RESTATED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended May 31, 2021 and 2020

(Unaudited)

Expressed in US Dollars

LexaGene

LEXAGENE HOLDINGS INC.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in US Dollars) (Unaudited)

	Note		May 31, 2021 (Unaudited) (Restated – Note 19)		February 28, 2021
ASSETS					
Current assets					
Cash		$	7,159,206	$	9,624,259
Accounts receivable	5		38,415		44,084
Inventories	6		1,260,250		1,065,929
Prepaid			385,662		384,620
			8,843,533		11,118,892
Non-current					
Intangible license	7		62,519		61,900
Right-of-use asset	9		1,410,531		1,498,689
Property and equipment	8		485,640		515,218
TOTAL ASSETS		**$**	**10,802,223**	**$**	**13,194,700**
LIABILITIES					
Current liabilities					
Accounts payables and accrued liabilities		$	481,991	$	716,247
Current portion of lease liabilities	9		305,875		305,875
			787,866		1,022,122
Non-current					
Lease liabilities	9		1,208,567		1,289,058
Total Liabilities			**1,996,433**		**2,311,180**
EQUITY					
Share capital	11		40,753,918		40,556,242
Share-based payment reserve	11		4,500,340		4,400,886
Accumulated other comprehensive income (loss)			528,197		191,272
Deficit			(36,976,665)		(34,264,880)
TOTAL EQUITY		**$**	**8,805,790**	**$**	**10,883,520**
TOTAL LIABILITIES AND EQUITY		**$**	**10,802,223**	**$**	**13,194,700**

Nature and continuance of operations (Note 1)
Commitments (Note 18)
Subsequent events (Note 20)

Approved on behalf of the Board on August 31, 2021

"Jack Regan"
Jack Regan, Chairman & Chief Executive Officer

"Stephen Mastrocola"
Stephen Mastrocola, Director

LexaGene

LEXAGENE HOLDINGS INC.

Condensed Interim Consolidated Statements of Comprehensive Loss

(Expressed in US Dollars) (Unaudited)

	Note	For the three months ended May 31, 2021 (Restated – Note 19)	2020
Costs and expenses			
Cost of revenue		$ -	$ -
Manufacturing costs		95,156	-
		95,156	**-**
Gross loss		**(95,156)**	**-**
Operating expenses			
Sales, marketing and promotion	16	609,385	306,119
General and administrative	15	432,834	524,865
Research and development	14	1,574,216	1,613,158
Total operating expenses		**2,616,435**	**2,444,142**
Loss from operations		**2,711,591**	**2,444,142**
Other items			
Foreign exchange gain (loss)		(194)	-
Net loss		**2,711,785**	**2,444,142**
Other comprehensive income (loss)			
Items that may be reclassified subsequently to income or loss:			
Unrealized gain (loss) on translation to reporting currency		340,271	(70,803)
Comprehensive loss		**$ 2,371,514**	**$ 2,514,945**
Net loss per share – basic and diluted		**$ 0.02**	**$ 0.03**
Weighted average number of common shares outstanding – basic and diluted		**118,705,533**	**90,696,291**

The accompanying notes are an integral part of the condensed interim consolidated financial statements

LexaGene

LEXAGENE HOLDINGS INC.

Condensed Interim Consolidated Statements of Changes in Equity

(Expressed in US Dollars) (Unaudited)

	Share Capital		Share-based payment reserve	Deficit	Accumulated other comprehensive income (loss)	Total
	Number	Amount				
Balance, February 29, 2020	**89,535,388**	**$ 24,337,456**	**$ 3,961,539**	**$ (24,373,865)**	**$ (69,877)**	**$ 3,855,253**
Share-based payment of stock options	-	-	66,259	-	-	66,259
Share-based payment of restricted share units	211,750	118,765	6,017	-	-	124,782
Warrants exercised	2,138,103	983,698	(2,617)	-	-	981,081
Comprehensive loss for the period	-	-	-	(2,444,142)	(70,803)	(2,514,945)
Balance, May 31, 2020	**91,885,241**	**$ 25,439,919**	**$ 4,031,198**	**$ (26,818,007)**	**$ (140,680)**	**$ 2,512,430**
Balance, February 28, 2021	**118,566,834**	**$ 40,556,242**	**$ 4,400,886**	**$ (34,264,880)**	**$ 191,272**	**$ 10,883,520**
Warrants exercised	41,200	24,330	(142)	-	-	24,188
Share-based payment of stock options	-	-	155,549	-	-	155,549
Share-based payment of restricted share units	268,438	173,346	(55,953)	-	(3,346)	114,047
Comprehensive loss for the period	-	-	-	(2,711,785)	340,271	(2,371,514)
Balance, May 31, 2021 (Restated – Note 19)	**118,876,472**	**$ 40,753,918**	**$ 4,500,340**	**$ (36,976,665)**	**$ 528,197**	**$ 8,805,790**

The accompanying notes are an integral part of the condensed interim consolidated financial statements

LexaGene

LEXAGENE HOLDINGS INC.

