

LEXARIA CORP.  
Form 10-Q  
July 14, 2015

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**Form 10-Q**

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the quarterly period ended May 31, 2015

or

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number \_\_\_\_\_

**Lexaria Corporation**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of incorporation or  
organization)

**20-2000871**

(IRS Employer Identification No.)

**950 - 1130 West Pender Street, Vancouver, BC**

(Address of principal executive offices)

**V6E 4A4**

(Zip Code)

**604-602-1675**

(Registrant's telephone number, including area code)

**N/A**

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES    NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting

company in Rule 12b-2 of the Exchange Act

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

YES  NO

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY  
PROCEEDINGS DURING THE PRECEDING FIVE YEARS**

Check whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.

YES  NO

**APPLICABLE ONLY TO CORPORATE ISSUERS**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

**39,932,984 common shares issued and outstanding as of July 11, 2015**

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**PART 1 FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

Our unaudited interim consolidated financial statements for the nine month period ended May 31, 2015 form part of this quarterly report. They are stated in United States Dollars (US\$) and are prepared in accordance with United States generally accepted accounting principles.

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**LEXARIA CORP.**  
**CONSOLIDATED BALANCE SHEETS**  
(Expressed in U.S. Dollars)

	May 31 2015	August 31 2014
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 832,101	\$ 703,030
Accounts receivable	21,632	97,003
Inventory	79,344	
Assets Held For Sale	-	1,400,000
Prepaid expenses and deposit	224,819	367,441
	<b>1,157,896</b>	<b>2,567,474</b>
Patent	40,955	-
Medical Marijuana Investments (Note 7)	-	67,662
	<b>40,955</b>	<b>67,662</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,198,851</b>	<b>\$ 2,635,136</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 60,835	\$ 93,553
Loan payable (Note 8)	-	776,936
Share Subscriptions Receivable	-	45,780
Due to a related party (Note 10)	1,769	1,769
<b>Total Current Liabilities</b>	<b>62,604</b>	<b>918,038</b>
<b>TOTAL LIABILITIES</b>	<b>62,604</b>	<b>918,038</b>
<b>STOCKHOLDERS' EQUITY</b>		
<b>Share Capital</b>		
Authorized:		
200,000,000 common voting shares with a par value of \$0.001 per share		
Issued and outstanding: 39,682,984 common shares at May 31, 2015		
and 34,249,690 common shares at August 31, 2014	39,682	34,249
<b>Additional paid-in capital</b>	<b>10,683,185</b>	<b>10,033,438</b>
<b>Shares to be returned</b>	<b>(500)</b>	<b>(35,200)</b>
<b>Deficit</b>	<b>(9,570,059)</b>	<b>(8,315,389)</b>
<b>Equity attributable to shareholders of the Company</b>	<b>1,152,308</b>	<b>1,717,098</b>
<b>Non-Controlling Interest</b>	<b>(16,061)</b>	<b>-</b>
<b>Total Stockholders' Equity</b>	<b>1,136,247</b>	<b>1,717,098</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,198,851</b>	<b>\$ 2,635,136</b>

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



**LEXARIA CORP.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Expressed in U.S. Dollars)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	May 31		May 31	
	2015	2014	2015	2014
<b>Revenue</b>				
Sales	7,187	-	10,070	-
<b>Cost of Goods Sold</b>				
Cost of Goods Sold	9,691	-	11,743	-
Other	-	-	-	-
	9,691	-	11,743	-
<b>Gross profit (loss)</b>	(2,504)	-	(1,673)	-
<b>Expenses</b>				
Accounting and audit	7,007	9,409	45,825	37,701
Insurance	1,479	1,803	4,551	5,108
Advertising and promotions	96,841	-	194,222	-
Bank charges and exchange (gain) loss	2,872	14,240	(3,111)	(38,273)
Stock Based Compensation	68,061	-	242,781	-
Consulting (note 11)	210,078	373,670	511,720	484,583
Fees and Dues	17,964	11,702	46,707	29,506
Interest expense from loan payable (note 6,8)	-	53,123	31,544	161,617
Investor relation	-	-	-	-
Legal and professional	5,397	6,144	41,575	6,988
Office and miscellaneous	8,735	7,040	19,785	8,218
Research and Development	107	-	48,386	-
Rent	25,137	13,937	79,099	31,092
Telephone	2,081	1,519	5,753	3,872
Taxes	-	-	3,578	-
Travel	55,081	35,093	70,936	47,451
MMJ expense	7,664	-	22,664	-
Write-off of oil and gas property	-	-	-	19,293
	508,504	527,680	1,366,015	797,156
<b>(Loss) for the period before other income</b>	(511,008)	(527,680)	(1,367,688)	(797,156)
<b>Income (Loss) from discontinued operations</b>	-	89,684	48,918	157,218
<b>Net (loss) for the period</b>	(511,008)	(437,996)	(1,318,770)	(639,938)
<b>Net (loss) attributable to:</b>				
Common Shareholders	(467,506)	-	(1,254,670)	-
Non-Controlling Interest	(43,502)	-	(64,100)	-
<b>Basic and diluted (loss) per share</b>	(0.01)	(0.03)	(0.04)	(0.04)
<b>Weighted average number of common shares outstanding</b>				
- Basic and diluted	35,543,199	16,431,452	34,870,866	16,431,452

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



**LEXARIA CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in U.S. Dollars)

	Nine Months Ended	
	May 31	May 31
	2015	2014
<b>Cash flows used in operating activities</b>		
Net (loss) from continued operations	\$ (1,367,688)	\$ (797,156)
Income (loss) from discontinued operations	48,918	157,218
Net (loss) for the period	(1,318,770)	(639,938)
Adjustments to reconcile net loss to net cash used in operating activities:		
Consulting - Stock based compensation	196,998	-
Depletion	-	117,716
MMJ Joint Venture	222,662	-
Other non-cash items	48,039	(23,497)
Change in operating assets and liabilities:		
(Increase)/Decrease in accounts receivable	75,371	30,675
(Increase)/Decrease in inventory	(79,344)	-
(Increase)/ Decrease in prepaid expenses and deposit	(32,376)	(418,031)
Increase in accounts payable and accrued liabilities	(32,718)	(36,423)
<b>Net cash used in operating activities</b>	<b>(920,138)</b>	<b>(969,498)</b>
<b>Cash flows used in investing activities</b>		
Oil and gas property acquisition and exploration costs	-	80,042
Proceeds from sale of oil and gas property	721,806	-
Patent	(40,955)	-
<b>Net cash used in investing activities</b>	<b>680,851</b>	<b>80,042</b>
<b>Cash flows from financing activities</b>		
Payments of loan payable	(98,742)	(403,150)
Proceeds from private placement, convertible debt,	467,100	2,104,950
<b>Net cash from financing Activities</b>	<b>368,358</b>	<b>1,701,800</b>
<b>Increase (Decrease) in cash and cash equivalents</b>	<b>129,071</b>	<b>812,3454</b>
Cash and cash equivalents, beginning of year	703,030	65,542
<b>Cash and cash equivalents, end of year</b>	<b>\$ 832,101</b>	<b>\$ 877,886</b>
<b>Supplemental information of cash flows:</b>		
Interest paid in cash	\$ 98,742	\$ 58,625
Income taxes paid in cash	\$ -	\$ -

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



**LEXARIA CORP.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME**  
**(Expressed in U.S. Dollars)**

	COMMON STOCK						
	SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	SHARES TO BE RETURNED	DEFICIT	NCI	TOTAL STOCKHOLDERS' EQUITY
Balance, October 31, 2013	16,431,452	16,432	7,140,148		(5,057,677)		2,098,903
Shares issued for PP @ \$0.06	500,000	500	29,500				30,000
Shares issued for services @ \$0.10	1,500,000	1,500	178,500				180,000
Shares issued for services @ \$0.40	150,000	150	62,850				63,000
Shares issued for services @ \$0.60	20,833	21	12,479				12,500
Shares issued for PP @ \$0.12	11,419,999	11,420	1,246,735				1,258,155
Shares issued for option exercise @ \$0.35	50,000	50	17,450				17,500
Stock Options issued @ \$0.60			26,112				26,112
Shares issued for debt conversion @\$0.35	552,380	552	192,781				193,333
Shares issued per LOI @ \$0.40	555,000	555	221,445				222,000
Shares issued per agreement @ \$0.39	110,000	110	42,790				42,900
Shares issued per agreement @ \$0.32	550,000	550	175,450				176,000
Stock Options issued @ \$0.25			183,432				183,432
Shares issued for option exercise @ \$0.10	50,000	50	4,950				5,000

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Shares issued per agreement @ \$0.30	55,000	55	16,445			16,500	
Shares issued per agreement @ \$0.26	880,000	880	263,120			264,000	
Shares issued per LOI @ \$0.30	91,662	92	27,408			27,500	
Shares issued per agreement @ \$0.16	82,031	82	13,043			13,125	
Shares issued for PP @ \$0.15	1,251,333	1,250	178,800			180,050	
Comprehensive income (loss):							
(Loss) for the period					(3,257,712)	(3,257,712)	
Balance, August 31, 2014	34,249,690	34,249	10,033,438	(35,200)	(8,315,389)	1,717,098	
Shares Cancelled	(110,000)	(110)	(35,090)	35,200		-	
Shares issued for PP @ \$0.15	305,200	305	45,475			45,780	
Non-controlling Interest					(16,061)	(16,061)	
Shares issued per agreement @ \$0.105	238,094	238	24,762			25,000	
Stock Options issued @ \$0.11 and \$0.10			144,198			144,198	
Shares issued for PP @ \$0.10	5,000,000	5,000	462,100			467,100	
Stock Options issued @ \$0.10			52,802			52,802	
Shares to be cancelled	-		(44,500)	(500)		(45,000)	
Comprehensive income (loss):					(1,254,670)	(1,254,670)	
Balance, May 31, 2015	39,682,984	39,682	10,683,185	(500)	(9,570,059)	(16,061)	1,136,247

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

**LEXARIA CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**May 31, 2015**  
**(Expressed in U.S. Dollars)**  
**(Unaudited)**

**1. Basis of Presentation**

The unaudited consolidated interim financial statements for the nine months ended May 31, 2015 included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with United States generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These unaudited interim consolidated financial statements should be read in conjunction with the August 31, 2014 audited annual financial statements and notes thereto.

**2. Organization and Business**

The Company was formed on December 9, 2004 under the laws of the State of Nevada and commenced operations on December 9, 2004. The Company is an independent natural gas and oil company engaged in the exploration, development and acquisition of oil and gas properties in the United States and Canada. The Company's entry into the oil and gas business began on February 3, 2005. During the period ended November 30, 2014, the Company discontinued oil and gas business through Purchase and Sale Agreement signed with Cloudstream Belmont Lake, LP on November 26, 2014. In March of 2014, the Company began its entry into the medicinal marijuana and alternative health and wellness business. This change of business was approved by the Company's shareholders during its Annual General Meeting held on June 11, 2014. The Company has offices in Vancouver and Kelowna, BC, Canada.

On August 7, 2014, the Company's board of directors approved changing its year end from October 31 to August 31. These unaudited consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company has recurring operating losses and required additional funds to maintain its operations. Management's plans in this regard are to raise equity and/or debt financing as required until such time as operations are profitable.

The Company's unaudited consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company has a net loss of \$1,254,670 for the nine months ended May 31, 2015 (May 31, 2014: \$639,936) and at May 31, 2015 had a deficit accumulated since its inception of \$9,570,059 (August 31, 2014: \$8,315,389). The Company has working capital surplus of \$1,095,293 as at May 31, 2015 (August 31, 2014 working capital surplus: \$1,649,436). The Company requires additional funds to maintain its existing operations and developments. These conditions raise substantial doubt about our Company's ability to continue as a going concern. Management's plans in this regard are to raise equity and debt financing as required, but there is no certainty that such financing will be available or that it will be available at acceptable terms. The outcome of these matters cannot be predicted at this time and the financing environment is difficult.

These unaudited consolidated interim financial statements do not include any adjustments to reflect the future effects on the recoverability and classification of assets or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

### **3. Business Risk and Liquidity**

The Company is subject to several categories of risk associated with its operating activities. The production and sale of medical marijuana and alternative health products are emerging industries in which business practices are not yet standardized and are subject to frequent scrutiny and evaluation by federal, state, provincial, and municipal authorities, academics, and media outlets, among others. Although we intend to develop our businesses in accordance with best ethical practices, we may suffer negative publicity if we, our partners, contractors, or customers are found to have engaged in any environmentally insensitive practices or other business practices that are viewed as unethical.

Our operations may require licenses and permits from various governmental authorities to build and install Medical Marijuana Investment operations. We believe that we will be able to obtain all necessary licenses and permits under applicable laws and regulations for our operations and believe we will be able to comply in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in various circumstances. There can be no guarantee that we will be able to obtain or maintain all necessary licenses and permits, and failing to obtain or retain required licenses could have a materially adverse effect on the Company..

### **4. Significant Accounting Policies**

#### **a) Basis of Consolidation**

The unaudited interim consolidated financial statements include the financial statements of the Company, its wholly-owned subsidiary, Lexaria CanPharm Corp. which was incorporated on April 4, 2014 under the laws of Canada, and 51%-owned subsidiary Poviva Tea, LLC which was incorporated on December 12, 2014, under the laws of the State of Nevada. All significant inter-company balances and transactions have been eliminated.

#### **b) Inventories and Cost of Sales**

The Company has three major classes of inventory: finished goods, raw materials and supplies. In all classes, inventory is valued at the lower of cost or market. Cost is determined on a first-in, first-out basis. Cost of sales includes all expenditures incurred in bringing the goods to the point of sale. Inventory costs and costs of sales include direct costs of the raw material, inbound freight charges, warehousing costs, handling costs (receiving and purchasing) and utilities and overhead expenses related to the Company's manufacturing and processing facilities.

#### **c) New Accounting Pronouncements**

On May 28, 2014, the Financial Accounting Standards Board (the FASB) and the International Accounting Standards Board (the IASB) issued substantially converged final standards on revenue recognition. The FASB's Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), was issued in three parts: (a) Section A, Summary and Amendments That Create Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs-Contracts with Customers (Subtopic 340-40), (b) Section B, Conforming Amendments to Other Topics and Subtopics in the Codification and Status Tables and (c) Section C, Background Information and Basis for Conclusions. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The new revenue recognition guidance becomes effective for the Company on January 1, 2017, and early adoption is not permitted. Entities have the option of using either a full retrospective or a modified approach to adopt the guidance in the ASU. The Company has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

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In April 2014, the FASB issued new guidance on the definition of a discontinued operation that requires entities to provide additional disclosures about disposal transactions that do not meet the discontinued operations criteria. The new guidance narrows the focus of discontinued operations to those components that are disposed of or classified as held-for-sale and that represent a strategic shift that has or will have a major impact on the entity's operations or financial results. The guidance is effective prospectively for all disposals or components initially classified as held-for-sale in periods beginning on or after December 15, 2014. Early adoption is permitted. Upon adoption, the Company does not believe this guidance will have a material impact on its consolidated results of operations or financial position.

In August 2014, the FASB issued new guidance on determining when and how to disclose going-concern uncertainties in the financial statements. The new guidance requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosures if conditions or events raise substantial doubt about its ability to continue as a going concern. The guidance is effective for annual periods ending after December 15, 2016 and interim periods thereafter. Early adoption is permitted. Upon adoption, the Company does not believe this guidance will have a material impact on its consolidated results of operations or financial position.

## 5. Inventory

	May 31, 2015	August 31, 2014
Finished goods	\$ 73,232	\$ -
Raw materials	6,112	-
	\$ 79,344	\$ -

## 6. Capital Stock

### Share Issuances

On July 14, 2014, the Company accepted Mr. Chris Hornung's resignation with respect to his contract dated, April 24, 2014, whereby, the Company had entered into a one year consulting contract with 2342878 Ontario Inc. wholly owned company by Chris Hornung as Assistant Manager. Upon signing of the contract of acceptance the Company issued 110,000 common shares at a deemed price of \$0.32. The Company's 110,000 restricted common shares that were issued have also been cancelled and returned back to treasury on November 5, 2014.

On September 26, 2014, the Company accepted and received gross proceeds of \$45,780 for private placement at \$0.15 per unit into 305,000 common shares of the Company and 305,200 warrants at \$0.25 expiring March 26, 2016.

On December 12, 2014, the Company issued 119,047 common shares of the Company at a price of \$0.105 per common share to each of Marian Washington and Michelle Reillo as per the terms of the ViPova agreement.

On May 14, 2015, the Company accepted and received gross proceeds of \$500,000 for private placement at \$0.10 per unit into 5,000,000 common shares of the Company and 5,000,000 warrants at \$0.25 expiring May 14, 2017. A cash finders' fee for \$32,900 was paid to GMP Securities, Mackie Research and Peter Przygoda.; and 329,000 broker warrants with an exercise price of \$0.20 for a period of twenty four months were issued to GMP, Mackie Research and Peter Przygoda.

As at May 31, 2015, Lexaria Corp. has 39,682,984 shares issued and outstanding and 18,036,533 warrants issued and outstanding.

The following table summarizes warrant existence in the period ended May 31, 2015:

	Number of Shares	Weighted Average Exercise Price
Balance, October 31, 2013	-	\$ -
Granted warrants with expiry date of November 1, 2015	500,000	0.10
Granted warrants with expiry date of September 21, 2015	10,600,000	0.25
Granted warrants with expiry date of April 1, 2015	552,380	0.40
Granted warrants with expiry date of February 12, 2016	1,302,333	0.25
Balance, August 31, 2014	12,954,713	\$ 0.25
Warrants expired April 1, 2015	(552,380)	0.40
Granted warrants with expiry date of March 26, 2016	305,200	0.25
Granted warrants with expiry date of May 14, 2017	5,000,000	0.25
Granted warrants with expiry date of May 14, 2017	329,000	0.20
Balance, May 31, 2015	18,039,533	\$ 0.25

## 7. Discontinued Operations

On November 26, 2014 a Purchase and Sale Agreement was executed between Lexaria Corporation, and Cloudstream Belmont Lake, LP for the purchase and sale of oil and gas working interests, net revenue interests and other interests in Belmont Lake, Mississippi for total consideration of \$1,400,000, which is subject to adjustments as provided in the Purchase and Sale Agreement. The final purchase price was \$1,400,000, which closed on December 5, 2014. A total net amount of \$721,806 was paid to the Company after all short term debts were paid out from the sale.

