This management's discussion and analysis ("MD&A") of LexaGene Holdings Inc. ("LexaGene" or the "Company") contains "forward-looking information" within the meaning of Canadian securities legislation ("forward-looking statements"). These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required under applicable securities legislation. Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "objective", "predict", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "will", "could", "would", "should", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature 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 expressed or implied by the forward-looking statements. The Company provides no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

The Company's anticipated future operations are forward-looking in nature and, as a result, are subject to certain risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Such forward-looking statements are estimates reflecting the Company's best judgment based upon current information and involve a number of risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements. Such factors include but are not limited to:

- Changes in general economic, market and business conditions and product demand;
- Changing exchange rates;
- Changes in the competitive environment in the markets in which the Company operates;
- Changes in laws, regulations and decisions by regulators that affect the Company or the markets in which it operates;
- Opportunities that may be presented to and pursued by the Company;
- The Company's ability to meet its working capital needs at the current level in the short term; and
- Expectations with respect to raising capital

This MD&A was prepared by management as of July 30, 2020 and is supplemental to and should be read in conjunction with the Company's audited consolidated financial statements for the year ended February 29, 2020 and the accompanying notes thereto (collectively, "Financial Statements"). The information contained in this MD&A is presented as of the date of the Financial Statements and is current to that date unless otherwise stated. The results reported herein have been derived from consolidated financial statements prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

All amounts are expressed in United States dollars unless otherwise noted.

This MD&A is intended to assist the reader in better understanding operations and key financial results as of the date of this report. The Financial Statements and this MD&A have been reviewed and approved by the Company's Board of Directors on July 30, 2020.

Additional information relating to the Company is available on the Company's website at www.lexagene.com and on SEDAR at www.sedar.com.

OUR BUSINESS

LexaGene is engaged in the research, development and commercialization of our automated genetic analyzer, the MiQLab™, used for pathogen detection and other applications in veterinary health, food and water safety, human clinical diagnostics including Covid-19 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

LexaGene was founded by its Chief Executive Officer Dr. John (Jack) Regan. Dr. Regan leveraged his vast experience in infectious disease and bio-threat detection and invented the technology that is currently being advanced at LexaGene. This technology is ideally suited for the rapid detection of pathogens and can be used across numerous markets such as veterinary health, food and water safety, and human clinical diagnostics including the detection of SARS-CoV-2 (also known as the 2019-Novel Coronavirus (2019-nCoV)). In addition, the technology can be used in countless other open-access markets including pharmaceutical, academic and governmental laboratories.

Dr. Regan started LexaGene in October of 2016. His founding ideas helped generate enough interest to raise early seed money.

As at July 30, 2020, LexaGene has 23 employees in the United States and 3 employees in Canada.

The Company is targeting multiple market verticals based on overt public demand and information gained from market surveys. The primary markets are listed below, with justification for pursuing said market:

- Human Diagnostics: On Jan 31, 2020, the U.S. Health and Human Services Secretary Alex Azar declared a United States public health emergency for SARS-CoV-2 and on February 4, he issued a Notice of Declaration under the Public Readiness and Emergency Preparedness Act for medical countermeasures against this virus. This declaration provided liability immunity to certain individuals and entities (Covered Persons) against any claim of loss caused by, arising out of, relating to, or resulting from the manufacture, distribution, administration, or use of medical countermeasures (Covered Countermeasures), except for claims involving "willful misconduct" as defined in the PREP Act. On Feb 29, FDA Commissioner Stephen M. Hahn, M.D. allowed reference laboratories to start using their own COVID-19 diagnostic tests prior to receiving EUA. At this time, under EUA rules, companies such as LexaGene, were allowed to start selling COVID-19 tests into the clinical diagnostics market without having FDA 510(k) clearance. LexaGene's management decided to dedicate resources to developing a COVID-19 test.

- Veterinary Health: Ethos Veterinary Health Group completed a market survey that confirmed the need for higher quality, point-of-care diagnostics in the veterinary market. Ethos also provided 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 in veterinary health.

- Open-access: No formal market research has been completed in regards to the open-access market. The market includes any group wanting customized multiplex PCR reactions. Industries that potentially have a need for a technology that automates PCR includes, but is not limited to pharmaceutical, academic, and government laboratories, as well as laboratories performing water quality testing, aquaculture pathogen surveillance, and genotyping. Company management believes there is a need for open-access technology that allows for automated sample preparation integrated with highly-multiplexed PCR, but the scale of the demand for such a technology in these industries is uncertain.

- Food Safety: Using the Food Safety Magazine's subscriber list, LexaGene surveyed 50 food safety officers – confirming a need for molecular testing in the food industry.

OVERVIEW OF PRODUCT DEVELOPMENT

Although Bionomics Diagnostics Inc. initiated product development prior to the formation of LexaGene Holdings Inc., it was very limited. With every subsequent capital raise, the Company has sped up its rate of product development.

In May 2018, a developed alpha prototype detected *E. coli* and *Staphylococcus*. The Company leveraged this success and in July of 2018, was able to close an over-subscribed $3.9 million bought deal with Canaccord Genuity Corp.

In January 2019, the Company initiated several small studies using two alpha prototypes:

- The first study focused on detecting pathogens responsible for urinary tract infections in dogs;
- The second study focused on detecting pathogenic *E. coli* on romaine lettuce;
- The third study focused on genotyping people from a cheek swab, and;
- The fourth study focused on detecting a common agricultural pathogen.

Following the success from these small studies, in March 2019, the Company closed an over-subscribed $2.1million non-brokered private placement.

The Company used this infusion of capital to start developing a beta prototype. The beta prototype differs from the alpha prototype in that it processes one sample at a time, whereas the alpha prototype processed six samples at a time. The number of lanes (i.e. number of samples that can be simultaneously processed) were reduced to speed up product development time, minimize costs, and reduce the size of the instrument so it could be easily shipped to beta testers.