Condensed Interim Consolidated Statements of Cash Flows

(Expressed in US Dollars) (Unaudited)

	Three months ended May 31, 2021 (Restated – Note 19)	2020
Cash generated by (used in):		
Operating Activities		
Net Loss	$ (2,711,785)	$ (2,444,142)
Items not involving cash:		
Depreciation of intangible license	2,463	3,971
Depreciation of property and equipment	41,713	38,577
Depreciation of right-of-use asset	88,158	86,637
Interest on right-of-use asset	18,600	22,495
Share-based payments	269,596	263,024
Change in working capital balances		
Accounts receivable	5,669	(2,221)
Inventory	(194,321)	-
Prepaid	(1,042)	45,842
Accounts payable and accrued liabilities	(234,256)	273,225
	$ (2,715,205)	**$ (1,717,592)**
Investing Activities		
Purchases of property and equipment	$ (12,135)	$ (2,649)
	$ (12,135)	**$ (2,649)**
Financing Activities		
Proceeds from the exercise of warrants, net of costs	$ 24,188	$ 981,081
Principal payments on lease liability	(99,091)	(99,090)
	$ (74,903)	**$ 881,991**
Change in cash	(2,802,243)	(833,250)
Cash, Beginning	9,624,259	3,185,535
Effects of foreign exchange	337,190	(37,973)
Cash, Ending	**$ 7,159,206**	**$ 2,314,312**

The accompanying notes are an integral part of the condensed interim 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 and the principal address is located at 500 Cummings Ctr., Suite 4550, Beverly, Massachusetts, USA, 01915. The records office of the Company is located at 1055 West Georgia Street, Suite 1500, Vancouver, British Columbia, Canada, V6E 4N7. The Company's common shares are listed on the TSX Venture exchange under the trading symbol "LXG". The principal business of the Company is to research, develop and commercialize automated genetic analyzer devices in clinical and life science industries.

These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will continue on a going-concern basis. At May 31, 2021, the Company had an accumulated deficit of $36,976,665 since inception. The Company's operations are dependent on obtaining additional financing to develop its genetic analyzer, the MiQLab™ System, and generating cash flow from operations in the future. These factors form a material uncertainty, which may 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. Management's plans to meet the Company's current and future obligations are to raise capital in equity markets, private placements, rely on the financial support of its shareholders and related parties as well as to commercially launch the MiQLab during 2021.

Novel Coronavirus

On March 11, 2020, the World Health Organization declared the outbreak of a novel and highly contagious form of coronavirus, known as COVID-19, to be a pandemic. Since then, LexaGene's development and material procurement and sales processes have been somewhat impacted with long lead-time delays and restricted travel. LexaGene was able to retain all of its key employees and received a loan in May 2020, under the Paycheck Protection Program of the Coronavirus Aid, and Economic Security (CARES) Act for $108,178 (the "**PPP Loan**"). See Note 10 for additional information.

The Company cannot accurately predict the on-going impacts COVID-19 will have on its operations and the ability of others to meet their obligations with the Company. Unchanged from the last reporting period, LexaGene is continually monitoring the situation closely and may take additional measures to reduce its costs and preserve its liquidities.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34, *Interim Financial Reporting* under International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**"). These unaudited condensed interim consolidated financial statements follow the same accounting policies and methods of application as the most recent annual audited consolidated financial statements of the Company. These unaudited condensed interim consolidated financial statements do not contain all of the information required for full annual consolidated financial statements. Accordingly, these unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended February 28, 2021, which were prepared in accordance with IFRS as issued by the IASB and International Financial Reporting Interpretations Committee ("**IFRIC**") interpretations. The accounting policies set out below have been applied consistently to all periods presented in these unaudited condensed interim consolidated financial statements as if the policies have always been in effect.

These condensed interim consolidated financial statements are expressed in US dollars and have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value.

Translation gains and losses resulting from the consolidation of operations in Canada are recognized in other comprehensive loss in the consolidated statements of comprehensive loss, and in accumulated other comprehensive loss as a separate component of shareholders' equity on the consolidated statement of changes in shareholder's equity.

The functional currency of the Company and its Canadian subsidiary is the Canadian dollar ("**CAD**"), and the USD for the Company's US subsidiary.

The Company's presentation currency is the US dollar ("**USD**") which aligns the Company's presentation currency with the functional currency of its operations in the United States. Under this method, the Canadian entities are translated to USD.

Foreign exchange rates used for currency translation in these consolidated financial statements include:

Period end dates	US to CAN	CAN to US
February 28, 2021	1.2685	0.7883
May 31, 2021	1.2072	0.8284

Period averages	US to CAN	CAN to US
Three months ended May 31, 2020	1.3993	0.7149
Three months ended May 31, 2021	1.2408	0.8061

(b) 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 2 (p) of the annual consolidated financial statements.

(c) Basis of consolidation

The unaudited condensed interim consolidated financial statements for the three months ended May 31, 2021 and 2020, include the accounts of the Company, the Company's wholly-owned Canadian subsidiary Bionomics Diagnostics Inc. ("**BDI**") and the Company's wholly-owned US subsidiary LexaGene, Inc. All inter-company transactions and balances have been eliminated.

