

LEXARIA CORP.  
Form 10-K  
November 27, 2015

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

**FORM 10-K**

(Mark One)

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

For the fiscal year ended **August 31, 2015**

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

For the transition period from [ ] to [ ]

Commission file number **000-52138**

**LEXARIA CORP.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of incorporation or organization)

**20-2000871**

(I.R.S. Employer Identification No.)

**#950-1130 WEST PENDER STREET, VANCOUVER,  
BRITISH**

**COLUMBIA, CANADA**

(Address of principal executive offices)

**V6E 4A4**

(Zip Code)

Registrant's telephone number, including area code: **604-602-1675**

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

N/A

Name of Each Exchange On Which Registered

N/A

Securities registered pursuant to Section 12(g) of the Act:

**Common Stock, Par Value \$0.001**

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act

Yes  No

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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 last 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-K (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition 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

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

Yes  No

The aggregate market value of Common Stock held by non-affiliates of the Registrant on February 28, 2015 was \$2,630,177 based on the average of the high and low bid and asked price of the Registrant's shares of common stock on the OTC Bulletin Board or \$0.09 on February 28, 2015. For purposes of this computation, all executive officers and directors have been deemed to be affiliates. Such determination should not be deemed to be an admission that such executive officers and directors are, in fact, affiliates of the Registrant.

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

**39,852,984 common shares as of August 31, 2015**

DOCUMENTS INCORPORATED BY REFERENCE

None.

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## PART I

### Item 1. Business

This annual report contains forward-looking statements. 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 consolidated financial statements are stated in United States Dollars (US\$) and are prepared in accordance with United States Generally Accepted Accounting Principles.

In this annual report, unless otherwise specified, all dollar amounts are expressed in United States dollars and all references to *common shares* refer to the shares in our common stock. References to *CAD\$* refers to Canadian dollars.

As used in this current report and unless otherwise indicated, the terms "we", "us", "our" and "our company" mean Lexaria Corp., and our wholly owned subsidiary, Lexaria CanPharm Corp., a Canadian corporation, unless otherwise stated.

#### *General 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 hemp oil-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.

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 an additional office located in Kelowna, British Columbia.

Effective June 23, 2009, we amended our Articles of Incorporation to effect a 1 new for 4 old share consolidation of our authorized and issued and outstanding common stock. As a result, our company's authorized capital decreased from 75,000,000 shares of common stock with a par value of \$0.001 to 18,750,000 shares of common stock with a par value of \$0.001 and our then current issued and outstanding shares decreased from 24,369,500 shares of common stock to 6,092,370 shares of common stock.

Effective at the opening of trading on October 28, 2009, our shares of common stock began trading on Canadian National Stock Exchange under the trading symbol *LXX*.

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*.

On December 21, 2009, our board of directors amended and restated our bylaws. The purpose of the amendment and restatement of the bylaws was for, among other things, removing certain outdated and redundant provisions that existed in our prior bylaws with respect to corporate governance, shareholder and director meeting procedures, and indemnification procedures. The changes to our prior bylaws include: (i) expanding certain provisions with respect to shareholders' meetings including change of quorum requirements; (ii) amending certain provisions respecting appointment of directors, corporate governance and committees, and directors' meetings; (iii) expanding certain provisions with respect to officers and their duties; (iv) changing certain provisions with respect to share certificates; and (v) adding certain indemnification provisions.

On March 17, 2010, we increased our authorized share capital from 18,750,000 common shares to 200,000,000 common shares.

In March of 2014, our company began its entry into the medicinal marijuana business sector. On June 11, 2014 this change of business was approved by our company's shareholders during our Annual General Meeting held on June 11, 2014. Additionally, on November 13, 2014, our Company sold all of our working interests in Belmont Lake, Mississippi.

On August 7, 2014, our company's board of directors approved changing our year end from October 31 to August 31.

