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 January 29, 2021 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 January 29, 2021.

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™ System, used for pathogen detection and other applications in veterinary health, food and water safety, drug and vaccine manufacturing, 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 being commercialized at LexaGene.

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

As at January 29, 2021, LexaGene has 33 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, United States Food and Drug Administration (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.

LexaGene originally planned to seek FDA Emergency Use Authorization (EUA) for COVID-19 testing in high complexity reference laboratories since the required studies are considerably less onerous than the studies required to have a diagnostic authorized for point-of-care (POC) use. The original plan was to pursue high complexity reference laboratory testing, and while the application was in review, start on the studies for POC use. However, the FDA has indicated the POC submissions are being prioritized for review and the Company has heard anecdotal stories from other vendors seeking EUA for use in reference laboratories, but their applications have not been reviewed despite several months gone by. This delay may be due to these applications being for antibody-based technologies, which are given the lowest priority. Nonetheless, given the apparent delay in reviewing reference laboratory submissions and the fact that LexaGene's technology is designed for POC use, the Company decided to start the studies required for POC testing, even though these studies will take more time to complete.

Should LexaGene be successful in getting its technology through the FDA for EUA POC COVID-19 testing, the Company will be able to see into ~ 193K locations certified to run POC tests, in contrast to only ~ 17K high complexity reference laboratories.[1] The global COVID-19 diagnostics market size is estimated at USD $84.4 billion in 2020 and is expected to expand at a compound annual growth rate (CAGR) of 3.1% from 2021 to 2027.[2]

[1] https://www.cms.gov/Regulations-and-Guidance/Legislation/CLIA/Downloads/cert_type.pdf
[2] https://www.grandviewresearch.com/industry-analysis/covid-19-diagnostics-market

Contract Drug Manufacturing Organizations (CDMO): CDMOs make the vast majority of biologics and vaccines for human and animal health. These are often manufactured in bio-reactors that can easily become contaminated, resulting in significant financial loss for the manufacturer and any contaminated product represents a health risk for patients and liability for the manufacturer. LexaGene has already sold its technology into this market and is further exploring how its technology can help meet the microbiological quality control (QC) needs of this industry. Traditionally, this industry uses culture for testing, but some of the contaminates take weeks for detection and this time delay can be very costly. The industry is increasing turning to automated Polymerase Chain Reaction (PCR) due to its sensitivity and speed with the expectation that new technology adoption will offer several benefits: a) more rapid process turnover, b) faster and safer product release, and 3) lower overall manufacturing costs. LexaGene's recent sale into this industry is a positive sign that the industry is primed for technology adoption and LexaGene's product meets at least some of their needs. In preliminary work, LexaGene demonstrated MiQLab can easily detect slow growing bacteria. We anticipate the industry using our technology to screen the raw materials going into bio-reactors, test in-progress samples, and confirm finished products are free of contamination, which is an FDA requirement. The manufacturing of biologics and vaccines is largely consolidated into very large, international companies that generate billions in revenue. Each company often has multiple manufacturing plants that could easily purchase multiple systems from LexaGene to help with their testing needs across all the batches of product being manufactured on a daily basis. The biologics is the fastest growing sector in CDMO, projecting to grow at a compound annual growth rate (CAGR) of 15.1% from 2015 to 2020.[3]

Veterinary Health: Ethos Veterinary Health Group completed a market survey that confirmed the need for higher quality, point-of-care molecular 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. LexaGene's first product for this market, the MiQLab Bacterial and AMR Test is already in use in a veterinary sample testing facility through the Early Access Program. The veterinary diagnostics market is expected to reach USD $4.00 billion by 2023 from USD $2.63 billion in 2018, at a CAGR of 8.8%.[4] LexaGene's own market research has determined there are over 400 Emergency and Critical Care and Specialty Medicine hospitals for companion animals in the United States. These hospitals are open 24/7 and staff at least 5 veterinarians, making them an ideal target for further adoption of MiQLab. Beyond this, many smaller hospitals may also be interested in using our technology to quickly detect if infections are present a short time after the initial consultation, giving veterinarians more confidence in their prescribed treatment plan and ultimately leading to better patient outcomes.

