LexaGene

CONSOLIDATED FINANCIAL STATEMENTS

For the years ended February 28, 2021 and February 29, 2020

Independent Auditor's Report

Board of Directors
LexaGene Holdings Inc.

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of LexaGene Holdings Inc. and its subsidiaries (the Company), which comprise the consolidated statement of financial position as of February 28, 2021, the related consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

We are independent of the Company in accordance with ethical requirements that are relevant to our audit of the financial statements in the United States of America, together with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements, respectively.

Responsibilities of Management and Those Charged With Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance but is not a guarantee that an audit will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We design audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation, structure, and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

As part of an audit, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the consolidated audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies or material weaknesses in internal control that we identify during our audit.

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

Opinion

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the consolidated financial position of LexaGene Holdings Inc. and its subsidiaries as of February 28, 2021, and the consolidated financial performance and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that LexaGene Holdings Inc. will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has incurred recurring operating losses and operating cash flow deficits, and has stated that substantial doubt exists about the Company’s ability to continue as a going concern. Management's evaluation of the events and conditions and management’s plans regarding these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matter
The financial statements of the Company for the year ended February 29, 2020, were audited by another auditor who expressed an unmodified opinion on those statements on June 28, 2020.

RSM US LLP

Boston, Massachusetts
June 28, 2021

LexaGene

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

	Note	February 28, 2021	February 29, 2020
ASSETS			
Current assets			
Cash		$ 9,624,259	$ 3,185,535
Receivables	5	44,084	3,159
Inventories	6	1,065,929	-
Prepaid		384,620	278,861
		11,118,892	3,467,555
Non-current			
Intangible license	7	61,900	67,568
Right-of-use asset	9	1,498,689	1,851,322
Property and equipment	8	515,218	602,375
TOTAL ASSETS		**$ 13,194,700**	**$ 5,988,821**
LIABILITIES			
Current liabilities			
Accounts payables and accrued liabilities		$ 716,247	$ 217,016
Current portion of lease liabilities	9	305,875	310,537
		$ 1,022,122	**$ 527,553**
Non-current liabilities			
Lease liabilities	9	1,289,058	1,606,015
Total non-current liabilities		**$ 1,289,058**	**$ 1,606,015**
TOTAL LIABILITIES		**$ 2,311,180**	**$ 2,133,568**
EQUITY			
Share capital	11	40,459,382	24,337,456
Share-based payment reserve	11	4,497,746	3,961,539
Accumulated other comprehensive income (loss)		191,272	(69,877)
Deficit		(34,264,880)	(24,373,865)
TOTAL EQUITY		**$ 10,883,520**	**$ 3,855,253**
TOTAL LIABILITIES AND EQUITY		**$ 13,194,700**	**$ 5,988,821**

Nature and continuance of operations (Note 1)
Commitment (Note 19)
Subsequent events (Note 20)

Approved on behalf of the Board on June 28, 2021:

"Jack Regan"	*"Stephen Mastrocola"*
Jack Regan, Chairman & Chief Executive Officer	Stephen Mastrocola, Director

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LEXAGENE HOLDINGS INC.
Consolidated Statements of Comprehensive Loss
(Expressed in US Dollars)

	Note	Years ended February 28, 2021	February 29, 2020
Revenue			
Products	4	$ 58,125	$ -
Net revenue		**$ 58,125**	**$ -**
Costs and expenses			
Cost of revenue		$ 38,518	$ -
Manufacturing costs		120,528	-
Costs of product revenues		**$ 159,046**	**$ -**
Gross profit (loss)		**$ (100,921)**	**$ -**
Operating expenses			
Sales, marketing and promotion	16	$ 1,912,445	$ 907,390
General and administrative	15	2,063,418	2,137,238
Research and development	14	5,814,313	4,457,186
Total operating expenses		**$ 9,790,176**	**$ 7,501,814**
Loss from operations		**$ 9,891,097**	**$ 7,501,814**
Other items			
Foreign exchange gain (loss)		$ 82	$ 2,651
Net loss		**$ 9,891,015**	**$ 7,499,163**
Other comprehensive loss			
Items that may be reclassified subsequently to income or loss:			
Unrealized gain (loss) on translation to reporting currency		261,149	(150,787)
Comprehensive loss		**$ 9,629,866**	**$ 7,649,950**
Net loss per share - basic and diluted		**$ (0.10)**	**$ (0.10)**
Weighted average number of common shares outstanding - basic and diluted		**103,619,326**	**76,384,976**

LexaGene

LEXAGENE HOLDINGS INC.
Consolidated Statements of Changes in Equity
(Expressed in US Dollars) (Unaudited)

	Share Capital		Share based		Accumulated Other comprehensive	
	Number	Amount	payment reserve	Deficit	income (loss)	Total
Balance February 28, 2019	**66,704,103**	**$ 15,373,384**	**$ 2,805,102**	**$ (16,874,702)**	**$ 80,910**	**$ 1,384,694**
Shares issued in private placements, net of share issue costs	17,144,897	6,214,968	292,986	-	-	6,507,954
Share issuance costs - other	-	(41,469)	-	-	-	(41,469)
Share issuance costs - warrants	-	(170,325)	170,325	-	-	-
Share based payment of stock options	175,000	78,842	655,338	-	-	734,180
Share based payment of restricted share units	1,183,525	848,163	51,449	-	-	899,612
Warrants exercised	4,327,863	2,033,893	(13,661)	-	-	2,020,232
Comprehensive income (loss) for the period	-	-	-	(7,499,163)	(150,787)	(7,649,950)
Balance February 29, 2020	**89,535,388**	**24,337,456**	**3,961,539**	**(24,373,865)**	**(69,877)**	**3,855,253**
Balance February 29, 2020	**89,535,388**	**$ 24,337,456**	**$ 3,961,539**	**$ (24,373,865)**	**$ (69,877)**	**$ 3,855,253**
Shares issued in prospectus offering, net of share issue costs	15,640,000	9,193,132	-	-	-	9,193,132
Share issuance costs - other	-	(43,006)	-	-	-	(43,006)
Share issuance costs - warrants		(204,441)	204,441	-	-	-
Share based payment of stock options	1,331,150	464,089	372,328	-	-	836,417
Share based payment of restricted share units	857,209	560,518	(94,870)	-	-	465,648
Warrants exercised	11,203,087	6,248,494	(42,552)	-	-	6,205,942
Comprehensive income (loss) for the period	-	-	-	(9,891,015)	261,149	(9,629,866)
Balance February 28, 2021	**118,566,834**	**$ 40,556,242**	**$ 4,400,886**	**$ (34,264,880)**	**$ 191,272**	**$ 10,883,520**