Our company pursues business opportunities in diverse industries including the food sciences, ready-to-eat food, and medicinal marijuana sectors. Our medicinal marijuana operations have sought to establish a licensed medical marijuana production facility in Canada under the Marihuana for Medical Purposes Regulations ( MMPR ) administered by Health Canada. Meanwhile, our food sciences activities include the development of our proprietary nutrient infusion technologies for the production of superfoods, and the production of food enhanced food products under our two consumer product brands, ViPova™ and Lexaria Energy. Our patent pending lipid nutrient infusion technology is believed to enable higher bioavailability rates for CBD; THC; NSAIDs; Nicotine and other molecules than is possible without lipophilic enhancement technology. This can allow for lower overall dosing requirements and/or higher effectiveness in active molecule delivery. Lexaria has casued to be filed several patent pending applications with the US Patent Office, and also internationally under the Patent Cooperation Treaty (PCT). Lexaria hopes to reduce other common but less healthy ingestion methods such as smoking as it embraces the benefits of public health.

### *Historical Overview of our Business*

On June 21, 2007, we acquired an assignment of a 10% gross working interest in an Area of Mutual Interest (AMI) formerly held by Brinx Resources Ltd, a non-related company, in up to 50 oil and gas wells to be drilled, and any future development prospects thereof associated, located in Mississippi, USA. Interests in seven wells previously drilled under the conditions of the AMI remain the property of Brinx Resources Ltd. and we were not a party to Brinx's interest in these wells, while the right to assume the 10% gross working interest in the remaining 43 wells and any future development prospects thereof, belonged to our company. Because we already had a 40% gross working interest in this AMI, as a result of this transaction, we had a 50% gross working interest in the AMI.

On June 23, 2007, we acquired an assignment of a 10% gross working interest in 12 previously drilled oil and gas wells and any future development prospects thereof, formerly held by 0743868 BC Ltd., a non-related company. Since we already had a 20% gross working interest in these same 12 oil and gas wells and development prospects, as a result of this transaction we then had a 30% gross working interest in the 12 oil and gas wells and development prospects. We were obligated to make cash payments of US\$520,000 over approximately a one-year period to complete this transaction (\$200,000 paid as of October 31, 2007). Our company had made total of \$350,000 repayment and accrued \$18,016 interest expense since June 23, 2007 with ending balance of \$169,938 as at October 31, 2012.

On May 13, 2008 our company entered into an Assignment of Debt between 0743868 BC Ltd. (the Assignor ) and our president and shareholder of our company (collectively the Assignees ). The Assignor agreed to accept US\$46,000 from our company in satisfaction of the outstanding amount and agreed to assign the Assignees all of the Assignor's right, title and interest in and to the US\$124,000 balance of the outstanding amount. As a result, the Assignor no longer has any claim against our company.

On May 14, 2008 our company entered into an unsecured Loan Agreement with each of our president and a shareholder of our company for \$62,000. The purpose of this Loan Agreement was to set out terms of the arrangement by which our company agreed to make a Loan of US\$124,000 at an interest rate of 16.8% and no set principal payments for one year available to our company. The purpose of the Loan Agreement was to provide our company

with capital funds for oil and gas exploration and/or general corporate purposes. On October 27, 2008, the loan from our president in the amount of US\$62,000 was terminated in favour of an updated debt agreement.

On August 29, 2008, our company sold all of our working interests in our Owl Creek Project, located in Garvin County, Oklahoma, to an unrelated third party for net proceeds of \$206,021. The property sold included our company's 7.5% working interest in Isbill #2.

On October 27, 2008, our company entered into a Purchase Agreement with CAB Financial Services Ltd., Chris Bunka, and another shareholder of our company ( Purchasers ) for an aggregate amount of nine hundred thousand Canadian dollars CAD \$900,000. The Purchasers agreed to purchase an 18% interest bearing Promissory Note of our company subject to and upon the terms and conditions of the Purchase Agreement.

Our company's obligations to repay the Promissory Note are secured by certain specified assets of our company pursuant to a Security Agreement. Also, as long as the Promissory Note is outstanding, the Purchasers may voluntarily convert the Promissory Note to shares of common stock of our company at the conversion price of \$0.45 per share. Additionally, in consideration for the Purchasers agreeing to purchase the Promissory Notes, our company agrees to issue Warrants to the Purchasers.

