

The following discussion and analysis of the operations, results, and financial position of LexaGene Holdings Inc. (the "Company" or "LexaGene") should be read in conjunction with the Company's condensed consolidated interim financial statements for the nine months ended November 30, 2018, and the audited consolidated financial statements as at and for the year ended February 28, 2018, and the notes thereto.

This Management's Discussion and Analysis ("MD&A") is dated January 14, 2019, and discloses specified information up to that date. The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). Unless otherwise cited, references to dollar amounts are in US dollars. This MD&A contains "forward-looking statements" that are subject to risk factors including those set out in the "Cautionary Statement" at the end of this MD&A. All information contained in this MD&A is current and has been approved by the Company's Board of Directors as of January 14, 2019, unless otherwise indicated. Throughout this report we refer to "LexaGene", the "Company", "we", "us", "our", or "its". All these terms are used in respect of LexaGene Holdings Inc. We recommend that readers consult the "Cautionary Statement" on the last page of this report. Additional information relating to the Company is available on the Company's website at www.avino.com and on SEDAR at www.sedar.com.

Business Description

LexaGene is engaged in the research, development and commercialization of automated genetic analyzers for pathogen detection and other applications in the clinical and life sciences industries. The Company's shares trade on the TSX Venture Exchange (the "Exchange") under the symbol LXG and on the OTCQB Venture Market in the United States under the symbol LXXGF.

Operational Highlights, Events and Future Plans

In March 2017, the Company closed a \$1.491M non-brokered private placement.

In December 2017, the Company closed a \$3.911M bought deal with an overallotment of \$318K conducted by a syndicate of underwriters led by Canaccord Genuity Corp. and including PI Financial Corp. and Echelon Wealth Partners Inc.

The Company used these monies to lease 17,600 square foot of office and R&D space in Beverly, Massachusetts. The Company renovated the R&D space to build a level 2 biosafety laboratory held under negative pressure, which was completed in April 2018. In addition, it built a positive-pressure clean-room for manufacturing reagents for the Company's genetic analyzers. These engineering controls are intended to help keep the Company's staff safe and maximize the performance of the Company's technology.

The Company hired 16 Beverly-based employees and 2 Vancouver-based employees, bringing the total headcount of the Company to 20. Some of the Beverly-based strategic hires include the following:

Jeffrey Mitchell MBA was hired to replace Zula Kropivnitski as the Company's Chief Financial Officer and Secretary. Mr. Mitchell has over two decades of financial and SEC experience. Before joining LexaGene, he worked at Palomar Medical Technologies, which was publicly traded on the NASDAQ. As Palomar's Controller and Director of Finance, he oversaw the company's financial reporting, audits, and financial planning. In 2013, Mr. Mitchell helped orchestrate the sale of Palomar to Cynosure for \$294 million. Mr. Mitchell has also served in numerous financial and strategic advisory roles for other medical device, imaging, and diagnostic companies.

Greg Dale was hired as VP of Product Development and Manufacturing. Mr. Dale has developed and manufactured more than a dozen products to date and is listed as an inventor on 28 issued U.S. patents on PCR and microfluidics devices. His medical device and *in-vitro* diagnostics product development experience includes work with instruments, microfluidics, sensors, disposables, reagents, wearables and implantables. Mr. Dale most recently served as Vice President of Product Development, Manufacturing and Quality at Emulate LLC. Prior to Emulate, Mr. Dale served as General Manager and Senior Director of NGS (Next-Generation Sequencing) Engineering at Qiagen, where his team developed the Qiagen GeneReader NGS system using Agile development methods. Mr. Dale has a degree in mechanical engineering from Virginia Tech.