Accordingly, the results of the Company's former oil and gas business have been reported as discontinued operations for all periods presented.

Discontinued operations were comprised of :

	2015 May 31	2014 May 31
	\$	\$
Income from discontinued from oil & gas operations	48,918	157,218

Assets and liabilities of discontinued operations held for sale included the following:

	May 31, 2015	August 31, 2014
	\$	\$
Oil and gas properties-Proven	-	1,400,000
Total Assets	-	1,400,000

## 8. Medical Marijuana Investment

On March 5, 2014, the Company has entered into a three year Joint Venture Agreement ("JV") with Enertopia Corp. and Mr. Robert McAllister (collectively, the "Parties"). Whereas Enertopia Corp ( Enertopia ) and Robert McAllister will source opportunities in the business, and the terms and conditions on which the Parties will form a joint venture to jointly participate in, or offer specific opportunities within the business (the "Joint Venture"), and Robert McAllister will join the Company as advisory board for the term of this Agreement. The Company issued Enertopia Corp. 1,000,000 shares and Robert McAllister 500,000 shares on signing of the Agreement. The Company agreed to additionally pay Enertopia a finder's commission, received at the sole election of Enertopia in either cash or in common restricted shares of



Lexaria, within a range of 2% - 5% of the value (less of taxes) of any future business acquisition, joint venture or transaction that Lexaria accepts and closes for the life of this Agreement. Lexaria as its initial Contribution, paid to McAllister 500,000 common restricted shares as compensation for entering the Joint Venture and for McAllister to initiate and during the term of the Agreement continue to provide to Lexaria opportunities for Lexaria to build its business. Lexaria agrees to additionally award McAllister 500,000 stock options to buy common shares of Lexaria, with terms to be specified and ratified by shareholder and regulatory approvals, as compensation for joining and serving as Chairperson of Lexaria's marijuana business advisory board for the term of this Agreement.

On May 27, 2014, a letter of intent, executed on behalf of Lexaria Corp. and/or its wholly-owned subsidiary Lexaria CanPharm Corp. (the Lessee) and Arnprior Bay Property Limited, c/o Huntington Properties, (the Lessor) sets out the Lessee's and Lessor's shared intent to enter into a lease agreement (the Lease) for warehouse space (the Leased Premises) in the building located at, Ontario (the Building) and to enter a finance agreement into Lexaria Corp and/or Lexaria CanPharm Corp. This Agreement remains in the planning stage only; no lease has been entered and no building acquired. Due to general backlogs with Health Canada and their processing of license applications, the Company has not yet pursued this opportunity.

On May 28, 2014, Enertopia and Lexaria signed a Definitive Agreement. Enertopia and Lexaria each wished to develop a business of legally producing, manufacturing, propagating, importing/exporting, testing, researching and developing, marijuana (the "Business") located in Ontario (the "Property"), and on or about April 10, 2014, the Parties entered a Letter of Intent that set forth the basic terms of a proposed joint venture agreement between Enertopia and Lexaria for those purposes. Lexaria issued 500,000 common shares to Enertopia. Such common shares to be released to Enertopia when a valid MMPR license has been received by Health Canada. In the event the Health Canada license has not been received within 24 months of the date of this Agreement, the Definitive Agreement restricted common shares shall be cancelled and returned to treasury. Enertopia wishes to acquire a license from Health Canada to designate Enertopia as a Licensed Producer pursuant to Canada's Marijuana for Medical Purposes Regulations (the "License"). The Parties entered into this Agreement to set out the terms and conditions by which Enertopia does own a 51% interest in the Business and Lexaria does own a 49% interest in the Business; and the terms and conditions on which the Parties will form and operate the joint venture to jointly participate in the Business (the "Joint Venture").

The Parties contribute the following as their initial contributions to the Business:

Enertopia, as its initial contribution, contributed \$45,000 to the Joint Venture bank account.  
 Lexaria, as its initial contribution, contributed \$55,000 to the Joint Venture bank account.

The Parties shall have the following Ownership Interests under this Agreement and of the Business:

Enertopia	-	51%
Lexaria	-	49%

The Parties shall bear the costs arising under this Agreement and the operation of the Business as to the following, as further described in this Agreement (the Cost Interests):

Enertopia	-	45%
Lexaria	-	55%

The Parties shall have the following insured liability for all things that are not operating costs arising under this Agreement and the operation of the Business as to the following:

Enertopia	-	51%
Lexaria	-	49%

The Parties shall receive all revenues and profits derived from the operation of the Business as to the following, as further described in this Agreement (the Revenue Interests):



Enertopia	-	51%
Lexaria	-	49%

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Enertopia shall act as the manager of the Operations (the "Manager") for so long as its Ownership Interest is 51% or more. Enertopia may designate a specified individual as Manager if the Parties unanimously consent to such appointment. If any party, including Lexaria, gains a 51% Ownership Interest in the Business, then Enertopia shall have the obligation, if requested by the 51% Ownership Interest party, to surrender the Manager position.

The parties did not form a separate legal entity as part of the Joint Venture Agreement; therefore, the Company accounts for the Joint Venture as a collaborative arrangement in accordance with ASC 808 *Collaborative Arrangements*. For the period ended May 31, 2015, the Company recorded \$16,287 expenses related to such collaborative arrangement. Subsequent to quarter end, this agreement was terminated.

As at May 31, 2015, the Company wrote off \$7,662 of leasehold improvement and \$45,000 fair market value of 500,000 restricted common shares issued to Enertopia as Medical Marijuana Investments. Subsequent to quarter end the shares are being returned to treasury and cancelled. See Note 15(d).

On August 1, 2014, the Company signed an extension on an amended Letter of intent, that was executed on April 10, 2014 on behalf of a corporation to be incorporated by Lexaria Corp. and Enertopia Corporation(Lessee) and Mr. Jeff Paikin of 1475714 Ontario Inc. (Lessor) sets out the Lessee's and Lessor's shared intent to enter into a lease agreement (the Lease) for warehouse space (the Leased Premises) in the building located at Burlington, Ontario (the Building). On August 5, 2014 as per the terms of the LOI, the Company issued 91,662 common shares at a deemed price of \$0.30 per share. The lease has been extended for another 6 months at the rate of \$7,562 per month to the Company, due for renewal or expiration on June 22, 2015. Subsequent to quarter end, the Company did not renew the lease LOI. See Note 15 (d).

#### **9. Alternative Health Product**

On November 12, 2014, the Company has signed an agreement with Poppy's Teas LLC. ( ViPova ) to acquire 51% of ViPova with an initial consideration of US\$50,000. Lexaria acquired a 51% Ownership Interest in the Business by satisfying the requirements set out in the agreement:

Pay to Operations bank account US\$50,000 as an initial amount to upgrade the Business as may be required to advance the Business (paid)

Agree to Spend \$75,000 over one year following the execution date of this agreement as a product marketing and operations budget

Agree to Extend to the founders of ViPova ( Founders ) \$25,000 worth of Lexaria common shares subject to a share lockup of six months as required by the Securities and Exchange Commission (paid)

Agree to Pay one of the Founders \$2000 a month for production consulting for a period of 12 months out of revenues, the operating account, or against the marketing budget

Agree to Pay one of the Founders \$2000 a month for marketing consulting for a period of 12 months out of revenues, the operating account, or against the marketing budget

Agree to Provide the Founders a cash bonus in the amount of \$50,000 should the company generate \$300,000 in sales within 8 months of the execution of this agreement

Agree to grant to ViPova a Right of First Refusal to produce under white-label, additional cannabinoid ( CBD )-based products on behalf of Lexaria, but Lexaria reserves the right to engage other producers should Lexaria, in its reasonable discretion, believe ViPova to be uncompetitive to supply the products requested by Lexaria.

As part of this Agreement, and once the terms of this Agreement have expired, the Founders will be automatically granted a lifetime license to personally produce products covered by patent numbers # 62010621 and 62037706. This personal license does not extend to any third party corporation, joint venture or partnership that would compete against PoViva Tea, LLC or Lexaria Corporation.



ViPova will reduce to a 25% Ownership Interest in the Business and Lexaria will acquire an additional 24% (total 75%) Ownership Interest in the Business by satisfying the following requirements:

Spend an additional US\$100,000 on sales and marketing ViPova by Lexaria brand beginning within 60 days of executing this Agreement and completing spending within 24 months of executing this Agreement.

Lexaria to pay to ViPova or to its principals 2.5 times trailing 12 months ViPova revenue (pro-rata) calculated from that date that this option is exercised. ViPova can receive up to 50% of this payment in the Company's common stock at ViPova's discretion.

This Section is valid beginning November 15th, 2015 and expires on November 15th, 2017.

The acquisition of Vipova was treated as an acquisition of assets rather than a business combination because Vipova did not constitute a business. \$48,039 acquired In-Process Research and Development has been expensed at the acquisition date in accordance with ASC 730-10-25-1.

Subsequent to quarter end, the Company filed Lexaria simultaneous filing of a U.S. utility patent application and an International patent application under the Patent Cooperation Treaty (PCT) procedure, both at the U.S. Patent and Trademark Office. These applications follow the Company's 2014 and 2015 family of provisional patent application filings in the U.S. and serve two additional broad purposes.

The first of these was to expand potential intellectual property protection outside of the USA. Filing under the PCT allows the Company to elect to pursue patent protection in up to 148 nations around the world. The second purpose was to broaden the number of molecules for which intellectual patent protection is sought. Under the original patents pending, only the THC and CBD molecules, infused within a unique lipid-formulation technology, were pursued. Under the new patent applications, the list of molecules for which a unique delivery system were broadened to include THC, CBC, Nicotine, Non Steroidal Anit Inflammatories, and certain Vitamins. As at May 31, 2015, the Company capitalized of \$40,955 for patent application.

## 10. Loan Payable

Notes	Nature	Original amounts \$	Carrying amounts	
			May 31, 2015 \$	August 31, 2014 \$
a)	Promissory Note	75,000	-	75,000
b)	Convertible debentures	620,000	-	58,666
c)	Convertible debentures	200,000	-	56,667
d)	Promissory Note	50,000	-	50,000
e)	Promissory Note	657,447	-	536,603
<b>Total Outstanding</b>		1,698,690	-	776,936
<b>Loan payable - current</b>		1,698,690	-	776,936
<b>Loan payable - long term</b>		-	0	-

All outstanding debts were paid as at December 5, 2014 through the sale of Belmont Lake by the purchaser by the close of the transaction.

- a) On April 1, 2010, the Company entered into a purchase agreement with CAB Financial Services Ltd., a company controlled by Christopher Bunka, our President, Chief Executive Officer and Director, (Purchaser) for a non-secured promissory note in the amount of \$75,000 (the Promissory Note). The Purchaser agreed to purchase a non-secured 18% interest bearing Promissory Note of our company subject to and upon the terms and conditions of the Purchase



Agreement. The Promissory Note is due and payable on April 1, 2012. The Promissory Note may be prepaid in whole or in part at any time prior to April 1, 2012 by payment of 108% of the outstanding principal amount including accrued and unpaid interest. Upon the mature of the Promissory Note, it has been renewed to a month to month basis.

As long as the Promissory Note is outstanding, the Purchaser may voluntarily convert the Promissory Note including accrued and unpaid interest to common shares of our Company at the conversion price of \$0.30 per common share.

This debt has been paid through the Purchase and Sale Agreement of Belmont Lake.

The Company did not incur beneficiary conversion charges as the conversion price is greater than the fair value of the Company's equity at the time of issuance.

- b) On November 30, 2010, we closed the first tranche of a private placement offering of convertible debentures in the aggregate amount of \$450,000. The convertible debentures mature on November 30, 2012, subject to forced conversion as set out in the convertible debenture certificate. The convertible debentures pay an interest rate of 12% per annum (on a simple basis) and are convertible at \$0.35 per unit. Each unit is comprised of one share of our common stock and one share purchase warrant. Each warrant entitles the holder thereof to purchase one share at a price of \$0.40 per share up to the earlier of the maturity date of the convertible debenture or one year from conversion of the convertible debenture.

We also entered into a general security agreement with the subscribers, whereby the obligations to repay the convertible debenture are secured by the Company's working interest and production in and only in two oil wells located at Belmont Lake, Mississippi, with carrying value of \$1,000,000 as of October 31, 2012. One director of the Company and Emerald Atlantic LLC, solely owned by the director, subscribed the convertible debentures with amount of \$50,000.

On December 16, 2010, the Company closed the second tranche of a private placement offering of convertible debentures in the aggregate amount of \$170,000. The convertible debentures mature on November 30, 2012, subject to forced conversion as set out in the convertible debenture certificate. The convertible debentures pay an interest rate of 12% per annum (on a simple basis) and are convertible at \$0.35 per unit. Each unit is comprised of one share of our common stock and one share purchase warrant. Each warrant entitles the holder thereof to purchase one share at a price of \$0.40 per share up to the earlier of the maturity date of the convertible debenture or one year from conversion of the convertible debenture. We also entered into a general security agreement with the subscribers, whereby the obligations to repay the convertible debenture are secured by the same assets for the first tranche of the private placement offering on November 30, 2010. One director of the Company and Emerald Atlantic LLC, solely owned by the director, subscribed the convertible debentures with amount of \$120,000.

The aggregate principal value of the above convertible debentures was \$620,000 and was allocated to the individual components on a relative fair value basis. In addition, because the effective conversion price of the convertible debentures was below the current trading price of the Company's common shares at the date of issuance, the Company recorded a beneficial conversion feature of approximately \$20,000. The value of the warrants and beneficial conversion feature has been recorded as additional paid in capital.

On November 13, 2013, the Company entered into an Amendment agreement to refinance and extend repayment terms on the loan, please refer to Note 8f for details. On April 1, 2014, three of the parties converted their balance of \$193,333 of principal remaining into 552,350 common shares at a price of \$0.35 per share. As at February 28, 2015, the Company has paid down all of the debt outstanding of \$58,666 (August 31, 2014: \$354,665).

- c) On December 1, 2011, the Company closed a private placement offering of convertible debentures in the aggregate amount of \$200,000. The convertible debentures mature on December 1, 2012, subject to forced conversion as set out in the convertible debenture certificate. The convertible debentures pay an interest rate of 12% per annum (on a simple basis) and are convertible at \$0.35 per unit. Each unit is comprised of

one share of our common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase one share at a price of \$0.40 per share up to the earlier of the maturity date of the convertible debenture or one year from conversion of the convertible debenture. We also entered into a general security agreement with the subscribers, whereby the obligations to repay the convertible debenture are secured by the Company's working interest and production in and only in two oil wells located at Belmont Lake, Mississippi, with carrying value of \$1,000,000 as of October 31, 2012. Two directors of the Company, David DeMartini and Christopher Bunka, via CAB Financial Services Ltd, solely owned by the director, subscribed to the convertible debentures with the amount of \$200,000.

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The aggregate principal value of the above convertible debentures was \$200,000 and was allocated to the individual components on a relative fair value basis. Because the effective conversion price of the convertible debentures was above the current trading price of the Company's common shares at the date of issuance, beneficial conversion feature is \$Nil, therefore, the amount of \$200,000 was recorded under loan payable.

On November 13, 2013, the Company entered into an Amendment agreement to refinance and extend repayment terms on the terms on the loan, please refer to Note 10f for details. As at February 28, 2015, the Company has paid down all of the debt outstanding of \$56,667 (August 31, 2014: \$85,001).

- d) On March 30, 2012, the Company entered into a loan agreement with Christopher Bunka, our President, Chief Executive Officer and Director, ( Lender ) for a non-secured promissory note in the amount of \$50,000 (the Promissory Note ). The Lender agreed to purchase a non-secured 12% interest bearing Promissory Note of our company subject to and upon the terms and conditions of the agreement. The Promissory Note has a month to month term. This debt was been repaid in full during November 2014.
- e) On October 27, 2008 the Company entered into a Purchase Agreement in the amount of CAD\$900,000 of Notes being purchased by the President (CAD\$400,000), the President's wholly- owned company (CAD\$300,000) and a shareholder (CAD\$200,000) of the Company ( Purchasers ). The Purchasers agreed to purchase an 18% interest bearing Promissory Note of the Company subject to and upon the terms and conditions of the Purchase Agreement. The Company's obligations to repay the Promissory Note will be secured by certain specified assets of the Company pursuant to a Security Agreement. As long as the Promissory Note is outstanding, the Purchasers may voluntarily convert the Promissory Note to Common Shares at the conversion price of \$0.45 per share of Common Stock. The Promissory Note matures on October 27, 2010 or by mutual agreement by all parties on October 27, 2009.

In connection with the Purchase Agreement, the Company issued a total of 390,000 (1,560,000 pre-consolidation) warrants which two warrants entitle a holder to purchase a common share of the Company of which 195,000 (780,000 pre-consolidation) warrants are eligible at \$0.05 (adjusted price) and 195,000 (780,000 pre-consolidation) warrants are eligible at \$0.05 (adjusted price) per share and expire October 27, 2009 and October 27, 2010, respectively.

The Company did not incur beneficiary conversion charges as the conversion price is greater than the fair value of the Company's equity.

As at the date of the issuance of the above noted Promissory Note, the Company allocated CAD\$21,321 and CAD\$683,559 to warrants (additional paid-in capital) and Promissory Note based on their relative fair value.

On July 10, 2009 the Purchasers converted \$45,000 of the Promissory Note into equity at \$0.05 per share. On October 27, 2009, 191,000 warrants were exercised for 95,500 common shares.

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On October 21, 2010, the Company settled a portion of the debt, namely \$1,625 with the President's wholly-owned company by converting 65,000 warrants into 32,500 common shares of the Company as per Purchase Agreement dated October 27, 2008 at a price of \$0.05 per share.

On October 21, 2010, the Company settled a portion of the debt, namely \$2,167 with the President by converting 86,667 warrants into 43,333 common shares of the Company as per Purchase Agreement dated October 27, 2008 at a price of \$0.05 per share.