The beta prototype incorporated many new improvements, including shorter flow paths, an in-line degasser, improved software, less fluidic junctions and a more advanced optical system.

In June 2019, the beta prototypes were assembled, tested, and readied for field use. LexaGene placed its first beta prototype into the Massachusetts Veterinary Referral Hospital, where veterinarians used the instrument to screen biological samples collected from dogs and cats. Later, the Company placed beta prototypes into CDX Analytics for testing cannabis samples and Assurance Scientific Laboratories for testing human urine samples.

In July 2019, LexaGene strengthened its intellectual property portfolio by filing three provisional patent applications to protect the proprietary science and designs of the technology. These provisionals provide additional protection of sample preparation, data and image processing algorithms, and reagent consumables for microfluidic PCR functions. These pending intellectual property applications plus existing issued IP that is licensed by LexaGene provides the Company with strong intellectual protection for its genetic analyzers and consumables.

In August 2019, LexaGene began focusing on developing its commercial products.

On October 29, 2019, LexaGene closed an Offering of units for an aggregate gross proceeds of CAD$6.64 million. LexaGene issued 12,769,626 units (the "Units") at a price of CAD$0.52 per Unit. Each Unit consists of one common share of the Company and one common share purchase warrant, with each warrant entitling the holder to purchase one share of the Company at the price of CAD$0.75 per Share until October 29, 2022

The Offering was conducted by Industrial Alliance Securities Inc. (the "Agent"). LexaGene issued to the agent an aggregate of 735,229 broker warrants, each Broker warrant entitling the holder to purchase one share at the price of CAD$0.52 per share until October 29, 2022.

In February 2020, the Company announced its technology can be used to detect common coronavirus spiked into human samples as well as 2019-nCoV RNA.

In May 2020, LexaGene finalized the design of its commercial instrument and began sourcing materials to build twenty units.

In July 2020, LexaGene introduced its commercial product called the MiQLab. MiQLab is a fully automated genetic analyzer that is designed to deliver reference-quality data at the point-of-need. MiQLab's technology screens samples for up to 27 different targets at once—looking for pathogens and/or antimicrobial resistance factors—and returns results in approximately one hour. It is designed to be operated at the site of sample collection to avoid the delay associated with shipping and manually processing samples.

In July 2020, LexaGene announced that it has hired its first direct sales executives to support the commercial launch of the MiQLab prior to the end of September 2020.

SELECTED YEARLY INFORMATION

		February 29, 2020		February 28, 2019		February 28, 2018
Total assets	$	5,988,821	$	1,703,886	$	3,724,167
Working capital	$	2,940,001	$	622,565	$	2,707,371
Loss for the year	$	7,499,163	$	8,321,374	$	4,005,452
Loss per share	$	0.10	$	0.13	$	0.08

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) for the period		Net loss per share (basic & diluted)		Total assets
May 31, 2020	$	(2,444,142)	$	(0.03)	$	4,947,441
February 29, 2020	$	(1,679,470)	$	(0.03)	$	5,988,821
November 30, 2019	$	(2,530,693)	$	(0.02)	$	5,749,225
August 31, 2019	$	(1,282,424)	$	(0.02)	$	3,314,240
May 31, 2019	$	(2,006,576)	$	(0.03)	$	4,362,052
February 28, 2019	$	(2,171,768)	$	(0.04)	$	1,703,886
November 30, 2018	$	(2,254,124)	$	(0.03)	$	3,053,711
August 31, 2018	$	(2,026,264)	$	(0.03)	$	4,913,267

RESULTS OF OPERATIONS

Three months ended May 31, 2020 compared to the three months ended May 31, 2019

Net loss
For the three months ended May 31, 2020, the Company recorded a net loss of $2,444,142 compared to a net loss of $2,006,576 for the three months ended May 31, 2019. The net loss increased for the three months ended May 31, 2020 in comparison to the same period in 2019. This increase of $437,566 was due to the following items:

Operating expense
The total operating activities for the three months ended May 31, 2020, resulted in an expense of $2,444,142 as compared to an expense of $2,006,057 for the same period in 2019. This increase of $438,085 is primarily the result of the following items:

Marketing and promotional expense
Comparing the three months ended May 31, 2020, to the same period in 2019, marketing and promotional activities increased to $306,119 from $285,426. This increase of $20,693 in marketing and promotional activities are primarily from the following items:

- Salaries and wages associated with marketing and promotional activities increased to $117,205 in 2020, as compared to $93,845 for the same period in 2019. This increase of $23,360 in expense to salaries and wages is directly related to the increase in head count year over year.

- Travel expense within the marketing and promotional groups decreased to $1,331 in 2020, as compared to $18,649 for the same period in 2019. This decrease of $17,318 is due to the number and timing of conferences in the United States, Canada and Europe throughout the year as well as the cancellation of conferences and travel related to the restrictions imposed by governments in an effort to stop the spread of the novel coronavirus.

- Share based compensation expense decreased to $17,432 in 2020, as compared to $113,346 in 2019. This decrease of $95,914 is related to the vesting of previously granted restricted share units and options.

- LexaGene is committed to building its brand and promoting its MiQLab technology. As such, general marketing, advertising and promotional expenses increased to $170,151 in 2020 from $59,586 for the same period in 2019. This increase of $110,565 is related to the Company's efforts promoting and supporting the expected commercial launch of the MiQLab.

General and administrative activities
Comparing the three months ended May 31, 2020, to the same period in 2019, general and administrative activities increased in expenses to $524,865 from $475,897. This increase in expense of $48,968 in general and administrative activities are primarily from the following items:

- Salaries and wages associated with general and administrative activities decreased to $40,575 in 2020, as compared to $60,124 for the same period in 2019. This decrease of $19,549 in expense to salaries and wages is directly related to the allocation of payroll expenses to other departments.