Dr. Nathan Walsh was hired as Director of Applications – Bioinformatics. Dr. Walsh has over 20 years' experience interfacing between biology and bioinformatics. His experience with DNA sequence projects includes primer design, next-generation sequencing (NGS), cancer detection, microarrays, and pathway identification. Dr. Walsh most recently served as Head of Informatics at Bio-Rad's Digital Biology Center of Cambridge building a rapid-result next-generation sequencer; prior to that, he served as Senior Director of Informatics and IT to create drug hits from DNA encoded libraries. Dr. Walsh was a post-doctoral fellow at Harvard Medical School and Brigham and Women's Hospital Department of Genetics. He has a biochemistry degree from Brown University and a Ph.D. in biology from MIT.

Dr. Manoj Nair was hired as Senior Staff Scientist. Dr. Nair has over 7 years of experience developing and leading teams in the development of molecular diagnostics and pathogen typing assays in compliance with FDA IVD regulations for clinical diagnostics and AOAC guidelines for food safety applications. Before joining LexaGene, Dr. Nair served as a Staff Scientist at Beckman Coulter Molecular Diagnostics and as a Senior Scientist at Roche Molecular Systems, where he developed various qualitative and quantitative diagnostic assays for 510(k) clearance, PMA and CLIA waiver. Early in Dr. Nair career, he worked as a trained veterinarian that specialized in the diagnosis and treatment of animal diseases. Dr. Nair conducted his postdoctoral studies at the University of Pennsylvania and Albany Medical College, concentrating on host-pathogen interactions in infections caused by bio-threat agents. His doctoral training at the University of Connecticut focused on the molecular pathogenesis of *Cronobacter sakazakii* and its detection in contaminated infant formula.

In 2017, the Company exhibited at multiple conferences, including the International Association for Food Protection conference, the Southwest Veterinary Symposium, and the Association for Molecular Pathology conference.

In 2018, the Company exhibited at the Association of Molecular Pathology conference, the Clinical Virology Symposium, the Association for Public Health Laboratories conference, and the American College of Veterinary Internal Medicine conference.

The Company has performed some market assessment through surveys to determine the demand for the technology under development. One survey was carried out using the Food Safety Magazine's subscriber list, where 50 food safety officers responded – confirming a need for molecular testing in the food industry. The food safety market is expected to reach \$13.6 billion by 2018.

Another survey was performed through Ethos Veterinary Health Group. In this survey, the Company recognized the need for faster diagnostics in the veterinary market. LexaGene also engaged Ethos to determine a stack-rank list of pathogens and drug resistant targets that are of most interest to veterinarians. The Company is using this information to guide product development decisions. The market size for veterinary diagnostics is expected to reach \$4.2 billion by 2021.

The Company intends on pursuing human clinical diagnostics – otherwise known as the IVD market after it has first gained success in food safety and veterinary diagnostics. In order to sell into the IVD market, LexaGene will be required to seek 510k clearance from the FDA. The size of the infectious disease testing market is expected to reach \$19.3 billion by 2022.

In May 2018, the Company's alpha prototype started generating data, detecting *E. coli* and staphylococcus. The Company is working towards optimizing the performance of the prototype, which includes developing more assays to detect additional pathogens, improving its sample preparation cartridge and the associated chemistry to make pathogen capture, lysis, and purification as efficient as possible, adjusting microfluidic protocols, improving master-mix composition, improving the reliability of the microfluidics and internal controls, and adjusting the instrument's thermal control for more efficient target amplification.

The Company has engaged Ethos Veterinary Health Group and Texas A&M Veterinary Medical Diagnostics Laboratory to provide urine samples for testing on the alpha prototype. The Company will use these samples to generate a data set that will be presented at a future conference.

While the Company works on optimizing the alpha's performance the Company is also starting to design the beta prototype. This process is expected to take several months, as each component of the alpha prototype is evaluated to determine if performance, reliability, and cost can be improved.

The Company entered into collaboration with Dr. Hanlee Ji of Stanford University School of Medicine to evaluate combining Dr. Ji's chemistry for next generation sequencing sample preparation with LexaGene's disposable cartridge.