On October 21, 2010, the Company entered into an amendment with loan holders to extend the loan to be on a month-to-month basis with the same terms and conditions as pursuant to the amendment.

On December 1, 2012, the Company entered into an Amendment to existing debt agreement with a shareholder of the Company, whereby the lender has agreed to modify terms of the earlier agreements and provide for a debt repayment schedule ending on December 1, 2013. The Company was scheduled to repay the debt in twelve equal monthly principal payment, plus interest on the monthly declining balances. The interest rates of the amendment debt are the same as the existing debt agreement. On November 13, 2013, the Company entered into an Amendment agreement to refinance and extend repayment terms on the loan, please refer to Note f for details.

As at February 28, 2015, the Company has paid down all of the debt outstanding of CAD\$563,108 (August 31, 2014: \$44,917).

- f) On November 13, 2013, the Company refinanced and extended repayment terms on all debt that was otherwise due to mature in December 2013 with CAB Financial Services Ltd., David DeMartini, Emerald Atlantic LLC, and other debt holders of the Company. Per the Amendment Agreements, a) the loan repayment schedule will be converted, with an effective date of December 1, 2013, to a new one year term loan with monthly interest payments at 18% on any declining balance, in arrears and all principal amounts not paid before then due in full on December 1, 2014; b) the first payment of interest shall be due on January 1, 2014; c) the Company will make ten (10) monthly principal payments, each of which is 1/10th of the principal amount owing at the time this Agreement goes into effect, beginning on March 1 2014 and repeating on the first day of each month thereafter until all the principal is paid; d) the Company grants to the lenders new collateral specifically limited to the lender's pro-rata portion (the original initial balance owing to the lender shall form the numerator and \$930,000 shall form the denominator) of the Company's portion of the net revenue from the new 12-7 well required to keep the terms of this Agreement in good standing at any given monthly due date. On April 1, 2014, three of the parties converted their balance of \$193,333 of principal remaining into 552,350 common shares at a price of \$0.35 per share.

## 11. Related Party Transactions

- (a) For the nine months ended May 31, 2015, the Company paid \$84,000 to CAB (2014: \$48,000); to BKB Management Ltd. ( BKB ) CAD\$61,500 (2014: CAD\$49,500) for management, consulting and accounting services; to Thomas Ihrke \$33,000 (2014: \$5,000) for executive management consulting; and to Docherty Management Limited CAD\$19,167 (2014: \$Nil). CAB is owned by the CEO of the Company, BKB is owned by the CFO of the Company and Docherty Management Limited is owned by the President of the Company.

The related party transactions are recorded at the exchange amount established and agreed to between the related parties.

- (b) On October 27, 2008 the Company entered a secured loan agreement in the amount of CAD\$300,000 with CAB (See Note 10e). On July 10, 2009 \$40,000 of the debt was converted to equity. On October 21, 2010, the Company settled a portion of the debt, namely US\$1,625 with CAB by converting 65,000 warrants

into 32,500 common shares of the Company as per Purchase Agreement dated October 27, 2008 at a price of \$0.05 per share. On June 28, 2011, the Company paid down CAD \$100,000 of the debt. The debt was paid in full from the Belmont Lake sale. For the nine months ended May 31, 2015, the Company paid/accrued interest expenses of CAD \$6,833 (2014: CAD\$20,457).

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- (c) On October 27, 2008 the Company entered a secured loan agreement in the amount of CAD\$400,000 with Christopher Bunka (See Note 10e). On October 21, 2010, the Company settled a portion of the debt, namely \$2,167 with Christopher Bunka by converting 86,667 warrants into 43,333 common shares of the Company as per Purchase Agreement dated October 27, 2008 at a price of \$0.05 per share. The debt was paid in full from the Belmont Lake sale. For the nine months ended May 31, 2015, the Company paid/accrued interest expenses of CAD \$17,902 (2014: CAD\$53,709).
- (d) On April 1, 2010, the Company entered a non-secured loan agreement in the amount of US\$75,000 with CAB (See Note 10a). The debt was paid in full from the Belmont Lake sale. For the nine months ended May 31, 2015, the Company paid/accrued interest expenses of \$3,375 (2014: \$10,125).
- (e) On March 30, 2012, the Company entered a non-secured loan agreement in the amount of US\$50,000 with Chris Bunka. The debt was paid in full from the Belmont Lake sale. For the nine months ended May 31, 2015, the Company incurred interest expenses of \$1,500 (2014: \$4,500).
- (f) On December 1, 2011, the Company entered into a secured loan agreement in the amount of \$200,000 with two directors of the Company (see Note 10c, f). This loan agreement was amended for another year to repay the debt in twelve equal monthly principal payment, plus interest on the monthly declining balances. The interest rates of the amendment debt are the same as the existing debt agreement. On November 13, 2013, the Company refinanced and extended repayment terms on all debt that was otherwise due to mature in December 2013. The loan repayment schedule will be converted, with an effective date of December 1, 2013, to a new one year term loan with monthly interest payments at 18% on any declining balance, in arrears and all principal amounts not paid before then due in full on December 1, 2014; b) the first payment of interest shall be due on January 1, 2014; c) the Company will make ten (10) monthly principal payments, each of which is 1/10th of the principal amount owing at the time this Agreement goes into effect, beginning on March 1 2014 and repeating on the first day of each month thereafter until all the principal is paid. The debt was paid in full from the Belmont Lake sale. For the nine months ended May 31, 2015, the Company has paid interest expense of \$5,458 (2014: \$17,868).

## 12. Stock Options

During the period ended May 31, 2015, 1,425,000 stock options were granted on December 22, 2014 to Directors, Officers and consultants. The exercise price of the stock options is \$0.11, 1,125,000 vesting immediately, 100,000 vesting in six months, and 100,000 vesting in 12 months; all expiring on December 22, 2019.

On February 4, 2015, the Company granted 250,000 stock options to consultants with an exercise price of \$0.10, vesting immediately, expiring February 3, 2020.

On March 26, 2015, the Company granted 500,000 stock options to an Officer of the Company. The exercise price of the stock options is \$0.10, vesting immediately and expiring on March 26, 2020.

For the nine months ended May 31, 2015, the Company recorded \$229,702 (May 31, 2014 \$Nil) stock based compensation expenses which has been included in consulting fees.

A summary of the changes in stock options for the nine months ended May 31, 2015 is presented below:

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	Number of Shares	Options Outstanding Weighted Average Exercise Price
Balance, August 31, 2014	2,625,000	\$ 0.24
Expired	(950,000)	0.20
Granted	2,175,000	0.11
Balance, May 31, 2015	3,850,000	\$ 0.20

The fair value of options granted has been estimated as of the date of the grant by using the Black-Scholes option pricing model with the following assumptions:

	May 31, 2015
Expected volatility	243%-249%
Risk-free interest rate	1.68-1.47%%
Expected life	5.00 years
Dividend yield	0.00%
Estimated fair value per option	\$ 0.08-\$0.10

A summary of the stock options as at ended May 31, 2015 is presented below:

May 31, 2015		Options outstanding		Options exercisable	
Range of Exercise prices	Number of shares	Weighted average remaining contractual life	Weighted average exercise price	Number of shares	Weighted average exercise price
\$0.20	150,000	0.21 years	\$ 0.20	150,000	\$ 0.20
\$0.35	450,000	1.11 years	\$ 0.35	450,000	\$ 0.35
\$0.10	400,000	3.05 years	\$ 0.20	400,000	\$ 0.10
\$0.60	50,000	3.82 years	\$ 0.60	50,000	\$ 0.60
\$0.25	625,000	4.15 years	\$ 0.25	625,000	\$ 0.25
\$0.11	1,425,000	4.67 years	\$ 0.11	1,225,000	\$ 0.11
\$0.10	250,000	4.68 years	\$ 0.10	250,000	\$ 0.10
\$0.10	500,000	4.82 years	\$ 0.10	500,000	\$ 0.10
Total	3,850,000	3.48 years	\$ 0.20	3,650,000	\$ 0.17

### 13. Commitments, Significant Contracts and Contingencies

On November 27, 2008, the Company entered into a Consulting Agreement with CAB Financial Services Ltd. for consulting services of CAB on a continuing basis for a consideration of US\$8,000 per month plus GST. Effective December 1, 2014, the Company entered into a new consulting agreement with the consulting services at \$10,000 per month plus GST.

On May 12, 2009 the Company entered into a consulting agreement with BKB Management Ltd. to act as the Chief Financial Officer and a Director for an initial period of six months for consideration of CAD \$4,500 per month plus GST. This agreement replaces the September 1, 2008, Controller Agreement with CAB Financial Services Ltd. Subsequent to October 31, 2010, effective January 1, 2011, the consideration was increased to CAD\$5,500 per month plus GST/HST. Effective December 1, 2014, the Company entered into a new consulting agreement with the consulting services at CAD\$7,500 per month plus GST.

On August 5, 2010 we entered into a three-month Management agreement with Tom Ihrke, whereby Mr. Ihrke will act as the Senior Vice-President, Business Development for the Company for consideration of \$3,125 per month. On December 2, 2010, the Company entered into a month to month management agreement with Tom Ihrke, where by

Mr. Ihrke will continue to act as the Senior Vice-President Business Development for the Company. On October 3, 2011 Mr. Ihrke and the Company amended the agreement whereby his title changed to Manager, Business Development. The Company will pay a monthly consulting fee of \$3,125. Effective January 15, 2012, the consulting agreement has been decreased to \$10 a month. Effective April 1, 2014, the amended consulting agreement has been increased to \$5,000 per month. Effective December 23, 2014, the Company has entered into a new Executive Management consulting agreement with the consulting services at \$3,000 per month.

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On July 1, 2013, the Company entered into a 2 year lease for the Kelowna office with monthly rental rate of \$1,652 including GST. The lease renews on a month-to-month basis with a 3-month notice term beginning July 1, 2015.

On February 1, 2015 the Company signed a consulting agreement for up to five years with confirmed 6 months with Sequoia Partners Inc. to provide strategic and development of project objectives. The Company will pay monthly compensation of CAD\$5,000 for six months.

On March 26, 2015, the Company announced the appointment John Docherty as President of Lexaria effective April 15, 2015. The Company executed a twenty four month consulting contract with Docherty Management Limited, solely owned by Mr. John Docherty with a monthly compensation of CAD\$12,500 and shall increase to a total of CAD\$15,000 per month effective at that time when the Company has US\$1,000,000 or more in cash in its bank accounts, and continue at CAD\$15,000 per month from that moment until the termination or completion of the contract.

See also Note 7 and 8.

#### 14. Segmented Information

The Company identifies its segments based on the way management organizes the Company to assess performance and make operating decisions regarding the allocation of resources. In accordance with the criteria in FASB ASC 280 "Segment Reporting," the Company has concluded that it currently has three reportable segments: oil and gas exploration, medical marijuana and Alternative Health Products, which are managed separately based on fundamental differences in their operations nature.

Summarized financial information concerning the Company's reportable segments is shown in the following tables:

	Oil and Gas	Alternative Health Products	Corporation	Total
	\$	\$	\$	\$
<b>Revenue</b>	48,918	10,070	1,212,534	58,988
<b>Operation expenses</b>	-	153,481		1,366,015
<b>Total assets</b>		145,299	1,053,552	1,198,851

#### 15. Subsequent Events

- a) On June 8, 2015, the Company signed an investor relations and public relations agreement with TDM Financial for 60 days at a cost of \$18,000.
- b) On June 8, 2015, the Company issued 250,000 common shares valued at \$50,000 at \$0.19 per share to a third party (50,000 common shares) and to another third party (200,000 common shares) with respect to agreements signed on April 2, 2015 and May 27, 2015.

- c) On June 11, Lexaria initiated the simultaneous filing of a U.S. utility patent application and an International patent application under the Patent Cooperation Treaty (PCT) procedure, both at the U.S. Patent and Trademark Office. These applications follow the Company's 2014 and 2015 family of provisional patent application filings in the U.S. and serve two additional broad purposes.
- d) On June 11, 2015, Lexaria Corp. (the Company) entered into a Letter of Intent dated June 10, 2015 with Shaxon Enterprises Ltd. to sell its 49% interest with the MMRP Burlington application number 10QMM0610. The Burlington project related with Joint Venture Agreement dated May 28, 2014 with Enertopia Corp. based on developing a business of legally producing, manufacturing, propagating, importing/exporting, testing, researching and developing marijuana at the Burlington Location. This Joint Venture is to be terminated based on the closing of a definitive agreement to be entered into pursuant to the terms of the Letter of Intent with Shaxon Enterprises Ltd. 500,000 restricted common shares issued to Enertopia Corp. at a deemed price of \$0.40 held in escrow will be returned back to Lexaria Corp. treasury and cancelled. On June 24, 2015, the Share Purchase Agreement was signed with Shaxon Enterprises Ltd.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### *Forward-Looking Statements*

This quarterly report contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors", that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our unaudited interim consolidated financial statements are stated in United States Dollars (US\$) and are prepared in accordance with United States Generally Accepted Accounting Principles. The following discussion should be read in conjunction with our financial statements and the related notes that appear elsewhere in this quarterly report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this quarterly report, particularly in the section entitled "Risk Factors" of this quarterly report.

In this quarterly report, unless otherwise specified, all dollar amounts are expressed in United States dollars. All references to "CAD\$" refer to Canadian dollars and all references to "common shares" refer to the common shares in our capital stock.

As used in this quarterly report, the terms "we", "us", "our" and "Company" mean Company and/or our subsidiaries, unless otherwise indicated.

### **Overview**

We were incorporated in the State of Nevada on December 9, 2004. We were an exploration and development oil and gas company engaged in the exploration for and development of petroleum and natural gas in North America from the

date of incorporation until 2014. During 2014 we submitted an application to enter the legal medical marijuana business in Canada and also launched a cannabidiol-based food supplement company in the USA. We maintain our registered agent's office and our U.S. business office at Nevada Agency and Transfer Company, 50 West Liberty, Suite 880, Reno, Nevada 89501. Our telephone number is (755) 322-0626.

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The address of our principal executive office is Suite 950, 1130 West Pender Street, Vancouver, British Columbia V6E 4A4. Our telephone number is (604) 602-1675. We have another office located in Kelowna. Our current locations provide adequate office space for our purposes at this stage of our development.

Our common stock is quoted on the OTC Bulletin Board under the symbol "LXRP" and on the Canadian National Stock Exchange under the symbol LXX. The Company is diverse in its pursuit of business opportunities in the Medicinal Marijuana sector and alternative health products. In March of 2014, Lexaria began its entry into the medicinal marijuana business sector through an application to become a Licensed Producer under the MMPR in Canada. No such license has yet been granted. To achieve sustainable and profitable growth, the Company intends to control the timing and costs of its projects wherever possible. In November of 2014, Lexaria acquired 51% of ViPova Tea LLC in the production of CBD infused tea. CBD (Cannabidiol) derived from agricultural hemp is in the food supplement sector and is not in the medical marijuana sector.

Due to the implementation of British Columbia Instrument 51-509 on September 30, 2008 by the British Columbia Securities Commission, we have been deemed to be a British Columbia based reporting issuer. As such, we are required to file certain information and documents at [www.sedar.com](http://www.sedar.com).

### **Our Current Business**

Our Company was an oil and gas company engaged in the exploration for oil and natural gas in Canada and the United States. We were generating revenues from our business operations in Mississippi. Subsequent to year end, on November 26, 2014, we executed the sale of all of our working interests in Belmont Lake with a closing date of December 5, 2014. In March of 2014, we began our entry into the medicinal marijuana business through an application to become a Licensed Producer under the MMPR in Canada. No such license has yet been granted. The change of business was approved our shareholders during our Annual General Meeting held on June 11, 2014. In November of 2014, the Company acquired 51% of ViPova Tea LLC for alternative health products, in the food supplement sector.

Our company's business plan is currently focused in the USA, on the introduction of cannabidiol-infused food products extracted from Agricultural Hemp. Secondly and more generally, we continue to investigate opportunities in the US legal regulated medical marijuana sector where possible; and to search for additional opportunities in alternative health sectors. This includes the acquisition or development of intellectual property if and when we believe it advisable to do so. We have filed for patent pending protection of what we believe to be a unique manner in which to deliver certain molecules such as THC, CBD, Nicotin, NSAIDs, and Vitamins. To achieve sustainable and profitable growth, our company intends to control the timing and costs of our projects wherever possible.

During the nine month period ended May 31, 2015, we experienced the following significant corporate developments:

On **September 22, 2014**, the Company closed a private placement by issuing 305,200 units at a price of US\$0.15 per unit for gross proceed of US\$45,780. Each Unit consists of one common share of our company and one full non-transferable share purchase warrant ( Warrant ). Each Warrant will be exercisable into one further share (a Warrant Share ) at a price of US\$0.25 per Warrant Share for a period of 18 months following closing. The Warrants are subject to an early acceleration provision pursuant to which, in the event that our company's common shares at any time after 6 months and 1 day have elapsed from the closing of the offering, has been at or above CDN\$0.60 for a period of 20 consecutive trading days, our company may, within 5 days thereafter issue to the subscribers a written notice advising of the accelerated expiry of the Warrants. Such written notice shall identify in reasonable detail the particulars of the acceleration event and identify the date (the "Warrant Accelerated Expiry Date") set for accelerated expiry, which in no event shall be less than 30 days after the mailing date of the written notice. For greater certainty, all Warrants shall expire and be of no further force or effect as of 4:30 pm (Pacific Time) on the Warrant Accelerated Expiry Date.

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On **November 12, 2014**, the Company has signed an agreement with PoViva Tea, LLC and acquired 51% of PoViva Tea, LLC with an initial consideration of US\$50,000.

On **November 26, 2014** a Purchase and Sale Agreement was executed into between Lexaria Corporation, and Cloudstream Belmont Lake, LP for the purchase and sale of oil and gas working interests, net revenue interests and other interests in Belmont Lake, Mississippi for total consideration of \$1,400,000. On **December 5, 2014** the Lexaria Corporation closed the sale of Belmont Lake with Cloudstream Belmont Lake, LP. All outstanding debts were repaid in full through giving Lexaria total net proceeds of \$721,807.