Each Warrant entitles the Purchaser to acquire shares of common stock of our company, and the number of Series A and B Warrants issuable shall be determined by the Purchase Amount divided by \$0.45, which Warrants shall have the following terms:

1. each Series A Warrant entitling the holder to purchase one-half of one Warrant Share for a term of one year from issuance and an exercise price of US \$0.45 per whole Warrant Share (the exercise price is subject to adjustment pursuant to the loan agreement);
2. each Series B Warrant entitling the holder to purchase one-half of one Warrant Share for a term of two years from issuance and exercise price of US \$0.90 per whole Warrant Share (the exercise price is subject to adjustment pursuant to the loan agreement); and
3. Mandatory conversion of the Warrants at the option of the Company upon the Company's Common Stock closing at 200% of the applicable exercise price for twenty consecutive Trading Days.
4. Two whole Warrants and the exercise price were required to purchase one share of the Company.

On April 3, 2009, our company entered into an Asset Purchase Agreement with Delta Oil & Gas, Inc. and The Stallion Group to acquire additional interests in its existing core producing Mississippi oil and gas properties. Our company paid \$40,073 to acquire an additional two percent (2%) working interest in the proven Belmont Lake oil and gas field and an additional 10% working interest in potential nearby exploration wells, bringing our total gross working interest in the Belmont Lake oil and gas field to 32% and bringing our total gross working interest to 60% in the 38 wells that remain to be drilled of this original 50-well option with Griffin & Griffin Exploration in over 140,000 acres surrounding Belmont Lake in all directions.

On August 28, 2009, our company entered into four separate assignment agreements with Enertopia Corp., 0743608 BC Ltd., David DeMartini, and Murrayfield Ltd., three of which are people or companies with related management. Our company received from these four parties proceeds of \$371,609 to fund additional interests in a new well. As a result, our company has a 25.84% perpetual gross interest in the well (18.0% net revenue interest); as well as a 5.2% net revenue interest in the non-consent interest. The non-consent interest remains valid until such time as the well produces 500% of all costs and expenses back to the participants in the form of revenue, at which time the non-consent interest ends. Enertopia Corp, a company with related management, acquired from our company a 6.16% perpetual gross interest in the 12-4 well; David DeMartini, a director of our company, acquired from our company a 5% gross interest in the non-consent interest in the 12-4 well; and 0743608 BC Ltd. a company owned by our president, acquired from our company a 11.6% gross interest in the non-consent interest in the 12-4 well.

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On November 13, 2009, our company announced that our operator in Mississippi, Griffin & Griffin Exploration LLC, had declared force majeure on the Belmont Lake offset wells.

On May 31, 2010, we issued 499,893 units at a price of \$0.12 per share for a Settlement Agreement valued at \$59,987. Each unit consist one share of common stock and one share purchase warrant exercisable at \$0.20 per share for a period of two years.

On June 16, 2010, we signed a Settlement Agreement with a third party, who had originally participated in the August 28, 2009 opportunity in the non-consent interest for Belmont Lake 12-4. We returned \$144,063 to the third party and cancelled its participation.

On July 29, 2010, we agreed with our operators at Belmont Lake not to proceed to drill a horizontal 12-4 well. Rather, two of the three proposed vertical wells 12-2, 12-4, or 12-5 were proposed to be drilled in August 2010. To take best advantage of this opportunity, our company cancelled all previous agreements relating to August 28, 2009 with respect to Belmont Lake horizontal well 12-4 and entered into three separate assignment agreements, of which all three were with people or companies with related management. Our company received total proceeds of \$324,677 to fund additional interests in these wells. As a result, our company had a 32% perpetual gross interest in the wells (24.0% net revenue interest); as well as a 8% gross interest (6% net revenue interest) in the non-consent interest. The non-consent interest remains valid until such time as the well produces 500% of all costs and expenses back to the participants in the form of revenue, at which time the non-consent interest ends. Emerald Atlantic LLC, a company owned by a director of our company, had acquired from our company a 8.74% gross interest in the non-consent interest in two of the three vertical wells; and 0743608 BC Ltd. a company owned by our president, had acquired from our company a 20.79% gross interest in the non-consent interest in the two of the three vertical wells; an advisor to our company has acquired from our company 2.46% gross interest in the non-consent interest in two of the three vertical wells.