In June 2018, the Board of Directors welcomed Joseph Caruso to the management team. Mr. Caruso is a Medical Device Veteran with over 30 years of industry experience. Mr. Caruso was one of the founding members of the management team of Palomar Medical Technologies, Inc. (NASDAQ:PMTI) (now part of Hologic, Inc.: NASDAQ:HOLX) taking the company public in

1992. As CEO and Chairman of the Board of Directors, Mr. Caruso was instrumental in growing the company from a start up until its sale in 2013 for \$294M. Under Mr. Caruso's leadership, Palomar, with offices around the world, developed the first high powered laser hair removal system and helped create the multi-billion dollar cosmetic medical device industry. Mr. Caruso negotiated dozens of acquisitions, license agreements and joint development agreements in his career including with companies such as Johnson and Johnson, Inc. (NYSE:JNJ) and Gillette (now part of Procter and Gamble Company, Inc.: NYSE:PG).

In July 2018, the Company closed a \$5M bought deal with an overallotment of \$750K conducted by a syndicate of underwriters led by Canaccord Genuity Corp. and including Echelon Wealth Partners Inc. Gross proceeds to the Company were approximately \$5.3M. Each unit consisting of one common share and one –half of one common share purchase warrant. Each whole warrant entitles the holder to purchase, subject to adjustment in certain circumstances, one additional common share at a price of \$1.30 per common share until July 11, 2021. The net proceeds of the Offering will be used to accelerate the commercialization and deployment of the Company's Microfluidic technology and for working capital purposes.

In July 2018, the Company announced that it has entered into the beta stage of product development of its flagship genetic analyzer for automated pathogen detection and other life science applications. LexaGene's genetic analyzer is expected to be the first easy-to-use, open-access pathogen detection system. It is designed for use by high value markets including veterinary and human clinical diagnostics, food safety, and general open-access markets such as pharmaceutical, biotechnology, and academic laboratories where there is a need for customizing genetic testing. The Company currently expects the beta version of its technology to screen two samples at a time, each for as many as 28 targets at once, returns results in about 1 hour. As product development efforts continue, it is possible these specifications will change.

In October 2018, the Company unveiled the LX2™ beta prototype design at the American Association of Veterinary Laboratory Diagnosticians (AAVLD) conference. The LX2™ beta prototype is designed to be a small footprint instrument suited for many industries, including veterinary hospitals and food processing-packaging plants. The LX2™ beta prototype will guide decisions on the final commercial product that is expected to rapidly provide end-users with valuable information to allow them to better perform their jobs.

The LX2™ beta prototype is expected to be able to return results in just one hour which is a drastic improvement over currently used culture methods that require shipping samples to laboratories, where results generally don't become available for two or more days. LexaGene's solution for faster and more accurate results is expected to improve health outcomes, lower the overall cost of care, and lead to increased profitability for a practice. In food safety, using LexaGene's technology is expected to allow food safety officers to more quickly identify food items that are at risk of being contaminated, which is expected to lead to cost-saving efficiencies as well as safer food items.

In November 2018, LexaGene was named one of the 10 most promising food solution providers by CIORReview based on the Company's pathogen detection system, the LX2™ Genetic Analyzer. LexaGene was chosen for this distinction by a panel of business leaders, along with CIORReview's

editorial board.

In December 2018, Lexagene had an Industry Engagement Meeting with the United States Department of Homeland Security (DHS) regarding the applications of the Company's technology for DHS' program on Countering Weapons of Mass Destruction (CWMD).

In December 2018, LexaGene announced the completion of a syndromic panel to detect urinary tract infection (UTI) in small animals. The panel is capable of detecting each of the eight most common pathogens responsible for the majority (95%) of all clinical canine UTI cases. LexaGene's UTI panel is designed to detect causative pathogens with greater sensitivity and specificity than traditional culture-based detection which is prone to false positive results.