(Expressed in US Dollars)

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

		% Ownership Interest	
Name	**Country of Incorporation**	**2021**	**2020**
Bionomics Diagnostics Inc.	Canada	100%	100%
LexaGene, Inc.	United States of America	100%	100%

(d) Accounting pronouncements not yet adopted by the Company

In January 2020, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. The Company is currently assessing the impact of the amended standards but does not expect them to have a material impact on the financial statements.

3. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents, accounts receivable and accounts payable approximate their fair values due to the short-term maturity of these 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 United States and Canadian financial institutions. The Company considers credit risk on its cash to be minimal.

Credit risks associated with accounts receivable risk is the risk of a financial loss if a customer fails to meet its obligations under a sales contract. This risk primarily arises from the Company's receivables from customers. The Company regularly reviews the collectability of its accounts receivable and would establish an allowance account for credit losses based on its best estimate of any potentially uncollectible accounts receivables. As at May 31, 2021, the balance of the allowance account for credit losses was $0 (February 28, 2021 - $0).

(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 has contractual maturities of less than 30 days and are subject to normal trade terms. See Note 9 for maturities of the lease liability.

(Expressed in US Dollars)

(c) 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 (interest rate risk, currency risk and other price risk). 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 May 31, 2021 are as follows:

		CAD$		USD$ Equivalent
Cash	$	8,000,057	$	6,627,247
Accounts payable and accrued liabilities		(232,236)		(192,384)
Net exposure	$	7,767,821	$	6,434,863

The impact of a 5% change in the foreign exchange rates of the Canadian dollar against the US dollar (USD) on the financial assets and liabilities of the Company as at May 31, 2021 is estimated to have an impact in the Company's loss (holding all other variables constant) in the amount of approximately $298,000 (February 28, 2021 - $329,000). The carrying amount of cash, accounts payable and accrued liabilities in USD represents the Company's exposure as at May 31, 2021.

(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.

(Expressed in US Dollars)

4. REVENUES

Revenues are recognized when control of the products has transferred to the customer, being when the products are delivered to the customer, the customer takes control of the goods, the customer has full discretion over the use of the products, sales are final and there are no unfulfilled performance obligations that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location requested by the customer, the customer takes control of the goods at a designated warehouse, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Corporation has objective evidence that all criteria for acceptance have been satisfied.

All of the Company's sales and performance obligations occur as at a point in time. As at the end of the reporting period, there are no unfulfilled performance obligations. The Company's products are sold without any subsequent pricing adjustments and accordingly there has been no variable consideration assessment. No element of financing is present as all sales require advance payment, or payment within 30 to 60 days. The Company's only obligation is to provide an exchange for products under the standard assurance warranty terms and conditions. The warranty requirements, if any, are recognized as a provision under IAS 37, *Provisions, Contingent Liabilities, and Contingent Assets*. A receivable is recognized when the goods are controlled by the customer. This is the point in time that the consideration is unconditional as only the passage of time is required before payment is due. All advance payments, if any, are recorded as a liability called deferred revenue.

The Company determines the geographic location of revenues from operations based on the location of its customers.

There were no revenues recognized in the three months ended May 31, 2021 and 2020.

5. TRADE AND OTHER ACCOUNTS RECEIVABLE

As at	May 31, 2021	February 28, 2021
Accounts receivable	$ 38,415	$ 44,084
Loss allowance	-	-
Total	$ 38,415	$ 44,084

Impairment

The Company assesses, on a forward-looking basis, the expected credit losses associated with its assets carried at fair value. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables only, the Corporation applies the simplified approach permitted by IFRS 9, *Financial Instruments*, which requires expected lifetime losses to be recognized from initial recognition of the receivables. Trade receivables are non-interest bearing and are on 30- to 60-day terms.

(Expressed in US Dollars)

As at May 31, 2021 and February 28, 2021, no trade receivables were impaired. The ageing analysis of trade receivables is as follows:

As at		May 31, 2021		February 28, 2021
Amounts past due:				
Current	$	-	$	33,250
Past due 1-30 days		12,915		10,834
Past due 31-60 days		25,500		-
Past due 61-120 days		-		-
Past due more than 120 days		-		-
Total	$	38,415	$	44,084

Amounts in accounts receivable are based on customer sales, and goods and service tax ("**GST**") refunds due to the Company from the Canada Revenue agency. As at May 31, 2021 $25,500 related to previous customer sales from December, 2020 and $12,915 was in relation to GST refunds. As at February 28, 2021, $33,250 related to customer sales and $10,834 was in relation to GST refunds. The amount of $25,500 owing from a customer was collected subsequent to May 31, 2021.

6. INVENTORIES

Raw materials, work in process, and finished goods inventories are stated at the lower of cost and net realizable value, with cost being determined using a weighted average costing formula. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The Company maintains three categories of inventory: raw materials, work in process and finished goods.