LexaGene

LEXAGENE HOLDINGS INC.
Consolidated Statements of Cash Flows
For the years ended February 28, 2021 and February 29, 2020
(Expressed in US Dollars)

	Note	Years Ended February 28, 2021	February 29, 2020
Operating Activities			
Net loss		$ (9,891,015)	$ (7,499,163)
Items not involving cash:			
Depreciation of intangible license	7	13,923	11,056
Depreciation of property and equipment	8	155,285	143,630
Depreciation of right-of-use asset	9	352,633	352,633
Interest on right-of-use asset	9	76,869	101,523
Stock-based compensation	11	1,069,354	1,590,226
Gain on forgiveness of PPP loan	10	(108,178)	-
Change in working capital balances:			
Accounts receivable	5	(40,925)	(3,159)
Inventory	6	(1,065,929)	-
Prepaid		(105,759)	(8,025)
Accounts payable and accrued liabilities		499,231	(102,176)
Cash Used in Operating Activities		**$ (9,044,511)**	**$ (5,413,455)**
Investing activities			
Purchases of property and equipment	8	$ (68,126)	$ (63,902)
Cash Used in Investing Activities		**$ (68,126)**	**$ (63,902)**
Financing Activities			
Proceeds received for share units issued		$ 9,150,127	$ 6,466,485
Proceeds from the exercise of stock options		367,229	43,566
Proceeds from warrants exercises, net of issuance costs		6,248,494	2,020,232
Proceeds from PPP loan	10	108,178	-
Principal payments on lease liability	9	(398,488)	(388,926)
Cash Provided by Financing Activities		**$ 15,475,540**	**$ 8,141,357**
Change in cash		$ 6,362,903	$ 2,664,000
Cash, Beginning		3,185,535	670,921
Effect of foreign exchange		75,821	(149,386)
Cash, Ending		**$ 9,624,259**	**$ 3,185,535**

1. NATURE AND CONTINUANCE OF OPERATIONS

LexaGene Holdings Inc. (the "Company" or "LexaGene") was incorporated on April 26, 2007, under the laws of the province of British Columbia, Canada. The head office and the principal address is located at 500 Cummings Ctr., Suite 4550, Beverly, Massachusetts, USA, 01915. The records office of the Company is located at 1055 West Georgia Street, Suite 1500, Vancouver, British Columbia, Canada, V6E 4N7. The Company's common shares are listed on the TSX Venture exchange under the trading symbol "LXG". The principal business of the Company is to research, develop and commercialize automated genetic analyzer devices in clinical and life science industries.

These consolidated financial statements are prepared on a going concern basis, which assumes that the Company will continue on a going-concern basis. At February 28, 2021, the Company had an accumulated deficit of $34,264,880 since inception. The Company's operations are dependent on obtaining additional financing to develop its genetic analyzer, the MiQLab™ System, and generating cash flow from operations in the future. These factors form a material uncertainty, which may raise significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business. Management's plans to meet the Company's current and future obligations are to raise capital in equity markets, private placements, rely on the financial support of its shareholders and related parties as well as to commercially launch the MiQLab during 2021.

Novel Coronavirus

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation and compliance

These annual consolidated financial statements of the Company and its subsidiaries were prepared in accordance with International Financing Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**"), and have been prepared in accordance with accounting policies based on the IFRS standards and International Financial Reporting Interpretations Committee ("**IFRIC**") interpretations. The policies set out below were consistently applied to all the years presented unless otherwise noted.

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

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

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

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

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

Period end dates	US to CAN	CAN to US
February 28, 2021	1.2685	0.7883
February 29, 2020	1.3428	0.7447
Period averages	**US to CAN**	**CAN to US**
Year ended February 28, 2021	1.3343	0.7504
Year ended February 29, 2020	1.3256	0.7544

(b) Use of estimates and judgments

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

(c) Basis of consolidation

The consolidated financial statements for the years ended February 28, 2021 and February 29, 2020, include the accounts of the Company, the Company's wholly-owned Canadian subsidiary Bionomics Diagnostics Inc. ("**BDI**") and the Company's wholly-owned US subsidiary LexaGene Inc. All inter-company transactions and balances have been eliminated.

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

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

(d) Financial Instruments

All financial assets and financial liabilities are initially recognized by the Company when the Company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially recorded at fair value, net of attributable transaction costs, except for those classified as annualized cost or fair value through profit or loss (“**FVTPL**”). Subsequent measurement of financial assets and financial liabilities depends on the classification of such assets and liabilities.

(i) Classification – financial assets

The Company classifies financial assets as measured at amortized cost, fair value through other comprehensive income (“**FVTOCI**”) or fair value through profit or loss (“**FVTPL**”).
Amortized cost

Financial assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and the contractual terms of these financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortized cost using the effective interest method. Financial assets at amortized costs include cash and receivables.

Fair value through other comprehensive income

Financial assets that are held within a business model whose objective is to hold financial assets in order to both collect contractual cash flows and sell financial assets, and the contractual terms of these financial assets give rise on specified date to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Upon initial recognition of equity securities, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate its equity securities that would otherwise be measured at FVTPL to present subsequent changes in fair value in other comprehensive income. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination. Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in OCI. The cumulative gain or loss is not reclassified to profit or loss on disposal of the instrument; instead, it is transferred to retained earnings. The Company currently has no financial assets designated as FVTOCI.