- Share based compensation expense decreased to $211,204 in 2020, as compared to $217,156 for the same period in 2019. This decrease of $5,952 is primarily related to the decrease in new options and restricted share units granted to directors, employees and consultants offset by the vesting of previously granted restricted share units and options.

- General office and administrative costs decreased to $13,470 for the three months ended May 31, 2020, compared to $18,672 for the same period in 2019. This decrease of $5,202 is mainly attributed to the Company controlling costs and limiting certain office and administrative purchases.

- During three months ended May 31, 2020, the Company recognized an expense of $62,330 for promotion and investor relations in general and administrative expenses compared to $49,484 during the same period in 2019. This increase of $12,845 is primarily related to the Company working with an independent consultant helping the Company with investor meetings and various investor webinars.

- Travel decreased in general and administrative activities to $515 for the three months ended May 31, 2020, as compared to $10,986 for the same period in 2019. This decrease of $10,471 from the cancellation of travel related to the restrictions imposed by the Company and the United States and Canadian governments in an effort to stop the spread of the Novel Coronavirus (COVID-19).

- During the three months ended May 31, 2020, the Company recognized an expense of $67,476 for the amortization of property and equipment and the right to use asset in general and administrative expenses compared to $55,971 during the same period in 2019. This increase of $11,505 is mainly from the amortization of the right to use asset (the Company's operating lease). LexaGene began recognizing the right to use asset expense in March of 2019.

Research and development activities

Comparing the three months ended May 31, 2020, to the same period in 2019, research and development activities increased in expenses to $1,613,158 from $1,244,734. This increase in expense of $368,424 in research and development activities are primarily from the following items:

- Salaries and wages associated with research and development activities increased to $653,516 in 2020, as compared to $538,276 for the same period in 2019. This increase of $115,241 directly related to the increase in headcount as compared to the same period in 2019.

- Share based compensation expense decreased to $34,388 in 2020, as compared to $178,049 in 2019. This decrease of $143,661 is related to the decrease in new options and restricted share units granted to employees offset by the vesting of previously granted restricted share units and options.

- During the three months ended May 31, 2020, the Company recognized an expense of $59,921 for the amortization of property and equipment, the right to use asset, and the intangible license in research and development compared to $51,044 during the same period in 2019. This increase of $8,877 is mainly from the amortization of the right to use asset (the Company's operating lease). LexaGene began recognizing the right to use asset expense in March of 2019.

- Consulting, laboratory administration and supplies and analyzer material expenses during the three months ended May 31, 2020, totaled $865,332 compared to $468,979 for the same period in 2019. This increase of $396,353 is comprised of $394,803 paid to outside engineering and consulting firms and $470,529 related to the purchases of parts and materials in 2020 as compared to $193,667 paid to outside engineering and consulting firms and $275,312 related to the purchases of parts and materials for the same period in 2019. The Company has committed significant resources toward the finalization of the MiQLab and its anticipated commercial launch.

FINANCIAL CONDITION, LIQUIIDITY AND CAPITAL RESOURCSES

The Company's working capital as at May 31, 2020, was $1,591,387 including cash of $2,314,312 compared to a working capital of $2,940,002 and cash of $3,185,535 as at February 29, 2020.

The Company's business currently does not generate revenue or positive cash flows from operations. 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.

RECONCILIATION OF USE OF PROCEEDS FROM FINANCING ACTIVITIES

On October 29, 2019, LexaGene closed an Offering of units for aggregate gross proceeds of CAD$6.64 million. The Company issued 12,769,626 units (the "Units") at a price of CAD$0.52 per Unit. Each Unit consists of one common share of the Company and one common share purchase warrant, with each warrant entitling the holder to purchase one share of the Company at the price of CAD$ 0.75 per share until October 29, 2022. The Offering was conducted by Industrial Alliance Securities Inc. (the "Agent"). The Company issued to the agent an aggregate of 735,229 broker warrants, each Broker warrant entitling the holder to purchase one share at the price of CAD$0.52 per share until October 29, 2022.

As at May 31, 2020, the use of proceeds is listed below and converted to US Dollars using the Canadian to US Dollar exchange rate of 0.7544:

Intended Use of Proceeds of October 2019 Offering (CAD)		US Dollar Conversion (USD)	Actual Use of Proceeds from October 2019 Offering (USD)	Variance - (Over) / Under Expenditure (USD)	Explanation of Variance and Impact on Business Objectives
Salaries and benefits for current employees for one year	$ 2,000,000	$ 1,508,800	$ 1,508,800	$ -	**This has been accelerated in anticipation of the MiQLab launch**
Salaries for Director of Sales and Marketing	$ 180,000	$ 135,792	$ -	$ 135,792	**Hiring this position in August of 2020**
Hire Additional Product Development Personnel	$ 100,000	$ 75,440	$ 75,440	$ -	**This has been accelerated in anticipation of the MiQLab launch**
Build three pre-commercial instruments	$ 150,000	$ 113,160	$ 113,160	$ -	**Completed**
Purchase equipment, biological reagents, consumable materials and tooling	$ 80,000	$ 60,352	$ 62,851	$ (2,499)	**Purchased equipment for manufacturing**
Product development and manufacturing	$ 100,000	$ 75,440	$ 108,682	$ (33,242)	**Additional funds needed for development**
Corporate marketing expenses (i.e. conferences, advertisement, etc.)	$ 100,000	$ 75,440	$ 75,440	$ -	**Completed**
General working capital purposes, investments in new systems, technologies and processes	$ 260,000	$ 196,144	$ 196,144	$ -	**Completed**
Total	**$ 2,970,000**	**$ 2,240,568**	**$ 2,140,517**	**$ 100,051**	**Cash remaining from financing**

Off-Balance Sheet Arrangements

As of the date of this filing, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

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. For the three months ended, May 31, 2020 and 2019, expenses incurred for key management compensation are summarized as:

	May 31, 2020	May 31, 2019
Salaries and benefits	$ 207,585	$ 182,749
Consulting fees	10,800	10,800
Stock-based compensation	147,797	122,312
	$ 366,182	$ 315,861

As at May 31, 2020, $10,800 was payable to a director as compared to $50,281which was payable to a director and officer of the Company for the same period in 2019.