On September 13, 2010, we entered into three separate assignment agreements with 0743608 BC Ltd, a company solely owned by a director of our company, Emerald Atlantic LLC, a company solely owned by a director of our company, and our Senior VP Business Development. (the Assignees ), whereby the Assignees have paid a fee of US\$408,116 to earn a 24% share of our company's gross non-perpetual 32% interest in the three oil wells being drilled in Wilkinson County, Mississippi. This agreement replaces the one signed on August 28, 2009. As a result of the three assignment agreements, we receive at no cost to our company, a carried interest of 8% in these same rights and benefits. Our company assigns, transfers and sets over to the Assignees, all proportionate rights, interest and benefits in the Assigned Non Perpetual Interest held by or granted to the Assignor in and to the Participation Agreement between our company and Griffin but limited to a gross 500% revenue payout based on the total amount paid under the Initial Consideration and the Subsequent Consideration after which all rights, interests and benefits cease.

On October 21, 2010, we settled a portion of the debt in the amount of \$1,625 with CAB Financial Services by converting 65,000 warrants into 32,500 shares of common stock of our company pursuant to a Purchase Agreement dated October 27, 2008 at a price of \$0.05 per share.

On October 21, 2010, we settled a portion of the debt, in th amount of \$2,166.65 with Christopher Bunka, our president by converting 86,667 warrants into 43,333 shares of common stock of our company pursuant to a Purchase Agreement dated October 27, 2008 at a price of \$0.05 per share.

On November 16, 2010, we settled the debt incurred as a result of a consulting agreement, in the amount of \$9,376 to Mr. Tom Ihrke by issuing 40,761 restricted shares of common stock of our company at a price of \$0.23 per share.

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 of common stock at a price of \$0.40 per share from 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 certain of our assets.

On December 16, 2010, we 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 of common stock at a price of \$0.40 per share from 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 certain of our assets.

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On December 16, 2010, we entered into an assignment agreement with Emerald Atlantic LLC, a company solely owned by a director of our company, whereby Emerald Atlantic had paid a fee of \$30,076 to earn 18% of a 4.423% share of our company's net revenue interest after field operating expenses for a well to be drilled in Wilkinson County.

On January 4, 2011, 132,600 warrants were exercised and we issued 66,300 shares of common stock of our company at an exercise price of CAD\$0.22 per share for total proceeds of CAD\$14,586. Of the 132,600 warrants exercised, 100,000 warrants were exercised by a director of our company.

On March 6, 2011, we accepted and received gross proceeds of \$21,250 for the exercise of 106,250 stock options by a director of our company at an exercise price of \$0.20 per stock option into 106,250 shares of our common stock.

On June 8, 2011, 1,500,000 warrants were exercised and we issued 1,500,000 shares of our common stock at an exercise price of \$0.20 per share for total proceeds of \$300,000. The warrants were exercised by a director of our company.

On June 28, 2011, 500,000 warrants were exercised and we issued 500,000 shares of our common stock at an exercise price of \$0.20 per share for total proceeds of \$100,000. The warrants were exercised by a director of our company.

On June 28, 2011, we paid down CAD\$100,000 of the debt on a secured loan agreement dated October 27, 2008, in the amount of CAD\$300,000 with CAB Financial. On July 10, 2009, \$40,000 of the debt was converted to equity. On October 21, 2010, we settled a portion of the debt in the amount of CAD \$1,625 with CAB Financial by converting 65,000 warrants into 32,500 shares of our common stock pursuant to a Purchase Agreement dated October 27, 2008 at a price of CAD\$0.05 per share.

On July 11, 2011, we granted 700,000 stock options to directors and officers of our company at an exercise price of \$0.35 per share, which options vest immediately and expire on July 11, 2016.

On July 13, 2011, 173,043 warrants were exercised and we issued 173,043 shares of our common stock at a price of \$0.20 per share for total proceeds of \$34,608.

On July 13, 2011, we completed an equity financing and issued 200,000 units at \$0.35 per unit, for gross proceeds of \$70,000. Each unit consists of one share of common stock and one share purchase warrant which entitles a holder to purchase an additional share of common stock at an exercise price of \$0.50 per share for a period of two years. All shares and warrants issued were restricted under applicable securities rules.

On July 15, 2011, we accepted and received gross proceeds of \$23,750 for the exercise of 118,750 stock options at an exercise price of \$0.20 per stock option and issued 118,750 shares of common stock of our company. All of the stock options were exercised by directors and/or officers of our company.