Fair value through profit or loss

By default, all other financial assets are measured subsequently at FVTPL.

(ii) Classification – financial liabilities

Financial liabilities are subsequently measured at amortized cost using effective interest method, except for financial liabilities at FVTPL, financial guarantee contracts, loan commitments as below-market interest rate, and liabilities related to contingent consideration of an acquirer in a business combination.

Financial liabilities at amortized cost include accounts payable, and lease liabilities. Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized in the statements of operations and comprehensive income (loss).

(iii) Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 - Inputs for assets or liabilities that are not based on observable market data.

(iv) Impairment

The Company recognizes a loss allowance for expected credit losses on its financial assets when necessary. The amount of expected credit losses is updated at each reporting period to reflect changes in credit risk since initial recognition of the respective financial instruments. The Company did not recognize impairment losses during the years ended February 28, 2021 and February 29, 2020.

The Company has no hedging arrangements and does not apply hedge accounting.

(e) Inventories

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

Prior to November 2020, the Company expensed all purchases of materials and supplies to research and development expense. In November 2020, the Company conducted a review of its materials and supplies on hand. The Company recognized $336,710 as inventory in relation to the parts previously expensed as research and development costs as the value of these materials and supplies was considered to be recoverable.

(f) Intangible assets

Intangible assets of the Company include technology licenses rights and patents acquired from third parties, and are recorded at cost less accumulated amortization and accumulated impairment losses. Initial acquisition cost is based on the fair value of the consideration paid or payable, and is amortized on a straight-line basis over the estimated useful life of the underlying technologies with finite lives. When the Company commenced research and development activities, the intangible assets began being amortized over 10 years upon the execution of the Agreement with Lawrence Livermore National Security (Note 7). The

Company reviews the estimated useful lives and carrying values of its technology rights and patents as part of its periodic assessment for impairment of non-financial assets.
The carrying amounts for technology rights and patents do not necessarily reflect present or future value and the ultimate amounts recoverable will be dependent upon the successful development and commercialization of products based on these underlying technologies.

(g) Property and equipment

Property and equipment are initially recognized at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Company. Property and equipment are subsequently measured using the cost model, cost less amortization and impairment. Amortization is recognized on a straight-line basis to amortize the cost over the estimated useful life of the property and equipment as follows:

- Computer equipment 3 years;
- Furniture and fixtures 7 years;
- Lab equipment 5 to 7 years;
- Laboratory and leasehold improvements 7 years.

(h) Impairment of non-financial assets

Impairment tests on non-financial assets are undertaken annually at the financial year-end and whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to profit or loss, except to the extent they reverse gains previously recognized in other comprehensive income (loss).

(i) Lease liabilities and right-of-use assets

The Company recognizes a right-of-use asset and a corresponding lease liability for all arrangements in which it is a lessee, except for leases with a term of 12 months or less (short-term leases) and low-value leases. Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease over the shorter of the useful life of the right-of-use asset or the end of the lease term. The lease liability is initially measured at the present value of the future lease payments as from the commencement date of the lease to the end of the lease term. The lease term includes the period of any lease extension that in management's assessment is reasonably certain to be exercised by the Company. The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there is a change to the lease terms or expected payments under the lease, or a modification that is not accounted for as a separate lease.

See Note 9 for continuity schedule of the right-of-use asset and lease liability.

(j) Research and development costs

Research costs, including costs for new patents and patent applications, are expensed in the period in which they are incurred. Development costs are expensed in the period in which they are incurred unless certain criteria, including technical feasibility, commercial feasibility, and intent and ability to develop and use the technology, are met for deferral and amortization.

(k) Share-based payments

Fair value of equity-settled restricted share units ("RSU") is measured at the grant date based on the market value of the Company's common shares on that date. At each financial reporting date, the amount recognized as an expense in connection with RSUs is adjusted to reflect the actual number of RSUs that are expected to vest.

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using the Black–Scholes Option Pricing Model.

The number of RSUs and options expected to vest is viewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

(l) Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

(m) Income taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in profit or loss, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income (loss).

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current period and any adjustment to income taxes payable in respect of previous periods. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Current tax expense is the expected tax payable on the taxable income for the period using tax rates enacted or substantively enacted at year-end, adjusted for amendments to tax payable with regard to previous years. Deferred tax assets and liabilities are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against that excess.

(n) Share capital

Instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. The proceeds from issuance of units are allocated between common shares and warrants based on the residual method. Under this method, the proceeds are allocated first to share capital based on the fair value of the common shares at the time the units are priced and any residual value is allocated to a warrants reserve.

(o) Foreign currency translation

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of LexaGene Holdings Inc. and Bionomics Diagnostics Inc. is the Canadian dollar. The functional currency of the US subsidiary LexaGene, Inc. is the US dollar.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the consolidated statement of comprehensive loss.

For the translation to presentation currency, assets and liabilities of foreign operations with functional currencies other than US dollars are translated at the period end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in accumulated other comprehensive income in shareholders' equity. Foreign exchange gains and losses related to intercompany loans forming part of a reporting entity's net investment in a foreign operation are included in foreign currency translation reserve. When a gain or loss on a non-monetary item is recognized in foreign currency translation reserve, any exchange component of that gain or loss is recognized in other comprehensive income (loss). All other foreign exchange gains and losses are recognized in the consolidated statement of comprehensive loss.

(p) Significant accounting judgments, estimates and assumptions

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements, and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Significant areas requiring the use of management estimates include:

The valuation of inventory

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

The useful lives of property and equipment

The Company amortizes its property and equipment based on estimates of their useful lives. Changes in useful lives and depreciation rates of these assets may have a significant impact on amortization recorded in consolidated statement of comprehensive loss and value of corresponding property and equipment.

