



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended November 30, 2017 and 2016

(Unaudited)

(Expressed in U.S. dollars)

These unaudited condensed consolidated interim financial statements of Lexagene Holdings Inc. (former Wolfeye Resource Corp) for the nine months ended November 30, 2017 and 2016 have been prepared by management and approved by the Board of Directors. These unaudited condensed consolidated interim financial statements have not been reviewed by the Company's external auditors.

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

	Note	November 30, 2017	February 29, 2017
ASSETS			
Current assets			
Cash		\$ 805,022	\$ 867,483
Receivables		1,610	11,375
Prepaid		49,517	69,895
		856,149	948,753
Non-current			
Intangible license	5	65,162	73,574
Property and equipment	6	47,756	29,947
TOTAL ASSETS		\$ 969,067	\$ 1,052,274
LIABILITIES			
Current liabilities			
Accounts payables and accrued liabilities	9	\$ 196,903	\$ 130,615
TOTAL LIABILITIES		\$ 196,903	\$ 130,615
SHAREHOLDERS' EQUITY			
Share capital	7	7,453,878	4,469,182
Share subscriptions		-	132,413
Share-based payment reserve	7	464,064	857,496
Accumulated other comprehensive income		80,376	10,444
Deficit		(7,226,154)	(4,547,876)
TOTAL SHAREHOLDERS' EQUITY		772,164	921,659
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 969,067	\$ 1,052,274

Nature and continuance of operations (Note 1)
Subsequent event (Note 12)

Approved on behalf of the Board on January 23, 2018:

*"Jack Regan"*_____
Jack Regan, Chairman*"Daryl Rebeck"*_____
Daryl Rebeck, Director

LEXAGENE HOLDINGS INC.

Condensed Consolidated Interim Statements of Comprehensive Loss
(Unaudited - Expressed in US Dollars)

	Note	Three months ended		Nine months ended	
		November 30,		November 30,	
		2017	2016	2017	2016
Expenses					
Administration	9	\$ 11,916	\$ 3,769	\$ 35,189	\$ 3,823
Advertising and promotion		118,633	5,693	352,958	5,775
Amortization of intangible license	5	2,420	5,077	7,044	5,403
Amortization of property and equipment	6	3,022	332	9,188	1,634
Consulting fees	9	26,504	462	76,449	76,929
Insurance		6,953	827	10,584	839
Office and miscellaneous		13,755	2,188	33,078	3,153
Professional fees		51,857	(14)	110,129	3,614
Research and development	10	825,552	147,057	1,352,567	265,945
Share based compensation	9	91,807	-	237,698	-
Transfer agent and filing fees		21,184	9,146	39,354	9,277
Travel		52,983	8,638	136,222	8,762
Wages and salaries	9	88,316	29,077	268,330	29,494
		1,314,902	212,252	2,668,790	414,648
Other items					
Foreign exchange		4,410	47	9,488	48
Transaction fair value consideration	4	-	3,582,439	-	3,633,766
Net loss		1,319,312	3,794,738	2,678,278	4,048,462
Other comprehensive loss					
Unrealized gain (loss) on translation to reporting currency		(27,273)	-	69,932	(11,147)
Comprehensive loss		\$ 1,346,585	\$ 3,794,738	\$ 2,608,346	\$ 4,059,609
Net loss per share – basic and diluted		\$ 0.026	\$ 0.120	\$ 0.051	\$ 0.182
Weighted average number of common shares outstanding – basic and diluted		52,609,541	31,498,443	50,761,282	22,285,303

LEXAGENE HOLDINGS INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Unaudited - Expressed in US Dollars)