On **December 1, 2014**, the Company executed a new consulting agreement with the CEO of the Company with consulting services being \$10,000 per month plus GST.

On **December 1, 2014**, the Company executed a new consulting agreement with the CFO of the Company with consulting services being CAD\$7,500 per month plus GST.

On **December 12, 2014**, the Company issued 238,094 common shares valued at \$25,000 at \$0.105 per share to Michelle Reillo and Marian Washington as per PoViva agreement signed on November 12, 2014.

On **December 12, 2014**, the Company signed an extension on an amended Preliminary Lease Agreement and Extension of LOI, that was first executed on April 10, 2014 on behalf of Lexaria CanPharm Corp. - a wholly owned subsidiary of Lexaria, and Enertopia Corporation(Lessee) and Mr. Jeff Paikin of 1475714 Ontario Inc. (Lessor) sets out the Lessee's and Lessor's shared intent to enter into a lease agreement (the Lease) for warehouse space (the Leased Premises) in the building located at Burlington, Ontario (the Building). As a result, the Company had the obligation to pay CDN\$7,562.50 per month until the expiration or renewal of this agreement on June 22, 2015.

On **December 22, 2014**, the Company appointed Thomas Ihrke as Vice President of US Operations. The Company executed an eighteen month consulting contract with Mr. Ihrke with a monthly compensation of \$3,000.

On **December 22, 2014**, the Company has granted 1,425,000 stock options to Directors, Officers and consultants. The exercise price of the stock options is \$0.11, 1,125,000 vesting immediately, 100,000 vesting in six month, and 100,000 vesting in 12 months expiring on December 22, 2019.

On **February 1, 2015** the Company signed a consulting agreement for up to five years with confirmed 6 months with Sequoia Partners Inc. to provide strategic and development of project objectives. The Company will pay monthly compensation of CAD\$5,000 for six months.

On **February 4, 2015**, the Company has granted 250,000 stock options to Sequoia Partners Inc. The exercise price of the stock options is \$0.10, vesting immediately expiring on February 3, 2020.

On **March 26, 2015**, the Company announced the appointment John Docherty as President of Lexaria effective April 15, 2015. The Company executed a twenty four month consulting contract with Docherty Management Limited, solely owned by Mr. John Docherty with a monthly compensation of CAD\$12,500 and shall increase to a total of CAD\$15,000 per month effective at that time when the Company has US\$1,000,000 or more in cash in its bank accounts, and continue at CAD\$15,000 per month from that moment until the termination or completion of the contract.

On **June 11, 2014** had adopted the 2014 Stock Option Plan. Based on this original Stock Option Plan, on **March 26, 2015**, the Company has granted 500,000 stock options to Mr. John Docherty. The exercise price of the stock options is \$0.10, vesting immediately, expiring on March 26, 2020.

On **May 15, 2015**, Lexaria closed a private placement by issuing 5,000,000 units at a price of US\$0.10 per unit for gross proceeds of US\$500,000. Each Unit consists of one common share of the Company and one full transferable Share purchase warrant ( Warrant ). Each Warrant will be exercisable into one further Share (a Warrant Share ) at a price of US\$0.25 per Warrant Share for a period of twenty four (24) months following closing. A cash finders fee for \$32,900 was paid to GMP Securities, Mackie Research and Peter Przygoda.; and 329,000 broker warrants with an exercise price of \$0.20 for a period of twenty four months were issued to GMP, Mackie Research and Peter Przygoda.

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## **Our Planned Medical Marijuana Production Operations**

On June 7, 2013 the Government of Canada implemented new legislation, the Marijuana for Medical Purposes Regulations (MMPR), concerning the production and sale of medical marijuana. The MMPR permit the licensing of commercial growers beginning April 1, 2014, while eliminating existing regulations permitting the production of medical marijuana on a personal-use basis. The revised regulations create conditions for a commercial industry in Canada that is responsible for medical marijuana production and distribution, by eliminating small-scale, personal-use production. Commercial growers are now able to submit applications to Health Canada for the production of medical marijuana and, if licensed, supply patients who qualify for the product at a price that would be established by market forces and at the discretion of producers.

Subsequent to May 31, 2015, an agreement has been entered to sell our MMPR license application.

## **Regulation of Medical Marijuana Production Applicable to our Planned Production Facilities**

On July 30, 2001, the Government of Canada implemented the Marijuana Medical Access Regulations (MMAR) pursuant to subsection 55(1) of the *Controlled Drugs and Substances Act*, which defines the circumstances and the manner in which marijuana can be used in Canada for medical purposes. The MMAR and regulations thereunder granted access to marijuana for Canadians suffering from symptoms (pain, muscle spasms, nausea, and weight loss) related to multiple sclerosis, cancer, HIV, spinal cord injury, epilepsy, arthritis or other debilitating symptoms as determined by a medical doctor. The MMAR was administered by Health Canada, the federal agency responsible for national public health. Under the MMAR, licensed patients were permitted to grow their own marijuana or to designate someone grow it for them. Growers under the MMAR were not regulated by Health Canada beyond the allocation of a personal-use production license.

On June 7, 2013, the Canadian regulations concerning the production and sale of medical marijuana were amended with the introduction of the MMPR which permit the licensing of commercial growers beginning April 1, 2014, while eliminating provisions for its production on a personal-use basis. Applications for personal-use production ceased to be processed by Health Canada as of October 1, 2013 and, individuals authorized to possess medical marijuana under the MMAR were directed to transition to the new licensed producer regime. This transition by existing MMAR licensees is subject to several legal appeals, discussed below.

The revised regulations create conditions for a commercial industry that is responsible for medical marijuana production and distribution, by eliminating small-scale, personal-use production. Commercial growers are now able to submit applications to Health Canada for the production of medical marijuana and, if licensed, supply patients who qualify for the product at a price that would be established by market forces and at the discretion of producers. Currently, the MMPR only permits the sale of dried marijuana; the production of concentrated or edible forms (oils, resins, teas or infusions) is not permitted. On March 21, 2014, the Court of Appeal of the Province of British Columbia ruled in the case of *R v. Owen Edward Smith* that the MMPR's restriction on the production of edible marijuana products for medicinal purposes is unconstitutional. The court has given Health Canada 12 months to appeal or rewrite the current MMPR system to allow for other forms of marijuana consumption other than dried marijuana.

Other relevant requirements for applicants and licensed producers under the MMPR include the following:

production facilities may only be located indoors (greenhouses are also acceptable);

production facilities must meet specified advanced security requirements to prevent and detect unauthorized access;

producers may not operate storefronts;



producers may not wholesale products except to other licensed producers; they must sell directly to authorized consumers or, if requested, to their physicians;

producers are required to notify their local government, local police force and local fire officials of their intention to apply to Health Canada, so that local authorities are aware of their proposed location and activities. Producers are also required to communicate with local authorities whenever there is a change in the status of their license;

producers must comply with all federal, provincial/territorial and municipal laws and by-laws, including municipal zoning by-laws;

there are no applicable federal fees payable in respect of the application or maintenance of the license to produce marijuana under the MMPR;

producer must have an employee designated as a quality assurance person who is responsible for assuring the quality of the dried marijuana, before it is made available for sale. This employee must have the training, experience and technical knowledge related to the proposed licensed activities and the requirements of the MMPR; and

applicants must submit a detailed description of their proposed record keeping methods. This must include a description of the process that will be used for recording transactions relating to licensed activities, including maintaining appropriate records of transactions and dealings with both suppliers and clients.

Other aspects of the MMPR relevant to our business include the following:

The MMPR do not contain any limitations on the conditions for which a health care practitioner can support the use of marijuana for medical purposes;

The MMPR does not impose a limit on the number of production licenses;

There are no restrictions under the new *MMPR* on the daily amount of marijuana that may be prescribed, there is an individual possession cap of the lesser of 150 grams or 30 times the daily amount. For example, if an individual has a daily amount of 2 grams per day, their possession cap would be 60 grams.

### **Our Planned Production Facilities**

Each of our joint venture production facilities is planned as a state of the art indoor growing operation designed to meet or exceed the standards for safety and security provided for in the MMPR. Each of our planned facilities will be equipped for indoor, in-soil and/or hydroponic marijuana cultivation of preparation in accordance with the specifications of the MMPR and will accommodate each step required in the production of medical marijuana. Facilities will include:

- temperature and humidity control systems;
- automated irrigation systems;
- automated grow lighting;
- ventilation and air quality control systems;
- drying and curing room;
- product testing laboratory facilities;
- packaging room;
- storage vault;
- information technology and security control room; and
- administrative offices.



## Production Facility Staffing Requirements

We anticipate that each of our planned facilities will require personnel acting in the following capacities:

- marijuana cultivation expert to oversee production activities;
- production assistants to provide support in all aspects of the cultivation and processing;
- information technology specialist to manage electronic records, inventory and sales;
- designated quality assurance specialist to monitor production standards and conduct routine product testing;
- financial controller/accountant;
- sales representative ; and
- operations manager/executive to oversee the entirety of the joint venture operations.

We intend to fulfill our staffing requirements through the engagement of both full and part-time employees and consultants.

## Marijuana Cultivation at our Planned Production Facilities

We intend to cultivate our medical marijuana using state of the art organic indoor growing techniques which will be customized to optimize the quality, yield and desired potency of medicinal marijuana produced. On average, the indoor production cycle of marijuana from planting to harvest is 3 to 5 months in duration. However, the use of certain varieties and growing techniques can shorten the production cycle to as little as 6 weeks or lengthen it to as long as 8 months. An initial harvest grown from seed stock (rather than from planting a clone/trimming) will typically require an additional three to four months growing time. Each of our planned facilities will grow several varieties requiring varying production times. Each of our planned facilities will follow the following cultivation procedures:

**Varietal Selection:** marijuana varieties are selected based on a variety of considerations, including patient demand, consumer availability, yield, growth time, and cannabidiol and tetrahydrocannabinol content (see paragraph below entitled *The Use of Marijuana for Medical Purposes* );

**Seed Procurement:** seeds are obtained from a range of Canadian and international suppliers approved by Health Canada;

**Germination:** seeds are germinated in peat, soil, or water until sprouted (approximately 1 week)

**Planting:** plants for production are grown from sprouted seeds or from clippings taken from a mother plant;

**Seedling Maturation:** seedlings are matured under fluorescent lighting until they develop roots and cotyledons (seed leaves) and develop identifiable sex characteristics. Male plants are separated for breeding and female plants cultivated for consumption. (4 to 6 weeks).

**Vegetative Phase:** Most varieties enter a vegetative phase upon developing identifiable sex characteristics. The vegetative phase is characterized by the downward expansion of root systems, leaf and stem growth. Certain varieties (auto-flowering hybrids) omit the vegetative stage and pass directly from seedling to pre-flowering. The length of the vegetative stage varies widely between varieties and depends significantly on the growing techniques selected. The duration of the vegetative phases is manipulated to obtain the desired results in terms of plant size and flowering time. (1 month to 3 months ).

**Pre-Flowering:** Following the vegetative stage, plants enter a pre-flowering phase during which plant development increases dramatically and the structure for flowering develops (approximately 2 weeks).

**Flowering:** Following pre-flowering, plants enter a flowering phase during which the smoke-able bud/flowers develop. The flowering phase varies from about 6 to 22 weeks.

**Harvesting:** When flowers(buds) achieve the desired size and maturity they are harvested and dried on metal racks.

**Quality Control:** Dried buds are weighed and tested for contaminants, mold, potency and chemical composition.



**Storage:** Unsatisfactory product is quarantined and destroyed, which product meeting the required specification is vacuum sealed and labelled.

We anticipate that the initial harvest from each of our planned facilities will occur within 6 to 8 months from completion of facility construction.

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## **Sales and Distribution by our Planned Production Facilities**

### *Patient Eligibility and Registration*

The sales and distribution procedures of each of our planned facilities will follow the procedures required by the MMPR for the purchase and sale of medical marijuana in Canada. Patients seeking to obtain medical marijuana must consult with and obtain a detailed prescription (medical document) from a health care practitioner with prescribing authority, usually a physician. Medical documents must contain identification information of the patient and physician, the period of use (no more than 1 year without re-evaluation) and the prescribed daily dose/quantity.

Patients with the requisite medical document may then register with the licensed producer of their choice. A list of licensed producers is maintained and published by Health Canada. Patients seeking to register with any of our planned production facilities will complete and submit by mail a registration form available on that facility's website, together with copies of medical documents and identification documents.

### *Ordering and Order Fulfillment*

Once registered with one of our planned facilities, patients will be able to order prescribed quantities from that facility. Orders will be accepted by telephone. Upon receipt of an order, the prescribed marijuana will be weighed, packaged in pharmaceutical grade, child proof containers, and labelled with designation of origin, producer name, weight, active ingredient percentage, and warning labels.

We will ship orders by courier only. The MMPR does not allow for storefront or retail distribution centres.

## **Production License Application Process Applicable to our Joint Venture**

Prior to engaging in the production of medical marijuana, each of our joint ventures must successfully complete the licensing application process administered by Health Canada. The Health Canada process for becoming a licensed producer involves a multi-stage application and review including the following stages:

- Step 1: Preliminary Screening
- Step 2: Enhanced Screening
- Step 3: Security Clearance
- Step 4: Review
- Step 5: Ready to build letter (if required by applicant)
- Step 6: Pre-license inspection
- Step 7: Licensing

To date, Health Canada has not provided estimated or guaranteed process times for any application stage. According to Health Canada, as at August 25, 2014, it had received 1,009 formal production license applications under the MMPR since its call for applications in 2013. Of those, 462 applications have been returned as incomplete, 201 have been rejected and 32 withdrawn. To date, 25 production licenses have been granted to 23 different producers with only 2 licenses granted during the summer of 2014. Due to the slow progress, uncertain timing, and apparent backlog of production license application reviews by Health Canada, we were unable to determine with any accuracy when any of our applications under review will be processed.

An agreement has been entered to sell our interest in the MMPR license application.

## **Current Litigation Affecting MMPR Regulatory Regime**

### *Allard Case*

On March 21, 2014, an injunction was granted by the Federal Court of Canada to four appellants, including Neil Allard, who are appealing the regulations which came in to effect on April 1, 2014. The injunction provides that Authorizations to Possess [ATPs] medical marijuana granted under the MMAR that were valid on March 21, 2014 and associated Personal Use Production Licenses and Designated Production Licenses valid on September 30, 2013 remain valid under the terms of those authorizations, with the exception that the amount of marijuana that can be possessed under the ATP is now limited to 150 grams. The impact of the order is that approximately 37,500 licensees under the MMAR will be permitted to continue production and consumption of marijuana under the MMAR until such time as additional court rulings are made. The court order has no effect on the implementation of the MMRP going forward and no new licenses will be granted under the MMAR. On March 31, 2014, the Federal Government announced its intention to appeal the March 21, 2014 order. On December 15, 2014, the appeal by the Federal Government was denied by the courts. On February 23, 2015, the case commenced and is scheduled for three weeks.

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### *Owen Smith Case*

On August 14, 2014, the British Columbia Court of Appeal ruled the Government of Canada's restriction on edible marijuana products is unconstitutional. Currently, the MMPR permits only dried marijuana to be produced and sold for medicinal use. Owen Smith, who challenged the law, argued some patients want to consume their marijuana medicine in butters, brownies, cookies and teas etc. Smith claimed the right to administer the drug in other forms is fundamental, but that was denied by federal regulations. In a two-to-one decision, the court ruled the law does infringe on the constitutional rights of those who require other forms of cannabis to treat illnesses.

In its ruling, the Court of Appeal suspended the effect of its judgement for one year in order to allow the Parliament of Canada time to amend the regulations. The Government of Canada had appealed the decision from Supreme Court of British Columbia where the trial judge ordered the word "dried," and the definition of "dried marijuana" to be deleted from the MMPR.

On October 1, 2014 the Federal Government filed a notice to appeal the decision to the Supreme Court of Canada to determine whether medical marijuana patients have a constitutional right to edible medical marijuana products, such as cannabis oils, butters, teas and lotions. On March 20, 2015, the Supreme Court of Canada was scheduled to hear the case. On June 11, 2015, Owen Smith was acquitted by unanimous consent of the Supreme Court of Canada.

### **Market for Medical Marijuana in Canada**

It is estimated by Health Canada that the overall market for medical marijuana in Canada under the new MMPR will be approximately \$1.3 billion per year by 2024 (source: Health Canada/Canadian Broadcasting Corporation). As at May, 2014, there were 37,400 medical marijuana users recognized by Health Canada and Health Canada projects that the number of licensed users will increase to over 450,000 by 2024. Health Canada formerly sold medical marijuana, produced on contract by Prairie Plant Systems (formerly the only licensed producer in Canada), for \$5 a gram. It is estimated that the price per gram under the new licensing system will average \$7.60 per gram as producers set prices without interference from government (source Health Canada/Canadian Broadcasting Corporation).

Despite these estimates MMJ market is relatively new and largely unproven. The adoption rate of commercial MMJ by qualified patients is difficult to determine but a portion (approximately 13%) of the qualified patient population is already conditioned to purchasing government contracted producers under the old system (source: Health Canada). Furthermore, we anticipate that the convenience of a wide selection of MMJ strains delivered directly to patients in a discrete and concealed package will be attractive. Healthcare practitioners are key stakeholders as they will be signing and providing the medical documentation needed for patients to register with commercial producers. Regulations under the MMPR are not significantly different for healthcare practitioners already familiar with the process under the former MMAR. Licensed producers are held responsible for quality of the product provided as the MMPR outlines strict rules for quality assessment and control, cleanliness, manufacturing, and pesticide use. Security and diversion to the black market remain a concern but MMPR outlines strict rules for segregation of duties and security clearances, background checks for employees and officers, tracking of product in and out of the premises, and camera surveillance.