The useful lives of the intangible assets

Determination of useful lives of intangible assets involves judgment as it impacts amortization recorded in the consolidated statement of comprehensive loss. When the Company commenced research and development activities, the intangible assets began being amortized over 10 years upon the execution of the Agreement with Lawrence Livermore National Security.

The valuation of share-based payments and warrants

The Company uses the Black-Scholes Option Pricing Model for valuation of share-based payments. Option pricing models require the input of subjective assumptions including expected price volatility and forfeiture rate. Changes in the input assumptions can materially impact fair value estimates and the Company's comprehensive loss and share-based payment reserves.

Significant areas requiring the use of management's judgments include:

The recognition of deferred income tax assets

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against that excess.

Treatment of development costs

Costs to develop products are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 *Intangible Assets* are met. Those criteria require that the product is technically and economically feasible, which management assessed based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible. The Company has not capitalized any development costs as at February 28, 2021 and February 29, 2020.

Recoverability of the carrying value of intangible assets

Evaluating the recoverability requires judgments in determining whether future economic benefits from sale or otherwise are likely. Evaluation may be more complex where activities have not reached a stage that permits a reasonable assessment of the viability of the asset. Management must make certain estimates and assumptions about future events or circumstances including, but not limited to, the interpretation of marketing and sales data, as well as the Company's financial ability to continue marketing and sales activities and operations.

Going concern

These consolidated financial statements have been prepared in a going concern basis, which assumes that the Company will continue operating for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Management has assessed the Company's ability to raise financing and concluded that going concern basis of accounting is appropriate.

(q) Revenue Recognition

Revenue is recorded as net revenue and is recognized in the consolidated statement of comprehensive loss when a contractual promise to a customer (performance obligation) has been fulfilled by transferring control over the promised goods to the customer, generally at the point in time of shipment to or receipt of the products by the customer. The amount of revenue to be recognized is based on the consideration the Company expects to receive in exchange for its products. If a contract contains more than one performance obligation, the consideration is allocated based on the standalone selling price of each performance obligation. See Note 4

(r) Accounting pronouncements adopted by the Company

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after January 1, 2022. However, in May 2020, the effective date was deferred to an annual reporting periods beginning on or after January 1, 2023.

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 United States and Canadian financial institutions. The Company considers credit risk on its cash to be minimal.

Credit risks associated with accounts receivable risk is the risk of a financial loss if a customer fails to meet its obligations under a sales contract. This risk primarily arises from the Company's receivables from customers. The Company regularly reviews the collectability of its accounts receivable and would establish an allowance account for credit losses based on its best estimate of any potentially uncollectible accounts receivables. As at February 28, 2021, the balance of the allowance account for credit losses was $0 (February 29, 2020 - $0).

(Expressed in US Dollars)

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipated investing and financing activities. The Company's objective in managing liquidity risk is to maintain sufficient readily available reserves in order to meet its liquidity requirements. The Company's accounts payable has contractual maturities of less than 30 days and are subject to normal trade terms. See note 9 for maturities of the lease liability.

(c) Market risk

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

(i) Interest rate risk

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

(ii) Foreign currency risk

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

The Company's financial instruments denominated in currencies that are not the United States dollar as at February 28, 2021 are as follows:

	CAD$	USD$ Equivalent
Cash	$ 8,174,246	$ 6,440,032
Accounts payable & accrued expenses	(266,877)	(210,379)
Net exposure	$ 7,907,369	$ 6,229,653

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

(iii) Price risk

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

4. REVENUES

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

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

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

Revenues for years ended	February 28, 2021	February 29, 2020
United States	$ 58,125	$ -
Total	$ 58,125	$ -

(Expressed in US Dollars)

5. TRADE AND OTHER ACCOUNTS RECEIVABLE

As at		February 28, 2021		February 29, 2020
Accounts receivable	$	44,084	$	3,159
Loss allowance		-		-
Total	$	44,084	$	3,159

Impairment

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

As at February 28, 2021 and February 29, 2020, no trade receivables were impaired. The ageing analysis of trade receivables is as follows:

As at		2021		2020
Amounts past due:				
Current	$	33,250	$	3,159
Past due 1-30 days		10,834		-
Past due 31-60 days		-		-
Past due 61-120 days		-		-
Past due more than 120 days		-		-
Total	$	44,084	$	3,159

Amounts in accounts receivable are based on customer sales, and goods and service tax ("**GST**") refunds due to the Company from the Canada Revenue agency. As at February 28, 2021, $33,250 related to customer sales and $10,834 was in relation to GST refunds. As at February 29, 2020, $3,159 was related to GST refunds.

6. INVENTORIES

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

As at February 28, 2021 and February 29, 2020, the Company valued its inventory as follows:

(Expressed in US Dollars)

As at	February 28, 2021	February 29, 2020
Finished goods	$ 36,665	$ -
Raw materials	749,626	-
Work in process	279,638	-
Total	**$ 1,065,929**	**$ -**

As at February 28, 2021, the inventory consisted of completed MiQLab Systems, raw materials, work in process and supplies required for manufacturing. These parts and supplies totaling $1,065,929 were purchased at cost (February 29, 2020 - $0).

In November 2020, the Company conducted a review of its materials and supplies on hand. The Company recognized $336,710 as inventory in relation to the parts previously expensed as research and development costs as the value of these materials and supplies was considered to be recoverable.

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

7. INTANGIBLE LICENSE

On February 4, 2015, the Company and Lawrence Livermore National Security ("**LLNS**") entered into a license agreement, whereby the Company has exclusive right to develop, manufacture and sell pathogen detection devices designed to identify bacteria and viruses that can cause disease with applications in both food safety and healthcare.

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

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

- $15,000 (paid) on or before February 29, 2016;
- $15,000 (paid) on or before February 28, 2019; and
- $15,000 to be paid on or before February 28, 2023.

In the event that the Company grants sublicenses, the Company will collect an issue fee equal to or greater than the License Issue Fee mentioned above. The Company will pay to LLNS 50% of any License Issue Fee from sublicensing.