	Share Capital		Share subscriptions	Share based payment reserve	Deficit	Other comprehensive income (loss)	Total
	Number	Amount					
Balance, February 29, 2016	16,150,000	\$ 94,973	\$ -	\$ -	\$ (64,661)	\$ (835)	\$ 29,477
Shares issued in private placements, net of costs	3,850,000	192,894	-	-	-	-	192,894
BDI shares cancellation	(20,000,000)	(279,353)	-	-	-	-	(279,353)
Shares issued in relation to BDI purchase	20,225,000	279,353	-	-	-	-	279,353
Shares issued to the Company shareholders	10,195,260	1,919,722	-	-	-	-	1,919,722
Warrants granted to BDI warrant holders	-	-	-	1,177,549	-	-	1,177,549
Shares issued as Transaction	1,000,000	188,296	-	-	-	-	188,296
Warrants exercised	220,000	50,759	-	(37,596)	-	-	13,163
Shares issued for cash, net of costs	8,400,800	1,581,833	-	-	-	-	1,581,833
Warrants issued to finders in private placements	-	-	-	88,939	-	-	88,939
Share issue costs	-	(199,680)	-	-	-	-	(199,680)
Comprehensive loss for the year	-	-	-	-	(4,048,462)	(11,147)	(4,059,609)
Balance, November 30, 2016	40,041,060	\$ 3,828,797	\$ -	\$ 1,228,892	\$ (4,113,123)	\$ (11,982)	\$ 932,584
Balance, February 28, 2017	42,471,060	\$ 4,469,182	\$ 132,413	\$ 857,496	\$ (4,547,876)	\$ 10,444	\$ 921,659
Shares issued in private placements, net of costs	6,685,363	1,491,492	-	-	-	-	1,491,492
Warrants exercised	5,043,530	1,547,696	-	(631,130)	-	-	916,566
Stock options	-	-	-	237,698	-	-	237,698
Funds received for warrants exercise	-	-	(132,413)	-	-	-	(132,413)
Share subscriptions receivable for shares issued	-	-	(89,851)	-	-	-	(89,851)
Share subscription received, net of costs	-	-	89,851	-	-	-	89,851
Share issue costs	-	(54,492)	-	-	-	-	(54,492)
Comprehensive income (loss) for the year	-	-	-	-	(2,678,278)	69,932	(2,608,346)
Balance, November 30, 2017	54,199,953	\$ 7,453,878	\$ -	\$ 464,064	\$ (7,226,154)	\$ 80,376	\$ 772,164

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

LEXAGENE HOLDINGS INC.
Condensed Consolidated Interim Statements of Cash Flows
For the nine months ended November 30, 2017 and 2016
(Unaudited - Expressed in US Dollars)

	Nine months ended November 30,	
	2017	2016
Operating Activities		
Net loss for the year	\$ (2,678,278)	\$ (4,048,462)
Item not involving cash		
Amortization of intangible license	7,044	5,403
Amortization of property and equipment	9,188	1,634
Transaction fair value consideration	-	3,633,766
Share based compensation	237,698	-
Change in working capital balances		
Receivables	9,765	(90)
Prepaid	20,378	1,520
Accounts payable and accrued liabilities	66,288	(195,518)
Cash Used in Operating Activities	(2,327,917)	(601,747)
Investing activities		
Lab equipment	(26,997)	(24,356)
Intangible assets	1,950	(20,065)
Cash used in Investing Activities	(25,047)	(44,421)
Financing Activities		
Proceeds from shares issued, net of cash share issue costs	1,304,587	1,797,934
Share issue costs	-	(199,680)
Proceeds received from warrants exercises	916,563	13,163
Cash Provided by Financing Activities	2,221,150	1,611,417
Increase (decrease) in Cash	\$ (131,814)	\$ 965,249
Cash, Beginning	867,483	18,716
Effect of foreign exchange	69,353	(48,806)
Cash, Ending	\$ 805,022	\$ 935,159

LEXAGENE HOLDINGS INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the nine months ended November 30, 2017

(Unaudited - Expressed in US Dollars)

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 4) for its TSX-V listing. Concurrent with the closing of the reverse takeover 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 condensed consolidated interim consolidated financial statements are prepared on a going concern basis, which assumes that the Company will continue on a going-concern basis. At November 30, 2017, the Company had not generated revenue and had an accumulated deficit of \$7,226,154 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 condensed consolidated interim 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 condensed consolidated interim 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.

2. BASIS OF PREPARATION

Statement of compliance

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

These unaudited condensed consolidated interim financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended February 28, 2017.

LEXAGENE HOLDINGS INC.
Notes to the Condensed Consolidated Interim Financial Statements
For the nine months ended November 30, 2017
(Unaudited - Expressed in US Dollars)

2. BASIS OF PREPARATION (continued)

Basis of measurement

These condensed consolidated interim financial statements are prepared on a going concern basis, under the historical cost convention.

Use of estimates and judgments

The preparation of condensed consolidated interim 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 condensed consolidated interim 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 (1) of the consolidated financial statements for the year ended February 28, 2017.

Basis of consolidation

The condensed consolidated interim financial statements for the nine months ended November 30, 2017, include the accounts of the Company, the Company's wholly-owned Canadian subsidiary Bionomics Diagnostics Inc. ("BDI") and LexaGene Inc. wholly-owned US subsidiary of the Company. All inter-company transactions and balances have been eliminated.

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 of the consolidated financial statements for the year ended February 28, 2017 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.

LEXAGENE HOLDINGS INC.
Notes to the Condensed Consolidated Interim Financial Statements
For the nine months ended November 30, 2017
(Unaudited - Expressed in US Dollars)

2. BASIS OF PREPARATION (continued)

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

Period end dates	US to CDN	CDN to US
February 28, 2017	1.3248	0.7548
November 30, 2017	1.2888	0.7759

Period averages	US to CDN	CDN to US
Nine months ended November 30, 2016	1.3075	0.7648
Nine months ended November 30, 2017	1.2972	0.7709

3. 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.