### **The Use of Marijuana for Medical Purposes (source Cantech Letter: Canada's Medical Marijuana Industry: A Top Down Look)**

The marijuana or cannabis plant, aka cannabis sativa, contains more than 80 cannabinoids, a group of chemical compounds which includes delta9-tetrahydrocannabinol (THC) and cannabidiol (CBD). Research has shown that THC and CBD influence different regions of the central nervous system and have different effects on cannabis users [Borgwardt, Biol Psychiatry, 2008]. Most of the psychoactive effects associated with the use of cannabis are caused by THC, whereas CBD has been shown to have anti-anxiety, anti-nausea, anti-inflammatory, and anti-psychotic effects [Bergamaschi, Curr Drug Saf., 2011; Niesink, Front Psychiatry, 2013]. Cannabis smoking often leads to

adverse effects such as increases and fluctuations in heart rate and blood pressure, euphoria, anxiety, and impairment of cognition and memory. Cannabis also contains a similar array of detrimental and carcinogenic compounds compared to cigarette smoke, some of which are present even at higher concentrations [Leung, J Am Board Fam Med, 2011].

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MMJ is used and has been tested in a variety of indications. In the last ten years, there have been estimated 300 individually registered trials used cannabis, THC, or CBD as the intervention. Excluding addiction, the indication that accounted for the majority (42%) of trials, MMJ has been tested in a wide range of indications to help patients cope with pain not only from disease itself, but also for relief from strong and sometimes toxic medication, such as chemotherapy. Neurological disorders, mental health, muscle and back problems, and inflammation (such as gastrointestinal disorders) are common indications under study.

### **Quality Control and Technical Specification for Medical Marijuana**

To date, dried marijuana has not been authorized as a therapeutic product in Canada or in any other country. In addition, no international standards currently exist specifically for the quality of dried marijuana. Dried marijuana produced by a licensed producer (LP), while exempt from the application of the Food and Drug Regulations via the Marijuana Exemption (Food and Drugs Act) Regulations (other than in the context of marijuana to be used in a clinical trial), is subject to provisions in the Food and Drugs Act (Canada) (FDA). The FDA provisions include a general prohibition (paragraph 8(a) and (b)) against the sale of a drug that was manufactured, prepared, preserved, packaged or stored under unsanitary conditions; or is adulterated. Similar requirements are provided in Division 4 of the MMPR, which includes Good Production Practice(s) (GPP) requirements relating to storage of dried marijuana, storage premises, equipment, the sanitation program, standard operating procedures, recall of product, and quality assurance personnel. Division 5 of the MMPR provides packaging, labeling and shipping guidelines, which prescribe the same product identification and safety requirements as those for other pharmaceuticals (designation of origin, producer, weight, active ingredient percentage, childproof packaging, warning labels, etc.) Additionally, the MMPR provide compliance and enforcement measures, allowing for refusal, suspension or revocation of a producer's license on the basis of risks to public health, safety or security.

In June 2013, Health Canada published the guidance document entitled *Technical Specifications For Testing Dried Marijuana for Medical Purposes* which outlines the procedures and good production practices required under the MMPR for achieving the requisite purity and quality of finished dried marijuana product. As specified in the MMPR, each batch or lot of dried marijuana must be approved for release by the LP's Quality Assurance person, who must have the training, experience and technical knowledge relating to the activity conducted and the requirements of Division 4 of the MMPR. This means that the Quality Assurance person must have the ability to evaluate the operations of the LP to ensure compliance with Division 4, and the technical knowledge to be able to assess analytical testing results in order to be able to make the determination of whether the dried marijuana is suitable for sale. The Quality Assurance person is also responsible for investigating quality-related complaints and taking corrective and preventive actions, if necessary. Visual inspection should confirm the absence of pests or extraneous substances. There is no requirement to mill or irradiate the dried marijuana, although LPs may choose to do so.

### **Marketing and Advertising Restrictions**

Like traditional prescription-only drugs, the marketing and advertising of medical marijuana directly to consumers is prohibited in Canada, subject to certain limited exemptions for activities which are not primarily intended to promote the sale of a drug. Such exemptions include the dissemination of general corporate information, as well as non-promotional information regarding the existence and nature of pharmaceutical products, without reference to potential indications or therapeutic benefits. Drug manufacturers are also permitted to market products directly to health care providers through the provision of drug samples, sponsorship of continuing medical education, and the dissemination of information through sales representatives. In June, 2014 it was reported that Health Canada disseminated a memorandum to licensed producers providing additional guidelines and cautioning producers against certain promotional activities. These guidelines have not been made public. In November 2014 Health Canada disseminated letter to licensed producers and applicants providing additional strict guidelines on marketing and advertising. In light of the evolving guidelines regarding advertising of our planned products, we intend to restrict our product related advertising to health care professionals and to comply with all pertinent regulations. We anticipate that any advertising to the general public will be limited to general corporate information.



## **Client Registration, Ordering and Distribution Restrictions**

Clients seeking to purchase medical marijuana under the MMPR must be ordinarily resident in Canada, and must submit a detailed application (including relevant identification and contact information and original medical prescription documents meeting the requirements of the MMPR) to become a client of a licensed producer. Similarly, health practitioners are authorized under the MMPR to act as intermediaries between producer and clients for the purposes of filling prescriptions and may therefore purchase product from licensed producers.

## **Current Status of our Medical Marijuana Business**

Following the announcement of the MMPR in June, 2013, our management began identifying and evaluating opportunities for entry into the medical marijuana industry in Canada. We do not currently have any marijuana related activities in the United States.

## **Enertopia Joint Venture**

On May 28, 2014, our company and Enertopia Corp. entered into a definitive agreement to develop a joint business for the production, manufacture, propagation, import/export, testing, research and development of marijuana in the Province of Ontario under the MMPR. Pursuant to the Agreement, ownership, revenues, and liability related to the Joint Venture is 51% to Enertopia and 49% to Lexaria. Expenses incurred by the joint venture shall be allocated 45% to Enertopia and 55% to Lexaria. Enertopia shall be responsible for management of the joint venture for as long as it maintains majority ownership. To date, Lexaria and Enertopia have contributed \$55,000 and \$45,000 to the joint venture, respectively. The joint venture has identified a production location in Burlington, Ontario and received municipal approval for the site in July, 2014. We intend to engage an architect to design the production facility upon acceptance of our application. Construction is anticipated to cost approximately \$3,000,000; Lexaria will be responsible for \$1,650,000 of this cost. The joint venture is unable to estimate at this time when a production license might be granted by Health Canada, however it is seeking assurances from Health Canada prior to commencement of construction.

Our joint venture will terminate in the event that we do not fulfill our contractually mandated financial obligations in respect of the joint venture or if the joint venture does not receive a medical marijuana production license from Health Canada by May 27, 2016.

The proposed Burlington, Ontario facility is now comprised of 30,000 ft<sup>2</sup>, with Lexaria/Enertopia having acquired a right of first refusal having been acquired for another 45,000 square feet totaling 75,000 ft<sup>2</sup> to accommodate future growth. Municipal approval has been obtained to use the site for our intended purposes. Planned production areas have 22 foot ceilings which could allow for the possibility of a 2nd mezzanine level in many areas for further expansion. The production target for the facility based on 30,000 ft<sup>2</sup> (with approximately 50% devoted to production space) is approximately 10,000 kilograms per year.

## **Status of Enertopia Joint Venture**

The Enertopia joint venture has identified a production location in Burlington, Ontario, secured a lease to the facility and received municipal zoning approval for the proposed site in July, 2014. The joint venture's license application to Health Canada under the MMPR was submitted in July, 2014 and is currently in the preliminary screening stage. We currently occupy 30,000 square feet of the planned facility space and may terminate the lease with 90 days notice to the landlord if our Health Canada application is refused for any reasons. The lease is payable in shares of our common stock. If we do not receive a ready to build letter from Health Canada by January 22, 2015, we will have no further obligations under the lease agreement. Alternately, the joint venture may continue under the lease agreement and the applicable rent shall be payable in cash or in shares at the discretion of the lessor. agreement (\$8.25 per square foot of occupied space). Commencement of construction on the proposed facility is subject to successful completion of



preliminary and enhanced screening, security clearance, application review, and the issuance of a ready-to-build letter from Health Canada. Following completion of construction (if applicable) the facility will be subject to successful inspection before a license may be granted. We are currently unable to provide a meaningful time estimate for completion of this process. We estimate that construction of the facility will take approximately 6 to 9 months from the time we obtain a ready-to-build letter. We are currently in step 2 of the process of enhanced screening. Subsequent to quarter end, this joint venture has been terminated.

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## **Marijuana Production in the United States**

Our company is focused on the Medical Marijuana Industry in Canada that is supported by the Canadian Federal Government and administered by Health Canada in accordance with the MMPR. Our company is following the strict guidelines that have been outlined with respect to security, quality control and safety of the product at all times under the current federal MMPR program.

In the United States it is still illegal under federal law to grow, cultivate and sell medical or adult use marijuana. However 23 states have approved medical marijuana for use and two states have approved adult use regulations. The United States Federal government justice department has released memos that will respect the individual states where strict guidelines are followed and enforced so that the health, safety and security are protected at all times by state authorities. If the individual state framework fails to protect the public the Federal government will act in enforcing the controlled substances act of 1970 and the DEA will enforce the federal law.

As at the date of this registration statement, our company has not entered into any prospective or definitive arrangements to produce or distribute marijuana products in the United States and has no intention of engaging in marijuana related activities in the United States. However, our company continually reviews opportunities and monitors legal and regulatory developments related the medical marijuana sector in both Canada and the United States. We anticipate that we will re-evaluate our participation in the United States medical marijuana sector in the event that medical marijuana production becomes federally sanctioned.

## **ViPova Acquisition**

On November 11, 2014, our Company acquired 51% of PoViva Tea LLC executed into an operating agreement to develop a business of legally producing, manufacturing, importing/exporting, testing, researching and developing, a line of CBD (cannabinoid)-infused teas, drinks and foods. Pursuant to the Agreement, as Manager, Lexaria will oversee aspects of the business including, but not limited to, Accounting, Marketing, Capital Investment, Capital Raising, Sales, Branding, Advertising and Fulfillment. The Founders will serve as Production Manager and be responsible for all aspects of production, product quality, licensing, testing, and product legality. It is also expected that both parties to this Agreement will assist the other to fulfill their obligations as needed and the cost of business will be borne by revenues earned by the company and general corporate funds. There is a Management Committee, whereby there are two representatives from Lexaria and one of the founding members.

In the production of the products, for each batch of CBD oil purchased as a raw material to be used in ViPova-branded products, The Production Manager will be responsible for assuring that the product inputs and the completed product comply with all applicable food and drug laws, and that the inputs and the finished products meet all applicable legal and quality standards including and as it relates to CBD content; THC content; molds and mildews; heavy metals; and may measure additional components. For a period of time ViPova brand will conduct an independent lab analysis to confirm that the inputs conform to all US laws and associated quality standards.

Lexaria is a strong supporter and advocate for the use of promising CBD-based therapies for people of all ages, including under the age of 25.

The US Federal government, through the US Department of Health and Human Services, owns US Patent #6,630,507, which among other things, claims that

*Cannabinoids have been found to have antioxidant properties, unrelated to NMDA receptor antagonism. This new found property makes cannabinoids useful in the treatment and prophylaxis of wide variety of oxidation associated diseases, such as ischemic, age-related, inflammatory and autoimmune diseases. The cannabinoids are found to have particular application as neuroprotectants, for example in limiting neurological damage following ischemic insults, such as stroke and trauma, or in the treatment of neurodegenerative diseases, such as Alzheimer's disease,*

*Parkinson's disease and HIV dementia.*

It is in large part due to past research like this, that Lexaria is proud to be involved in the alternative health sector focused on the most efficient delivery of CBD s to the human system possible.

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For reference, cannabinoids are compounds that affect cannabinoid receptors located on many human cells. CB1 receptors are widely found within the human brain; and CB2 receptors are found with the human immune system and have been linked to anti-inflammatory and other responses.

Some regulatory agencies do not officially recognize that a human endocannabinoid system exists.

Eighty-five different cannabinoids have been isolated from the cannabis plant, most of which do not have psychoactive properties. One that does have psychoactive properties is tetrahydrocannabinol (THC). Endocannabinoids are produced naturally in the human body while phytocannabinoids are produced in several plant species, most abundantly in the Cannabis plant.

Cannabidiol is one of the major phytocannabinoid forms of cannabinoids, contributing more than 35% of the extracts from the cannabis plant resin. Cannabidiol occurs naturally in other plant species beyond cannabis. For example the most widely acknowledged alternative source of phytocannabinoid is in the better understood Echinacea species, in widespread use as a dietary supplement. Most phytocannabinoids are virtually insoluble in water but are soluble in lipids and alcohol.

The Alternative Health sector is large and growing. A long term Medical Expenditure Panel Survey was conducted from 2002 until 2008 with at least 29,370 subjects asked repeatedly if they had seen any kind of health care practitioner in the previous six months. The survey recorded whether the health care provider was a complementary and alternative medicine care professional, including homeopathic, naturopathic, or herbalist. Between 5.3% and 5.8% of the survey group at any one time reported that they had seen a complementary or alternative medicine provider. Based on the US population of ~319,000,000, this suggests between 16.9 million and 18.5 million Americans are seeking an alternative health care professional at any given time.

Meanwhile the Centers for Disease Control and Prevention, in an April 2011 NCHS Data Brief, reported that more than 50% of the population uses dietary supplements of one kind or another. Detailed findings from that report included:

Use of dietary supplements is common among the U.S. adult population. Over 40% used supplements in 1988-1994, and over one-half in 2003-2006.

Multivitamins/multiminerals are the most commonly used dietary supplements, with approximately 40% of men and women reporting use during 2003-2006.

Use of supplemental calcium increased from 28% during 1988-1994 to 61% during 2003-2006 among women aged 60 and over.

### **Status of Operations**

More than 150 million Americans drink tea every day, amounting to some 79 billion servings of tea in America every year. Our launch of ViPova Tea brand is meant to tap into this existing demand. Part of our corporate strategy is to build national brands through products that large groups of potential customers are already familiar and comfortable with.

PoViva Tea LLC has filed two patents pending to bind active CBD ingredients with a lipid, potentially allowing for more efficient and comforting delivery of the CBD.

Our goal is to begin producing cash flows from these initiatives as soon as possible; focused on the immediate opportunities in the CBD-sectors derived from hemp oil available in all 50 states. CBDs (Cannabidiols) have been found by many researchers to have antioxidant properties and Lexaria plans to use the patent pending process it has acquired with ViPova teas, to infuse CBDs into a number of popular food and beverages.



Lexaria is planning to launch a line of premium products, always relying on our patent pending CBD-infusion process, to bring CBD s into the mainstream. Because CBD s do not have psychoactive properties we expect our products to appeal to the widest possible customer base. Initially we will focus our sales efforts across the continental USA.

According to Nutrition Business Journal, the Organic Food sector was a \$246 billion industry in the USA during 2014, while Dietary Supplements was a \$34.6 billion industry. According to Arcview, Legal Cannabis was a \$2.7 billion US industry last year and grew at 74%, but is clearly a much smaller industry sector than the more established food sectors. Lexaria has not yet determined whether our CBD-infused products will be accepted into any or all three of these particular sectors.

Lexaria has commissioned two new websites – one for ViPova-branded products and another for a new Lexaria website - which are currently under development. A third separate website is being planned, to be able to sell Lexaria-branded products. When the sites are in operation, customers will be able to place orders and interact with normal e-commerce capabilities. A national distribution center is also being contracted to ensure rapid and accurate fulfillment of all orders. A 1-800 ordering center has already been placed into operation.

Lexaria also intends to launch a Lexaria Energy brand that will be 100% owned by the Company. Under this brand, the Company plans to develop CBD-infused food products for people with active lifestyles, such as protein bars, protein shakes and other similar products. A protein bar is currently under development and recipe testing is underway. The Lexaria Energy brand is expected to utilize the same patent-pending infusion process across its product line as is currently used by the ViPova brand.

Subsequent to quarter end, on June 11, 2015, Lexaria has initiated the simultaneous filing of a U.S. utility patent application and an International patent application under the Patent Cooperation Treaty (PCT) procedure, both at the U.S. Patent and Trademark Office. These applications follow the Company s 2014 and 2015 family of provisional patent application filings in the U.S. and serve two additional broad purposes:

- 1) Lexaria is seeking protection of its intellectual property under international treaties. To this end Lexaria has filed for PCT patent application protection. There are 148 countries that are signatories to the Patent Cooperation Treaty, including such major markets as Canada, China, India, much of Europe and the Middle East, the United Kingdom and Japan among others.
- 2) Lexaria believes its lipid infusion technology has applications beyond the delivery of just cannabinoids. Based on further formulation testing, Lexaria has included additional lipophilic molecules that may be delivered via food and beverage formats utilizing its technology, widely encompassing three major new market opportunities for the Company: Nicotine; Nonsteroidal Anti-Inflammatories (NSAIDs); and Vitamins.

#### INTERNATIONAL PATENT PROTECTION

When Lexaria first began examining the legal medical cannabis market in 2013, and entered the market in 2014, the Company believed it could make an impact in perhaps both the Canadian and U.S. marketplaces. Our pursuit and development of technology has expanded our potential area of impact, both geographically and by sector. Because of the applicability of our technology to markets outside of the legal cannabis sector, we have taken the necessary steps to protect that intellectual property within larger global markets, regardless of whether they lie within the medical cannabis sector or in other unrelated sectors.

#### ADDITIONAL MOLECULES

**NICOTINE.** More than 99% of all nicotine that is consumed worldwide is delivered through smoking cigarettes. Approximately 6,000,000 deaths per year, worldwide, are attributed primarily to the delivery of nicotine through the act of smoking according to the Centers for Disease Control and Prevention, which also estimates that over \$170 billion per year is spent just in the USA on direct medical care costs for adult smokers. 69% of U.S. adult smokers want to quit smoking and 43% of US adult smokers have attempted to quit in any twelve month period. Worldwide, retail cigarette sales were worth \$722 billion in 2013, with over 5.7 trillion cigarettes sold to more than 1 billion

smokers.

**RELEVANCE:** Lexaria postulates that delivery of nicotine to satisfy current demand, utilizing our patent pending lipid-delivery technology in common food groups, could shift demand from smoking cigarettes to alternative nicotine-based food products. Since most of the adverse health outcomes of nicotine consumption are associated with the delivery method and only to a lesser degree to the actual ingestion of nicotine, there could be a vast positive community health outcome through the reduction in smoking cigarettes. Additional research and regulatory compliant investigations would need to be conducted before otherwise healthy foods such as tea, coffee or energy bar snacks containing nicotine could be introduced. Nicotine is a named molecule in the latest Lexaria patent applications.