As at May 31, 2021 and February 28, 2021, the Company valued its inventory as follows:

As at		May 31, 2021		February 28, 2021
Finished goods	$	53,565	$	36,665
Raw materials		746,991		749,626
Work in process		459,694		279,638
Total	**$**	**1,260,250**	**$**	**1,065,929**

As at May 31, 2021, the inventory consisted of completed MiQLab Systems, raw materials, work in process and supplies required for manufacturing. These parts and supplies totaling $1,260,250 were purchased at cost (February 28, 2021 - $1,065,929).

Cost comprises of direct materials and delivery costs, direct labor, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

7. 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 identify bacteria and viruses that can cause disease with applications in both food safety and healthcare.

As consideration for the license agreement, the Company paid a non-refundable License Issue Fee of $60,000.

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

- $15,000 (paid) on or before February 29, 2016;
- $15,000 (paid) on or before February 28, 2019; and
- $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:

- $5,000 (paid) on or before February 28, 2017;
- $10,000 (paid) on or before February 28, 2018;
- $10,000 (paid) on or before February 28, 2019;
- $25,000 (paid) on or before February 28, 2020 and each year thereafter.

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

(Expressed in US Dollars)

At May 31, 2021 and February 28, 2021, the changes in carrying value of the intangible license are as follows:

Cost		
Balance, February 29, 2020	$	109,140
Additions		-
Effect of foreign exchange differences		6,397
Balance, February 28, 2021	$	115,537
Additions		-
Effect of foreign exchange differences		5,877
Balance, May 31, 2021	**$**	**121,414**
Accumulated amortization		
Balance, February 29, 2020	$	41,572
Additions		5,668
Effect of foreign exchange differences		6,397
Balance, February 28, 2021	$	53,637
Additions		2,463
Effect of foreign exchange differences		2,795
Balance, May 31, 2021	**$**	**58,895**
Carrying values		
February 28, 2021	$	61,900
May 31, 2021	**$**	**62,519**

(Expressed in US Dollars)

8. PROPERTY AND EQUIPMENT

At May 31, 2021 and February 28, 2021, the continuity schedule of changes in the net book value of property and equipment:

Cost	Computer Equipment	Lab Equipment	Furniture & Fixtures	Leasehold Improvements	Total
Balance, February 29, 2020	$ 15,577	$ 375,644	$ 88,062	$ 406,749	$ 886,032
Additions	-	61,157	-	6,969	68,126
Balance, February 28, 2021	$ 15,577	$ 436,801	$ 88,062	$ 413,718	$ 954,158
Additions	-	12,135	-	-	12,135
Balance, May 31, 2021	**$ 15,577**	**$ 448,936**	**$ 88,062**	**$ 413,718**	**$ 966,293**
Accumulated amortization					
Balance, February 29, 2020	$ 8,921	$ 138,538	$ 27,544	$ 108,652	$ 283,655
Additions	4,090	77,584	14,677	58,934	155,285
Balance, February 28, 2021	$ 13,011	$ 216,122	$ 42,221	$ 167,586	$ 438,940
Additions	433	22,558	3,700	15,022	41,713
Balance, May 31, 2021	**$ 13,444**	**$ 238,680**	**$ 45,921**	**$ 182,608**	**$ 480,653**
Carrying values					
February 28, 2021					$ 515,218
May 31, 2021					**$ 485,640**

9. RIGHT-OF-USE ASSET AND LEASE LIABILITY

At May 31, 2021 and February 28, 2021, the balance of the lease liability is as follows:

		Carrying Value
Balance as at March 1, 2020	$	1,916,552
Interest expense		74,742
Lease payments		(396,362)
Balance February 28, 2021	$	1,594,933
Current portion of the lease liability		(305,875)
Non -current portion of the lease liability	$	1,289,058
Balance February 28, 2021	$	1,594,933
Interest expense		18,600
Lease payments		(99,091)
Balance May 31, 2021	$	1,514,442
Current portion of the lease liability		(305,875)
Non -current portion of the lease liability	$	1,208,567

(Expressed in US Dollars)

At May 31, 2021 and February 28, 2021, the balance of the right-of-use asset is as follows:

		Carrying Value
Balance as at March 1, 2020	$	1,851,322
Depreciation		(352,633)
Balance February 28, 2021	$	1,498,689
Depreciation		(88,158)
Balance May 31, 2021	**$**	**1,410,531**

The property lease expires on May 30, 2025 and the lease payments were discounted with a 5% interest rate.

10. GOVERNMENT GRANTS

In May 2020, LexaGene received a loan under the Paycheck Protection Program of the Coronavirus Aid, Relief, and Economic Security (CARES) Act in the amount of $108,178 (the "**PPP Loan**"). The PPP Loan had a 2-year term with an annual interest rate of 1%. Monthly principal and interest payments were deferred for 10 months, and the maturity date on the PPP Loan was May 1, 2022.

The Paycheck Protection Program was a business loan program established by the United States Federal Government under the CARES Act to help businesses impacted by the COVID-19 pandemic allowing companies to continue paying employee and other special business expenses.