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 contract manufacturers, 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. The size of the open-access market is hard to estimate since no formal market assessments have been published. LexaGene's management estimates this market to be in excess of $20 billion.[5,6,7,8]

[3] https://bourne-partners.com/wp-content/uploads/2019/02/2019-Biopharmaceutical-CDMOs-Market-Insight.pdf
[4] https://www.marketsandmarkets.com/Market-Reports/veterinary-diagnostics-market-26017452.html?gclid=Cj0KCQiAmL-ABhDFARIsAKywVadtW6CcGzAM4imVPIgD_k64rwilGNYmvp7GgNdab_DGMN9rIl_KeeQaAnoREALw_wcB
[5] https://www.prnewswire.com/news-releases/the-global-real-time-pcr-and-digital-pcr-market-size-is-anticipated-to-reach-usd-4-33-billion-by-2026--300880167.html
[6] https://www.marketsandmarkets.com/Market-Reports/genotyping-market-249958595.html
[7] https://www.researchandmarkets.com/research/l7j8hj/microbiological
[8] https://www.prnewswire.com/news-releases/2018-agricultural-testing-global-market-report-forecast-to-2022---market-to-reach-6-29-billion-300628855.html

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. The food pathogen testing market was estimated to be valued at USD $7.42 Billion in 2015.[9] In 2016, the global food microbiology market totaled 1.14 billion tests, up from 966 million tests in 2013 (and 738 million tests in 2008).[10] The food safety industry is mostly interested in testing for *E. coli* O157:H7, *Salmonella*, and *Listeria*. Some in the industry are interested in even broader pathogen detection, which can easily be accomplished using the MiQLab System as it is capable of screening for 27 targets at once. All food products require testing, however the highest demand is for testing perishable ready-to-eat items, where any time saved in testing equates to extra shelf life for the product.

OVERVIEW OF PRODUCT DEVELOPMENT

Although Bionomics Diagnostics Inc. initiated product development prior to the formation of LexaGene Holdings Inc., it was very limited. With each subsequent capital raise, the Company 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 in an effort to protect the proprietary science and designs of the technology. These provisional applications describe inventions in sample preparation, data and image processing algorithms, and reagent consumables for microfluidic PCR functions. These pending intellectual property applications and existing issued IP that is licensed by LexaGene provides the Company with strong intellectual protection the hardware and software of its genetic analyzers and its associated consumables.

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

[9] https://www.marketsandmarkets.com/Market-Reports/food-pathogen-testing-market-202386163.html
[10] https://www.food-safety.com/articles/5189-a-look-at-the-microbiology-testing-market

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 could be used to detect common coronavirus spiked into human samples as well as 2019-nCoV (also known as SARS CoV-2) RNA (ribonucleic acid).

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™ System. MiQLab is a fully automated genetic analyzer designed to deliver reference-quality data at the point-of-need. MiQLab 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.

In August 2020, LexaGene announced that it engaged LaunchWorks to support the commercial launch of the MiQLab. LaunchWorks is an FDA registered, ISO 13485 certified, cGMP compliant contract manufacturer specializing in manufacturing consumables for life science companies. Launchworks will manufacture the assay panels and buffer sets used in LexaGene's fully automated MiQLab system, which will provide rapid test results inside clinics and hospitals to help eliminate the current wait times of one to several days for reference laboratory generated test results.

In September 2020, LexaGene closed a bought deal financing of 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 $10.1 million (CAD$13.29 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 Offering was conducted by Canaccord Genuity Corp. and Industrial Alliance Securities Inc. (the "Underwriters"). On closing, the Company issued the Underwriters an aggregate of 1,094,800 broker warrants, each Broker Warrant entitling the holder to purchase one Share at the price of CAD$1.10 per Share until September 9, 2023.

In October 2020, LexaGene announced that the COVID-19 pandemic caused a delay in receiving some critical components for manufacturing the MiQLab System. These supply chain issues slowed up manufacturing causing it to miss its anticipated September product launch. The Company readjusted expectations and announced the start of its Early Access Program with an anticipated first placement of a MiQLab System by mid-Q4 2020. In addition, the Company predicted it would start its COVID-19 FDA EUA study before the end of the year.

In November 2020, LexaGene announced that it received a purchase order for a MiQLab System from a multinational biotechnology company that generates billions in annual revenue. In addition, LexaGene announced that it has placed a MiQLab System at the University of Pennsylvania's School of Veterinary Medicine.

In December 2020, the Company announced that it received a purchase order from Ethos Discovery. In addition, Lexagene announced that it will place two MiQLab Systems at two leading specialty and emergency veterinary care hospitals.