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**NSAID.** Nonsteroidal Anti-inflammatories are the second-largest category of pain management treatment options in the world. The global pain management market was estimated at \$22 billion in 2011, with \$5.4 billion of this market being served by NSAIDs. The U.S. makes up over one-half of the global market. The opioids market (such as morphine) form the largest single pain management sector but are known to be associated with serious dependence and tolerance issues.

Some of the most commonly known NSAIDs are ASA (Aspirin), Ibuprofen (Advil, Motrin), and Acetaminophen (Tylenol). (Acetaminophen is not accepted by all persons to be an NSAID.) Although NSAIDs are generally a safe and effective treatment method for pain, they have been associated with a number of gastrointestinal problems including dyspepsia and gastric bleeding.

**RELEVANCE:** Lexaria postulates that delivery of NSAIDs through a lipid-based mechanism could provide the beneficial properties of pain relief with lessened negative gastrointestinal effects, and also potentially deliver lower dosages of active ingredients with similar pain management outcomes as current pill forms at higher dosages. ASA, Piroxicam, Diclofenac, Indomethacin, Ibuprofen, and Acetaminophen are all named molecules in the latest Lexaria patent applications.

**VITAMINS.** The global vitamin and supplement market is worth \$68 billion according to Euromonitor. The category is both broad and deep, comprised of many popular and some lesser known substances. Vitamins in general are thought to be an \$8.5 billion annual market in the U.S. The U.S. is the largest single national market in the world, and China and Japan are the 2<sup>nd</sup> and 3<sup>rd</sup> largest vitamin markets.

Vitamin E is fat soluble and can be incorporated into cell membranes which can protect them from oxidative damage. Global consumption of natural source vitamin E was 10,900 metric tons in 2013 worth \$611.9 million.

**RELEVANCE:** Lexaria postulates that delivery of fat soluble vitamins through its patent-pending lipid-based delivery mechanism may result in less waste and lower dosages required than most current pill forms. As well, ingestion of pills is an unpleasant experience for many people so it is possible that vitamin delivery through common food groups could vastly expand market demand for this sector. Vitamin E is a named molecule in the latest Lexaria patent applications.

The Company does not know and cannot know whether these strategies will be successful, or if successful, how long it will take to gain consumer acceptance and customer loyalty.

### **Summary**

The continuation of our business interests in these sectors is dependent upon obtaining further financing, a successful programs of development, and, ultimately, achieving a profitable level of operations. The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

There are no assurances that we will be able to obtain further funds required for our continued operations. As noted herein, we are pursuing various financing alternatives to meet our immediate and long-term financial requirements. There can be no assurance that additional financing will be available to us when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain the additional financing on a timely basis, we will be unable to conduct our operations as planned, and we will not be able to meet our other obligations as they become due. In such event, we will be forced to scale down or perhaps even cease our operations. There is significant uncertainty as to whether we can obtain additional financing.

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Our business plan does not anticipate that we will hire a large number of employees or that we will require extensive office space.

Our company relies on the business experience of our existing management, on the technical abilities of consulting experts, and on the technical and operational abilities of its operating partner companies to evaluate business opportunities.

### **Competition**

We were in the business of oil and gas properties for roughly 10 years. The petroleum industry is competitive in all its phases. We competed with numerous other participants in the search for and the acquisition of oil and natural gas properties, and in the marketing of oil and natural gas. Our competitors included oil and natural gas companies that have substantially greater financial resources, staff and facilities than ours. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery.

There is strong competition relating to all aspects of the medical marijuana sector. We will actively compete for capital, skilled personnel, and in all other aspects of its operations with a substantial number of other organizations, many of which have greater technical and financial resources than our company. We will actively compete for medical marijuana projects and opportunities, and will constantly be facing competition by both smaller and larger companies in all geographical segments of the market. We also anticipate that our joint ventures will face considerable competition for industrial marijuana customers. According to Health Canada, as at August 25, 2014, it had received 1,009 formal production license applications under the MMPR since its call for applications in 2013. Of those, 462 applications have been returned as incomplete, 201 have been rejected and 32 withdrawn. To date, 25 production licenses have been granted to 23 different producers. Despite the slow progress by Health Canada to grant production licenses under the MMPR, we anticipate that hundreds of production licenses will be granted by Health Canada across Canada and that our joint ventured will be required to compete with those licensees for medical marijuana consumers.

Competition in alternative health sectors in the USA is fierce. We expect to encounter competitive threats from existing participants in the sector and new entrants. Although PoViva Tea LLC has filed two patent pendings to protect intellectual property, there is no assurance that patents will be granted nor that other firms may not file superior patents pending. Food supplements, organic foods, and health food markets are all well established and our Company will face many challenges trying to enter these markets.

### **Compliance with Government Regulation**

The exploration and development of oil and gas properties is subject to various United States federal, state and local and foreign governmental regulations. We may from time to time, be required to obtain licenses and permits from various governmental authorities in regards to the exploration of our property interests.

The growing, cultivating and selling of medical marijuana in Canada is subject to various Canadian federal, provincial and municipal requirements and regulations. We will from time to time be required to obtain licenses and permits from various governmental authorities in regards to the development of our property and joint venture interests. Prior to submitting an application to become a licensed producer of marijuana for medical purposes under the MMPR, each applicant must provide a written notice to local authorities to inform them of their intention to submit an application. The notice must include the applicant's name, the activities for which the license is sought (i.e. that activities are to be conducted in respect of cannabis), the site address (and of each building on the site, if applicable) at which the applicant proposes to conduct those activities, as well as the date when the application will be submitted to Health Canada. Thereafter, production facilities require a variety of municipal approvals and permits, including zoning approvals and construction permits. These required approvals and permits will vary from jurisdiction to jurisdiction. In light of the rigorous security standards imposed by the MMPR, we do not anticipate any significant obstacles in obtaining necessary permits and approvals. Each of our joint ventures will, however, select locations for prospective

facilities based on the availability of municipal zoning allowances for our proposed activities.

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*Significant Acquisitions and Dispositions*

On November 26, 2014 a Purchase and Sale Agreement was executed into between Lexaria Corporation, and Cloudstream Belmont Lake, LP for the purchase and sale of oil and gas working interests, net revenue interests and other interests in Belmont Lake, Mississippi for total consideration of \$1,400,000. On December 5, 2014 Lexaria closed the sale of Belmont Lake with Cloudstream Belmont Lake, LP. All outstanding debts were repaid in full through giving Lexaria total net proceeds of \$721,806.

We do not intend to purchase any significant equipment over the twelve months other than office computers, furnishings, and communication equipment as required, although that strategy could change if food manufacturing considerations demand it.

*Corporate Offices*

The address of our principal executive office is Suite 950, 1130 West Pender Street, Vancouver, British Columbia, V6E 4A4, for which we share 500 square feet of office space, which includes two executive offices for a monthly rental of CAD\$1,208. Our telephone number is (604) 602-1675. We have another office located in Kelowna, for which we have 1,500 square feet of office space, which includes four executive offices for a monthly rate of CAD\$826. Our current locations provide adequate office space for our purposes at this stage of our development.

*Employees*

We primarily have used the services of sub-contractors and consultants for manual labour exploration work and drilling on our oil and gas properties, and expect to also primarily use sub-contractors and consultants in the medical marijuana operations and alternative health products.

On May 12, 2009, we entered into a six month consulting agreement with BKB Management Ltd., a British Columbia company for a consideration of CAD\$4,500 per month plus applicable taxes. Effective January 1, 2011, the consideration was increased to CAD\$5,500 plus applicable taxes. BKB Management is a consulting company controlled by our chief financial officer, Bal Bhullar. Effective December 1, 2014, the Company entered into a new consulting agreement for consulting services of CAD\$7,500 a month plus GST.

On November 27, 2008, we entered into a consulting agreement with CAB Financial Services Ltd., a British Columbia company. The consulting services provided by CAB Financial are on a continuing basis for a consideration of CAD\$8,000 per month plus applicable taxes. CAB Financial is a consulting company controlled by our president, Christopher Bunka. Effective December 1, 2014, the Company entered into a new consulting agreement for consulting services of \$10,000 a month plus GST.

On August 5, 2010 we entered into a three-month management agreement with Tom Ihrke, whereby Mr. Ihrke will act as the senior vice-president, business development for our company for consideration of \$3,125 per month. On December 2, 2010, we entered into a month to month management agreement with Tom Ihrke, where by Mr. Ihrke will continue to act as the senior vice-president business development for our company. On October 3, 2011 Mr. Ihrke and our company amended the agreement whereby his title changed to manager, business development. Our company will pay a monthly consulting fee of \$3,125. Effective January 15, 2012, the consulting agreement was decreased to \$10 a month. Effective April 1, 2014, the amended consulting agreement has been increased to \$5,000 per month. Effective December 23, the Company entered into a new Executive Management consulting agreement for consulting services of \$3,000 a month.

On September 1, 2014, the Company entered into a one year contract with M&E Services Ltd., wholly owned company by Allan Spissinger as Controller for CAD\$2,500 plus GST. This contract amended on December 1, 2014 to CAD\$3,400 a month plus GST.



On March 26, 2015, the Company announced the appointment John Docherty as President of Lexaria effective April 15, 2015. The Company executed twenty four month consulting contract with Docherty Management Limited, solely owned by Mr. John Docherty with a monthly compensation of CAD\$12,500 and shall increase to a total of CAD\$15,000 per month effective at that time when the Company has US\$1,000,000 or more in cash in its bank accounts, and continue at CAD\$15,000 per month from that moment until the termination or completion of the contract. The following are payments upon achieving certain milestones during the time of his Consultancy with the Company.

We do not expect any material changes in the number of employees over the next 12 month period. We do and will continue to outsource contract employment as needed. However, with project advancement and if we are successful in our initial and any subsequent drilling programs or licensing attempts for medical marijuana facilities, we may retain additional employees.

### **Off-Balance Sheet Arrangements**

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to stockholders.

### **Critical Accounting Policies**

Our consolidated financial statements and accompanying notes are prepared in accordance with generally accepted accounting principles used in the United States. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. We believe that understanding the basis and nature of the estimates and assumptions involved with the following aspects of our financial statements is critical to an understanding of our financials.

### **Long-Lived Assets**

In accordance with FASB ASC 360 Section S45, "Accounting for the Impairment or Disposal of Long-Lived Assets", the carrying value of intangible assets and other long-lived assets is reviewed on a regular basis for the existence of facts or circumstances that may suggest impairment. We recognize impairment when the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. Impairment losses, if any, are measured as the excess of the carrying amount of the asset over its estimated fair value.

### **Revenue Recognition**

Oil and natural gas revenues are recorded using the sales method whereby our Company recognizes oil and natural gas revenue based on the amount of oil and gas sold to purchasers when title passes, the amount is determinable and collection is reasonably assured. Actual sales of gas are based on sales, net of the associated volume charges for processing fees and for costs associated with delivery, transportation, marketing, and royalties in accordance with industry standards. Operating costs and taxes are recognized in the same period of which revenue is earned.

ViPova tea revenues are recorded using the sales method whereby our Company recognizes tea sales based on the amount of tea sold to purchasers. Cost of goods sold is recognized in the same period of which the revenue is earned.

### **Going Concern**

We have suffered recurring losses from operations. The continuation of our Company as a going concern is dependent upon our Company attaining and maintaining profitable operations and/or raising additional capital. The financial

statements do not include any adjustment relating to the recovery and classification of recorded asset amounts or the amount and classification of liabilities that might be necessary should our Company discontinue operations.

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The continuation of our business is dependent upon us raising additional financial support and/or attaining and maintaining profitable levels of internally generated revenue. The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

### **New Accounting Pronouncements**

On May 28, 2014, the Financial Accounting Standards Board (the FASB) and the International Accounting Standards Board (the IASB) issued substantially converged final standards on revenue recognition. The FASB's Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), was issued in three parts: (a) Section A, Summary and Amendments That Create Revenue from Contracts with Customers (Topic 606) and Other Assets and Deferred Costs-Contracts with Customers (Subtopic 340-40), (b) Section B, Conforming Amendments to Other Topics and Subtopics in the Codification and Status Tables and (c) Section C, Background Information and Basis for Conclusions. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The new revenue recognition guidance becomes effective for the Company on January 1, 2017, and early adoption is not permitted. Entities have the option of using either a full retrospective or a modified approach to adopt the guidance in the ASU. The Company has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

In April 2014, the FASB issued new guidance on the definition of a discontinued operation that requires entities to provide additional disclosures about disposal transactions that do not meet the discontinued operations criteria. The new guidance narrows the focus of discontinued operations to those components that are disposed of or classified as held-for-sale and that represent a strategic shift that has or will have a major impact on the entity's operations or financial results. The guidance is effective prospectively for all disposals or components initially classified as held-for-sale in periods beginning on or after December 15, 2014. Early adoption is permitted. Upon adoption, the Company does not believe this guidance will have a material impact on its consolidated results of operations or financial position.

In August 2014, the FASB issued new guidance on determining when and how to disclose going-concern uncertainties in the financial statements. The new guidance requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosures if conditions or events raise substantial doubt about its ability to continue as a going concern. The guidance is effective for annual periods ending after December 15, 2016 and interim periods thereafter. Early adoption is permitted. Upon adoption, the Company does not believe this guidance will have a material impact on its consolidated results of operations or financial position.

Accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the Company's financial statements upon adoption.

### **Results of Operations – Three Months Ended May 31, 2015 and 2014**

The following summary of our results of operations should be read in conjunction with our financial statements for the quarter ended May 31, 2015, which are included herein.

Our operating results for the three months ended May 31, 2015, for the three months ended May 31, 2014 and the changes between those periods for the respective items are summarized as follows:

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		<b>Three Months Ended May 31, 2015</b>		<b>Three Months Ended May 31, 2014</b>		<b>Change Between Three Months Period Ended May 31, 2015 and May 31, 2014</b>
Income from Discontinued Operations	\$	Nil	\$	89,684	\$	(89,684 )
Sales		7,187		Nil		7,187
Cost of Goods Sold		9,691		Nil		9,691
General and administrative		508,504		527,680		(19,176 )
Interest expense		Nil		53,123		(53,123 )
Consulting fees		210,078		373,670		(163,592 )
Professional Fees		12,404		15,553		(3,149 )
Net Income (Loss)		(511,008 )		(437,996 )		(73,072 )

Our accumulated losses increased to \$9,570,059 as of May 31, 2015. Our financial statements report a net loss of \$511,008 for the three month period ended May 31, 2015 compared to a net loss of \$437,996 for the three month period ended May 31, 2014. Our general and administrative costs in the three month period ending May 31, 2015 were lower by \$19,176, than the year-earlier period. This is primarily due to the termination of the Burlington Joint Venture Agreement subsequent to the quarter and the reduced consulting fees. In addition, ViPova tea had start-up and business launch costs in website development, advertising, production, legal and additional setup costs have which have increased the Company's overall expenses.

Readers are cautioned that the Vipova sales of \$7,187 were for a period of only three months which is an initial startup of a new business sector. The Company is building sales channels initially in internet-based locations, and also through the formation and launching of a direct sales model. Initiatives are underway to increase exposure of the ViPova brand and increase ViPova store availability that could make the early Vipova sales figures non-representative. Early revenue figures are not expected to be representative of longer term sales figures, and any single early order could be disruptive to longer term averages.

#### **Results of Operations – Nine Months Ended May 31, 2015 and 2014**

The following summary of our results of operations should be read in conjunction with our financial statements for the quarter ended May 31, 2015, which are included herein.

Our operating results for the nine months ended May 31, 2015, for the nine months ended May 31, 2014 and the changes between those periods for the respective items are summarized as follows:

		<b>Nine Months Ended May 31, 2015</b>		<b>Nine Months Ended May 31, 2014</b>		<b>Change Between Nine Months Period Ended May 31, 2015 and May 31, 2014</b>
Income from Discontinued Operations	\$	48,918	\$	157,218	\$	(108,300)



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Sales		10,070	Nil	10,070
Cost of Goods Sold		11,743	Nil	11,743
General and administrative		1,366,016	797,155	568,861
Interest expense		31,544	161,617	(130,073)
Consulting fees		511,720	484,583	27,137
Professional Fees		87,400	44,689	42,711
Net Income (Loss)		(1,318,770)	(639,936)	(678,834)

Our accumulated losses increased to \$9,570,059 as of May 31, 2015. Our financial statements report a net loss of \$1,318,770 for the nine month period ended May 31, 2015 compared to a net loss of \$639,936 for the nine month period ended May 31, 2014. Our income from discontinued operations have decreased for the nine month period ended May 31, 2015 compared to the nine month period ended May 31, 2014, by \$108,300. This is a result of one month of revenue that the Company generated before the sale of Belmont Lake. Our general and administrative costs in the nine month period ending May 31, 2015 were higher by \$568,861, than the year-earlier period. This is primarily due to an increase in advertising, consulting fees, professional fees, travel and stock based compensation. In particular the advertising costs were higher by \$194,222 for the nine months ended May 31, 2015 compared to May 31, 2014, which was largely due to consulting contracts signed for the Burlington project and contracts signed for ViPova tea with respect to the business acquisition. Also stock based compensation was higher by \$242,781 for the nine months ended May 31, 2015 compared to May 31, 2014. In addition, ViPova tea had costs in website development, legal and additional setup costs have which has increased the Company's overall expenses. Subsequent to quarter end the Company has terminated the Burlington location Joint Venture Agreement with Enertopia Corp.

Readers are cautioned that the Vipova sales of \$10,070 were for a period of only 4 months which is an initial startup of a new business sector. The Company is building sales channels initially in internet-based locations, and also through the formation and launching of a direct sales model. Early revenue figures are not expected to be representative of longer term sales figures, and any single early order could be disruptive to longer term averages. As at May 31, 2015, we had \$62,604 in current liabilities. Our net cash used in operating activities for the nine months ended May 31, 2015 was \$920,138 compared to net cash used of \$969,496 in the nine months ended May 31, 2014.

