneous		6,844	132
Professional fees		91,276	43,198
Research and development		446,652	-
Share based compensation		174,698	-
Transfer agent and filing fees		22,150	-
Travel		28,982	-
Wages and salaries	10	111,189	-
		1,000,460	59,338
Other items			
Listing transaction expense	5	3,484,271	-
Payables written off		(7,294)	-
Foreign exchange		5,778	61
Net loss		4,483,215	59,399
Other comprehensive loss			
Unrealized gain (loss) on translation to reporting currency		11,279	(835)
Comprehensive loss		**$ 4,471,936**	**$ 60,234**
Net loss per share – basic and diluted		**$ 0.17**	**$ 0.01**
Weighted average number of common shares outstanding – basic and diluted		**26,983,818**	**7,713,750**

(The Accompanying Notes form an Integral Part of These Consolidated Financial Statements)

LEXAGENE HOLDINGS INC.
Consolidated statements of changes in shareholders' equity
(Expressed in US Dollars)

	Share Capital		Share subscriptions	Share based payment reserve	Deficit	Other comprehensive income (loss)	Total
	Number	Amount					
Balance, February 28, 2015	99	$ 720	$	$ -	$ (5,262)	$ -	$ (4,542)
Cancellation of common shares	(99)	(689)	-	-	-	-	(689)
Shares issued for cash	16,150,000	104,129	-	-	-	-	104,129
Share issue costs	-	(9,187)	-	-	-	-	(9,187)
Comprehensive loss for the year	-	-	-	-	(59,399)	(835)	(60,234)
Balance, February 29, 2016	**16,150,000**	**94,973**	**-**	**-**	**(64,661)**	**(835)**	**29,477**
Shares issued in private placements	3,850,000	295,813	-	-			295,813
Bionomics cancelled in share exchange with shareholders in RTO	(20,000,000)	(288,097)	-	-	-	-	(288,097)
Issued in share exchange with shareholders in RTO	20,225,000	282,489	-	-	-	-	282,489
Shares and warrants deemed to be issued in reverse take over (Note 5)	10,195,260	1,919,722	-	1,145,682	-	-	3,065,404
Stock options granted	-	-	-	72,009	-	-	72,009
Shares issued to finders (Note 5)	1,000,000	188,296	-	-	-	-	188,296
Warrants exercised	2,650,000	600,962	-	(441,199)	-	-	159,763
Shares issued for cash, net of share issue costs	8,400,800	1,375,024	-	81,004	-	-	1,456,028
Share subscriptions receivable	-	-	(37,659)	-	-	-	(37,659)
Funds received for warrants exercise	-	-	15,072	-	-	-	15,072
Share subscription received, net of costs	-	-	155,000	-	-	-	155,000
Comprehensive income (loss) for the year	-	-	-	-	(4,483,215)	11,279	(4,471,936)
Balance, February 28, 2017	**42,471,060**	**$ 4,469,182**	**$ 132,413**	**$ 857,496**	**$ (4,547,876)**	**$ 10,444**	**$ 921,659**

(The Accompanying Notes form an Integral Part of These Consolidated Financial Statements)

LEXAGENE HOLDINGS INC.
Consolidated statements of cash flows
For the years ended February 28, 2017 and February 29, 2016
(Expressed in US Dollars)