In January 2021, LexaGene initiated a program to identify the UK and South African COVID sequences.

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	$ 2,940,002	$ 622,565	$ 2,707,371
Non-current liabilities	$ 1,606,015	$ 1,916,552	$ -
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
November 30, 2020	$ (2,981,146)	$ (0.02)	$ 12,259,212
August 31, 2020	$ (2,108,246)	$ (0.02)	$ 5,806,205
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

RESULTS OF OPERATIONS

Three months ended November 30, 2020 compared to the three months ended November 30, 2019

Net loss
For the three months ended November 30, 2020, the Company recorded a net loss of $2,981,146 compared to a net loss of $2,530,693 for the three months ended November 30, 2019. The net loss increased for the three months ended November 30, 2020 in comparison to the same period in 2019. This increase of $450,453 was due to the following items:

Operating expense
The total operating activities for the three months ended November 30, 2020, resulted in an expense of $2,981,146 as compared to an expense of $2,283,471 for the same period in 2019. This increase of $697,675 is primarily the result of the following items:

Sales, marketing and promotional expense
Comparing the three months ended November 30, 2020, to the same period in 2019, sales, marketing and promotional activities increased to $699,057 from $288,411. This increase of $410,646 in sales, marketing and promotional activities are primarily from the following items:

- Salaries and wages associated with sales, marketing and promotional activities increased to $544,169 in 2020, as compared to $196,344 for the same period in 2019. This increase of $347,825 in expense to salaries and wages is directly related to the increase in head count year over year as well as adding two direct sales representatives.

- Travel expense within the sales, marketing and promotional groups increased to $14,144 in 2020, as compared to $12,810 for the same period in 2019. This increase of $1,334 is due to limited travel incurred from the direct sales force traveling to potential customer facilities. In an effort to stop the spread of the Novel Coronavirus (COVID-19), LexaGene has implemented many travel restrictions for its employees, has cancelled conferences as well as implemented restrictions imposed by the Company and the United States and Canadian governments.

- Share based compensation expense decreased to $17,323 in 2020, as compared to $36,159 in 2019. This decrease of $18,836 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 $123,421 in 2020 from $43,098 for the same period in 2019. This increase of $80,323 is related to the Company's efforts promoting and supporting the expected commercial launch of the MiQLab System and developing selling campaigns in veterinary diagnostics, open-access markets and human diagnostics with a focus on COVID-19 detection.

General and administrative activities

Comparing the three months ended November 30, 2020, to the same period in 2019, general and administrative activities increased in expenses to $786,443 from $733,324. This increase in expense of $53,119 in general and administrative activities are primarily from the following items:

- Salaries and wages associated with general and administrative activities increased to $151,851 in 2020, as compared to $117,050 for the same period in 2019. This increase of $34,801 in expense to salaries and wages is directly related to an increase in headcount and the allocation of payroll expenses to other departments.

- Share based compensation expense increased to $377,022 in 2020, as compared to $132,863 for the same period in 2019. This increase of $244,159 is primarily related to the increase 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 $16,288 for the three months ended November 30, 2020, compared to $16,952 for the same period in 2019. This expense in 2020 is comparable to that of 2019 and the requirements needed to support the Company's headquarters.

- During three months ended November 30, 2020, the Company recognized an expense of $58,006 for promotion and investor relations in general and administrative expenses compared to $330,121 during the same period in 2019. This decrease of $272,115 is primarily related to promotional campaigns initiated in 2019 in an attempt by the Company to build brand awareness and expand its shareholder base.

- Travel decreased in general and administrative activities to $3,522 for the three months ended November 30, 2020, as compared to $9,337 for the same period in 2019. This decrease of $5,815 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 November 30, 2020, the Company recognized an expense of $88,846 for the amortization of property and equipment, amortization of the right to use asset and interest expense from the right to use asset in general and administrative expenses compared to $63,029 during the same period in 2019. This increase of $25,817 is mainly from the amortization of the right to use asset (the Company's operating lease) and interest related from the right to use asset. LexaGene began recognizing the right to use asset expense in March of 2019.

Research and development activities

Comparing the three months ended November 30, 2020, to the same period in 2019, research and development activities increased in expenses to $1,832,356 from $1,261,736. This increase in expense of $570,620 in research and development activities are primarily from the following items:

- Salaries and wages associated with research and development activities increased to $1,129,742 in 2020, as compared to $825,619 for the same period in 2019. This increase of $304,123 directly related to the increase in headcount as compared to the same period in 2019.