All amounts payable are non-interest bearing, unsecured and due on demand. There are no post-employment expenses or other long-term expenses for key management.

FINANCIAL INSTRUMENTS

LexaGene is active in the life science 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.

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 to be a risk and seeks to minimize the 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 LexaGene will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operational needs and anticipated 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 no interest-bearing investments or debt other than the lease liability which is subject to a fixed interest rate, and therefore is not subject to a significant interest risk.

(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, 2020 are as follows:

	CAD$	US$ Equivalent
Cash	2,071,449	1,502,422
Accounts payable & accrued expenses	(127,850)	(92,730)
Net exposure	1,943,599	1,409,692

The impact of a 10% 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, 2020 is estimated to have an impact in the Company's loss in the amount of approximately $141,000. The carrying amount of cash, accounts payable and accrued liabilities in USD represents the Company's exposure as at May 31, 2020.

(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.

RISK MANAGEMENT

COVID-19 Pandemic

The COVID-19 pandemic, caused by the SARS-CoV-2 virus, has significantly curtailed the movement of people, goods and services worldwide. The pandemic has already disrupted our supply chain and limited our ability to conduct research and product development, manufacturing, and other important business activities. As the Company works to maintain timelines in these challenging times, the Company has been forced to pay for expedited processing and shipping and experienced some cost markups. Collectively these added costs have adversely affected the Company's treasury. Furthermore, many industry and customer events the Company was planning to attend have been canceled, postponed or moved to virtual-only experiences. The magnitude and duration of future declines in business activity cannot be estimated with any degree of certainty. It is highly likely that future plans will need to altered, postponed or canceled. We expect the COVID-19 pandemic will have a negative impact on our operations, particularly in regards to manufacturing and closing potential sales. Additionally, the COVID-19 pandemic has caused extreme volatility in financial and other capital markets. This volatility may adversely impact the fair value of our securities which may hamper our ability to raise additional capital to maintain operations.

Operating History

LexaGene is in the development stage of its business and therefore will be subject to the risks associated with early stage companies, including uncertainty of the success and acceptance of its products, uncertainty of revenues, markets and profitability and the continuing need to raise additional capital. The Company's business prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in this stage of development. Such risks include the evolving and unpredictable nature of the Company's business, the Company's ability to anticipate and adapt to a rapidly evolving market, acceptance by consumers of the Company's products, the ability to identify, attract and retain qualified personnel and the ability to generate sufficient revenue or raise sufficient capital to carry out its business plans. There can be no assurance that the Company will be successful in adequately mitigating these risks.

Competition

The diagnostics market in which the Company participates is highly complex and competitive. The Company will compete with other companies that are developing or have developed genetic analyzers designed to exploit similar markets to those in which we intend to penetrate. Many of these other companies have substantially greater resources. There can be no assurance that developments by other companies will not adversely affect the competitiveness of the Company's technologies. The diagnostic industry is also characterized by extensive research efforts and rapid technological change. Competition can be expected to increase as technological advances are made and commercial applications for diagnostic technologies increase. Competitors of the Company may use different technologies or approaches to develop products similar to the products which the Company is seeking to develop, or may develop new or enhanced products or processes that may be more effective and less expensive. There can be no assurance that any product developed by the Company will compete successfully or that research and new industry developments will not render the Company's products obsolete or uneconomical.

Technical

Pre-commercial prototypes are in the process of being assembled and system checks are being performed to ensure that they meet physical, optical, electrical, and thermal specifications. Fluidic scrips continue to be optimized. As expected with any technology under development, additional optimization is required to make the technology competitive in targeted markets. Risk remains regarding optimizing the instrument's performance, improving its microfluidic reliability and internal controls, and integrating new components. LexaGene's technology relies on effectively cleaning re-useable components after each sample is processed. If this cleaning is not effective, there is a high risk of carry-over contamination (i.e. false positives for subsequently processed samples). If the cleaning is unreliable or insufficient, the industry may reject the technology. Also, each matrix processed by the instrument is different. It is unclear how well, if at all, the instrument will be able to process some matrices, possibly eliminating some target markets. Currently, no work has been done on processing milk, blood, and other fat-containing liquids, particulate laden samples, or viscous samples, so the uncertainty surrounding these matrices is high. Management expects specialized cartridges and chemistries will be needed 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. It is completely unknown how robust or fragile this technology will be when used in the field for extended periods of time. It is also unknown how well this technology will handle periods of dormancy when the instrument is not used. Potentially, significant harm will occur to the microfluidics that would require costly repairs. It is also unknown how expensive it will be to make repairs to broken instruments. There is also risk associated with sourcing components required for developing the technology and the manufacturability of key components.