	Year ended	
	February 28, 2017	**February 29, 2016**
Operating Activities		
Net loss for the year	$ (4,483,215)	$ (59,399)
Item not involving cash		
Amortization of intangible license	9,085	3,350
Amortization of property and equipment	3,251	-
Listing transaction expense	3,363,328	-
Share based compensation	174,698	-
Change in working capital balances		
Accounts receivable	(5,733)	(1,012)
Prepaid	(61,912)	-
Accounts payable and accrued liabilities	(44,243)	18,978
Cash Used in Operating Activities	(1,044,741)	(38,083)
Investing Activities		
Purchase of property and equipment	(33,199)	-
Payments for intangible license	(25,000)	(55,035)
Cash Used in Investing Activities	(58,199)	(55,035)
Financing Activities		
Proceeds from loan payable	-	18,488
Proceeds from shares issued, net of cash share issue costs	1,456,028	94,181
Proceeds received for future share issuances	170,072	-
Proceeds received from warrants exercises	315,228	-
Cash Provided by Financing Activities	1,941,328	112,669
Increase in Cash	838,388	19,551
Cash, Beginning	18,716	-
Effect of foreign exchange	10,379	(835)
Cash, Ending	$ 867,483	$ 18,716

(The Accompanying Notes form an Integral Part of These Consolidated Financial Statements)

1. NATURE AND CONTINUANCE OF OPERATIONS

LexaGene Holdings Inc. (the "Company" or "LexaGene") 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". On October 12, 2016 the Company completed a reverse takeover transaction (Note 5) for its TSX-V listing. Concurrent with the closing of the reverse take over transaction the Company changed its name from Wolfeye Resources Corp. to LexaGene Holdings Inc. The principal business of the Company is to research, develop and commercialize pathogen detection devices in the bio-chemical industry.

These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will continue on a going-concern basis. At February 28, 2017, the Company had not generated revenue and had an accumulated deficit of $4,547,876 since inception. The Company's operations are dependent on obtaining additional financing to develop its pathogen device and generating cash flow from operations in the future. These factors form a material uncertainty which raise significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements. Management's plans to meet the Company's current and future obligations are to raise equity through private placements, rely on the financial support of its shareholders and related parties. The Company completed additional financing after year end, refer to Note 15.

2. BASIS OF PREPARATION

Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by IASB.

Basis of measurement
These consolidated financial statements are prepared on a going concern basis, under the historical cost convention.

Use of estimates and judgments
The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the consolidated financial statements are disclosed in Note 3 (l) of the consolidated financial statements.

2. BASIS OF PREPARATION (continued)

Functional and presentation currency

Effective December 1, 2016, the Company's presentation currency was changed to the U.S. dollar ("USD"). The change in presentation currency has been applied to the consolidated financial statements for the year ended February 28, 2017. The consolidated financial statements previously issued for the three, six, and nine months ended June 30, 2016, September 30, 2016, and November 30, 2016 respectively, were presented in Canadian dollars ("CAD") which was the presentation currency prior to the change to USD. The purpose of the change in presentation currency is to align the Company's presentation currency to the functional currency of its operations in the United States. As the Company's target market is expected to be in the United States and research and development operations are located in the United States. The change has been applied retrospectively as if the USD has always been the Company's presentation currency. For comparative figures, assets and liabilities are translated at the applicable period end rates of exchange, and the results of operations are translated at average rates of exchange for the period. Shareholders' equity balances have been translated using historical rates in effect on the date of the associated transactions. Exchange differences arising on translation were recognized in foreign currency translation reserve in shareholders' equity. See Note 14 for the resulting change in presentation currency on the comparative figures.

The functional currency of the Company and its Canadian subsidiary is the CAD, and the USD for the Company's U.S. subsidiary. Translation gains and losses resulting from the consolidation of operations in Canada and U.S. are recognized in other comprehensive loss in the statement of comprehensive income, and in foreign currency translation reserve as a separate component of shareholders' equity on the consolidated statement of changes in shareholder's equity.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

Subsidiaries are corporations controlled by LexaGene. Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Inter-company balances and transactions, and any unrealized gains and losses or income and expenses arising from inter-company transactions are eliminated in preparing the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

The consolidated financial statements include the financial statements of LexaGene Holdings Inc. and its subsidiaries listed as follows:

Name	Country of incorporation	% ownership interest 2017	% ownership interest 2016
Bionomics Diagnostics Inc.	Canada	100%	n/a
LexaGene US Inc.	United States	100%	n/a

The 2016 financial statements are considered to be a continuity of the legal subsidiary Bionomics Diagnostics Inc., refer to Note 5.