- Share based compensation expense decreased by $125,487 from the same period in 2019. This decrease 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 stock options and the cancellation of both stock options and restricted share units to employees that had left the company in 2020.

- During the three months ended November 30, 2020, the Company recognized an expense of $60,303 for the amortization of property and equipment, the right to use asset, and the intangible license in research and development compared to $51,550 during the same period in 2019. This increase of $8,753 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, supplies and MiQLab material expenses during the three months ended November 30, 2020, totaled $574,184 compared to $190,084 for the same period in 2019. This increase of $384,100 is comprised of $51,108 paid to outside engineering and consulting firms and $523,076 related to the purchases of parts and materials. These expenses compare to $6,885 paid to outside engineering and consulting firms and $63,160 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.

Nine months ended November 30, 2020 compared to the nine months ended November 30, 2019

Net loss
For the nine months ended November 30, 2020, the Company recorded a net loss of $7,533,743 compared to a net loss of $5,819,692 for the nine months ended November 30, 2019. The net loss increased for the nine months ended November 30, 2020 in comparison to the same period in 2019. This increase of $1,714,051 was due to the following items:

Operating expense
The total operating activities for the nine months ended November 30, 2020, resulted in an expense of $7,533,771 as compared to an expense of $5,820,105 for the same period in 2019. This increase of $1,713,666 is primarily the result of the following items:

Sales, marketing and promotional expense
Comparing the nine months ended November 30, 2020, to the same period in 2019, sales, marketing and promotional activities increased to $1,382,053 from $732,462. This increase of $649,591 in sales, marketing and promotional activities are primarily from the following items:

- Salaries and wages associated with sales, marketing and promotional activities increased to $853,493 in 2020, as compared to $384,627 for the same period in 2019. This increase of $468,866 in expense to salaries and wages is directly related to the increase in head count year over year.

- Travel expense within the sales, marketing and promotional groups decreased to $22,317 in 2020, as compared to $41,392 for the same period in 2019. This decrease of $19,075 is due to reduced traveling, the cancellation of many conferences as well as restrictions imposed by the Company and the United States and Canadian governments in an effort to stop the spread of the Novel Coronavirus.

- Share based compensation expense decreased to $57,104 in 2020, as compared to $177,569 in 2019. This decrease of $120,465 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 $449,139 in 2020 from $128,874 for the same

period in 2019. This increase of $320,265 is related to the Company's efforts promoting and supporting the commercial launch of the MiQLab System and developing selling campaigns in veterinary diagnostics, open-access markets and human diagnostics with a focus on COVID-19 detection.

General and administrative activities

Comparing the nine months ended November 30, 2020, to the same period in 2019, general and administrative activities increased in expenses to $1,772,718 from $1,647,766. This increase in expense of $124,952 in general and administrative activities are primarily from the following items:

- Salaries and wages associated with general and administrative activities increased to $247,549 in 2020, as compared to $241,338 for the same period in 2019. This increase of $6,211 in expense to salaries and wages is directly related to increase in head count and the allocation of payroll expenses to other departments.

- Share based compensation expense increased to $749,399 in 2020, as compared to $524,030 for the same period in 2019. This increase of $225,369 is primarily related to the increase 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 increased to $50,623 for the nine months ended November 30, 2020, compared to $47,723 for the same period in 2019. This expense in 2020 is comparable to that of 2019 and the requirements needed to support the Company's headquarters.

- During nine months ended November 30, 2020, the Company recognized an expense of $174,193 for promotion and investor relations in general and administrative expenses compared to $424,819 during the same period in 2019. This decrease of $250,626 is primarily related to promotional campaigns initiated in 2019 in an attempt by the Company to build brand awareness and expand its shareholder base.

- Professional fees increased to $199,004 for the nine months ended November 30, 2020 compared to $133,700 for the same period in 2019. This increase of $65,304 is many attributed to an increase in legal costs associated with patent applications.

- Travel decreased in general and administrative activities to $4,636 for the nine months ended November 30, 2020, as compared to $28,602 for the same period in 2019. This decrease of $23,966 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 nine months ended November 30, 2020, the Company recognized an expense of $269,754 for the amortization of property and equipment, amortization of the right to use asset and interest expense from the right to use asset in general and administrative expenses compared to $190,807 during the same period in 2019. This increase of $78,947 is mainly from the amortization of the right to use asset (the Company's operating lease) and interest expense related to the right to use asset. LexaGene began recognizing the right to use asset expense in March of 2019 upon adoption of IFRS 16.