Our total liabilities as of May 31, 2015 were \$62,604 as compared to total liabilities of \$918,038 as of August 31, 2014. This decrease is a result of repayment of short term loans.

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**Liquidity and Financial Condition***Working Capital*

	May 31, 2015	August 31, 2014
Current assets	\$ 1,157,896	\$ 2,567,474
Current liabilities	62,604	918,038
Working capital (Deficiency)	\$ 1,095,292	\$ 1,649,436

*Cash Flows*

	Nine Months Ended	
	May 31, 2015	May 31, 2014
Cash flows (used in) provided by operating activities	\$ (920,138)	\$ (969,496)
Cash flows (used in) investing activities	680,851	80,042
Cash flows provided by (used in) financing activities	368,358	1,701,799
Increase (decrease) in cash and cash equivalents	129,071	812,345

*Operating Activities*

Net cash used in operating activities was \$920,138 for the nine months ended May 31, 2015 compared with net cash used in operating activities of \$969,496 in the same period in 2014.

*Investing Activities*

Net cash provided in investing activities was \$680,851 in the nine months ended May 31, 2015 compared to net cash used in investing activities was \$80,042 in the same period in 2014. The increase was from the Belmont Lake oil field sale.

*Financing Activities*

Net cash provided in financing activities was \$368,358 in the nine months ended May 31, 2015 compared to net cash provided by financing activities of \$1,701,799 in the same period in 2014. This was a result of the Company repaid debt in full for the nine months ended May 31, 2015 and private placement completed in May.

***Oil and gas sales volume comparisons for the nine months ended May 31, 2015 compared to the nine months ended May 31, 2014***

For the nine month period ended May 31, 2015, the Company had \$48,918 in revenues compared to \$157,218 in revenues for the same nine month period in the prior year. Oil revenues in the nine months of the 2015 fiscal year were lower than those of the same period in fiscal 2014. The decrease in our oil and gas revenues for the nine months ended May 31, 2015 was because we had only one month revenue in the current period prior to the sale of Belmont Lake.

New operational revenues from ViPova Tea LLC began in January 2015. For the nine month period ended May 31, 2015, the Company had \$10,070 in revenues and cost of goods sold of \$11,743.

**Item 4. Controls and Procedures*****Management's Report on Disclosure Controls and Procedures***

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the *Securities Exchange Act of 1934*, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our president and chief executive officer (also our principal executive officer) and our chief financial officer (also our principal financial and accounting officer) to allow for timely decisions regarding required disclosure.

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As of May 31, 2015, the end of our quarter covered by this report, we carried out an evaluation, under the supervision and with the participation of our president and chief executive officer (also our principal executive officer) and our chief financial officer (also our principal financial and accounting officer), of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our president and chief executive officer (also our principal executive officer) and our chief financial officer (also our principal financial and accounting officer) concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of May 31, 2015.

### ***Management's Report on Internal Control over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control include providing management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States. Our management assessed the effectiveness of our internal control over financial reporting as of May 31, 2015. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ) in *Internal Control-Integrated Framework*. Our management has concluded that, as of May 31, 2015, our internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US generally accepted accounting principles. Our management reviewed the results of their assessment with our Board of Directors.

### ***Inherent limitations on effectiveness of controls***

Internal control over financial reporting has inherent limitations which include but is not limited to the use of independent professionals for advice and guidance, interpretation of existing and/or changing rules and principles, segregation of management duties, scale of organization, and personnel factors. Internal control over financial reporting is a process which involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis, however these inherent limitations are known features of the financial reporting process and it is possible to design into the process safeguards to reduce, though not eliminate, this risk. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### ***Changes in Internal Control over Financial Reporting***

There have been no changes in our internal controls over financial reporting that occurred during the quarter ended May 31, 2015, that have materially or are reasonably likely to materially affect, our internal controls over financial reporting.

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## PART II

### OTHER INFORMATION

#### Item 1. Legal Proceedings

We know of no other material, existing or pending legal proceedings against our company, nor are we involved as a plaintiff in any other material proceeding or pending litigation. There are no other proceedings in which any of our directors, executive officers or affiliates, or any registered or beneficial stockholder, is an adverse party or has a material interest adverse to our interest.

#### Item 1A. Risk Factors

Much of the information included in this quarterly report includes or is based upon estimates, projections or other "forward looking statements". Such forward looking statements include any projections or estimates made by us and our management in connection with our business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein.

As of May 31, 2015 we no longer participate in the oil and gas business and have any plans to drill any oil or gas wells or otherwise participate within the industry. To the extent that we did own oil & gas assets during the period ended May 31, 2015, we include below our risk factors for the oil & gas industry.

#### Risks Associated with Our Business

*We have a limited operating history and as a result there is no assurance we can operate on a profitable basis.*

We have a limited operating history. Our company's operations will be subject to all the uncertainties arising from the absence of a significant operating history. Potential investors should be aware of the difficulties normally encountered by resource exploration companies and the high rate of failure of such enterprises. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the exploration of the properties that we plan to undertake. These potential problems include, but are not limited to, unanticipated problems relating to exploration, and additional costs and expenses that may exceed current estimates. The expenditures to be made by us in the exploration of our properties may not result in the discovery of reserves. Problems such as unusual or unexpected formations of rock or land and other conditions are involved in resource exploration and often result in unsuccessful exploration efforts. If the results of our exploration do not reveal viable commercial reserves, we may decide to abandon our claims and acquire new claims for new exploration or cease operations. The acquisition of additional claims will be dependent upon us possessing capital resources at the time in order to purchase such claims. If no funding is available, we may be forced to abandon our operations. There can be no assurance that we will be able to operate on a profitable basis.

*If we do not obtain additional financing, our business will fail and our investors could lose their investment.*

We had cash in the amount of \$832,101 and working capital surplus of \$1,095,292 as of quarter ended May 31, 2015. Any direct acquisition of a claim under lease or option is subject to our ability to obtain the financing necessary for us to fund and carry out exploration programs on potential properties. The requirements are substantial. Obtaining additional financing would be subject to a number of factors, including market prices for resources, investor acceptance of our properties and investor sentiment. These factors may negatively affect the timing, amount, terms or conditions of any additional financing available to us. The most likely source of future funds presently available to us is through the sale of equity capital and loans. Any sale of share capital will result in dilution to existing shareholders.



*Because there is no assurance that we will generate material revenues, we face a high risk of business failure.*

For the nine months ended May 31, 2015, we have earned revenues from discontinued operations of \$48,918. We no longer have oil or gas reserves that are deemed proved, probable or possible pursuant to American standards of disclosure for oil and gas activities. All of our former wells were in Mississippi, USA.

There can be no assurance that our current or future drilling activities will be successful, and we cannot be sure that our overall drilling success rate or our production operations within a particular area will ever come to fruition, and if they do, will not decline over time. We may not recover all or any portion of our capital investment in the wells or the underlying leaseholds. Unsuccessful drilling activities would have a material adverse effect upon our results of operations and financial condition. The cost of drilling, completing and operating wells is often uncertain, and a number of factors can delay or prevent drilling operations, including: (i) unexpected drilling conditions; (ii) pressure or irregularities in geological formation; (iii) equipment failures or accidents; (iv) adverse weather conditions; and (v) shortages or delays in the availability of drilling rigs and the delivery of equipment.

In addition, our exploration and development plans may be curtailed, delayed or cancelled as a result of lack of adequate capital and other factors, such as weather, compliance with governmental regulations, current and forecasted prices for oil and changes in the estimates of costs to complete the projects. We will continue to gather information about our exploration projects, and it is possible that additional information may cause our company to alter our schedule or determine that a project should not be pursued at all. You should understand that our plans regarding our projects are subject to change.

We recognize that if we are unable to generate significant revenues from our activities, we will not be able to earn profits or continue operations. We cannot guarantee that we will be successful in raising capital to fund these operating losses or generate revenues in the future. We can provide investors with no assurance that we will generate any operating revenues or ever achieve profitable operations. If we are unsuccessful in addressing these risks, our business will most likely fail and our investors could lose their investment.

*The oil and natural gas industry is highly competitive and there is no assurance that we will be successful in acquiring leases.*

The oil and natural gas industry is intensely competitive. Although we do not compete with other oil and gas companies for the sale of any oil and gas that we may produce, as there is sufficient demand in the world market for these products, we compete with numerous individuals and companies, including many major oil and natural gas companies which have substantially greater technical, financial and operational resources and staff. Accordingly, there is a high degree of competition for desirable oil and natural gas leases, suitable properties for drilling operations and necessary drilling equipment, as well as for access to funds. We cannot predict if the necessary funds can be raised or that any projected work will be completed.

*There can be no assurance that we will discover oil or natural gas in any commercial quantity on our properties.* Exploration for economic reserves of oil and natural gas is subject to a number of risks. There is competition for the acquisition of available oil and natural gas properties. Few properties that are explored are ultimately developed into producing oil and/or natural gas wells. If we cannot discover oil or natural gas in any commercial quantity thereon, our business will fail.

*Even if we acquire an oil and natural gas exploration property and establish that it contains oil or natural gas in commercially exploitable quantities, the potential profitability of oil and natural gas ventures depends upon factors beyond the control of our company.*

The potential profitability of oil and natural gas properties is dependent upon many factors beyond our control. For instance, world prices and markets for oil and natural gas are unpredictable, highly volatile, potentially subject to



governmental fixing, pegging, controls or any combination of these and other factors, and respond to changes in domestic, international, political, social and economic environments. Additionally, due to worldwide economic uncertainty, the availability and cost of funds for production and other expenses have become increasingly difficult, if not impossible, to project. In addition, adverse weather conditions can hinder drilling operations. These changes and events may materially affect our future financial performance. These factors cannot be accurately predicted and the combination of these factors may result in our company not receiving an adequate return on invested capital.

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In addition, a productive well may become uneconomic in the event water or other deleterious substances are encountered which impair or prevent the production of oil and/or natural gas from the well. Production from any well may be unmarketable if it is impregnated with water or other deleterious substances. Also, the marketability of oil and natural gas which may be acquired or discovered will be affected by numerous related factors, including the proximity and capacity of oil and natural gas pipelines and processing equipment, market fluctuations of prices, taxes, royalties, land tenure, allowable production and environmental protection, all of which could result in greater expenses than revenue generated by the well.

*The marketability of natural resources will be affected by numerous factors beyond our control which may result in us not receiving an adequate return on invested capital to be profitable or viable.*

The marketability of natural resources which may be acquired or discovered by us will be affected by numerous factors beyond our control. These factors include market fluctuations in oil and natural gas pricing and demand, the proximity and capacity of natural resource markets and processing equipment, governmental regulations, land tenure, land use, regulation concerning the importing and exporting of oil and natural gas and environmental protection regulations. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in us not receiving an adequate return on invested capital to be profitable or viable.

*Oil and natural gas operations are subject to comprehensive regulation which may cause substantial delays or require capital outlays in excess of those anticipated causing an adverse effect on our company.*

Oil and natural gas operations are subject to federal, state, and local laws relating to the protection of the environment, including laws regulating removal of natural resources from the ground and the discharge of materials into the environment. Oil and natural gas operations are also subject to federal, state, and local laws and regulations which seek to maintain health and safety standards by regulating the design and use of drilling methods and equipment. Various permits from government bodies are required for drilling operations to be conducted; no assurance can be given that standards imposed by federal, provincial, or local authorities may be changed and any such changes may have material adverse effects on our activities. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on us. Additionally, we may be subject to liability for pollution or other environmental damages. To date, we have not been required to spend any material amount on compliance with environmental regulations. However, we may be required to do so in the future and this may affect our ability to expand or maintain our operations.

*Exploration and production activities are subject to certain environmental regulations which may prevent or delay the commencement or continuation of our operations.*

In general, our exploration and production activities are subject to certain federal, state and local laws and regulations relating to environmental quality and pollution control. Such laws and regulations increase the costs of these activities and may prevent or delay the commencement or continuation of a given operation. Specifically, we may be subject to legislation regarding emissions into the environment, water discharges and storage and disposition of hazardous wastes. In addition, legislation has been enacted which requires well and facility sites to be abandoned and reclaimed to the satisfaction of state authorities. However, such laws and regulations are frequently changed and we are unable to predict the ultimate cost of compliance. Generally, environmental requirements do not appear to affect us any differently or to any greater or lesser extent than other companies in the industry.

*Exploratory drilling involves many risks and we may become liable for pollution or other liabilities which may have an adverse effect on our financial position.*

Drilling operations generally involve a high degree of risk. Hazards such as unusual or unexpected geological formations, power outages, labor disruptions, blow-outs, sour natural gas leakage, fire, inability to obtain suitable or adequate machinery, equipment or labor, and other risks are involved. We may become subject to liability for

pollution or hazards against which it cannot adequately insure or which it may elect not to insure. Incurring any such liability may have a material adverse effect on our financial position and operations.

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*Any change to government regulation/administrative practices may have a negative impact on our ability to operate and our profitability.*

The business of oil and natural gas exploration and development is subject to substantial regulation under various countries laws relating to the exploration for, and the development, upgrading, marketing, pricing, taxation, and transportation of oil and natural gas and related products and other matters. Amendments to current laws and regulations governing operations and activities of oil and natural gas exploration and development operations could have a material adverse impact on our business. In addition, there can be no assurance that income tax laws, royalty regulations and government incentive programs related to the properties subject to our farm-out agreements and the oil and natural gas industry generally will not be changed in a manner which may adversely affect our progress and cause delays, inability to explore and develop or abandonment of these interests.

Permits, leases, licenses, and approvals are required from a variety of regulatory authorities at various stages of exploration and development. There can be no assurance that the various government permits, leases, licenses and approvals sought will be granted in respect of our activities or, if granted, will not be cancelled or will be renewed upon expiry. There is no assurance that such permits, leases, licenses, and approvals will not contain terms and provisions which may adversely affect our exploration and development activities.

*If we are unable to hire and retain key personnel, we may not be able to implement our business plan.*

Our success is largely dependent on our ability to hire highly qualified personnel. This is particularly true in highly technical businesses such as resource exploration. These individuals are in high demand and we may not be able to attract the personnel we need. In addition, we may not be able to afford the high salaries and fees demanded by qualified personnel, or may lose such employees after they are hired. Failure to hire key personnel when needed, or on acceptable terms, would have a significant negative effect on our business.

*We are not the "operator" of any of our oil and gas exploration interests, and so we are exposed to the risks of our third-party operators.*

We rely on the expertise of our contracted third-party oil and gas exploration and development operators and third-party consultants for their judgment, experience and advice. We can give no assurance that these third party operators or consultants will always act in our best interests, and we are exposed as a third party to their operations and actions and advice in those properties and activities in which we are contractually bound.

*Our management has limited experience and training in the oil and gas industry and could make uninformed decisions that negatively impact our oil and gas operations.*

Because our management has limited experience and training in the oil and gas industry, we may not have sufficient expertise to make informed best practices decisions regarding oil and gas operations. We do not have a petroleum engineer on staff to provide internal oversight. It is possible that, due to our limited knowledge, we might elect to complete a well and incur financial burdens that a more experienced petroleum team might elect not to complete. Our ability to internally evaluate oil and gas operations and opportunities could be less thorough than that of a more highly trained management team.

*Our independent certified public accounting firm, in the notes to the audited financial statements for the nine-month ended May 31, 2015 states that there is a substantial doubt that we will be able to continue as a going concern.*

As at May 31, 2015, we have experienced significant losses since inception. Failure to arrange adequate financing on acceptable terms and to achieve profitability would have an adverse effect on our financial position, results of operations, cash flows and prospects. Accordingly, there is substantial doubt that we will be able to continue as a going concern.

*The possession, cultivation and distribution of marijuana may under certain circumstances lead to prosecution under United States federal law, which may cause our business to fail.*

Our planned medical marijuana ( MMJ ) business is structured to comply with the Canadian Medical Marijuana Purposes Regulations ( MMPR ), which permits the sale of medical marijuana in Canada under federal license. In the United States, 23 states, including our state of incorporation, Nevada, have approved and regulate medical marijuana use. Similarly, two states have approved and regulate non-medical marijuana use by adults. However, it remains illegal under United States federal law to grow, cultivate or sell marijuana for any purpose. In that regard, the United States Justice Department has released the COLE Memorandum of 8-29-13 which states that the Justice Department will not prioritize the prosecution of marijuana related activities authorized under state laws provided that state authorities implement and enforce strict guidelines to ensure the health, safety and security of the public. Where the individual state framework fails to protect the public, the Justice Department has instructed federal prosecutors to enforce the Controlled Substances Act of 1970. The Department of Justice has not, to our knowledge, published any policy or guidance specifically regarding the participation of a United States corporation in lawful medical marijuana related activities outside of the United States.

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Although our planned medical marijuana business is federally sanctioned in Canada and not contrary to the public policy or laws of our state of incorporation, neither state law nor Canadian federal law provides protection against federal prosecution in the United States, which remains at the discretion of the Department of Justice. Although, in light of the COLE Memorandum, we do not anticipate that we will be targeted for prosecution by the Department of Justice, if the Department of Justice uses its discretion to prosecute our company for a violation of the Controlled Substances Act, the resulting civil or criminal consequences will have a material adverse effect on our business, and may cause our business to fail.

*The failure to become licensed by Health Canada for the production of medical marijuana production may cause us to abandon our business plan.*

There is no assurance that any of our company's joint ventures will be approved by Health Canada or will be granted licensed producer status. Our failure to obtain a license from Health Canada would materially and adversely affect our company's operations, and we would need to revise or abandon our business plan accordingly.

*Untimely processing of our license applications by Health Canada may cause our business to fail.*

The success of our business plan relies in part on the timely processing by Health Canada of one or more of the various applications submitted by our joint ventures to become licensed producers under MMPR. According to Health Canada, as at August. 25, 2014, it had received 1,009 formal production licenses applications under the MMPR since its call for applications in 2013. Of those, 462 applications have been returned as incomplete, 201 have been rejected and 32 withdrawn. To date, 25 productions licenses have been granted to 23 different producers. Due to the slow progress, uncertain timing, and apparent backlog of production license application reviews by Health Canada, we are unable to determine with any accuracy when any of our applications will be processed. Undue delays on the part of Health Canada in processing our application may result in our failure to meet contractual deadlines and termination of our joint ventures, or cause our joint ventures to incur additional expenses without the imminent prospect of revenues, which could cause our business to fail.