4. 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.

LEXAGENE HOLDINGS INC.
Notes to the Condensed Consolidated Interim Financial Statements
For the nine months ended November 30, 2017
(Unaudited - Expressed in US Dollars)

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

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 condensed consolidated interim 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.

LEXAGENE HOLDINGS INC.
Notes to the Condensed Consolidated Interim Financial Statements
For the nine months ended November 30, 2017
(Unaudited - Expressed in US Dollars)

4. 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
		<u>\$3,253,700</u>
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)
		<u>117,106</u>
Legal and other transaction costs		<u>113,465</u>
Total listing transaction expense		<u>\$3,484,271</u>

5. INTANGIBLE LICENSE

Lawrence Livermore National Security 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 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 29, 2016;
- \$15,000 to be 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.

LEXAGENE HOLDINGS INC.
Notes to the Condensed Consolidated Interim Financial Statements
For the nine months ended November 30, 2017
(Unaudited - Expressed in US Dollars)

5. INTANGIBLE LICENSE (continued)

In addition, the Company will pay LLNS an annual royalty. This annual royalty will be credited against the earned royalty of 3% due on all net sales minus up to 1.5% should additional technology need to be licensed in order to bring the product to market. 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, February 29, 2016	\$ 59,993
Additions	25,000
Effect of foreign currency exchange differences	982
Balance, February 28, 2017	\$ 85,975
Additions	-
Effect of foreign currency exchange differences	(975)
Balance, November 30, 2017	\$ 85,000
Accumulated Amortization	
Balance, February 29, 2016	\$ 3,235
Additions	9,085
Effect of foreign currency exchange differences	81
Balance, February 28, 2017	\$ 12,401
Additions	7,044
Effect of foreign currency exchange differences	393
Balance, November 30, 2017	\$ 19,838
Carrying value	
February 29, 2016	\$ 56,758
February 28, 2017	\$ 73,574
November 30, 2017	\$ 65,162

LEXAGENE HOLDINGS INC.
Notes to the Condensed Consolidated Interim Financial Statements
For the nine months ended November 30, 2017
(Unaudited - Expressed in US Dollars)

6. PROPERTY AND EQUIPMENT

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

	Computer equipment	Lab equipment	Total
Cost			
Balance, February 29, 2016	\$ -	\$ -	\$ -
Additions	2,348	30,851	33,199
Balance, February 28, 2017	\$ 2,348	\$ 30,851	\$ 33,199
Additions	1,157	25,840	26,997
Balance, November 30, 2017	\$ 3,505	\$ 56,691	\$ 60,196
Accumulated Amortization			
Balance, February 29, 2016	\$ -	\$ -	\$ -
Additions	270	2,982	3,252
Balance, February 28, 2017	\$ 270	\$ 2,982	\$ 3,252
Additions	589	8,599	9,188
Balance, November 30, 2017	\$ 859	\$ 11,581	\$ 12,440
Carrying value			
February 29, 2016	\$ -	\$ -	\$ -
February 28, 2017	2,078	27,869	29,947
November 30, 2017	\$ 2,646	\$ 45,110	\$ 47,756

7. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value.

(b) Issuances

Issued during the nine months ended November 30, 2017:

- On March 13, 2017, the Company issued 6,685,363 units at a price of CAD\$0.30 per unit for total proceeds of CAD\$2,005,609. Share issue costs totaled CAD\$73,055. 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.
- During the nine months ended November 30, 2017, 5,043,530 warrants were exercised at a price from CAD\$0.08 to CAD\$0.60 per warrant. The fair value of the warrants of CAD\$815,717 was deducted from share-based payment reserve.

LEXAGENE HOLDINGS INC.
Notes to the Condensed Consolidated Interim Financial Statements
For the nine months ended November 30, 2017
(Unaudited - Expressed in US Dollars)

7. SHARE CAPITAL (continued)

(b) Issuances (continued)

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.
- 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 4) 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.