Lexaria entered into an Asset Purchase Agreement dated August 12, 2011, with Brinx Resources Ltd. to acquire 100% of its 10% gross working interest in the oil and gas interests located in Mississippi, USA. By acquiring the additional 10% working interest in Belmont Lake oil and gas field, Lexaria then had 42% working interest in Belmont Lake and retains its existing 60% working interest in the exploration wells on approximately 130,000 acres surrounding Belmont Lake in all directions. Lexaria had agreed to pay a total of US \$400,000 and issue 800,000 common shares of the Company at \$0.30 per share. A total of \$430,000 in cash was paid.

On December 1, 2011, we 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 paid 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 our company's working interest and production in and only in two oil wells located at Belmont Lake, Mississippi, with carrying value of \$1M as of July 31, 2012. Two directors of our company, David DeMartini and CAB Financial Services Ltd., solely owned by our director, Christopher Bunka, subscribed to the convertible debentures with the amount of \$200,000.

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On March 30, 2012, we entered into a loan agreement with Christopher Bunka, our president, chief executive officer and director, for a non-secured promissory note in the amount of \$50,000. Mr. Bunka 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, which is still outstanding.

On November 22, 2012, we entered into an amendment to existing debt agreements totaling \$930,000, with maturity dates of month to month and December 1, 2012 with CAB Financial Services Ltd., David DeMartini, Emerald Atlantic LLC, and other debt holders of our company, whereby the various lenders have agreed to modify various terms of the earlier agreements and provide for a final debt repayment schedule ending in December 2013. Our company will repay the debt in twelve equal monthly principal payment, plus interest on the monthly declining balances. The interest rates of the amendment debt were the same as the existing debt agreement. These agreements were renegotiated in 2013.

On June 18, 2013, based on our 2010 Stock Option Plan, we granted 500,000 stock options to directors and officers, and a consultant of our company. The exercise price of the stock options is \$0.10, vested immediately and expire on June 18, 2018.

On November 4, 2013, we closed a private placement of 500,000 units at a price of \$0.06 per unit for gross proceeds of \$30,000. Each unit consists of one common stock and one share purchase warrant which entitles a holder to purchase one common stock at a price of \$0.10 per warrant share for a period of thirty six month following the close.

On November 13, 2013, we 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 our company. Per the Amendment Agreements, a) the loan repayment schedule was 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 are then due in full on December 1, 2014; b) the first payment of interest shall be due on January 1, 2014; c) our company will make 10 monthly principal payments, each of which is 1/10th of the principal amount owing at the time the 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) our 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 our company's portion of the net revenue from the new 12-7 well required to keep the terms of the agreement in good standing at any given monthly due date.

On December 4, 2013, we entered into a loan agreement and promissory note with Chris Bunka, a director and officer of our company. The principal amount of the note is CAD\$51,507.50. The entering into of the loan agreement and promissory note provides that the principal and interest on the debt be payable for a period of fifteen months. The note has an interest rate of 15% per annum and a monthly principal payment of \$4,292 starting after the third month.

On December 6, 2013, the Company announced that a new well in Belmont Lake Field, the 12-7 well, had been drilled to total depth and sidewall core analysis indicated approximately 20 feet of true vertical depth oil bearing pay. Due to adverse weather conditions, the well had not yet been completed nor put into production.

On March 5, 2014, we entered into a three year joint venture agreement ( JV Agreement ) with Enertopia Corp. and Robert McAllister. Whereas Enertopia Corp. and Robert McAllister will source opportunities in the medical marijuana 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 Lexaria Corp. advisory board for the term of this JV Agreement.

The parties contributed the following as their initial contributions to the business:

a)

Our company, as our initial contribution, will pay to Enertopia 1,000,000 common restricted shares as compensation for entering the Joint Venture and for Enertopia to initiate and during the term of the JV Agreement continue to provide to our company opportunities to build our business.

- b) Our company agrees to additionally pay Enertopia a finder's commission, received at the sole election of Enertopia in either cash or in common restricted shares of our company, within a range of 2% - 5% of the value (less of taxes) of any future business acquisition, joint venture or transaction that our company accepts and closes for the life of the JV Agreement.
- c) Our company, as its initial contribution, will pay to Robert McAllister 500,000 common restricted shares as compensation for entering the Joint Venture and for Robert McAllister to initiate and during the term of the JV Agreement continue to provide to our company opportunities to build our business.
- d) Our company agrees to additionally award Robert McAllister 500,000 stock options to buy common shares of our company, with terms to be specified and ratified by shareholder and regulatory approvals, as compensation for joining and serving as chairperson of our company's marijuana business advisory board for the term of the JV Agreement.