In addition, the Company will pay LLNS a minimum annual royalty. This minimum annual royalty will be credited against the earned royalty of 3% due on all net sales. The minimum annual royalty is due as follows:

- $5,000 (paid) on or before February 28, 2017;
- $10,000 (paid) on or before February 28, 2018;
- $10,000 (paid) on or before February 28, 2019;
- $25,000 (paid) on or before February 28, 2023 and each year thereafter.

(Expressed in US Dollars)

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 carrying value of the intangible license:

Cost		
Balance, February 28, 2019	$	111,448
Additions		-
Effect of foreign exchange differences		(2,308)
Balance, February 29, 2020	$	109,140
Additions		-
Effect of foreign exchange differences		6,397
Balance, February 29, 2021	$	115,537
Accumulated amortization		
Balance, February 28, 2019	$	31,424
Additions		11,056
Effect of foreign exchange differences		(908)
Balance, February 29, 2020	$	41,572
Additions		5,668
Effect of foreign exchange differences		6,397
Balance, February 29, 2021	$	53,637
Carrying values		
February 29, 2020	$	67,568
February 28, 2021	$	61,900

8. PROPERTY AND EQUIPMENT

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

(Expressed in US Dollars)

Cost		Computer Equipment		Lab Equipment		Furniture & Fixtures		Leasehold Improvements	Total
Balance, February 28, 2019	$	10,424	$	317,945	$	88,062	$	405,699	$ 822,130
Additions		5,153		57,699		-		1,050	63,902
Balance, February 29, 2020	$	15,577	$	375,644	$	88,062	$	406,749	$ 886,032
Additions		-		61,157		-		6,969	68,126
Balance, February 29, 2021	$	15,577	$	436,801	$	88,062	$	413,718	$ 954,158
Accumulated amortization									
Balance, February 28, 2019	$	4,905	$	71,920	$	12,827	$	50,373	$ 140,025
Additions		4,016		66,618		14,717		58,279	143,630
Balance, February 29, 2020	$	8,921	$	138,538	$	27,544	$	108,652	$ 283,655
Additions		4,090		77,584		14,677		58,934	155,285
Balance, February 29, 2021	$	13,011	$	216,122	$	42,221	$	167,586	$ 438,940
Carrying values									
February 29, 2020									$ 602,377
February 28, 2021									$ 515,218

9. RIGHT-OF-USE ASSET AND LEASE LIABILITY

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

		Carrying Value
Balance as at March 1, 2019	$	2,203,955
Interest expense		101,523
Lease payments		(388,926)
Balance February 29, 2020	$	1,916,552
Current portion of the lease liability		(310,537)
Non -current portion of the lease liability	$	1,606,015
Balance February 29, 2020	$	1,916,552
Interest expense		74,742
Lease payments		(396,362)
Balance February 28, 2021	$	1,594,933
Current portion of the lease liability		(396,361)
Non -current portion of the lease liability	$	1,198,572

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

(Expressed in US Dollars)

		Carrying Value
Balance as at March 1, 2019	$	2,203,955
Depreciation		(352,633)
Balance February 29, 2020	$	1,851,322
Depreciation		(352,633)
Balance February 28, 2021	$	1,498,689

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

10. GOVERNMENT GRANTS

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

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

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

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

11. SHARE CAPITAL

(a) Authorized

Unlimited common shares without par value.

(b) Issuances

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

Issuances during the year ended February 28, 2021:

- On September 9, 2020, the Company sold 15,640,000 units at an offering price of $0.65 (CAD$0.85) per Unit for aggregate net proceeds to the Company of approximately $9.2 million (CAD$10.1 million). Each unit consisted of one common share and one –half of one common share purchase warrant. Each whole warrant entitles the holder to purchase, subject to adjustment in certain circumstances, one additional common share at a price of CAD$1.10 per common share until

September 9, 2023. The Company paid approximately $99,700 (CAD $131,390) in finders and legal fees and granted 1,094,800 broker warrants exercisable at CAD$1.10 until September 9, 2023.

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

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

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

Issuances during the year ended February 29, 2020:

- On March 29, 2019, the Company closed an over-subscribed private placement. The Company issued 4,375,271 units (the "Units") at a price of CAD$0.65 per Unit. Each Unit is comprised of one common share and one warrant, with each whole warrant entitling the holder to purchase one common share of the Company for a period of up to fifteen months at a price of CAD$0.85. The warrants are subject to an accelerated expiry in circumstances where, at any time commencing two (2) months from the date the warrants are issued, if for the preceding five (5) consecutive trading days, the daily volume weighted average trading price of the Company's common shares is greater than CAD$1.10, in which case the Company may accelerate the expiry date of the warrants by giving notice to the holders thereof and in such case the warrants will expire on the 30th calendar day after the date of such notice.

  In addition, the Company paid finders' fees totaling $136,393 and issued an aggregate 259,455 non-transferable finders' warrants (the "Finders' Warrants"). Each Finder's Warrant is exercisable into one common share for a period of up to fifteen months at a price of CAD$0.85. The fair value of the warrants of $31,623 was recorded as share issue costs. The fair value of the warrants of $0.12 per warrant was determined using the Black-Scholes option pricing model with the following weighted average assumptions: 1.25 years expected life; share price at the grant date of CAD$0.69; 69% volatility; risk free interest rate of 1.60%; 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 29, 2019, the Company 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.

The fair value of the warrants of $138,703 was recorded as share issue costs. The fair value of the warrants of $0.19 per warrant was determined using the Black-Scholes option pricing model with the following weighted average assumptions: 3 years expected life; share price at the grant date of CAD$0.49; 79% volatility; risk free interest rate of 1.67%; and a dividend yield of 0%. Volatility is calculated based on the changes in historical stock prices of the issuers in similar business over the expected life of the options.