In accordance with IAS 20, LexaGene has recognized the $108,178 PPP Loan proceeds received during the year ended February 28, 2021, in the consolidated statements of comprehensive loss and included as cash flows from financing activities in the consolidated statement of cash flows. The proceeds of $108,178 were used to offset expenses for salaries and wages in general and administrative of $14,255 and in research and development of $93,923.

During the 24-week forgiveness period in 2020, LexaGene used the full amount received to fund expenses under the terms of the PPP Loan. As a result, LexaGene submitted an application for forgiveness of the PPP Loan to the Small Business Administration ("**SBA**"). The SBA forgave the PPP Loan on March 16, 2021.

11. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value.

(b) Issuances

The Company issues its shares for CAD$ proceeds that are translated to US$, as stated in rounded per share amounts as disclosed.

Issuances during the period ended May 31, 2021:

- In March 2021, the Company issued 41,200 shares upon exercise of warrants. 40,000 warrants were exercised at CAD$0.75 per share and 1,200 warrants were exercised at CAD$0.52 per share.

- During the period ended May 31, 2021, the Company issued 268,438 shares on vesting of the RSUs, and an amount of $170,000 was reclassified from share-based payment reserve upon vesting of the RSUs.

Issuances during the year ended February 28, 2021:

- On September 9, 2020, the Company sold 15,640,000 units at an offering price of $0.65 (CAD$0.85) per Unit for aggregate net proceeds to the Company of approximately $9.2 million (CAD$10.1 million). Each unit consisted 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 CAD$1.10 per common share until September 9, 2023. The Company paid approximately $99,700 (CAD $131,390) in finders and legal fees and granted 1,094,800 broker warrants exercisable at CAD$1.10 until September 9, 2023.

- During the year ended, February 28, 2021, 1,331,150 stock options were exercised. 500,000 stock options were exercised at CAD$0.36 per stock option, 600,000 stock options were exercised at CAD$0.33 per stock option and 231,150 stock options were exercised at CAD$0.53.

- During the year ended, February 28, 2021, 857,209 RSUs vested, and an amount of $560,519 was reclassified from share-based payment reserve to share capital upon vesting of the RSUs.

- During the year ended, February 28, 2021, 11,203,087 warrants were exercised. 261,079 warrants were exercised at CAD$0.52 per warrant, 997,167 warrants were exercised at CAD$0.60 per warrant, 4,233,424 were exercised at CAD$0.65 per warrant, 4,469,752 were exercised at CAD$0.75 per warrant, 42,661 were exercised at CAD$0.85 per warrant, 28,050 were exercised at CAD$1.00 per warrant, 1,062,554 were exercised at CAD$1.10 per warrant and 108,400 were exercised at CAD$1.30 per warrant. $42,552 was reclassified from share-based payment reserve to share capital upon exercise of broker warrants.

(Expressed in US Dollars)

(c) Warrants

The changes in warrants during the period ended May 31, 2021 and the year ended February 28, 2021 are summarized as follows:

	Number of warrants	Weighted average exercise price, CAD	
Warrants outstanding, February 29, 2020	**24,953,191**	**$**	**0.90**
Warrants issued	8,914,801	$	1.10
Warrants exercised	(261,079)	$	0.52
Warrants exercised	(997,167)	$	0.60
Warrants exercised	(4,233,424)	$	0.65
Warrants exercised	(4,469,752)	$	0.75
Warrants exercised	(42,661)	$	0.85
Warrants exercised	(28,050)	$	1.00
Warrants exercised	(1,062,554)	$	1.10
Warrants exercised	(108,400)	$	1.30
Warrants expired	(3,339,914)	$	1.34
Warrants outstanding, February 28, 2021	**19,324,991**	**$**	**0.97**
Warrants exercised	(40,000)	$	0.75
Warrants exercised	(1,200)	$	0.52
Warrants outstanding, May 31, 2021	**19,283,791**	**$**	**0.97**

Details of warrants outstanding as at May 31, 2021 are as follows:

Number of Warrants	Exercise Price, CAD$	Expiry Date
374,450	1.00	July 11, 2021
2,766,600	1.30	July 11, 2021
450,620	0.52	October 29, 2022
7,839,874	0.75	October 29, 2022
7,852,247	1.10	September 9, 2023
19,283,791		

At May 31, 2021, the weighted average remaining contractual life of warrants outstanding was 1.55 years (February 28, 2021 - 1.84 years) with a weighted average exercise price of $0.80 (CAD$0.97) (February 28, 2021 - $0.77 (CAD$0.97)).