Research and development activities

Comparing the nine months ended November 30, 2020, to the same period in 2019, research and development activities increased in expenses to $4,715,710 from $3,439,877. This increase in expense of $1,275,833 in research and development activities are primarily from the following items:

- Salaries and wages associated with research and development activities increased to $2,442,974 in 2020, as compared to $1,873,502 for the same period in 2019. This increase of $569,472 is directly related to the increase in headcount as compared to the same period in 2019.

- Share based compensation expense decreased by $476,339 from the same period in 2019. This decrease is from the decrease in new options and restricted share units granted to employees offset by the vesting of previously

granted restricted share units and stock options as well as the cancellation of both stock options and restricted share units to employees that had left the company during 2020.

- During the nine months ended November 30, 2020, the Company recognized an expense of $181,332 for the amortization of property and equipment, the right to use asset, and the intangible license in research and development compared to $153,640 during the same period in 2019. This increase of $27,692 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, supplies and MiQLab material expenses during the nine months ended November 30, 2020, totaled $2,044,845 compared to $889,836 for the same period in 2019. This increase of $1,155,009 is comprised of $490,417 paid to outside engineering and consulting firms and $1,554,427 related to the purchases of parts and materials. These expenses compare to $251,705 paid to outside engineering and consulting firms and $638,132 related to laboratory administration and the purchases of parts and materials from the same period in 2019. The Company has committed significant resources toward the finalization of the MiQLab and its anticipated commercial launch.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital as at November 30, 2020, was $9,878,558 including cash of $9,231,759 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 September 9, 2020, the Company closed a bought deal financing of 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 $10.1 million (CAD$13.29 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.

The use of proceeds is listed below and converted to US Dollars using the Canadian to US Dollar exchange rate of 0.7253:

Intended Use of Proceeds of September 9, 2020 Offering (CAD)		US Dollar Conversion (USD)	Actual Use of Proceeds from September 9, 2020 Offering (USD)	Variance - (Over) / Under Expenditure (USD)	Explanation of Variance and Impact on Business Objectives
Salaries and benefits for: - the current employees for one year - additional sales representitives, three additional veterinary sales representitives and additional COVID-19 representitives - two customer service representitives - two to three inside sales representitives - two additional biologists	$ 6,085,000	$ 4,413,451	$ 1,700,762	$ 2,712,689	**Ongoing**
Implementation of CRM systems	$ 75,000	$ 53,398	$ 21,782	$ 31,616	**Ongoing**
Implementation of quality control systems	$ 150,000	$ 108,795	$ 26,260	$ 82,535	**Ongoing**
Implementation of operational support systems	$ 25,000	$ 18,133	$ -	$ 18,133	**Q12021**
Purchase of inventory for commercial builds	$ 1,875,000	$ 1,359,938	$ 419,114	$ 940,824	**Ongoing**
Purchase of equipment, biological reagents, consumable materials and tooling	$ 300,000	$ 217,590	$ 52,004	$ 165,586	**Ongoing**
Poroduct development and manufacturing expenses	$ 750,000	$ 543,975	$ 94,361	$ 449,614	**Ongoing**
Product and corpoorate marketing campaigns	$ 840,064	$ 609,298	$ 273,390	$ 335,908	**Ongoing**
General working capital purposes, investments in new systems, tecjhnologies and porcesses	$ 400,736	$ 290,654	$ -	$ 290,654	**Q22021**
Total	**$ 10,500,800**	**$ 7,615,232**	**$ 2,587,673**	**$ 5,027,559**	**Cash remaining from financing**

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.

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	$ -	**Completed**
Salaries for Director of Sales and Marketing	$ 180,000	$ 135,792	$ 135,792	$ -	**Completed**
Hire Additional Product Development Personnel	$ 100,000	$ 75,440	$ 75,440	$ -	**Completed**
Build three pre-commercial instruments	$ 150,000	$ 113,160	$ 113,160	$ -	**Completed**
Purchase equipment, biological reagents, consumable materials and tooling	$ 80,000	$ 60,352	$ 60,352	$ -	**Completed**
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**	**$ 2,273,810**	**$ (33,242)**	**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 and nine months ended, November 30, 2020 and 2019, expenses incurred for key management compensation are summarized as:

	Three months ended, November 30,		Nine months ended, November 30,	
	2020	2019	2020	2019
Salaries and benefits	$ 688,961	$ 434,650	$ 1,049,457	$ 790,419
Consulting fees	10,800	10,800	32,400	32,400
Stock-based compensation	434,714	147,639	976,018	585,236
	$ 1,134,475	$ 593,089	$ 2,057,875	$ 1,408,055

As at November 30, 2020, ($nil) 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.