LEXAGENE HOLDINGS INC.
Notes to the Condensed Consolidated Interim Financial Statements
For the nine months ended November 30, 2017
(Unaudited - Expressed in US Dollars)

7. SHARE CAPITAL (continued)

(c) Warrants

The changes in warrants during the nine months ended November 30, 2017 are as follows:

	Number of warrants	Weighted average exercise price, CAD
Warrants issued and outstanding at March 1, 2015 and February 29, 2016	-	\$ -
Deemed to be issued on the reverse takeover transaction	6,980,000	0.08
Warrants issued	535,000	0.25
Warrants exercised	(2,650,000)	0.08
Warrants outstanding, February 28, 2017	4,865,000	\$ 0.10
Warrants issued	6,685,363	0.60
Warrants exercised	(5,043,530)	0.17
Warrants outstanding, November 30, 2017	6,506,833	\$ 0.49

Details of warrants outstanding as at November 30, 2017 are as follows:

Number of warrants	Exercise Price	Expiry Date
5,000	CAD\$ 0.08	June 20, 2019
1,000,000	CAD\$ 0.08	May 7, 2018
150,800	CAD\$ 0.25	October 4, 2018
5,351,033	CAD\$0.60	March 13, 2020

At November 30, 2017, the weighted average remaining contractual life of warrants outstanding was 1.37 years, with a weighted average exercise price of CAD\$0.49.

(d) Stock options

During the nine months ended November 30, 2017, 270,000 stock options were granted to directors and consultants of the Company to purchase common shares at a price of CAD\$1.05 per common share vesting 10% on the grant date and 15% every six months thereafter expiring on March 12, 2021. No stock options were exercised during the period. During the nine months ended November 30, 2017, the Company recorded share-based compensation expense of \$237,698 (2016 - \$Nil).

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 vested 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.

LEXAGENE HOLDINGS INC.
Notes to the Condensed Consolidated Interim Financial Statements
For the nine months ended November 30, 2017
(Unaudited - Expressed in US Dollars)

7. SHARE CAPITAL (continued)

(d) Stock options (continued)

During the nine months ended November 30, 2017, 442,500 stock options exercisable at CAD\$0.33 were cancelled.

Details of options outstanding as at November 30, 2017 are as follows:

Options Outstanding	Options Exercisable	Exercise Price, CAD\$	Expiry Date
500,000	125,000	0.363	July 27, 2020
1,125,000	281,250	0.330	July 27, 2020
270,000	27,000	1.050	March 12, 2021

At November 30, 2017, the weighted average remaining contractual life of options outstanding was 2.76 years with a weighted average exercise price of CAD\$0.46 (US\$0.27). At November 30, 2017, 433,250 stock options were exercisable.

(e) Restricted share units

On July 25th, 2017, the Company adopted an Omnibus Incentive Plan, where a fixed number (7% of outstanding shares at time of adoption) of Restricted Share Units (RSUs) and Incentive Stock Options (ISOs) was authorized. At the time of adoption, 3,530,905 RSUs and ISOs were authorized.

During the nine months ended November 30, 2017, the Company granted 315,000 restricted share units to a director and consultants with the trigger date of March 12, 2019 and the expiry date of September 12, 2020.

8. 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.

LEXAGENE HOLDINGS INC.
Notes to the Condensed Consolidated Interim Financial Statements
For the nine months ended November 30, 2017
(Unaudited - Expressed in US Dollars)

9. 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:

	November 30, 2017	November 30, 2016
Salaries and Benefits	\$ 239,068	\$ 28,375
Administration	34,689	30,583
Consulting	21,584	42,052
Management fees	-	3,823
Share based compensation	215,745	-
	<u>\$ 511,086</u>	<u>\$ 104,833</u>

Balances with Key Management and other related parties are:

As at November 30, 2017, \$1,164 (2016 - \$nil) was payable to an officer of the Company.

As at November 30, 2017, \$nil (2016 - \$3,910) was payable to a management company for providing administrative services including CFO services.

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

10. 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 completed the assembly of the alpha prototype and is in the process of evaluating its performance. These tests are expected to take 2 – 3 months. At the conclusion of these test, the Company will start the design phase for the beta prototype.

The Company has engaged Boston Engineering Corporation ("Boston Engineering") to build the alpha prototype. During the nine months ended November 30, 2017, \$977,742 (2016 - \$316,555) has been paid to Boston Engineering pursuant to this agreement.

11. 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.

LEXAGENE HOLDINGS INC.
Notes to the Condensed Consolidated Interim Financial Statements
For the nine months ended November 30, 2017
(Unaudited - Expressed in US Dollars)

12. SUBSEQUENT EVENTS

December 19, 2017

Subsequent to the nine months ended November 30, 2017 the Company has closed its previously announced bought deal financing of 4,360,000 units (the “Units”) at an offering price of CAD\$1.15 per Unit for aggregate gross proceeds to the Company of CAD\$5,014,000. Each Unit consists of one common share and one-half of one common share purchase warrant (each whole common share purchase warrant, a “Warrant”) of the Company, with each Warrant entitling the holder thereof to acquire, subject to adjustment in certain circumstances, one Share in the capital of the Company at a price of CAD\$1.45 until December 19, 2020.