Regulatory

LexaGene may be unable to complete the development of its product on the expected timeline, or at all. In addition, if regulatory authorities require additional time or studies to assess the performance, reliability, and safety of our product(s), LexaGene may not have or be able to obtain adequate funding to complete the necessary steps for approval for the product or may be unable to technically meet their requirements. Additional delays may result if the USDA, FDA or other regulatory authority/certifications (e.g. Association of Official Analytical Chemists International (AOAC International)) recommends non-approval or restrictions on any potential approval. Studies required to demonstrate the performance, reliability, and safety LexaGene's products are time consuming and expensive to complete. In addition, approval policies, regulations or the type and amount of clinical data necessary to gain approval may change during the course of product development and may vary among jurisdictions. To date, LexaGene has not obtained regulatory approval for any product and it is possible that none of its existing products under development now or in the future will ever obtain regulatory approval. Delays in regulatory approvals or rejections of applications for regulatory approval in Canada, the United States, Europe, Japan or other markets may result from a number of factors, many of which are outside of LexaGene's control. The lengthy and unpredictable approval process, as well as the unpredictability of future clinical trials and other studies, may result in LexaGene's failure to obtain regulatory approval to market any of its products, which would significantly harm LexaGene's business.

Diagnostic products are regulated as medical devices by the FDA and comparable international agencies and require either clearance or authorization to market and sell for clinical use (*in-vitro* diagnostics market (IVD)). The traditional FDA regulatory path prior to clinical marketing is to obtain 510(k) pre-market notification process or pre-market approval (PMA), depending on the application. In a public health emergency, the FDA often allows for 'Emergency Use Authorization (EUA), which allows vendors to sell their technology for a specified purpose in clinical diagnostics. The requirements for EUA are substantially less than what is required for 510(k) or PMA, and accordingly are often considerably faster and less expensive to obtain. All companies that are granted EUA for a particular application are expected to work towards and eventually obtain 510(k) clearance, as they are not deemed to be equivalent in the eyes of the FDA. The FDA is currently accepting EUA applications for COVID-19 testing. There is the possibility the FDA will close the window of opportunity to applying for EUA for COVID-19 testing and LexaGene will be forced to go through the traditional 510(k) clearance path, which could take year(s) to obtain – if it is obtained at all. Obtaining the requisite regulatory approvals can be expensive and may involve considerable delay. If the Company fails to obtain, or experiences significant delays in obtaining, regulatory approvals for the diagnostic products we develop, we may not be able to launch or successfully commercialize such products in a timely manner, or at all.

The FDA has also indicated that the testing requirements for EUA use in high complexity reference laboratories are considerably less than the studies required to have a diagnostic classified as a CLIA-waived product, which allows it to be marketed to locations with staff that are not trained as molecular biologists (e.g. doctor's offices and emergency departments). As such, LexaGene intends on pursuing the less onerous reference laboratory path first, before pursuing the CLIA-waived studies. If LexaGene is successful in obtaining EUA for reference laboratories, it will not be able to sell into doctors' offices, medical clinics, and emergency rooms until it completes the CLIA-waived studies and these data are approved by the FDA.

LexaGene's technology is considered "open-access". It is possible the FDA will not like this feature, as end-users have too much control over making changes. Also, it is possible the end users will find it too difficult to operate and generate consistent results, which would be very detrimental to the Company.

Commercial Platform Development

LexaGene is in the process of developing a commercial platform. The cost of establishing and maintaining that infrastructure may exceed the cost effectiveness of doing so. In order to market any products, LexaGene must expand, its sales, marketing, managerial and other non-technical capabilities or make arrangements with third parties to perform these services. If LexaGene does not have adequate sales, marketing and distribution capabilities, whether independently or with third parties, LexaGene may not be able to generate sufficient product revenue to become profitable. LexaGene competes with many companies that have extensive and well-funded sales and marketing operations. Without an internal commercial organization or the support of a third party to perform sales and marketing functions, LexaGene may be unable to compete successfully against these more established companies. Furthermore, LexaGene's relationships with its third-party suppliers are subject to various risks and uncertainties that are outside of its control; including agreements with third party suppliers not being renewed or being terminated in accordance with their terms.

Establishing Product Distribution

LexaGene has to attract, train and retain a domestic sales force or align with a third party product distribution company. This may take longer than expected, be ineffective, more costly than we anticipate, or be limited by Covid-19 restrictions among other issues.

Manufacturing

The manufacture of our products may be highly complex and may require precise high-quality manufacturing that may be difficult for us to achieve. As we begin the process of manufacturing finished goods, we may experience difficulties in the manufacturing of our products in a timely basis and in sufficient quantities. This is particularly true given many contract manufacturers are either shut down or operating at reduced capacities due to the COVID-19 pandemic. These difficulties may relate to delays associated with ramping up the production of our products and may result in increased delivery lead-times and increased costs of manufacturing our products. Future production of our products may require the development of new manufacturing technologies and expertise, which we may be unable to develop. Our failure, including the failure of our contract manufacturers, to achieve and maintain the required high manufacturing standards could result in delays or failures in product testing or delivery to end-users, cost overruns, product recalls or sales withdrawals, increased warranty costs or other problems that could harm our business and prospects.

Cost of Manufacturing

The diagnostic markets are extremely price-competitive. If our cost to manufacture products are not competitive with others or if volume manufacturing and cost reductions associated with volume manufacturing are not attained, it may adversely impact our ability to penetrate the market or be profitable. Our ability to penetrate the diagnostic markets will depend in part on the cost of manufacturing and if we do not successfully distinguish our product from others, our entry into the market and our ability to secure customer contracts may be adversely affected.

Interruption of Raw Material Supply

Interruption of key raw materials could significantly impact the development of our technology. LexaGene attempts to purchase key components and raw materials in advance of their anticipated use.