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 the Company 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 November 30, 2020 are as follows:

	CAD$	US$ Equivalent
Cash	10,742,371	8,285,591
Accounts payable & accrued expenses	(120,901)	(93,251)
Net exposure	10,621,470	8,192,340

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 November 30, 2020 is estimated to have an impact in the Company's loss in the amount of approximately $29,000. The carrying amount of cash, accounts payable and accrued liabilities in USD represents the Company's exposure as at November 30, 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 AND UNCERTAINTIES

An investment in the Company should be considered highly speculative due to the nature of its activities and the stage of its development. Diagnostic research and development involves a significant degree of risk. The risks and uncertainties set forth below are not the only ones we will face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business and operations and cause the price of the Common Shares to decline. If any of the following risks actually occur, our business may be harmed and our financial condition and results of operations may suffer significantly. In that event, the value of the Common Shares could decline and purchasers of the Common Shares or securities convertible into Common Shares may lose all or part of their investment. Readers should carefully consider the following risk factors in addition to the other information contained herein before investing in the Company.

RISK RELATING TO OUR BUSINESS

COVID-19 Pandemic, natural disasters, public health crises, political crises, and other catastrophic events or other events outside of our control may damage the facilities or disrupt the operations of our strategic partners, outside-party manufacturers, suppliers or other outside parties upon which we rely, and could delay or impair our ability to initiate or complete or commercialize our products.

Our strategic partners, outside-party manufacturers, suppliers and other outside parties upon which we rely have operations around the world and are exposed to a number of global and regional risks outside of our control. These include, but are not limited to natural disasters, such as earthquakes, tsunamis, power shortages or outages, floods or monsoons; public health crises, such as pandemics and epidemics; political crises, such as terrorism, war, political instability or other conflict; or other events outside of our control.

We cannot predict the scope and severity of any potential business shutdowns or disruptions, but if we or any of the outside parties with whom we engage, including the suppliers, regulators and other outside parties with whom we conduct business, were to experience shutdowns or other business disruptions, our ability to conduct our business in the manner and on the timelines presently planned could be materially and negatively impacted.

The outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods. If the COVID-19 outbreak continues or increases in severity and results in expanded or prolonged travel, commercial or other similar restrictions, we could experience supply, logistics or other disruptions, which could have a negative impact on our ability to conduct research and development or commercialize products. The pandemic also makes it more difficult to market and sell our

technology, as many conferences have been canceled, and generally, it is more difficult to have face-to-face meetings, which is critical for sales. The COVID-19 outbreak may impact our ability to raise additional capital and/or impact our ability to continue our clinical trials.

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 Risks

Although LexaGene has successfully installed its first MiQLab for a commercial sale, MiQLab Systems are still in the early stages of manufacturing and qualification. The Company is in the process of assembling systems and performing unit checks to ensure that they meet physical, optical, electrical, and thermal specifications. New hardware configurations are being tested and fluidic scrips continue to be optimized. As expected with any technology, additional optimization is generally 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.

False Positive Risk (poor specificity): 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). The Company is in the process of setting thresholds used to determine if a sample is positive or negative for the targeted genetic sequence. Carry-over contamination influences the values of these thresholds, which affects both the specificity and sensitivity of the system for detecting the targeted sequences (e.g. pathogens). If the cleaning is unreliable or insufficient, the industry may reject the technology due to poor sensitivity and poor specificity. Furthermore, the MiQLab assembles as a series of real-time PCR reactions in a flow cell. During the creation and assembly of these reactions, it is possible to have reaction-to-reaction carry-over, where the leading reaction leaves behind reagents that are picked up by the following reaction. In the event the leading reaction is positive for a particular pathogen, it is possible that the following reaction would be a false positive for a test that has reagents is in the same fluorescent channel as the positive signal in the leading reaction. These two issues could result is poor specificity for LexaGene's technology. It is possible LexaGene's technology will generate too many false positive results to be competitive in the market.