*Our company has no operating history and an evolving business model .which raises doubt about our ability to achieve profitability or obtain financing.*

Our company has no operating history within either the legal medical marijuana sector nor in the legal cannabidiol infused product sector. Moreover, our business model is still evolving, subject to change, and will rely on the cooperation and participation of our joint venture partners. Our company's ability to continue as a going concern is dependent upon our ability to obtain adequate financing and to reach profitable levels of operations has and we no proven history of performance, earnings or success. There can be no assurance that we will achieve profitability or obtain future financing.

*Uncertain demand for medical marijuana products may cause our business plan to be unprofitable.*

Demand for medical marijuana is dependent on a number of social, political and economic factors that are beyond the control of our company. While we believe that demand for medical marijuana will continue to grow in Canada, there is no assurance that such increase in demand will happen or that our joint ventures will be profitable.

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*We may not acquire market share or achieve profits due to competition in the medical marijuana industry*

Our company operates in a highly competitive marketplace with various competitors. Increased competition may result in reduced gross margins and/or loss of market share, either of which would seriously harm its business and results of operations. Management cannot be certain that the company will be able to compete against current or future competitors or that competitive pressure will not seriously harm its business. Some of our company's competitors are much larger and have greater access to capital, sales, marketing and other resources. These competitors may be able to respond more rapidly to new regulations or devote greater resources to the development and promotion of their business model than the company can. Furthermore, some of these competitors may make acquisitions or establish co-operative relationships among themselves or with third parties in the industry to increase their ability to rapidly gain market share.

*Conflicts of interest between our company and our directors and officers may result in a loss of business opportunity.*

Our directors and officers are not obligated to commit their full time and attention to our business and, accordingly, they may encounter a conflict of interest in allocating their time between our future operations and those of other businesses. In the course of their other business activities, they may become aware of investment and business opportunities which may be appropriate for presentation to us as well as other entities to which they owe a fiduciary duty. As a result, they may have conflicts of interest in determining to which entity a particular business opportunity should be presented. They may also in the future become affiliated with entities, engaged in business activities similar to those we intend to conduct.

In general, officers and directors of a corporation are required to present business opportunities to a corporation if:

- the corporation could financially undertake the opportunity;
- the opportunity is within the corporation's line of business; and
- it would be unfair to the corporation and its stockholders not to bring the opportunity to the attention of the corporation.

We have adopted a code of ethics that obligates our directors, officers and employees to disclose potential conflicts of interest and prohibits those persons from engaging in such transactions without our consent. Despite our intentions, conflicts of interest may nevertheless arise which may deprive our company of a business opportunity, which may impede the successful development of our business and negatively impact the value of an investment in our company.

*The speculative nature of our business plan may result in the loss of your investment.*

Our MMJ operations are in the start-up stage only, and are unproven. We may not be successful in implementing our business plan to become profitable. There may be less demand for our services than we anticipate. There is no assurance that our business will succeed and you may lose your entire investment.

*Termination of our joint ventures may result in the failure of our business plan.*

Our MMJ business plan relies upon our joint ventures with third parties including Enertopia Corp. We currently rely upon our joint venture partners to co-finance our MMJ business opportunities, and to contribute administrative support and MMJ expertise toward the development of our business opportunities. Each of our joint venture agreements may be terminated by our joint venture partners in the event that we do not fulfill our contractually mandated financial obligations in respect of the joint venture, or in the case of our joint venture with Enertopia, if that joint venture is not granted an MMJ production license in Canada by February, 2015. Similarly, our joint venture partners may not perform their contractual obligations to the joint venture. Because the performance and success of our business relies on the success of our joint ventures, the termination of any joint venture would materially harm our business prospects or cause our business to fail. Investors are advised that the information included in this Annual Report does not include information, such as the financial condition or qualifications of our joint venture partners,

which may be useful to investors in evaluating the prospects of our joint ventures.

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*Changing consumer preferences may cause our planned products to be unsuccessful in the marketplace.*

The decision of a potential client to undergo an environmental audit or review may be based on ethical or commercial reasons. In some instances, or with certain businesses, there may be no assurance that an environmental review will result in any cost savings or increased revenues. As such, unless the ethical consideration is also a material factor, there may be no incentive for such businesses to undertake an environmental review. Changes in consumer and commercial preferences, or trends, toward or away from environmental issues may impact on businesses' decisions to undergo environmental reviews. The MMJ sector offers many choices for MMJ patients and there can be no assurance that the product supplied by our company and or its partners will be successful in market penetration.

*General economic factors may negatively impact the market for our planned products.*

The willingness of businesses to spend time and money on energy efficiency may be dependent upon general economic conditions; and any material downturn may reduce the likelihood of businesses incurring costs toward what some businesses may consider a discretionary expense item. Willingness by MMJ patients to continue to buy MMJ products may be dependent upon general economic conditions and any material downturn may reduce the potential profitability of the MMJ business sector.

*A wide range of economic and logistical factors may negatively impact our operating results.*

Our operating results will be affected by a wide variety of factors that could materially affect revenues and profitability, including the timing and cancellation of customer orders and projects, competitive pressures on pricing, availability of personnel, and market acceptance of our services. As a result, we may experience material fluctuations in future operating results on a quarterly and annual basis which could materially affect our business, financial condition and operating results.

*Loss of consumer confidence in our company or in our industry may harm our business.*

Demand for our services may be adversely affected if consumers lose confidence in the quality of our services or the industry's practices. Adverse publicity may discourage businesses from buying our services and could have a material adverse effect on our financial condition and results of operations.

*Unethical business practices may compromise the growth and development of our business.*

The production and sale of medical marijuana is an emerging industry in which business practices are not yet standardized and are subject to frequent scrutiny and evaluation by federal, state, provincial, and municipal authorities, academics, and media outlets, among others. Although we intend to develop our business in accordance with best ethical practices, we may suffer negative publicity if we, our partners, contractors, or customers are found to have engaged in any environmentally, insensitive practices or other business practices that are viewed as unethical.

*The failure to secure customers may cause our operations to fail.*

We currently have no long-term agreements with any customers. Many of our services may be provided on a one-time basis. Accordingly, we will require new customers on a continuous basis to sustain our operations.

*We could be required to enter into fixed price contracts which will expose us to significant market risk.*

Fixed price contracts require the service provider to perform all agreed services for a specified lump-sum amount. We anticipate a material percentage of our services will be performed on a fixed price basis. Fixed price contracts expose us to some significant risks, including under-estimation of costs, ambiguities in specifications, unforeseen costs or difficulties, and delays beyond our control. These risks could lead to losses on contracts which may be substantial and

which could adversely affect the results of our operations.

*If we fail to effectively and efficiently advertise, the growth of our business may be compromised.*

The future growth and profitability of our MMJ business will be dependent in part on the effectiveness and efficiency of our advertising and promotional expenditures, including our ability to (i) create greater awareness of our services, (ii) determine the appropriate creative message and media mix for future advertising expenditures, and (iii) effectively manage advertising and promotional costs in order to maintain acceptable operating margins. There can be no assurance that we will experience benefits from advertising and promotional expenditures in the future. In addition, no assurance can be given that our planned advertising and promotional expenditures will result in increased revenues, will generate levels of service and name awareness or that we will be able to manage such advertising and promotional expenditures on a cost-effective basis.

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*Our success is dependent on our unproven ability to attract qualified personnel.*

We will depend on our ability to attract, retain and motivate our management team, consultants and other employees. There is strong competition for qualified technical and management personnel in the MMJ sector, and it is expected that such competition will increase. Our planned growth will place increased demands on our existing resources and will likely require the addition of technical personnel and the development of additional expertise by existing personnel. There can be no assurance that our compensation packages will be sufficient to ensure the continued availability of qualified personnel who are necessary for the development of our business.

*Without additional financing to develop our business plan, our business may fail.*

Because we have generated only minimal revenue from our business and cannot anticipate when we will be able to generate meaningful revenue from our business, we will need to raise additional funds to conduct and grow our business. We do not currently have sufficient financial resources to completely fund the development of our business plan. We anticipate that we will need to raise further financing. We do not currently have any arrangements for financing and we can provide no assurance to investors that we will be able to find such financing if required. The most likely source of future funds presently available to us is through the sale of equity capital. Any sale of share capital will result in dilution to existing security-holders.

*We may not be able to obtain all of the licenses necessary to operate our business, which would cause our business to fail.*

Our operations may require licenses and permits from various governmental authorities to build and install alternative energy systems or to conduct energy retrofits and build MMJ operations. We believe that we will be able to obtain all necessary licenses and permits under applicable laws and regulations for our operations and believe we will be able to comply in all material respects with the terms of such licenses and permits. However, such licenses and permits are subject to change in various circumstances. There can be no guarantee that we will be able to obtain or maintain all necessary licenses and permits.

*Changes in environmental regulation may result in increased or insupportable financial burden on our company.*

We believe that we currently comply with existing environmental laws and regulations affecting our proposed operations. While there are no currently known proposed changes in these laws or regulations, significant changes have affected the industry in the past and additional changes may occur in the future.

Our operations may be subject to environmental laws, regulations and rules promulgated from time to time by government. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner that means stricter standards and enforcement. Fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies, directors, officers and employees. The cost of compliance with changes in governmental regulations has potential to reduce the profitability of operations. We intend to comply with all environmental regulations in the United States and Canada.

*If we are unable to recruit or retain qualified personnel, it could have a material adverse effect on our operating results and stock price.*

Our success depends in large part on the continued services of our executive officers and third party relationships. We currently do not have key person insurance on these individuals. The loss of these people, especially without advance notice, could have a material adverse impact on our results of operations and our stock price. It is also very important that we be able to attract and retain highly skilled personnel, including technical personnel, to accommodate our exploration plans and to replace personnel who leave. Competition for qualified personnel can be intense, and there

are a limited number of people with the requisite knowledge and experience. Under these conditions, we could be unable to recruit, train, and retain employees. If we cannot attract and retain qualified personnel, it could have a material adverse impact on our operating results and stock price.

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*If we fail to effectively manage our growth our future business results could be harmed and our managerial and operational resources may be strained.*

As we proceed with our business plan, we expect to experience significant and rapid growth in the scope and complexity of our business. We will need to add staff to market our services, manage operations, handle sales and marketing efforts and perform finance and accounting functions. We will be required to hire a broad range of additional personnel in order to successfully advance our operations. This growth is likely to place a strain on our management and operational resources. The failure to develop and implement effective systems, or to hire and retain sufficient personnel for the performance of all of the functions necessary to effectively service and manage our potential business, or the failure to manage growth effectively, could have a materially adverse effect on our business and financial condition.

### ***Risks Associated with Our Common Stock***

*Trading on the OTCQB and CSE may be volatile and sporadic, which could depress the market price of our common stock and make it difficult for our stockholders to resell their shares.*

Our common stock is quoted on the OTCQB electronic quotation service operated by OTC Markets Group Inc.. Trading in stock quoted on the OTCQB is often thin and characterized by wide fluctuations in trading prices, due to many factors that may have little to do with our operations or business prospects. This volatility could depress the market price of our common stock for reasons unrelated to operating performance. Moreover, the OTCQB is not a stock exchange, and trading of securities on the OTCQB is often more sporadic than the trading of securities listed on a quotation system like Nasdaq or a stock exchange like Amex. Accordingly, shareholders may have difficulty reselling any of the shares.

*Our stock is a penny stock. Trading of our stock may be restricted by the Securities and Exchange Commission's penny stock regulations which may limit a stockholder's ability to buy and sell our stock.*

Our stock is a penny stock. The Securities and Exchange Commission has adopted Rule 15c-9 which generally defines "penny stock" to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and accredited investors. The term "accredited investor" refers generally to institutions with assets in excess of \$5,000,000 or individuals with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the Securities and Exchange Commission which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of our common stock.

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*The Financial Industry Regulatory Authority, or FINRA, has adopted sales practice requirements which may also limit a stockholder's ability to buy and sell our stock.*

In addition to the penny stock rules described above, FINRA has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

*Because we do not intend to pay any dividends on our shares, investors seeking dividend income or liquidity should not purchase our shares.*

We have not declared or paid any dividends on our shares since inception, and do not anticipate paying any such dividends for the foreseeable future. We presently do not anticipate that we will pay dividends on any of our common stock in the foreseeable future. If payment of dividends does occur at some point in the future, it would be contingent upon our revenues and earnings, if any, capital requirements, and general financial condition. The payment of any common stock dividends will be within the discretion of our Board of Directors. We presently intend to retain all earnings to implement our business plan; accordingly, we do not anticipate the declaration of any dividends for common stock in the foreseeable future.

Investors seeking dividend income or liquidity should not invest in our shares.

*Because we can issue additional shares, purchasers of our shares may incur immediate dilution and may experience further dilution.*

We are authorized to issue up to 200,000,000 shares. The board of directors of our company has the authority to cause us to issue additional shares, and to determine the rights, preferences and privileges of such shares, without consent of any of our stockholders. Consequently, our stockholders may experience more dilution in their ownership of our company in the future.

## **Other Risks**

*We believe that our operations comply, in all material respects, with all applicable environmental regulations.*

Our operating partners maintain insurance coverage customary to the industry; however, we are not fully insured against all possible environmental risks.

*Any change to government regulation/administrative practices may have a negative impact on our ability to operate and our profitability.*

The laws, regulations, policies or current administrative practices of any government body, organization or regulatory agency in the United States, Canada, or any other jurisdiction, may be changed, applied or interpreted in a manner which will fundamentally alter the ability of our company to carry on our business.

The actions, policies or regulations, or changes thereto, of any government body or regulatory agency, or other special interest groups, may have a detrimental effect on us. Any or all of these situations may have a negative impact on our ability to operate and/or our profitability.

*Because we can issue additional shares, purchasers of our shares may incur immediate dilution and may experience further dilution.*

We are authorized to issue up to 200,000,000 shares. The board of directors of our company has the authority to cause us to issue additional shares, and to determine the rights, preferences and privileges of such shares, without consent of any of our stockholders. Consequently, our stockholders may experience more dilution in their ownership of our company in the future.

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*Our by-laws contain provisions indemnifying our officers and directors against all costs, charges and expenses incurred by them.*

Our by-laws contain provisions with respect to the indemnification of our officers and directors against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, actually and reasonably incurred by him, including an amount paid to settle an action or satisfy a judgment in a civil, criminal or administrative action or proceeding to which he is made a party by reason of his being or having been one of our directors or officers.

*Investors' interests in our company will be diluted and investors may suffer dilution in their net book value per share if we issue additional shares or raise funds through the sale of equity securities.*

Our constating documents authorize the issuance of 200,000,000 shares of common stock with a par value of \$0.001. In the event that we are required to issue any additional shares or enter into private placements to raise financing through the sale of equity securities, investors' interests in our company will be diluted and investors may suffer dilution in their net book value per share depending on the price at which such securities are sold. If we issue any such additional shares, such issuances also will cause a reduction in the proportionate ownership and voting power of all other shareholders. Further, any such issuance may result in a change in our control.

*Our by-laws do not contain anti-takeover provisions, which could result in a change of our management and directors if there is a take-over of our company.*

We do not currently have a shareholder rights plan or any anti-takeover provisions in our By-laws. Without any anti-takeover provisions, there is no deterrent for a take-over of our company, which may result in a change in our management and directors.

*As a result of a majority of our directors and officers are residents of other countries other than the United States, investors may find it difficult to enforce, within the United States, any judgments obtained against our company or our directors and officers.*

Other than our operations offices in Vancouver and Kelowna, British Columbia, we do not currently maintain a permanent place of business within the United States. In addition, a majority of our directors and officers are nationals and/or residents of countries other than the United States, and all or a substantial portion of such persons' assets are located outside the United States. As a result, it may be difficult for investors to enforce within the United States any judgments obtained against our company or our officers or directors, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

*Trends, risks and uncertainties.*

We have sought to identify what we believe to be the most significant risks to our business, but we cannot predict whether, or to what extent, any of such risks may be realized nor can we guarantee that we have identified all possible risks that might arise. Investors should carefully consider all of such risk factors before making an investment decision with respect to our common shares.

## **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

## **Item 3. Defaults Upon Senior Securities**

None.



**Item 4. Submission of Matters to a Vote of Securities Holders**

None.

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**Item 5. Other Information**

Due to the implementation of British Columbia Instrument 51-509 on September 30, 2008 by the British Columbia Securities Commission, we have been deemed to be a British Columbia based reporting issuer. As such, we are required to file certain information and documents at [www.sedar.com](http://www.sedar.com).

**Item 6. Exhibits**

**Exhibit Description  
Number**

<b>(i) Articles of Incorporation; and (ii) Bylaws</b>	
3.1*	Articles of Incorporation
3.2*	Bylaws
4.1*	Specimen ordinary share certificate
10.1	Consulting Agreement with CAB Financial dated December 1, 2014
10.2	Consulting Agreement with BKB Consulting dated December 1, 2014
<u>31.1</u>	<u>Rule 13(a) - 14 (a)/15(d) - 14(a) Certification</u>
<u>31.2</u>	<u>Rule 13(a) - 14 (a)/15(d) - 14(a) Certification</u>
<u>32.1</u>	<u>Section 1350 Certification</u>
<u>32.2</u>	<u>Section 1350 Certification</u>

\*Incorporated by reference to same exhibit filed with the Company's Registration Statement on Form SB-2 dated January 10, 2006.

\* Filed herewith.

\*\*Certain parts of this document have not been disclosed and have been filed separately with the Secretary, Securities and Exchange Commission, and is subject to a confidential treatment request pursuant to Rule 24b-2 of the Securities Exchange Act of 1934.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**LEXARIA CORP.**

By: /s/ "Chris Bunka "  
Chris Bunka,  
President, Chief Executive Officer, Chairman and Director  
(Principal Executive Officer)  
11/07/2015

By: /s/ "Bal Bhullar"  
Bal Bhullar  
Chief Financial Officer and Director  
11/07/2015`

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