- During the year ended February 29, 2020, 1,183,525 RSUs vested, and an amount of $848,163 was reclassified from share-based payment reserve to share capital upon vesting of the RSUs.
- On February 29, 2020, 175,000 stock options were exercised at CAD$0.33 per common share. The fair value of $38,557 previously estimated using the Black-Scholes Model was deducted from share-based payment reserve
- During the year ended February 29, 2020, 3,805,533 warrants were exercised at CAD$0.60 per warrant, 420,000 warrants were exercised at CAD$0.75 and 80,000 were exercised at CAD$0.85 per warrant. 22,330 broker warrants were exercised at CAD$0.52 per warrant. The amount of $13,661 of was deducted from share-based payment reserve in connection with the exercise.

(c) Warrants

The changes in warrants during the year ended February 28, 2021 and year ended February 29, 2020 are summarized as follows:

(Expressed in US Dollars)

	Number of warrants	Weighted average exercise price, CAD
Warrants outstanding, February 28, 2019	**11,096,513**	**$ 1.01**
Warrants issued	18,139,541	$ 0.77
Warrants exercised	(22,330)	$ 0.52
Warrants exercised	(3,755,533)	$ 0.60
Warrants exercised	(420,000)	$ 0.75
Warrants exercised	(80,000)	$ 0.85
Warrants expired	(5,000)	$ 0.08
Warrants outstanding, February 29, 2020	**24,953,191**	**$ 0.90**
Warrants issued	8,914,801	$ 1.10
Warrants exercised	(261,079)	$ 0.52
Warrants exercised	(997,167)	$ 0.60
Warrants exercised	(4,233,424)	$ 0.65
Warrants exercised	(4,469,752)	$ 0.75
Warrants exercised	(42,661)	$ 0.85
Warrants exercised	(28,050)	$ 1.00
Warrants exercised	(1,062,554)	$ 1.10
Warrants exercised	(108,400)	$ 1.30
Warrants expired	(3,339,914)	$ 1.34
Warrants outstanding, February 28, 2021	**19,324,991**	**$ 0.97**

Details of warrants outstanding as at February 28, 2021 are as follows:

Number of Warrants	Exercise Price	Expiry Date
374,450	CAD$1.00	July 11, 2021
2,766,600	CAD$1.30	July 11, 2021
451,820	CAD$0.52	October 29, 2022
7,879,874	CAD$0.75	October 29,2022
7,852,247	CAD$1.10	September 9, 2023
19,324,991		

At February 28, 2021, the weighted average remaining contractual life of warrants outstanding was 1.84 years with a weighted average exercise price of $0.77 (CAD$1.00). At February 29, 2020, the weighted average remaining contractual life of the warrants outstanding was 1.73 years with a weighted average exercise price of $0.67 (CAD$0.90).

(d) Stock options

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

(Expressed in US Dollars)

	Options		Weighted Average Exercise Price, CAD
Balance, February 28, 2019	**3,860,000**	**$**	**0.74**
Stock options issued	1,068,000	$	0.65
Stock options exercised	(175,000)	$	0.33
Stock options cancelled, expired or forfeited	(100,000)	$	0.72
Balance, February 29, 2020	**4,653,000**	**$**	**0.61**
Stock options issued	1,062,000	$	0.73
Stock options exercised	(1,331,150)	$	0.38
Stock options cancelled, expired or forfeited	(350,000)	$	0.33
Stock options cancelled, expired or forfeited	(311,850)	$	0.67
Balance, February 28, 2021	**3,722,000**	**$**	**0.75**

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

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

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

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

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

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

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

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

(Expressed in US Dollars)

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

Stock option transactions during the year ended February 29, 2020:

- On March 29, 2019, the Company granted 650,000 stock options to directors, officers and employees to purchase common shares at a price of CAD$0.65 per common share. The stock options vest at 10% at grant date, and 15% every six months thereafter, expiring on September 29, 2022.

- On April 11, 2019, the Company granted 98,000 stock options to a consultant to purchase common shares at a price of CAD$0.65 per common share. The stock options vest at 25% at grant date, 25% every three months thereafter, expiring on April 12, 2022.

- The Company amended its Omnibus Incentive Plan and increased the number of Common Shares reserved for issuance as share incentive options under the Company's Omnibus Plan dated July 25, 2017, as amended and restated August 30, 2018 and as amended most recently on August 23, 2019 by an additional 406,790 Common Shares, to a total of 5,015,488 Common Shares under the Omnibus Plan.

- On November 15, 2019, the Company reduced the exercise price of 1,295,000 stock options to non-insider employees. The reduction in the exercise price resulted in an incremental increase in the fair value of these options of $80,898 determined using the Black-Scholes Option Pricing Model with the following assumptions: risk free interest rate of 1.59%; expected life 1.3 to 2.9 years; expected volatility of 67% to 77% and dividend yield of nil. The Company recognized $9,925 in the stock based compensation in sales and marketing expense, $1,694 in stock based compensation in general and administrative expense and $69,279 in stock based compensation in research and development for the increased value of the stock options. These allocations have also been included in the stock-based compensation related to stock-based compensation allocations described below.

- On February 19, 2020, the Company granted 320,000 stock options to directors and officers to purchase common shares at a price of CAD$0.72 per common share. These stock options vest at 25% on February 19, 2022, 25% on June 19, 2022, 25% on October 19, 2022 and 25% on February 19, 2023. These stock options expire on February 19, 2030.

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

	2021	2020
Annualized volatility	114%	90%
Risk-free interest rate	1.10%	1.49%
Expected life of options in years	3.13	5.4
Dividend rate	0.00%	0.00%

Fair value of equity-settled stock options are measured at the grant date based on the market value of the Company's common shares on that date. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using the Black–Scholes Option Pricing Model.