On March 10, 2014, we entered into a social media/web marketing agreement with Stuart Gray. The term of this agreement began on the date of execution of the agreement for a period of 12 months. The consideration for services is \$60,000 payable in common shares of our company. Upon execution of the agreement, we issued 150,000 common shares of our company at a price of \$0.42 for the for the term of the agreement.

On March 12, 2014, we entered into 12 month marketing agreement for \$50,000 with Agora Internet Relations Corp. payable in common shares of our company. The first quarter payment of \$12,500 was made by issuing 20,833 common shares of our company at a price of \$0.60 per share. On August 5, 2014, we made our second quarter payment to Agora of \$13,125 by issuing 82,031 common shares of our company at a market price of \$0.16 per share.

On March 21, 2014, we closed a private placement of 10,600,000 units at a price of \$0.12 per unit for gross proceeds of \$1,272,000. Each unit consists of one common share and one share purchase warrant which entitles the holder to purchase one common share at a price of \$0.25 per warrant share for a period of 18 months following the close. A cash finders' fee for \$16,800 was paid to Cannacord Genuity, Leede Financial Markets and PI Financial Corp.; and a stock finders' fee of 819,999 common shares of our company were issued to Canaccord Genuity and Wolverton Securities.

On March 25, 2014 the Company received \$17,500 for the exercise of 50,000 stock options at \$0.35 into 50,000 common shares of the Company.

On March 25, 2014, Jason Springett joined our company as an advisor and we granted 50,000 stock options with an exercise price of \$0.60, vesting immediately and expiring on March 25, 2019.

On April 1, 2014, our company entered into a 90 day agreement with Ken Faulkner as a Corporate Development Manager. We granted 100,000 stock options with an exercise price of \$0.50, vesting immediately and expiring on April 1, 2019.

On April 1, 2014, we converted \$193,333 of the debt outstanding into 552,380 units of our company at a price of \$0.35. Each unit is comprised of one common share and one share purchase warrant which entitles the holder to purchase one common share at a price of \$0.40 for a period of 12 months after the conversion.

On April 10, 2014, we entered into Letter of Intent ( LOI ) with Enertopia Corporation with regard to the co-ownership by our company and Enertopia of a prospective medical marijuana business under the Marijuana for Medical Purposes Regulations ( MMPR ). Pursuant to the LOI, we issued 500,000 common shares to Enertopia. Within 10 days, Enertopia shall contribute \$45,000 and our company shall contribute \$55,000 to the business. Upon the execution of this LOI, our company and Enertopia shall structure a joint venture for legally producing, manufacturing, propagating, importing/exporting, testing, researching and developing, and selling marijuana for medical purposes under the MMPR. At such time, the parties will be deemed to have formed a joint venture for the operation, management and further development of the business. Our company will pay 55% of all costs to earn a 49% net ownership interest in

the business and Enertopia will pay 45% of all costs to earn a 51% ownership interest in the business. A total of 500,000 common shares of our company shall be issued to Enertopia and held in escrow by our company's solicitors until such date as the License (as hereinafter defined) has been obtained by Enertopia. In the event a license is not obtained within 12 months of the date of the definitive agreement the 500,000 common shares of our company will be cancelled and returned to treasury.

Concurrently with the execution of our LOI with Enertopia, on April 10, 2014, we entered into a letter of intent with Jeff Paikin, and a corporation controlled by Mr. Paikin. Pursuant to the letter of intent, our company and Enertopia may jointly acquire a conditional lease as joint lessees of approximately 30,000 square feet of warehouse space located in the municipality of Burlington, Ontario. We also acquired the first right of refusal to lease an additional 45,000 square feet. The Lease was conditional for a period of 60 days in order to allow our company and Enertopia to confirm that the zoning applicable to the leased premises allows for us to establish a legal marijuana growing operation. In exchange for the lessor holding the leased premises for us for the 60 day conditional period, we issued 55,000 common shares at a deemed price of \$0.40 to Mr. Paikin. If the Municipality did not grant the required zoning approval for this location during the conditional period, the agreement was to terminate without further obligation on the parties. If the zoning was approved, we were to pay base rent and expenses of CAD\$8.25 per square foot per year for a minimum term of 5 years. The lease would thereafter be renewable at our option for 3 successive 5 year periods. On August 1, 2014, we signed an extension on the letter of intent, that was executed on April 10, 2014 on behalf of a corporation to be incorporated by our company and Enertopia Corporation (Lessee) and Mr. Jeff Paikin of 1475714 Ontario Inc. (Lessor), which sets out the Lessee's and Lessor's shared intent to enter into a lease agreement for warehouse space in the building located at Burlington, Ontario. On August 5, 2014, as per the terms of the letter of intent, we issued 91,662 common shares at a deemed price of \$0.30 per share. This agreement was terminated on June 16, 2015.