False Negative Risk (poor sensitivity): Pathogens, particular RNA-based pathogens such as SARS-CoV-2 and influenza, naturally mutate to create variants. If mutations arise in areas of the genome that LexaGene's tests target, then there is a possibility for a false negative result. Furthermore, should LexaGene's technology assemble the reaction inappropriately, or experience chemical inhibition due to a chemical in the loaded sample or due to mis-directed fluidic movements, then it is possible to generate a false negative result. Lastly, some sample matrices may not be handled well by LexaGene's automated sample preparation, resulting in inhibitors to RT-PCR being introduced into the reactions. These inhibitors could prevent the successful detection of target molecules. These three issues could result in poor sensitivity for LexaGene's technology. It is possible LexaGene's technology will generate too many false negative results to be competitive in the market.

Sample Processing Risk: 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 due to clogged or broken parts. It is completely unknown how robust or fragile this technology will be when used in the field for extended periods of time. 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. It is possible LexaGene's technology will not be robust enough to handle different matrices and this would harm our ability to be competitive in the market.

Dormancy Risk: LexaGene's microfluidic technology relies on priming fluids up to a valve head. It is also unknown how well this technology will handle periods of dormancy when the instrument is not used. If fluids pull away from the valve head during periods of dormancy, there is the risk the following sample would fail to be processed successfully. It is possible LexaGene's technology will not function reliably after periods of dormancy and this would harm our ability to be competitive in the market.

Time-to-Result Risk: Customers are demanding fast answers. If LexaGene cannot get its time-to-result and time-to-process the next sample down to competitive times, this would adversely impact sales. Some vendors of molecular tests for SARS-CoV-2 can generate results in 30 minutes. They often achieve such short time to result by skipping sample preparation and assembling a single reaction. In contrast, LexaGene's technology is designed to do a quality sample preparation and looks for numerous pathogens, which adds significant time. Furthermore, at the conclusion of processing a sample, the MiQLab initiates an automated cleaning protocol, which further adds to the time until the next sample can be processed. For any technology, there is a relationship between data quality and time. The faster different processes are pushed, the higher the likelihood of having less accurate results. The most affected is sensitivity. LexaGene can push its technology faster to achieve a time-to-result of approximately one hour, but is currently choosing to go slower in the interest of higher quality data. We expect our time to result to change depending on the market we are targeting, each of which value false negatives and false positives slightly differently, and also different sample matrices require different sample preparation protocols, and RNA targets require a reverse transcription step. Each of these elements adds time, so it is not appropriate to think of all of LexaGene's tests taking ~ one hour, as some will take significantly more time. Furthermore, as LexaGene better optimizes its system, we expect to lower the time-to-result from where it currently is today. This will also include introducing software checks that allow a positive result to be reported as soon as it is deemed statistically significant. If LexaGene cannot get its time to result and it's time to next sample down to competitive times, this would harm LexaGene's chances of success.

Size of our systems: Some molecular tests are now being offered that effectively fit in the palm of your hand. These tests generally look for one target (e.g. SARS-CoV-2). LexaGene's technology was designed for quality sample preparation and syndromic testing. Our technology is considerably bigger than hand held instruments. Many of our target customers may view our technology to be too big and too heavy. There is the possibility our customers may not adopt our technology due to its size, if there were to happen, it would be detrimental to the success of the company.

Robustness Risk: It is possible some of the components inside the MiQLab will fail during usage. If LexaGene cannot manufacturer a system that works reliably, then the cost of repair and the frustration experienced by our customers could harm the Company's chances of long-term success.

Regulatory

LexaGene anticipates selling its technology into highly regulated industries. As such, the Company will be subject to the authority and approvals of certain regulatory agencies, including Health Canada, the FDA, the CFDA, CE Mark and applicable health authorities in other countries, with regard to the development, testing, manufacture, marketing and sale of its products. The process of obtaining such approvals can be costly and time consuming, and there can be no assurance that regulatory approvals will be obtained or maintained. Any failure to obtain (or significant delay in obtaining) or maintain Health Canada, FDA, Notified Body or CFDA approvals (or, to a lesser extent, approval of applicable health authorities in other countries) for LexaGene's new or existing products could materially adversely affect LexaGene's ability to market its products successfully and could therefore have a material adverse effect on the business of LexaGene.