Selected Yearly Information

	February 28, 2018		February 28, 2017	
Total assets	\$	3,724,167	\$	1,052,274
Working capital	\$	2,707,371	\$	818,138
Loss for the year	\$	4,005,452	\$	4,483,215
Loss per share	\$	0.08	\$	0.17

Selected Quarterly Information

The following selected financial data has been prepared in accordance with IFRS and should be read in conjunction with the Company's financial statements. All dollar amounts are in United States dollars.

Quarter ended	Net income (loss)		Net income (loss)		Total assets
	for the period	per share (basic & diluted)	per share (basic & diluted)	per share (basic & diluted)	
November 30, 2018	\$ (2,254,124)	\$ (0.03)	\$ (0.03)	\$ (0.03)	3,053,711
August 31, 2018	\$ (2,026,264)	\$ (0.03)	\$ (0.03)	\$ (0.03)	4,913,268
May 31, 2018	\$ (1,869,218)	\$ (0.03)	\$ (0.03)	\$ (0.03)	2,339,003
February 28, 2018	\$ (1,327,174)	\$ (0.03)	\$ (0.03)	\$ (0.03)	3,724,167
November 30, 2017	\$ (1,319,312)	\$ (0.01)	\$ (0.01)	\$ (0.01)	969,067
August 31, 2017	\$ (741,064)	\$ (0.01)	\$ (0.01)	\$ (0.01)	1,514,817
May 31, 2017	\$ (617,902)	\$ (0.01)	\$ (0.01)	\$ (0.01)	1,800,307
February 28, 2017	\$ (384,390)	\$ (0.01)	\$ (0.01)	\$ (0.01)	1,052,274

Results of Operations

Nine months ended November 30, 2018 compared to the nine months ended November 30, 2017

Net loss

During the nine months ended November 30, 2018, the Company recorded net loss of \$6,150,306 compared to a net loss of \$2,678,278 for the nine months ended November 30, 2017. The significant change during the nine months ended November 30, 2018 compared to the nine months ended November 30, 2017 is due to the Company advancing its operations, which include research and development of pathogen detection devices in the life sciences industry.

Operating expenses

Operating expenses for the nine months ended November 30, 2018 were \$6,428,475 as compared to \$2,668,790 for the nine months ended November 30, 2017. The increase of \$3,759,685 is primarily the result of the following:

- **Advertising and promotion costs:**

During the nine months ended November 30, 2018 the Company spent \$399,242 on advertising and promotion compared to \$352,958 during the nine months ended November 30, 2017. This increase is due to the Company's efforts on increasing Company awareness and promoting its technologies.

- **Amortization of property and equipment:**

During the nine months ended November 30, 2018 the Company recognized an expense of \$101,712 for the amortization of property and equipment compared to \$9,188 during the nine months ended November 30, 2017. This increase is due to the Company opening its new office and lab space in April, 2018.

- **Office and miscellaneous costs:**

Office and miscellaneous costs increased to \$532,551 for the nine months ended November 30, 2018 compare to \$33,078 for the same period in 2017 due to the Company opening its new office and lab space in April, 2018.

- **Research and development costs:**

Research and development expense during the nine months ended November 30, 2018 increased to \$1,576,176 compared to \$1,352,567 for the same period in 2017. The increase of \$223,609 was comprised of \$1,029,802 paid to outside engineering and consulting firms and \$546,374 related to the purchases of parts and materials as compared to \$977,742 paid to outside engineering and consulting firms and \$374,825 related to the purchases of parts and materials for the same period in 2017. This increase in research and development costs is primarily from additional spending related to the alpha and beta product designs and advancing the technology and its capabilities.

- **Share based compensation:**

For the nine months ended November 30, 2018, the Company recorded share based compensation of \$1,441,167 compared to \$237,698 for the same three month period in 2017. This increase is primarily related to an increase in new options and restricted share units granted to directors, new employees and consultants as well as the vesting of previously granted options.

- **Travel expenses:**

Travel expense increased to \$309,934 during the nine months ended November 30, 2018 as compared to \$136,222 in the same period in 2017. This increase is primarily due to promoting the Company in both the United States and Canada as well as attending multiple conferences in the United States, Canada and Europe.