(Expressed in US Dollars)

The following table summarizes information on stock options outstanding as at February 28, 2021:

Options Outstanding	Options Exercisable	Exercise Price, CAD$	Expiry Date
50,000	50,000	0.53	March 12, 2021
220,000	220,000	1.05	March 12, 2021
105,000	105,000	1.15	May 16, 2021
455,000	386,750	0.53	February 21, 2022
370,000	314,500	1.15	February 21, 2022
98,000	98,000	0.65	April 11, 2022
75,000	52,500	0.53	May 16, 2022
100,000	70,000	0.97	June 26, 2022
650,000	357,500	0.65	September 29, 2022
292,000	160,600	0.53	October 19, 2022
17,500	1,750	0.82	December 9, 2023
494,500	-	0.79	December 10, 2024
100,000	50,000	0.81	September 17, 2025
245,000	-	0.72	February 19, 2030
100,000	25,000	0.63	April 21, 2030
350,000	350,000	0.66	September 17, 2030
3,722,000	**2,241,600**		

At February 28, 2021, the weighted average remaining contractual life of options outstanding was 3.13 years (February 29, 2020 – 2.10 years), with a weighted average exercise price of $0.49 (CAD$0.62). At February 28, 2021, 2,241,400 stock options were exercisable.

The Company recorded stock-based compensation expense related to stock options of $554,976 for the year ended February 28, 2021 and $690,614 for the same period ended February 29, 2020, respectively. For the year ended February 28, 2021, $20,077 was recorded in sales and marketing, $329,325 in general and administrative, $268 in manufacturing and $205,306 in research and development expense as compared to $94,165 recorded in sales and marketing, $311,479 in general and administrative and $284,970 in research and development for the same period in 2020.

(e) Restricted share units

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

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

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

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

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

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

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

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

Restricted share unit transactions during the year ended February 29, 2020:

- On March 29, 2019, the Company granted 530,000 restricted share units to directors, officers and employees with the trigger dates for the RSUs of 10% at grant date, and 15% every six months thereafter, expiring on March 29, 2022. 150,000 of these RSUs have vested on the grant date. Fair value per RSU in this grant was $0.69 per RSU, based on the TSX.V market price of the Company's share on the date the RSUs were granted.

- On April 11, 2019, the Company granted 40,400 restricted share units to a consultant with the trigger dates for the RSUs of 25% at the grant date, and 25% every three months thereafter, expiring on January 11, 2020. Fair value per RSU in this grant was $0.63 per RSU, based on the TSX.V market price of the Company's share on the date the RSUs were granted.

- On April 23, 2019, the Company granted 75,000 restricted share units to a consultant with the trigger dates for the RSUs of 10% at grant date, and 15% every six months thereafter, expiring on April 23, 2022. Fair value per RSU in this grant was $0.61 per RSU, based on the TSX.V market price of the Company's share on the date the RSUs were granted.

- On June 26, 2019, the Company granted 72,500 restricted share units to an employee. The trigger dates of the RSUs are as follows: 10% on grant date and 15% every six months thereafter. The expiry date of the RSUs is June 26, 2022. Fair value per RSU in this grant was $0.63 per RSU, based on the TSX.V market price of the Company's share on the date the RSUs were granted.

- On February 19, 2020, the Company granted 1,285,000 restricted share units to directors and officers. The trigger dates of the RSUs are as follows: 25% on February 19, 2022, 25% on June 19, 2022, 25% on October 19, 2022 and 25% on February 19, 2023. The expiry date of the RSUs is February 19, 2023. Fair value per RSU in this grant was $0.89 per RSU, based on the TSX.V market price of the Company's share on the date the RSUs were granted.

(Expressed in US Dollars)

The Company recorded stock-based compensation expense related to restricted share units of $514,378 for the year ended February 28, 2021 and $899,612 for the same period ended February 29, 2020, respectively. For the year ended February 28, 2021, $69,027 was recorded in sales and marketing, $419,508 in general and administrative, $1,326 in manufacturing and $24,518 in research and development as compared to $122,622 recorded in sales and marketing, $405,741 in general and administrative and $371,249 in research and development for the same period in 2020.

At February 28, 2021, 2,368,254 RSUs were outstanding as compared to 3,260,375 for the same period in 2020.

12. CAPITAL MANAGEMENT

The Company is a biotechnology company developing and planning to manufacture and sell fully automated genetic analyzer devices for various veterinary health issues, food safety, human diagnostics and various open-access markets, which involves a high degree of risk. The Company has not determined whether it will be successful in its endeavors and does not generate significant cash flows from operations. The Company's primary source of funds comes from the issuance of share capital. The Company does not use other sources of financing that require fixed payments of interest and principal due to lack of cash flow from current operations, and is not subject to any externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern.

The Company defines its capital as equity. Capital requirements are driven by the Company's general operations. To effectively manage the Company's capital requirements, the Company monitors expenses and overhead to ensure costs and commitments are being paid. There have been no changes to the Company's approach to capital management during the year. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue raising funds.

13. KEY MANAGEMENT COMPENSATION

Key management includes personnel having the authority and responsibility for planning, directing and controlling the Company and includes the directors and current executive officers. During the years ended, February 28, 2021 and February 29 2020, expenses incurred for key management compensation are summarized as:

	2021	2020
Salaries and benefits	$ 1,369,347	$ 1,052,878
Consulting fees	43,200	43,200
Stock-based compensation	601,643	739,043
	$ 2,014,190	$ 1,835,121

As at February 28, 2021, ($0) was payable to key management as compared to $26,785 which was payable to a director and officer of the Company at February 29, 2020.

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

(Expressed in US Dollars)

14. RESEARCH AND DEVELOPMENT EXPENSES

LexaGene's product research and development plan was divided into three phases: alpha prototype, beta prototype, and commercialization of its finished product the MiQLab. As at February 28, 2021, the Company is in the commercialization phase for the MiQLab and has completed both the alpha and beta prototype phases.