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)) recommend non-approval or restrictions on any potential approval. Studies required to demonstrate the performance, reliability, and safety of 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. Furthermore, part of the FDA studies include work with outside parties who must use LexaGene's technology in either a reference laboratory or point-of-care settings. Given these parties are currently overwhelmed with testing samples for the current pandemic, these parties may not have the capacity to take on an EUA study with LexaGene. If LexaGene is unable to find parties willing to assist in the required FDA studies, it is possible LexaGene will be unable to complete the required studies for EUA submission.

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. Furthermore, LexaGene's MiQLab uses both guanidine-based buffers for lysis and hypochlorite-based buffers for decontamination. These solutions are kept separate on the system, but nonetheless, the FDA is cautious about workflows using with both chemicals, as improper mixing would create poisonous cyanide gas. To date, the FDA has not received reports of illness due to these potentially hazardous interactions.11

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 arrange with outside parties to perform these services. If LexaGene does not have adequate sales, marketing and distribution capabilities, whether independently or with outside 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 outside 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 outside-party suppliers are subject to various risks and uncertainties that are outside of its control; including agreements with outside 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 an outside party product distribution company. This may take longer than expected, be ineffective, costlier 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 our Products and Consumables

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.

We intend to continue to dedicate a significant portion of our resources to the commercialization of our MiQLab System and its related test menu. As a result, to the extent that our cost to manufacture our consumables are too high

[11] https://www.mlo-online.com/diagnostics/specimen-collection/article/21141072/fda-says-exposure-to-cyanide-gas-possible-with-some-workflows-to-test-for-covid19

or not commercially successful or are withdrawn from the market for any reason, our operating results, financial condition and critical MiQLab development programs would be harmed.

In addition, we have limited marketing, sales and distribution experience and capabilities. Our ability to achieve profitability depends on the costs of our manufacturing of our products and consumables, attracting customers for our products and building brand loyalty. If the costs of our products and consumables are too expensive, we may not generate the demand we expect and our revenues and our ability to achieve profitability will be significantly impaired.

Interruption of Raw Material Supply

Interruption of key raw materials could significantly affect 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.

We may not be able to attract, train and retain a sufficient number of qualified employees to maintain and grow our business

We expect that our potential expansion into areas and activities requiring additional expertise, such as governmental approvals, manufacturing, sales, marketing and distribution will place additional requirements on our management, operational and financial resources. We expect these demands will require an increase in management and scientific personnel and the development of additional expertise by existing management personnel. There is currently aggressive competition for employees who have experience in technology, biology and engineering. The failure to attract and retain such personnel or to develop such expertise could materially adversely affect our business, financial condition and results of operations.

If the COVID-19 outbreak continues or increases in severity and results in expanded or prolonged travel, social distancing, quarantines, the closure of our office or other similar restrictions, we could experience difficulties in recruiting, hiring, training and retaining employees, which could have a negative impact on our ability to conduct research and development or commercialize products.

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 raising 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 outside parties or having outside 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 provide 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 outside-party patents, or the issuance of any new outside-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 outside parties asserting infringement and other related claims. Litigation may be necessary to determine the scope, enforceability and validity of outside - party intellectual property rights or to protect, maintain and enforce the Company's intellectual property rights. Some of 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 outside 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.

There are many message boards, chat rooms, blogs, or written articles that are followed by shareholders. Opinions regarding LexaGene are expressed on these message boards that may or may not be factual in nature. The Company is not in a position to respond to or actively influence these news feeds. Influencers can drastically affect the stock price based on little to no material information, and potentially could cause a collapse in the stock price that may not be recoverable by 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 January 29, 2021.

OUTSTANDING EQUITY INSTRUMENTS

As at January 29, 2021, we had authorized an unlimited number of common shares.

	As at January 25, 2021		As at November 30, 2020	As at February 29, 2020
Common Shares	115,754,944		114,361,553	89,535,388
Warrants	21,353,645		26,178,927	24,903,191
Stock Options	3,872,600	(1)	3,412,400	4,653,000
Restricted Share units	3,013,754		2,495,629	3,260,375
Total	143,994,943		146,448,509	122,351,954

Notes:
(1) 2,117,850 of the 3,872,600 stock options are vested and exercisable.

The Company has 21,353,645 warrants outstanding at January 29, 2021, which are exercisable into common shares at exercise prices ranging between CAD$0.52 and CAD$1.30.

The Company has 3,872,600 stock options outstanding at January 29, 2021, which are exercisable into common shares at exercise prices ranging between CAD$0.53 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.