(Expressed in US Dollars)

(d) Stock options

Stock option transactions and the number of stock options outstanding are summarized below:

	Options		Weighted Average Exercise Price, CAD
Balance, February 29, 2020	**4,653,000**	**$**	**0.61**
Stock options issued	1,062,000	$	0.73
Stock options exercised	(1,331,150)	$	0.38
Stock options cancelled, expired or forfeited	(350,000)	$	0.33
Stock options cancelled, expired or forfeited	(311,850)	$	0.67
Balance, February 28, 2021	**3,722,000**	**$**	**0.75**
Stock options issued	396,000	$	0.66
Stock options issued	644,500	$	0.49
Stock options issued	690,000	$	0.59
Stock options issued[1]	690,000	$	0.59
Stock options cancelled, expired or forfeited	(220,000)	$	1.05
Stock options cancelled, expired or forfeited	(105,000)	$	1.15
Stock options cancelled, expired or forfeited	(61,250)	$	0.53
Stock options cancelled, expired or forfeited	(45,000)	$	0.79
Balance, May 31, 2021	**5,711,250**	**$**	**0.66**

[1] These are Performance Options, vesting if the performance conditions are satisfied by December 31, 2021

After shareholder approval, the Company amended its Omnibus Incentive Plan on July 25, 2017, August 23, 2019 and November 10, 2020. LexaGene increased the number of Common Shares reserved for the Company's Omnibus Incentive Plan and increased the number of Common Shares reserved for issuance as share incentive options. The amended Omnibus Incentive Plan grants the Company 7,996,201 Common Shares reserved for stock options.

Stock option transactions during the period ended May 31, 2021:

- On May 11, 2021, the Company granted 396,000 stock options to non-executive directors exercisable at CAD$0.66 per share expiring on May 11, 2031. The options vest 10% on the grant date and 15% every six months thereafter.

- On May 28, 2021, the Company granted 644,500 stock options exercisable at CAD$0.49 per share. The options vest 10% on the grant date and 15% every six months thereafter, expiring on May 28, 2025.

- On May 28, 2021, the Company granted 690,000 stock options to executive officers. Each Option is exercisable into one common share of the Company at a price of CAD$0.59 per share for a period of ten years from the date of the grant. The Options vest 10% on the grant date, and 15% every six months thereafter. The Options expire on May 28, 2031.

- On May 28, 2021, the Company granted an additional 690,000 stock options to executive officers ("Performance Options"), exercisable at a price of CAD$0.59 per share. The performance conditions are associated with 2021 performance milestone goals set forth by the Board of Directors for executive management. The conditions are as follows: meeting the requirements to list the Company's shares on NASDAQ and filing of the Form 40-F with the SEC. If the performance conditions are not satisfied on or before December 31, 2021, the Performance Options will be cancelled. If both performance conditions are met on or before December 31, 2021, the Performance Options will vest on January 1, 2022 and will have an expiry date of May 28, 2031. During the period ended May 31, 2021, the Company did not recognize any stock-based compensation in connection with these options.

(Expressed in US Dollars)

Stock option transactions during the year ended February 28, 2021:

- On April 21, 2020, the Company granted 100,000 stock options to an employee to purchase common shares at a price of CAD$0.63 per common share. The stock options vested 25% at grant date, 25% on April 21, 2021, 25% on April 21, 2022, 25% on April 21, 2023, and expiring on April 21, 2030.

- On September 17, 2020, the Company granted to a non-executive director, 350,000 stock options that have an exercise price of $0.66 per stock option with an expiration date September 17, 2030. These replace 350,000 stock options with an exercise price of CAD$0.33 that had expired on July 27, 2020. The options for the subsequent grant vested 100% upon grant.

- On September 17, 2020, the Company granted 100,000 stock options to a consultant with an exercise price of CAD$0.81 per stock option with an expiration date of September 17, 2025. The stock options vest 25% upon grant, 25% on January 17, 2021, 25% on May 17, 2021 and 25% on September 17, 2021.

- On September 17, 2020, the Company granted 17,500 stock options to a consultant with an exercise price of CAD$0.82 per stock option with an expiration date of December 9, 2023. The stock options vest 10% upon grant and 15% each 6 months thereafter with the last vest date of September 17, 2023.

- On December 10, 2020, the Company granted 464,500 stock options to employees with an exercise price of CAD$0.79 per stock option with an expiration date of December 10, 2024. The stock options vest 10% on June 10, 2021 and 15% each 6 months thereafter with the last vest date of June 10, 2024.

- On December 10, 2020, the Company granted 30,000 stock options to consultants with an exercise price of CAD$0.79 per stock option with an expiration date of December 10, 2024. The stock options vest 10% on June 10, 2021 and 15% each 6 months thereafter with the last vest date of June 10, 2024.

- During the year ended, February 28, 2021, 663,050 stock options were cancelled.