Process Risk

LexaGene's consolidated financial statements are prepared within a framework of IFRS selected by management and approved by the company's audit committee. The assets, liabilities, and expenses reported in the consolidated financial statements depend on varying degrees of estimates made by management. An estimate is considered a critical accounting estimate if it requires management to make assumptions about matters that are highly uncertain and if different estimates could have been used that would have a material impact. The significant areas requiring the use of management estimates relate to provisions made for impairment of non-financial assets, amortization of property and equipment and intangible assets, the recognition and valuation of tax liabilities and tax assets, provisions and the assumptions used in determining share-based compensation. These estimates are based on historical experience and reflect certain assumptions about the future that we believe to be both reasonable and conservative. Actual results could differ from those estimates. LexaGene continually evaluates these estimates and assumptions.

Loss of Key Personnel

LexaGene strongly depends on the business and technical expertise of its management and it is unlikely that this dependence will decrease in the near term. Loss of the Company's key personnel could slow the Company's ability to innovate and execute on company and product development goals, although the effect on ongoing operations would be manageable as experienced key operations personnel could be put in place. As the Company's operations expand, additional general management resources will be required. If LexaGene expands its operations, the ability of the Company to recruit, train, integrate and manage a large number of new employees is uncertain and failure to do so would have a negative impact on the Company's business plans.

Product Price Risk

LexaGene does not yet know the manufacturing costs for our instrument and the associated consumables. Accordingly, the final selling price of LexaGene's instrument and tests has not yet been determined and the price, along with performance, will affect user adoption. If these prices are not favorable for LexaGene, there is a possibility that the Company will generate little to no sales. Furthermore, LexaGene's product is very limited in the number of samples that can be run in a day. The Company is depending on customers running a sufficient number of samples per day to bring in the required revenue to ultimately support the operations of the Company. If this revenue, specifically the profit margin, is too low, the Company will not be able to maintain operations.

Additional Financing Requirements and Access to Capital

LexaGene will require substantial, additional funds to support future sales and marketing programs, research and development, planned clinical testing, regulatory approvals, establishment of manufacturing capabilities, and the purchase of inventory to meet potential, expected demand. LexaGene anticipates raises additional funds for these purposes through equity financings, 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. Additionally, there are many conditions beyond the Company's control that have a direct impact on the level of investor interest in the purchase of Company securities. For example, the Canadian and United States Stock markets have been volatile and may continue to fluctuate significantly in response to a number of factors the Company cannot control.

Protection of Intellectual Property

LexaGene's success depends in part on its ability to maintain or obtain and enforce patent and other intellectual property protections for its processes and technologies and to operate without infringing upon the proprietary rights of third parties or having third parties circumvent the rights the Company owns or licenses. The Company has applications and registrations in the United States and other jurisdictions, and expects to seek additional patents and registrations in the future.

Patents some degree of protection for intellectual property; however, patent protection involves complex legal and factual determinations and is therefore uncertain. LexaGene cannot be assured that its patents or patent applications will be valid or will issue over prior art. Additionally, LexaGene cannot be assured that the scope of any claims granted in any patent will be commercially useful or will provide adequate protection for the technology used currently or in the future. LexaGene cannot be certain that the creators of its technology were the first inventors of inventions and processes covered by its patents and patent applications or that they were the first to file. Accordingly, it cannot be assured that its patents will be valid or will afford protection against competitors with similar technology or processes. Despite the Company's efforts to protect its proprietary rights, unauthorized parties may attempt to copy or otherwise obtain and use its proprietary information. Monitoring unauthorized use of confidential information is difficult and the Company cannot be certain the steps taken to prevent unauthorized use of confidential information will be effective. In addition, the laws governing patent protection continue to evolve and are different from one country to the next, all of which causes further uncertainty in the usefulness of a patent. In addition, issued patents or patents licensed to LexaGene may be successfully challenged, invalidated, circumvented or may be unenforceable so that the Company's patent rights would not create an effective competitive barrier.

Moreover, the laws of some countries may not protect LexaGene's proprietary rights to the same extent as do the laws of the United States. There are also countries in which LexaGene intends to sell its products, but has no patents or pending patent applications, or trademark registrations. LexaGene's ability to prevent others from making or selling duplicate or similar technologies will be impaired in those countries in which there is no intellectual property protection. If LexaGene is not able to adequately protect its intellectual property and proprietary technology, its competitive position, future business prospects and financial performance will be adversely affected. Unpatented trade secrets, technological innovation and confidential know-how are also important to LexaGene's success. Although protection is sought for proprietary information through confidentiality agreements and other appropriate means, these measures may not effectively prevent disclosure of proprietary information; and it cannot be assured that others will not independently develop the same or similar information or gain access to the same or similar information. In view of these factors, LexaGene's intellectual property positions have a degree of uncertainty. Setbacks in these areas could negatively affect LexaGene's ability to compete and materially and adversely affect its business, financial condition and results of operations.

Infringement of Intellectual Property Rights of Others

We may infringe the intellectual property rights of others. LexaGene's commercial success depends, in part, upon it not infringing or violating intellectual property rights owned by others. The markets in which the Company intends to compete has participants that own, or claim to own, intellectual property. The Company cannot determine with certainty whether any existing third-party patents, or the issuance of any new third-party patents, would require it to alter its technologies or products, obtain licenses or cease certain activities.

The Company may in the future receive claims from third parties asserting infringement and other related claims. Litigation may be necessary to determine the scope, enforceability and validity of third - party intellectual property rights or to protect, maintain and enforce the Company's intellectual property rights. Some of the LexaGene's competitors have, or are affiliated with companies having, substantially greater resources, and these competitors may be able to sustain the costs of complex intellectual property litigation to a greater degree and for longer periods than the Company can. Regardless of whether claims that it is infringing or violating patents or other intellectual property rights have any merit, those claims could:

- adversely affect the Company's relationships with future distributors and dealers of its products;
- adversely affect its reputation with potential customers;
- be time-consuming and expensive to evaluate and defend;
- cause product shipment delays or stoppages;
- divert management's attention and resources;
- subject the Company to significant liabilities and damages;
- require it to enter into royalty or licensing agreements; or
- require it to cease certain activities, including the sale of products.