- **Wages and salaries:**

For the nine months ended November 30, 2018, wages and salaries expense increased to \$1,757,909 as compared to \$268,330 for the same period in 2017. The \$1,757,909 was comprised of \$166,325 related to Marketing and promotion of the Company, \$632,796 for wages and salaries related to General and Administrative support and \$958,788 related to wages and salaries for Research and Development efforts as compared to \$268,330 related to General and Administrative support for the same period in 2017. This increase is directly attributed to the company increasing its headcount at its new office and lab space.

These increases were partially offset by a decrease in consulting fees by \$14,420 as the Company did not require the same level of consulting services due to the hiring of employees as compared to the same period in 2017.

Three months ended November 30, 2018 compared to the three months ended November 30, 2017

Net loss

During the three months ended November 30, 2018, the Company recorded net loss of \$2,254,124 compared to a net loss of \$1,319,312 for the three months ended November 30, 2017. The significant change during the three months ended November 30, 2018 compared to the three months ended November 30, 2017 is due to the Company advancing its operations, which include research and development of pathogen detection devices in the life sciences industry.

Operating expenses

Operating expenses for the three months ended November 30, 2018 were \$2,396,299 as compared to \$1,314,902 for the three months ended November 30, 2017. The increase of \$1,081,397 is primarily the result of the following:

- **Advertising and promotion costs:**

During the three months ended November 30, 2018 the Company spent \$123,180 on advertising and promotion compared to \$118,633 during the three months ended November 30, 2017. These costs are due to the Company's efforts on increasing Company awareness and promoting its technologies.

- **Amortization of property and equipment:**

During the three months ended November 30, 2018 the Company recognized an expense of \$38,844 for the amortization of property and equipment compared to \$3,022 during the three months ended November 30, 2017. This increase is due to the Company opening its new office and lab space in April, 2018.

- **Office and miscellaneous costs:**

Office and miscellaneous costs have increased to \$160,189 for the three months ended November 30, 2018 compare to \$13,755 for the same period in 2017 due to the Company opening its new office and lab space in April 2018.

- **Research and development costs:**
Research and development expense during the three months ended November 30, 2018 increased to \$924,879 compared to \$825,552 for the same period in 2017. The increase of \$99,327 was comprised of \$652,619 paid to outside engineering and consulting firms and \$272,260 related to the purchases of parts and materials as compared to \$659,730 paid to outside engineering and consulting firms and \$165,822 related to the purchases of parts and materials for the same period in 2017. This increase in research and development costs is primarily from additional spending related to the alpha and beta product designs and advancing the technology and its capabilities.
- **Share based compensation:**
For the three months ended November 30, 2018, the Company recorded share based compensation of \$379,023 compared to \$91,807 for the same nine month period in 2017. This increase is primarily related to an increase in options and restricted share units granted to directors, new employees and consultants during 2018.
- **Travel expenses:**
Travel expense increased to \$79,654 during the three months ended November 30, 2018 as compared to \$52,983 in the same period in 2017. This increase is primarily due to promoting the Company in both the United States and Canada as well as attending multiple conferences in the United States, Canada and Europe.
- **Wages and salaries:**
For the three months ended November 30, 2018, wages and salaries expense increased to \$582,303 as compared to \$88,316 for the same period in 2017. The \$582,303 was comprised of \$52,560 related to Marketing and promotion of the Company, \$201,862 for wages and salaries related to General and Administrative support and \$327,881 related to wages and salaries for Research and Development efforts as compared to \$88,316 related to General and Administrative support for the same period in 2017. This increase is directly attributed to the company increasing its headcount at its new office and lab space.

Financial Condition, Liquidity and Capital Resource

The Company's working capital as of November 30, 2018 was \$1,792,579 including cash of \$1,974,792 compared to a working capital of \$2,707,371 including cash of \$2,648,354 as of February 28, 2018.