The following weighted average assumptions were used to estimate the fair value of the options granted using the Black-Scholes option-pricing model:

	May 31,	
	2021	**2020**
Annualized volatility	105%	150%
Risk-free interest rate	1.13%	1.64%
Expected life of options in years	8.4	3.5
Expected dividend rate	0.00%	0.00%

(Expressed in US Dollars)

Fair value of equity-settled stock options are measured at the grant date based on the market value of the Company's common shares on that date. 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 following table summarizes information on stock options outstanding as at May 31, 2021:

Options Outstanding	Options Exercisable	Exercise Price, CAD$	Expiry Date
455,000	386,750	0.53	February 21, 2022
370,000	314,500	1.15	February 21, 2022
98,000	98,000	0.65	April 11, 2022
63,750	63,750	0.53	May 16, 2022
100,000	70,000	0.97	June 26, 2022
650,000	455,000	0.65	September 29, 2022
292,000	204,400	0.53	October 19, 2022
17,500	4,375	0.82	December 9, 2023
449,500	-	0.79	December 10, 2024
644,500	64,450	0.49	May 28, 2025
100,000	75,000	0.81	September 17, 2025
245,000	-	0.72	February 19, 2030
100,000	50,000	0.63	April 21, 2030
350,000	350,000	0.66	September 17, 2030
396,000	61,200	0.66	May 11, 2031
690,000	69,000	0.59	May 28, 2031
690,000	-	0.59	May 28, 2031
5,711,250	**2,266,425**		

At May 31, 2021, the weighted average remaining contractual life of options outstanding was 5.38 years (February 28, 2021 – 3.13 years), with a weighted average exercise price of $0.55 (CAD$0.66) (February 28, 2021 - $0.49 (CAD$0.62)). At May 31, 2021 2,266,425 stock options were exercisable (February 28, 2021 - 2,241,600).

The Company recorded stock-based compensation expense related to stock options of $155,549 for the three months ended May 31, 2021 (2020 - $91,884). For the three months ended May 31, 2021, $4,792 was recorded in sales and marketing (2020 - $801), $91,233 in general and administrative (2020 - $71,212), $15 in manufacturing (2020 - $0) and $59,509 in research and development expense (2020 - $19,871).

(e) Restricted share units

After shareholder approval, the Company amended its Omnibus Incentive Plan on July 25, 2017, August 23, 2019 and November 10, 2020. LexaGene increased the number of Common Shares reserved for the Company's Omnibus Incentive Plan and increased the number of Common Shares reserved for issuance as restricted share units (RSUs). The amended Omnibus Incentive Plan allows the Company to grant up to 7,996,201 Common Shares reserved for RSUs.

Restricted share unit transactions during the period ended May 31, 2021:

- On May 11, 2021, the Company granted 396,000 RSUs to non-executive directors. RSUs start vesting on May 11, 2023, in equal 10% increments on the 11th day of each month thereafter, expiring on February 11, 2024.

- On May 28, 2021, the Company granted 644,500 RSUs to non-insider employees with the expiration date of February 28, 2024. The restricted share units vest 10% on October 28, 2021, and 15% every four months thereafter.

- During the period ended May 31, 2021, 188,750 RSUs were cancelled.

Restricted share unit transactions during the year ended February 28, 2021:

- On April 21, 2020, the Company granted 156,088 restricted share units to employees. The restricted share units have trigger dates of 10% at October 21, 2020, and 15% each six months thereafter, expiring on October 22, 2023. The fair value per restricted share unit in this grant was CAN$0.63, based on the TSX.V market price of the Company's share on the date the RSUs were granted.

- On September 17, 2020, the Company granted Dr. Manohar Furtado, a non-executive director, 170,000 restricted share units. These restricted share units replace the previous 170,000 restricted share units that had expired on September 12, 2020. These restricted share units vest 33% on September 17, 2021, 33% on September 17, 2022 and 34% on September 17, 2023. These restricted share units have an expiration date of September 17, 2023.

- On September 17, 2020, the Company granted 17,500 restricted share units to a consultant with an expiration date of September 17, 2023. The restricted share units vest 10% upon grant and 15% each 6 months thereafter with the last vest date of September 17, 2023.

- On December 10, 2020, the Company granted 539,500 restricted share units to employees. The restricted share units have trigger dates of 20% on May 10, 2021, 20% on October 10, 2021, 20% on March 10, 2022, 20% on August 10, 2022 and 20% on February 10, 2023, expiring on February 10, 2023.

- On December 10, 2020, the Company granted 30,000 restricted share units to consultants. The restricted share units have trigger dates of 20% on May 10, 2021, 20% on October 10, 2021, 20% on March 10, 2022, 20% on August 10, 2022 and 20% on February 10, 2023, expiring on February 10, 2023.

- During the year ended, February 28, 2021, 780,250 restricted shares units were cancelled.

The Company recorded stock-based compensation expense related to restricted share units of $114,047 for the three months ended May 31, 2021 (2020 - $171,140). For the three months ended May 31, 2021, $(26,438) was recorded in sales and marketing (2020 - $16,631), $97,812 in general and administrative (2020 - $139,992), $3,105 in manufacturing (2020 - $0.00) and $39,568 in research and development expense (2020 - $14,517).

At May 31, 2021 2,951,566 RSUs were outstanding (February 28, 2021 - 2,368,254).

(Expressed in US Dollars)

12. CAPITAL MANAGEMENT

The Company is a biotechnology company developing and planning to manufacture and sell fully automated genetic analyzer devices for various veterinary health issues, food safety, human diagnostics and various open-access markets, which involves a high degree of risk. The Company has not determined whether it will be successful in its endeavors and does not generate significant 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 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 be able to continue raising funds.