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

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

	2021	2020
Product development consulting expense	$ 505,845	$ 321,966
Depreciation of lab related equipment	105,949	94,727
Depreciation of the intangible license	9,174	11,057
Depreciation of right-of-use asset	128,746	128,746
Lab administration and supplies	47,092	21,134
Materials	962,823	432,395
Product development over head expenses	618,290	394,963
Travel	4,973	21,506
Salaries	3,201,597	2,374,512
Share-based compensation	229,824	656,180
Total research and development expenses	**$ 5,814,313**	**$ 4,457,186**

15. GENERAL AND ADMINSTRATIVE EXPENSES

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

	2021	2020
Office and adminstration	$ 67,426	$ 43,627
Depreciation of property and equipment	49,336	48,892
Depreciation of right-of-use asset	223,886	223,887
Consulting	33,212	9,087
Promotional services	192,267	454,168
Professional fees	297,814	165,185
Insurance	19,120	23,979
Interest expense (right-of-use asset)	74,743	101,524
Transfer agent and filing fees	57,540	18,042
Travel	5,352	37,703
Salaries	293,890	293,924
Share-based compensation	748,832	717,220
Total general and adminstrative expenses	**$ 2,063,418**	**$ 2,137,238**

16. MARKETING AND PROMOTIONAL EXPENSES

(Expressed in US Dollars)

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

		2021		2020
Sales, marketing and promotion	$	583,388	$	160,125
Travel		25,554		49,736
Salaries		1,214,399		480,703
Share-based compensation		89,104		216,826
Total sales, marketing and promotional expenses	**$**	**1,912,445**	**$**	**907,390**

17. SEGMENTED INFORMATION

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

18. INCOME TAXES

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

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

		February 28, 2021		February 28, 2019
Loss before income taxes	$	9,891,015	$	7,499,163
Statutory tax rate - Canada		27%		27%
Expected tax recovery		2,670,574		2,024,774
Decrease resulting from:				
Non-deductible items for tax purposes and other items		(197,400)		(275,384)
Differences in tax rates in the United States		148,634		(92,600)
Impact of changes in foreign exchange		(280,461)		99,310
Change in unregonized deferred income tax asset		(2,341,347)		(1,756,100)
Income tax recovery	$	-	$	-

(Expressed in US Dollars)

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

Potential deferred income tax assets include:		**2021**		**2020**
Non-capital losses	$	6,026,000	$	3,815,000
Resource tax pools		-		183,100
Share issuance costs		242,000		294,000
Intangible license		7,200		8,800
Leases		-		18,900
Capital assets		1,356,100		970,200
		7,631,300		5,290,000
Unrecognized defferred income tax assets		(7,631,300)		(5,290,000)
Total	$	-	$	-

As at February 28, 2021, the Company had non-capital losses carry forward in the United States and Canada of approximately $15,055,793 (2020 - $8,791,00) and $6,147,658 (2020 - $4,687,500) respectively available to reduce taxable income. If unused the non-capital losses carry forward expire between 2035 and 2039.

19. COMMITMENTS

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

		2021
Not more than one year	$	396,362
Later than one year and not later than five years		1,198,571
Later than five years		-
	$	1,594,933

20. SUBSEQUENT EVENTS

- On May 11, 2021, the Company granted 396,000 restricted share units to independent, non-executive directors with an expiration date of February 11, 2024. The restricted share units start vesting on May 11, 2023, in equal 10% increments on the 11th day of each month thereafter.

- On May 11, 2021, the Company granted 396,000 stock options to independent, non-executive directors with an expiration date of May 11, 2031. Each Option is exercisable into one common share of the Company at a price of CAD$0.66 per Share, for a period of ten years from the date of grant. The CAD$0.66 per share was 120% above the close price of the Company's stock on the TSX Venture Exchange on May 10, 2021. The Options vest 10% on the grant date, and 15% every six months thereafter.

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

- On May 28, 2021, the Company granted 644,500 stock options to non-insider employees with an expiration date of May 28, 2025. Each Option is exercisable into one common share of the Company at a price of CAD$0.49 per Share, for a period of five years from the date of grant. The CAD$0.49 per share was at the close price of the Company's stock on the TSX Venture Exchange on May 28, 2021. The Options vest 10% on the grant date, and 15% every six months thereafter.

- On May 28, 2021, the Company granted 690,000 stock options to executive officers. Each Option is exercisable into one common share of the Company at a price of CAD$0.59 per Share [120% over May 28, 2021, closing price of CAD$0.49 on the TSX Venture Exchange], for a period of ten years from the date of grant. The Options vest 10% on the grant date, and 15% every six months thereafter with an expiry date of May 28, 2031.

  In addition, the Company's executive officers have been granted an additional 690,000 share options (the "Performance Options") at a price of CAD$0.59 per Share [120% over May 28, 2021, closing price of CAD$0.49 on the TSX Venture Exchange]. The Performance Conditions are associated with 2021 performance milestone goals set forth by the board of directors for executive management and are as follows: meeting the requirements to list the Company Shares on the NASDAQ and filing Form 40-F with the SEC. Based on the current number of outstanding shares, the Company will have to organically raise its stock price to ~CAD$0.77 (a ~157% increase over May 28, 2021, closing price) to achieve the ~CAD$90M (~USD$75M) minimum market cap required for a Nasdaq listing. If the performance criteria are not satisfied on or before December 31, 2021, the Performance Options grant will be cancelled.

  If both Performance Options criteria are met on or before December 31, 2021, the Performance Options will vest on January 1, 2022, with an expiry date of May 28, 2031.

- Subsequent to February 28, 2021, 288,938 shares were issued upon the vesting of restricted share units and 195,550 shares were cancelled.

- Subsequent to February 28, 2021, 63,750 shares were issued upon the exercise of stock options with an exercise price of CAD$0.53 per share for gross proceeds of approximately $27,030 (CAD $33,788).

- Subsequent to February 28, 2021, 40,000 shares were issued upon the exercise of warrants with an exercise price of CAD$0.75 per share for gross proceeds of approximately $23,694 (CAD $30,000) and 1,200 shares were issued upon the exercise of warrants with an exercise price of CAD$0.52 per share for gross proceeds of approximately $494 (CAD$624).