The Company's business currently does not generate positive cash flows from sales. The Company is reliant on equity financing to provide the necessary cash to continue research and development of the instrument described in the Summary of Operations, Events and Future Plans section of this management discussion and analysis. There can be no assurance that equity financings will be available to the Company in the future with terms that are satisfactory to the Company.

The Company has not entered into any off-balance sheet arrangements.

Commitment

The Company has an operating lease agreement for their office and laboratory premises. Commitments in respect of these lease agreements are as follows:

	2018
Not more than one year	\$ 380,568
Later than one year and not later than five years	1,522,272
Later than five years	570,852
	<u>\$ 2,473,692</u>

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:

	Three months ended		Six months ended	
	November 30,		November 30,	
	2018	2017	2018	2017
Salaries and benefits	\$ 183,937	\$ 88,316	\$ 587,296	\$ 268,330
Administration	-	11,916	-	35,189
Consulting	-	26,504	-	76,449
Share based compensation	206,505	91,807	685,309	237,698
	<u>\$ 390,442</u>	<u>\$ 218,543</u>	<u>\$ 1,272,605</u>	<u>\$ 617,666</u>

For the periods ended November 30, 2018 and February 28, 2018, \$nil was payable to directors and/or officers and/or companies controlled by officers of the Company.

All amounts payable and receivable are non-interest bearing, unsecured and due on demand.

Financial Instruments and Risk Management

LexaGene is active in the biotechnology industry, which means it is exposed to a number of risks. There is a financial risk as the continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The Company has incurred operating losses since its inception and has experienced negative operating cash flows.

The Company is dependent upon its current management and if the services of such personnel were withdrawn for any reason, this could have a material adverse impact on the Company's operating activities.

Fair Values

The fair values of cash, receivables and accounts payables approximate their book values because of the short-term nature of these instruments.

(a) Financial Risk Management

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company considers the fluctuations of financial markets and seeks to minimize potential adverse effects on financial performance.

(b) Financial Instrument Risk Exposure

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board approves and monitors the risk management process.

Credit Risk

Credit risk is the risk of a financial loss to the Company if counterparty to a financial instrument fails to meet its contractual obligation. The Company's exposure to credit risk includes cash and receivables. The Company reduces its credit risk by maintaining its bank accounts at large international financial institutions. The Company's receivables consist of tax receivables due from federal government agencies. The maximum exposure to credit risk is equal to the fair value or carrying value of the financial assets.

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.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. Such fluctuations may be significant.

(i) Interest rate risk

The Company has cash balances and no interest-bearing investments or debt. If the Company had excess cash to invest, the Company's policy would be to invest the excess cash in investment-grade short-term deposit certificates issued by its banking institutions.

(ii) Foreign currency risk

Currency risk is the risk that the fair values or future cash flows of the Company's financial instruments will fluctuate because of changes in foreign currency exchange rates. The Company is exposed to currency risk through financial assets and liabilities denominated in currencies other than the US dollar, the Company's presentation currency.

The Company's financial instruments denominated in currencies that are not the United States dollar as at November 30, 2018 are as follows:

	CAD\$	US\$ Equivalent
Cash	\$ 2,096,343	\$ 1,576,031
Accounts payable and accrued liabilities	(91,730)	(41,531)
Net Exposure	\$ 2,004,613	\$ 1,534,500

Based on the USD denominated exposure as at November 30, 2018, a 10% change in the USD/CAD exchange rates would impact the Company's net loss for nine months ended November 30, 2018, by approximately \$46,000.