13. KEY MANAGEMENT COMPENSATION

Key management includes personnel having the authority and responsibility for planning, directing and controlling the Company and includes the directors and current executive officers. During the three months ended May 31, 2021 and 2020, expenses incurred for key management compensation are summarized as:

	May 31, 2021	May 31, 2020
Salaries and benefits	$ 287,539	$ 207,585
Consulting fees	-	10,800
Stock-based compensation	185,180	147,797
	$ 472,719	**$ 366,182**

As at May 31, 2021, $0 was payable to key management (February 28, 2021 - $0).

There are no post-employment expenses or other long-term expenses for key management.

14. RESEARCH AND DEVELOPMENT EXPENSES

LexaGene's product research and development plan was divided into three phases: alpha prototype, beta prototype, and commercialization of its finished product the MiQLab. As at May 31, 2021, the Company is in the commercialization phase for the MiQLab and has completed both the alpha and beta prototype phases.

On occasion, the Company engages various contractors to assist the Company in the development of its MiQLab and other technologies.

(Expressed in US Dollars)

The significant components of research and development expense are as follows:

	May 31, 2021	2020
Product development consulting expense	$ 41,190	$ 394,803
Depreciation of lab related equipment	29,549	26,107
Depreciation of the intangible license	2,463	2,184
Depreciation of right-of-use asset	32,187	31,631
Lab administration and supplies	183,052	143,862
Materials	242,978	326,667
Travel	10,477	-
Salaries	933,243	653,516
Share-based compensation	99,077	34,388
Total research and development expenses	**$ 1,574,216**	**$ 1,613,158**

15. GENERAL AND ADMINSTRATIVE EXPENSES

The significant components of general and administrative expenses are as follows:

	May 31, 2021	2020
Office and administration	$ 10,123	$ 13,470
Depreciation of property and equipment	12,163	12,470
Depreciation of right-of-use asset	55,971	55,006
Consulting	2,275	1,771
Promotional services	46,878	62,330
Professional fees	60,138	90,580
Insurance	3,768	4,518
Interest expense (right-of-use asset)	18,600	22,495
Transfer agent and filing fees	6,414	9,931
Travel	101	515
Salaries	27,358	40,575
Share-based compensation	189,045	211,204
Total general and administrative expenses	**$ 432,834**	**$ 524,865**

16. SALES, MARKETING AND PROMOTIONAL EXPENSES

The significant components of marketing and promotional expenses are as follows:

	May 31,			
		2021		2020
Sales, marketing and promotion	$	242,799	$	170,141
Travel		5,230		1,331
Salaries		383,002		117,205
Share-based compensation		(21,646)		17,432
Total sales, marketing and promotional expenses	**$**	**609,385**	**$**	**306,119**

17. SEGMENTED INFORMATION

The Company has one operating segment, the development and commercialization of the MiQLab System. All its non-current assets are based in the U.S.

18. COMMITMENTS

The Company has one operating lease agreement for their office and laboratory premises. Commitment in respect of this lease agreement is as follows:

		2021
Not more than one year	$	305,875
Later than one year and not later than five years		1,208,567
Later than five years		-
	$	**1,514,442**

19. RESTATEMENT

Subsequent to filing of the condensed interim consolidated financial statements for the three months ended May 31, 2021, management identified an error. The error related to the exchange rate of CAD to USD used to translate the Company's cash held in Canadian dollar. The error resulted in an increase in cash and other comprehensive income by $320,565 as follows:

		Previously Reported		Adjustment for Restatement		Restated
Statement of Financial Position						
Cash	$	6,838,641	$	320,565	$	7,159,206
Accumulated other comprehensive income	$	207,632	$	320,565	$	528,197
Statement of Comprehensive Loss						
Unrealized gain on translation to reporting currency	$	19,706	$	320,565	$	340,271
Comprehensive loss	$	2,692,079	$	(320,565)	$	2,371,514

(Expressed in US Dollars)

		Previously Reported		Adjustment for Restatement		Restated
Statement of Changes in Equity						
Comprehensive income for the period	$	19,706	$	320,565	$	340,271
Accumulated other comprehensive income	$	207,632	$	320,565	$	528,197
Statement of Cash Flows						
Cash, Ending	$	6,838,641	$	320,565	$	7,159,206
Effects of foreign exchange	$	16,625	$	320,565	$	337,190

20. SUBSEQUENT EVENTS

Subsequent to May 31, 2021, 63,750 shares were issued upon the exercise of stock options with an exercise price of CAD$0.53 per share for gross proceeds of approximately $27,722 (CAD $33,788).

On June 22, 2021, the Company issued 22,500 shares pursuant to the vesting of RSUs.

On June 28, 2021, the Company issued 28,875 shares pursuant to the vesting of RSUs.

On August 20, 2021, the Company issued 129,000 shares pursuant to the vesting of RSUs.

Subsequent to May 31, 2021, 3,141,050 warrants expired unexercised.