(b) Financial instruments

(i) Financial assets

The Company classifies its financial assets in the following categories: held-to-maturity, fair value through profit or loss ("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. The Company has no assets classified as loans and receivables.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial instruments (continued)

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.

(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 consolidated statement of comprehensive loss 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial instruments (continued)

(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.

(c) 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.

(d) Intangible assets

Intangible assets of the Company include technology licenses 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 over 10 years upon the execution of the Agreement with Laurence Livermore National Security (Note 6). 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.

(e) 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 3 years, Lab equipment 5 to 7 years.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) 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).

(g) 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.

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.

(h) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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.

(j) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Foreign currency translation

Items included in the consolidated financial statements of each of the Company's subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. The functional currency of LexaGene Holdings Inc. and Bionomics Diagnostics Inc. is Canadian dollar. The functional Currency of LexaGene US is US dollar.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the consolidated statement of comprehensive loss.

Assets and liabilities of foreign operations with functional currencies other than U.S. dollars are translated at the period end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in foreign currency translation reserve in shareholders' equity.

Foreign exchange gains and losses related to intercompany loans forming part of a reporting entity's net investment in a foreign operation are included in foreign currency translation reserve. When a gain or loss on a non-monetary item is recognized in foreign currency translation reserve, any exchange component of that gain or loss is recognized in other comprehensive income. All other foreign exchange gains and losses are recognized in the consolidated statement of comprehensive loss.

(l) Significant accounting judgments, estimates and assumptions

The preparation of these consolidated 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 consolidated 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 February 28, 2017.

- 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.

(m) Recent accounting pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are not yet effective for the year ended February 28, 2017 and have not been applied in preparing these consolidated financial statements.

As at the date of authorization of these consolidated financial statements, the following standards and interpretations relevant to the Company's operations were issued by IASB but are not yet mandatory:

i. IFRS 9 *Financial Instruments* was issued by the IASB in July 2014 as a complete standard, including the requirements previously issued related to classification and measurement of financial assets and liabilities, and additional amendments to introduce a new expected loss impairment model for financial assets including credit losses. Retrospective application of this standard with certain exemptions is effective for fiscal years beginning on or after January 1, 2018, with earlier application permitted.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Recent accounting pronouncements (continued)

ii. IFRS 16 *Leases* was issued by the IASB in January 2016. IFRS 16 replaces the existing standard (IAS 17) and requires the recognition of most leases on the balance sheet. IFRS 16 effectively removes the classification of leases as either finance or operating leases and treats all leases as finance leases for lessees with exemptions for short-term leases where the term is twelve months or less and for leases of low value items. The accounting treatment for lessors remains the same. IFRS 16 is effective January 1, 2019, with earlier application permitted.

The Company is in the process of determining the impact of the adoption of these new pronouncements on the Company's consolidated financial statements and has not yet completed its assessment.

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 major Canadian financial institutions. The Company considers credit risk on its cash 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. 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 market risk.

5. REVERSE TAKE OVER AND LISTING TRANSACTION

On October 12, 2016 the Company completed a reverse takeover transaction ("RTO"). Concurrent with the closing of the reverse take over transaction the Company changed its name from Wolfeye Resources Corp. ("Wolfeye") to LexaGene Holdings Inc. On October 12, 2016, Wolfeye acquired 100% ownership of Bionomics Diagnostics Inc. ("BDI") by issuing 10,195,260 of its common shares and 6,980,000 common share purchase warrants. For accounting purposes, the acquisition is considered to be outside the scope of IFRS 3 Business Combinations since Wolfeye, prior to the RTO did not constitute a business. The RTO is accounted for in accordance with IFRS 2 Share-based Payments whereby BDI is deemed to have issued shares and share purchase warrants in exchange for the net assets of Wolfeye together with its TSX-V listing status at the fair value of the consideration received by BDI. The accounting for the RTO resulted in the following:

(i) The consolidated financial statements of the combined entities are issued under the legal parent, Wolfeye, but are considered a continuation of the financial statements of the legal subsidiary, BDI.