If it is determined that the Company has infringed, violated or is infringing or violating a patent or the intellectual property right of any other person or if it is found liable in respect of any other related claim, then, in addition to being liable for potentially substantial damages, the Company may be prohibited from developing, using, distributing, selling or commercializing certain technologies and products unless it obtains a license from the holder of the patent or other intellectual property right. The Company cannot assure that it will be able to obtain any such license on a timely basis or on commercially favorable terms, or that any such licenses will be available, or that workarounds will be feasible and cost-efficient. If it does not obtain such a license or find a cost-efficient workaround, the Company's business, operating results and financial condition could be materially affected and it could be required to cease related business operations in some markets and restructure its business to focus on its continuing operations in other markets.

Large Accumulated Deficit

LexaGene has a large accumulated deficit, expects future losses, and may never achieve or maintain profitability. It has incurred substantial losses since inception and expects to incur additional operating losses in the future as a result of research and development costs and ongoing operating costs including the additional costs of operating as a public company. The extent of LexaGene's future losses is highly uncertain, and its prospects must be considered in light of the risks and uncertainties encountered by a company in the early stage of product development in the continuously evolving diagnostics market, including the risks described throughout this document. If LexaGene cannot successfully address these risks, its business and financial condition will suffer.

Conflicts of Interest

Some of the Company's directors are also directors of other biotech companies and as such may have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the procedures and remedies of the British Columbia Business Corporations Act ("BCBCA").

Novel Business Model

Until now, pathogen testing has been mostly completed by third parties that require the shipment of samples. Often, this process takes days to return results. LexaGene proposes to provide end users with an alternative to the shipment method, by offering them a technology to perform testing on site. Technology that allows for on-site testing already exists by other vendors and new technologies are rapidly being developed by established and startup companies, making it difficult to predict how well LexaGene's technology will be accepted. Accordingly, adoption will require marketing and education and it may take time for its products to gain acceptance.

LexaGene's technology is considered "open-access". The Company views 'Open-access' markets as markets in which the end-users have the ability to use LexaGene's technology to automate customized genetic screens. This unique feature is expected to drive some adoption in pharmaceutical companies, academic institutions, water processing plants, and in other industries. However, it is possible the Company will not be able to implement this feature in a fashion that is acceptable to end users, who might find it too difficult to operate and generate consistent results, which would be very detrimental to the Company. If LexaGene cannot successfully address these risks, its business and financial condition will suffer.

Early Stage Development

LexaGene has not generated revenues. The Company expects to spend significant amounts of capital on sales and marketing programs, as well as research and development for its technology. There is no assurance the Company's products can be produced at reasonable costs or be successfully marketed and sold. In the future, the Company expects its operating expenses will increase and it will need to generate significant revenues to become profitable. Even if the Company does become profitable, it may not be able to sustain or increase profitability on a quarterly or annual basis. The Company cannot predict when, if ever, it will be profitable.

Continuing Development and Sale of Products

The pathogen testing market has experienced rapid technological development with new product frequently being introduced. Accordingly, the Company's future success depends upon its ability to enhance its current products and to develop, introduce and sell the most accurate products at competitive prices. The development of new technologies and products involves time, substantial costs and risks. The Company's ability to successfully develop new technologies depends in large measure on its ability to maintain a technically skilled research and development staff and to adapt to technological changes and advancements in the industry. The success of new product introductions depends on a number of factors including timely and successful product development, market acceptance, the effective management of purchase commitments, the availability of components in appropriate quantities, and the Company's ability to manage distribution and production issues related to new product introductions. If the Company is unable, for any reason, to enhance, develop, introduce and sell new products in a timely manner, or at all, in response to changing market conditions or customer requirements or otherwise, its business would be harmed.

Failure to Manage Growth

The Company's failure to manage its growth successfully may adversely impact its operating results. The Company's ability to manage growth will require it to continue to build its operational, financial and management controls, contracting relationships, marketing and business development plans and controls and reporting systems and procedures. The Company's ability to manage its growth will also depend upon a number of factors, including the ability for it to rapidly:

- expand its internal financial controls significantly so that it can maintain control over operations;
- attract and retain qualified technical personnel in order to continue to develop reliable and flexible products to meet evolving customer needs;
- build a sales team to keep customers and channel partners informed regarding the technical features and key selling points of its products and services;
- develop support capacity for customers as sales increase; and
- build a channel network to create an expanding presence in the evolving marketplace for its products and services.

An inability to achieve any of these objectives could harm the business, financial condition and results of operations of the Company.

No Long-Term Customer Commitments

Potential customers of the Company will do business with the Company by requesting placement orders for particular needs. If the Company performs well on a particular placement, then the customer may place new orders with the Company for additional pathogen testing instruments and supplies. The Company may have no commitment from a customer beyond the ordered placement. As a result, the Company's success will be dependent upon its ability to outperform competitors and win repeat business from existing customers, while continually expanding the number of customers for whom it provides services. Because the Company may not have long-term contracts for its future products, management may not accurately predict future revenue streams and there may be no assurance that customers would continue to use the Company's platform, or that the Company would be able to replace departing potential customers with new potential customers that provide the Company with comparable revenue.

Foreign Exchange

As the Company grows and does business in foreign markets, including the U.S., it is quite possible that transactions will take place in foreign currencies. At this point the Company does not participate in hedging activities. Although it cannot predict the effect of possible foreign exchange losses in the future, if they occurred, then they could have a material adverse effect on the Company's business, results of operation, and financial condition. In addition, fluctuations in exchange rates could affect the pricing of its products and negatively influence customer demand.

Taxes

Tax examinations are often complex as tax authorities may disagree with the treatment of items reported by the Company, the result of which could have a material adverse effect on its financial condition and results of operations.