(iii) Price risk

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

(c) Technical Risk

The alpha prototype is now functional. As expected with an alpha prototype, additional optimization is required to make the technology competitive with other automated technologies. These improvements are being built into the beta prototype, which is currently being designed. Although the technology is now functional, risk remains regarding optimizing the instrument's performance, improving its microfluidic reliability and internal controls, and integrating new components to generate an instrument that is competitive with other technologies. There is also risk associated with sourcing components required for developing the technology and the manufacturability of key components. Furthermore, although we may be confident the instrument will effectively process simple matrices such as water, buffer, and enrichment broth, we are less confident the initial sample preparation cartridge will effectively process more complex matrices such as milk, blood, and other fat-containing liquids. The Company will need to test each of these different matrices to determine performance. It is likely that specialized cartridges will need to be built to effectively process these more challenging matrices. It is also possible that customers frequently processing some matrices may require their instrument to be serviced more frequently.

(d) Life sciences Market Risk

LexaGene's technology offers some advantages that are not available in other sample-to-answer instruments. Most notably, the ability to process large volumes of fluid, the ability to customize genetic screens, the breadth of target detection, and the time-to-result. The Company believes these features are strong selling points that will result in rapid user adoption. However, the Company is only in the beta prototype development stage, so it only has a rough estimate of the

expected list price of the instrument and the cost per test. These estimates are likely to change as more information is gathered during further beta prototype and commercial unit development. The final price point of LexaGene's instrument and tests, as well as its performance compared to competitive instruments will affect user adoption. These factors are yet to be determined and if they are not favorable for LexaGene, there is a possibility the Company will generate little to no sales. The Company has engaged Ethos Veterinary Health Group to perform market research in veterinary diagnostics, and has completed a survey of food safety officers regarding the need for LexaGene's technology in the food market. The information gained through these efforts will be used to guide the Company's business development strategy and product marketing strategy leading up to commercial launch.

(e) Additional Financing Requirements and Access to Capital

LexaGene will require substantial, additional funds for future research and development, planned clinical testing, regulatory approvals, establishment of manufacturing capabilities and, if necessary, the marketing and sale of its products. LexaGene may attempt to raise additional funds for these purposes through public or private equity to accredited investors and institutions or debt financing, collaborations with other companies and/or from other sources. There can be no assurance that additional funding or partnerships will be available on terms acceptable to the Company and which would foster successful commercialization of LexaGene's products. Additionally, there are many conditions beyond the Company's control which have a direct impact on the level of investor interest in the purchase of Company securities. The Canadian and United States Stock markets have been volatile and may continue to fluctuate significantly in response to a number of factors of which we cannot control.

The Company is not aware of any contingencies or pending legal proceedings as of January 14, 2019.

Outstanding Equity Instruments

As at January 14, 2019, we had authorized an unlimited number of common shares.

	As At January 14, 2019	As At November 30, 2018	As At November 30, 2017
Common Shares	66,478,353	66,166,353	54,199,953
Warrants	11,096,513	11,396,513	6,506,833
Stock Options	3,860,000 (1)	3,867,000	1,895,000
Restricted Share units	2,603,000	2,615,000	315,000
Total	84,037,866	84,044,866	62,916,786

(1) 1,148,250 of the 3,860,000 stock options are vested and exercisable.

The Company has 11,096,513 warrants outstanding at January 14, 2019, which are exercisable into common shares at exercise prices ranging between CAD\$0.08 and CAD\$1.45.

The Company has 3,860,000 stock options outstanding at January 14, 2019, which are exercisable into common shares at exercise prices ranging between CAD\$0.33 and CAD\$1.27.

Additional information relating to our securities can be found in Note 6 to the condensed interim consolidated financial statements for the three and nine months ended November 30, 2018.

Disclaimer

The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company. It should be read in conjunction with all other disclosure documents provided by the Company, which can be accessed at www.sedar.com. No securities commission or regulatory authority has reviewed the accuracy or adequacy of the information presented herein.

Cautionary Statement on Forward Looking Information

Certain statements contained in this document constitute “forward-looking statements”. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. Such factors include, among others, the following: product development technical risks, life sciences market risks, fluctuation in the equity markets that affect the Company’s ability to raise capital, government regulations, competition, litigation risks, and commercial viability risks.