(ii) Since BDI is deemed to be the acquirer for accounting purposes, its assets and liabilities are included in the consolidated financial statements at their historical carrying values.

The Company cannot identify specifically some or all of the goods or services received in return for the allocation of the shares and warrants, the value in excess of the net identifiable assets or obligations of Wolfeye acquired on closing was expensed in the consolidated statement of comprehensive loss as a listing transaction expense.

The listing transaction expense in the amount of $3,484,271 is comprised of the fair value of common shares and warrants of the Company retained by the former shareholders of Wolfeye, the assumption of a working capital deficiency as well as other direct expenses of the Transaction.

The fair value of the common shares issued was $1,919,722, based on the price of shares issued in the concurrent private placement of $0.188 (CAD$0.25) per share. The average fair value of Wolfeye warrants of $0.164 was determined using the Black-Scholes option pricing model with the following weighted average assumptions: a 2.37 year expected life; share price at the grant date of US$0.188 (CAD$0.25); 154% 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 warrants.

(Expressed in US Dollars)

5. REVERSE TAKE OVER AND LISTING TRANSACTION. (continued)

The listing transaction expense is summarized as follows:

	Number	Amount
Shares and warrants issued:		
Outstanding common shares of Wolfeye deemed to be issued	10,195,260	$1,919,722
Outstanding warrants of Wolfeye deemed to be issued	6,980,000	1,145,682
Shares issued to finders	1,000,000	188,296
		$3,253,700
Net working capital deficiency assumed:		
Trade payables and accrued liabilities		167,492
Receivables		(3,838)
Prepaid expenses		(7,983)
Intangible license		(19,735)
Short term loan		(18,830)
		117,106
Legal and other transaction costs		113,465
Total listing transaction expense		$3,484,271

6. INTANGIBLE LICENSE

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 has paid a non-refundable License Issue Fee of US$60,000.

In addition, the Company is required to pay to LLNS a non-refundable US Maintenance Patent Fee of US$45,000 as follows:

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

(Expressed in US Dollars)

6. INTANGIBLE LICENSE (continued)

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:

- $5,000 (paid) on or before February 28, 2017;
- $10,000 to be paid on or before February 28, 2018;
- $10,000 to be paid on or before February 28, 2019;
- $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.

A continuity schedule of changes in the net book value of the intangible license:

Cost		
Balance, March 1, 2015	$	5,073
Additions		55,000
Effect of foreign currency exchange differences		(80)
Balance, February 29, 2016		59,993
Additions		25,000
Effect of foreign currency exchange differences		982
Balance, February 27, 2017	$	85,975
Accumulated Amortization		
Balance, March 1, 2015	$	-
Additions		3,350
Effect of foreign currency exchange differences		(115)
Balance, February 29, 2016		3,235
Additions		9,085
Effect of foreign currency exchange differences		81
Balance, February 28, 2017	$	12,401
Carrying value		
March 1, 2015	$	5,073
February 29, 2016	$	56,758
February 28, 2017	$	73,574

(Expressed in US Dollars)

7. PROPERTY AND EQUIPMENT

A continuity schedule of changes in the net book value of property and equipment:

	Computer equipment	Lab equipment	Total
Cost			
Balance, March 1, 2015 and February 29, 2016	$ -	$ -	$ -
Additions	2,348	30,851	33,199
Balance, February 28, 2017	$ 2,348	$ 30,851	$ 33,199
Accumulated Amortization			
Balance, March 31, 2015 and February 29, 2016	$ -	$ -	$ -
Additions	270	2,982	3,252
Balance, February 28, 2017	$ 270	$ 2,982	3,252
Carrying value			
March 1, 2015	$ -	$ -	$ -
February 28, 2016	-	-	-
February 28, 2017	$ 2,078	$ 27,869	$ 29,947

8. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value.