Insurance and Uninsured Risks

The Company's business will be subject to a number of risks and hazards generally, including general liability. Such occurrences could result in damage to property, inventory, facilities, personal injury or death to end-customers or operators, damage to the properties of the Company, or the properties of others, monetary losses and possible legal liability. Although the Company maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Company may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. The Company might also become subject to liability which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Potential Product Liability Risks

The use of existing products or those under development by the Company may entail risk of product or other liability. The obligation to pay any product liability claim could have a material adverse effect on the business, financial condition and future prospects of the Company

Product liability insurance is expensive but necessary in our business. Companies are subject to the risk of potential product liability claims. Should such claims be successful, plaintiffs could be awarded significant amounts of damages, which could exceed the limits of a liability insurance policy held by the Company. The Company will try to obtain the insurance coverage for its products and potential liability exposure that it considers adequate, but there is no guarantee that the Company will be able to obtain, maintain in effect or increase its insurance on acceptable terms or at reasonable costs, or that such insurance will provide the Company with adequate protection against potential liability. The Company will have to use distributors for the sale of some of the products of which it is the owner, and such distributors may not have general insurance or liability insurance pertaining to the use of the products sold by them or may have insurance that does not cover such liability in an amount sufficient to adequately protect the Company.

Holding Company Status

The Company is a holding company and essentially all of its operating assets are the capital stock of its subsidiaries. As a result, investors in the Company are subject to the risks attributable to its subsidiaries. As a holding company, the Company conducts substantially all of its business through its subsidiaries, which are expected to generate the majority of its revenues. Consequently, the Company's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the future earnings of its subsidiaries and the distribution of those earnings to the Company. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of the Company's subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the Company.

The market price of the Common Shares is volatile and may not accurately reflect the long-term value of the Company

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors included macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. The price of the Units is also likely to be significantly affected by changes in the financial condition or results of operations as reflected in its financial reports. If an active market for the Common Shares does not continue, the liquidity of an investor's investment may be limited and the price of the Common Shares may decline below the price at which such Common Shares were purchased. If an active market does not continue, investors may lose their entire investment in the Common Shares. As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the long-term value of the Company.

Dilution

LexaGene may issue additional securities, which may dilute a shareholder's holdings in the Company. LexaGene's articles permit the issuance of an unlimited number of Common Shares. The directors of the Company have discretion to determine the price and the terms of further issuances. Moreover, additional Common Shares will be issued by the Company in the form of restricted share units or incentive stock options under the Company's omnibus incentive plan and upon the exercise of outstanding options and warrants. The market price of the Common Shares could decline because of issuances by the Company or sales by existing shareholders of Common Shares in the market, or the perception that these sales could occur. Sales by shareholders might also make it more difficult for the Company to sell equity securities at a time and price deemed appropriate.

A positive return in an investment in the Common Shares is not guaranteed

There is no guarantee that an investment in the Company's Common Shares will earn any positive return in the short term or long term. A purchase of the Company's Common Shares involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the Common Shares is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

Global Economy

An economic downturn of global capital markets has been shown to make the raising of capital by equity or debt financing more difficult. The Company will be dependent upon the capital markets to raise additional financing in the future, while it establishes a user base for its products. As such, the Company is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, this could have an adverse impact on the Company's operations and the trading price of the Company's shares.

Political and Economic Instability

The Company may be affected by possible political or economic instability. The risks include, but are not limited to, elections, terrorism, military operations, extreme fluctuations in currency exchange rates and high rates of inflation. Operations may be affected in varying degrees by government regulations. The effect of these factors cannot be accurately predicted.

Legal Matters

In the normal course of operations, LexaGene may be subject to a variety of legal proceedings, including commercial, product liability, employment as well as governmental and other regulatory investigations and proceedings. Such matters can be time-consuming, divert management's attention and resources, and cause us to incur significant expenses. Furthermore, because litigation is inherently unpredictable, and can be very expensive, the results of any such actions may have a material adverse effect on our business, operations, or financial condition.

The Company is not aware of any contingencies or pending legal proceedings as at July 30, 2020.

OUTSTANDING EQUITY INSTRUMENTS

As at July 30, 2020, we had authorized an unlimited number of common shares.

	As at July 30, 2020		As at May 31, 2020	As at February 29, 2020
Common Shares	98,071,933		91,885,241	89,535,388
Warrants	17,476,937		22,661,755	24,903,191
Stock Options	3,018,000	(1)	4,693,000	4,653,000
Restricted Share units	2,717,838		2,965,463	3,260,375
Total	121,284,708		122,205,459	122,351,954

Notes:
(1) 1,454,500 of the 3,018,000 stock options are vested and exercisable.

The Company has 17,476,937 warrants outstanding at July 30, 2020, which are exercisable into common shares at exercise prices ranging between CAD$0.52 and CAD$1.45.

The Company has 3,018,000 stock options outstanding at July 30, 2020, which are exercisable into common shares at exercise prices ranging between CAD$0.52 and CAD$1.15.

ACCOUNTING PRONOUNCEMENTS ADOPTED BY THE COMPANY

LexaGene used the same accounting policies for the condensed interim consolidated financial statements as the consolidated financial statements of the Company for the year ended February 29, 2020 with the exception of the following accounting policies adopted on a mandatory basis effective March 1, 2020:

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose consolidated financial statements make on the basis of those condensed interim consolidated financial statements.

IFRS 3 – Business Combinations was amended to assist entities in determining whether an acquired set of activities and assets are considered a business. The amendments the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, narrow the definition of outputs, add guidance to assess whether an acquired process is substantive and introduce an optional concentration test to permit a simplified assessment.

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 previously predicted results or performance 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.