(b) Issuances

Issued during the year ended February 28, 2017:

- On March 23, 2016, the Company issued 1,000,000 common shares at a price of CAD$0.10 per common share for total proceeds of CAD$100,000. Share issue costs totaled $300.
- On July 7, 2016, the Company issued 1,000,000 common shares at a price of CAD$0.10 per common share for total proceeds of CAD$100,000.
- On July 21, 2016, the Company issued 500,000 common shares at a price of CAD$0.10 per common share for total proceeds of CAD$50,000.
- On July 22, 2016, the Company issued 1,350,000 common shares at a price of CAD$0.001 per common share for total proceeds of CAD$1,350. Share-based payment expense of CAD$133,650 was recognized upon the issuance of these shares.

8. SHARE CAPITAL (continued)

(b) Issued and outstanding (continued)

- On October 4, 2016, the Company issued 8,400,800 common shares at a price of CAD$0.25 per common share for total proceeds of CAD$2,100,200. The Company paid CAD$196,730 in finders and legal fees. The Company granted 535,000 finders warrants exercisable at CAD$0.25 and expiring on October 4, 2018. The fair value of the warrants of $81,004 was recorded as share issue costs. The fair value of the warrants of CAD$0.201 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 CAD$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 CAD$0.25 recorded as Transaction cost.

- During the year ended February 28, 2017 2,650,000 warrants were exercised at $0.08 per warrant. The fair value of the warrants of CAD$585,455 was deducted from share-based payment reserve.

Issued during the year ended February 29, 2016:

- On September 7, 2015, the Company issued 16,860,000 common shares at a price of CAD$0.001 per common share for total proceeds of CAD$16,860. On December 1, 2015, 1,850,000 shares were repurchased for CAD$1,850 and were then cancelled.

- On September 7, 2015, the Company issued 140,000 common shares at a price of CAD$0.15 per common share for total proceeds of CAD$21,000.

- On February 22, 2016, the Company issued 1,000,000 common shares at a price of CAD$0.10 per common share for total proceeds of CAD$100,000.

- Share issue costs totaled CAD$12,000.

(Expressed in US Dollars)

8. SHARE CAPITAL (continued)

(c) Warrants

The changes in warrants during the years ended February 28, 2017 and 2016 are as follows:

	Number of warrants	Weighted average exercise price, CAD
Warrants issued and outstanding at March 1, 2015 and February 28, 2016	-	$ -
Deemed to be issued on the reverse take over transaction	6,980,000	0.08
Warrants issued	535,000	0.25
Warrants exercised	(2,650,000)	0.08
Warrants outstanding, end of year	4,865,000	$ 0.10

Details of warrants outstanding as at February 28, 2017 are as follows:

Number of warrants	Exercise Price	Expiry Date
2,830,000	CAD$ 0.08	June 20, 2019
1,500,000	CAD$ 0.08	May 7, 2018
535,000	CAD$ 0.25	October 4, 2018

At February 28, 2017, the weighted average remaining contractual life of warrants outstanding was 1.88 years, with a weighted average exercise price of US$0.08.

(d) Stock options

During the year ended February 28, 2017 the Company granted stock options to purchase a total of 1,675,000 common shares at a price of CAD$0.33 per common share, and 500,000 common shares at a price of CAD$0.363 per common share. 217,500 stock options vest on the date of grant and the rest of the options vest every six months thereafter. The Company did not grant options during the year ended February 29, 2016.

The fair value of the stock options exercisable at CAD$0.363 of CAD$0.2653 per option was determined using the Black-Scholes option pricing model with the following assumptions: 3.5 years expected life; share price at the grant date of CAD$0.31; 159% volatility; risk free interest rate of 1.05%; and a dividend yield of 0%. The fair value of the stock options exercisable at CAD$0.33 of CAD$0.2672 per option was determined using the Black-Scholes option pricing model with the following assumptions: 3.5 years expected life; share price at the grant date of CAD$0.31; 159% volatility; risk free interest rate of 1.05%; 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.

During the year ended February 28, 2017 the Company recorded share-based compensation expense of $72,009 (2016 - $Nil) for the grant of stock options.

(Expressed in US Dollars)

8. SHARE CAPITAL (continued)

(d) Stock options (continued)

Details of options outstanding as at February 28, 2017 are as follows:

Options Outstanding	Options Exercisable	Exercise Price, CAD$	Expiry Date
500,000	50,000	0.363	July 27, 2020
1,675,000	167,500	0.330	July 27, 2020

At February 28, 2017, the weighted average remaining contractual life of options outstanding was 3.33 years with a weighted average exercise price of CAD$0.34 (US$0.27).

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

Key Management includes personnel having the authority and responsibility for planning, directing and controlling the Company and includes the directors and current executive officers. Expenses incurred for Key Management compensation are summarized as:

	February 28, 2017	February 29, 2016
Salaries and Benefits	$ 103,760	$ -
Management fees	-	-
Consulting fees	30,143	-
Share based compensation	63,715	-
	$ 197,618	$ -

(Expressed in US Dollars)

10. RELATED PARTY TRANSACTIONS (continued)

Balances with Key Management and other related parties are:

As at February 28, 2017, included in accounts payable are balances owing to a director and/or officer and/or companies controlled by officers of the Company in the amount of $1,499 (2016 - $4,956).

All related party balances are non-interest bearing, unsecured and have no fixed terms of repayment and have been classified as current.

11. RESEARCH AND DEVELOPMENT

The Company's product research and development plan is divided into three milestones: alpha prototype, beta prototype, and production unit for commercialization. The Company has identified four phases within the first milestone and has completed phase 2 during fiscal 2017 and plans to be in phase 3 as of July 1, 2017. Phase 2 was the evaluation of the major technical risks of the pathogen detection instrument. Phase 3 is the determination of component placement within the instrument's casing. Upon concluding Phase 4 the Company will have demonstrated the proof-of-principal of the technology.

The Company has engaged Boston Engineering Corporation ("Boston Engineering") to build the alpha prototype. During the year ended February 28, 2017, $466,652 (2016 - $nil) has been paid to Boston Engineering pursuant to this agreement.

12 INCOME TAXES

The potential benefit of net operating loss carry forwards has not been recognized in the financial statements since the Company cannot be assured that it is probable that such benefit will be utilized in future years.

The components of the deferred tax asset, the statutory tax rate, the effective tax rate and the unrecognized deferred income tax asset are as follows:

		2017		2016
Loss before income taxes	$	4,483,215	$	59,399
Corporate tax rate		26%		26%
Expected tax recovery		1,165,636		15,444
Decrease resulting from:				
Non-deductible items for tax purposes and other items		(679,236)		8,956
Differences in tax rates in the United States		(33,000)		-
Change in unrecognized deferred income tax asset		(453,400)		(24,400)
Income taxes recovery	$	-	$	-

(Expressed in US Dollars)

12. INCOME TAXES (continued)

The Company's tax-effected deferred income tax assets and liabilities are estimated as follows:

		February 28, 2017		February 29, 2016
Potential deferred income tax assets include:				
Non-capital losses	$	234,400	$	20,700
Resource tax pools		194,200		-
Share issuance costs		45,200		2,500
Intangible license		3,200		1,200
Property and equipment		800		-
		477,800		24,400
Unrecognized deferred income tax assets		(477,800)		(24,400)
	$	-	$	-

As at February 28, 2017, the Company had non-capital losses carry forward in the United States and Canada of approximately $327,000 (2016 - $Nil) and $587,300 (2016 - $61,100) respectively available to reduce taxable income. The non-capital losses carry forward expire between 2035 and 2037.

13. SEGMENTED INFORMATION

The Company has one operating segment, the development of pathogen detection devices. All its non-current assets are based in the U.S.

14. ADJUSTMENT OF PREVIOUSLY REPORTED FINANCIAL INFORMATION DUE TO CHANGE IN PRESENTATION CURRENCY

For comparative purposes, the consolidated statement of financial position as at February 29, 2016 and March 1, 2015 includes adjustments to reflect the change in presentation currency from CAD to USD. The amounts previously reported in CAD as shown below have been translated into USD at the March 1, 2015 and February 29, 2016 exchange rates. The effect of the translation is as follows:

As at March 1, 2015		**CAD**		**USD**
ASSETS				
Current assets				
Receivables	$	990	$	792
		990		792
Non-current				
Intangible asset		6,345		5,073
		6,345		5,073
TOTAL ASSETS	**$**	**7,335**	**$**	**5,865**
LIABILITIES				
Current liabilities				
Accounts payables and accrued liabilities	$	12,926	$	10,335
		12,926		10,335
SHAREHOLDERS' EQUITY (DEFICIENCY)				
Share capital		990		792
Deficit		(6,581)		(5,262)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)		**(5,591)**		**(4,470)**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$**	**7,335**	**$**	**5,865**

(Expressed in US Dollars)

14. ADJUSTMENT OF PREVIOUSLY REPORTED FINANCIAL INFORMATION DUE TO CHANGE IN PRESENTATION CURRENCY (continued)

As at February 29, 2016	**CAD**	**USD**
ASSETS		
Current assets		
Cash	$ 25,310	$ 18,716
Receivables	2,440	1,804
	27,750	20,520
Non-current		
Intangible asset	76,753	56,758
	76,753	56,758
TOTAL ASSETS	**$ 104,503**	**$ 77,278**
LIABILITIES		
Current liabilities		
Accounts payables and accrued liabilities	$ 39,640	$ 29,313
Loan payable	25,000	18,488
	64,640	47,801
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Share capital	124,010	94,973
Accumulated other comprehensive loss	-	(835)
Deficit	(84,147)	(64,661)
TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)	**39,863**	**29,477**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 104,503**	**$ 77,278**

14. ADJUSTMENT OF PREVIOUSLY REPORTED FINANCIAL INFORMATION DUE TO CHANGE IN PRESENTATION CURRENCY (continued)

For comparative purposes, the consolidated statement of comprehensive loss for the year ended February 29, 2016 includes adjustments to reflect the change in presentation currency from CAD to USD. The amounts previously reported in CAD as shown below have been translated into USD using the 2016 average exchange rate. The effect of the translation is as follows:

For the year ended February 29, 2016	**CAD**	**USD**
Expenses		
Amortization	$ 4,374	$ 3,350
Consulting fees	16,530	12,658
Office and miscellaneous	174	132
Professional fees	56,410	43,198
	77,488	59,338
Other items		
Foreign exchange	79	61
Net loss for the period	77,567	59,399
Other comprehensive loss		
Unrealized loss on translation to reporting currency	-	835
Comprehensive loss for the period	$ 77,567	$ 60,234
Net loss per share – basic and diluted	**$ 0.01**	**$ 0.01**
Weighted average number of common shares outstanding – basic and diluted	**7,713,750**	**7,713,750**

15. SUBSEQUENT EVENTS

After the year ended February 28, 2017:

a) On March 31, 2017, the Company closed its non-brokered private placement with the sale of 6,685,363 units at CAD$0.30 per unit for gross proceeds of CAD$2,005,609. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to acquire an additional common share for $0.60 per share for a three-year period. The Company paid cash finders' fees of $59,048 to eligible finders.

b) Common shares were issued upon 1,070,000 warrants exercised at CAD$0.08 per share and 188,680 warrants exercised at CAD$0.25 per share.