On April 14, 2014, the company appointed Mr. Jeff Paikin to its Advisory Board for a period of not less than one year, but to be determined by certain performance thresholds described in the letter. Upon signing of the letter of acceptance the company issued 110,000 common shares at a deemed price of \$0.39. Consulting agreement amended on June 18, 2014, Mr. Paikin can be eligible to receive up to a total of 1,650,000 common shares of the company. On July 14, 2014, the company issued 165,000 common shares at a deemed price of \$0.30. This agreement was terminated on June 16, 2015.

On April 24, 2014, we entered into a one year consulting contract with Clark Kent as Media Coordinator for a monthly fee of CAD\$2,250 plus GST. Upon signing of the contract of acceptance we issued 110,000 common shares at a deemed price of \$0.32. The consulting agreement was amended on June 18, 2014, pursuant to which Mr. Kent can be eligible to receive up to a total of 1,650,000 common shares of our company. On July 14, 2014, we issued 165,000 common shares at a deemed price of \$0.30. This agreement was terminated on June 16, 2015.

On April 24, 2014, we entered into a one year consulting contract with Don Shaxon as Ontario operations manager for a monthly fee of CAD\$3,375 plus GST. Upon signing of the contract of acceptance we issued 110,000 common shares at a deemed price of \$0.32. The consulting agreement was amended on June 18, 2014, pursuant to which Mr. Shaxon can be eligible to receive up to a total of 1,650,000 common shares of our company. On July 14, 2014, we issued 165,000 common shares at a deemed price of \$0.30. This agreement was terminated on June 16, 2015.

On April 24, 2014, we entered into a one year consulting contract with 490072 Ontario Ltd. operating as HEC Group, wholly owned company by Greg Boone as human resources manager. Upon signing of the contract of acceptance we issued 110,000 common shares at a deemed price of \$0.32. The consulting agreement amended on June 18, 2014, pursuant to which Mr. Boone can be eligible to receive up to a total of 1,650,000 common shares of our company. On July 14, 2014, we issued 165,000 common shares at a deemed price of \$0.30. This agreement was terminated on June 16, 2015.

On April 24, 2014, we entered into a one year consulting contract with Jason Springett as master grower for Ontario operations for a monthly fee of \$3,375 plus GST. Upon signing of the contract of acceptance we issued 110,000 common shares at a deemed price of \$0.32. The Consulting agreement was amended on June 18, 2014, pursuant to which Mr. Springett can be eligible to receive up to a total of 1,650,000 common shares of our company. On July 14, 2014, we issued 165,000 common shares at a deemed price of \$0.30. This agreement was terminated on June 16, 2015.

On April 24, 2014, we 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 we issued 110,000 common shares at a deemed price of \$0.32. On July 14, 2014, we accepted Mr. Hornung's resignation. In July 2015, 110,000 common shares of the Company were returned back to treasury.

On May 5, 2014, we entered into a one year consulting contract as Security Consultant with Bmullan and Associates, a company wholly owned by Brian Mullan. Upon signing of the contract of acceptance we issued 55,000 common shares at a deemed price of \$0.30. Based on the milestones listed in the contract, Mr. Mullan or his company can be eligible to receive up to a total of 275,000 common shares of our company. On July 14, 2014, we issued 55,000 common shares at a deemed price of \$0.30. This agreement was terminated on June 16, 2015.

On May 27, 2014, we entered into a letter of intent with Arnprior Bay Property Limited with the intent of entering into a lease agreement in Ontario to lease space to be approximately 24,000 square feet with an option to lease a further 22,000 square feet within 2 years, and an additional 49,000 square feet for a total of 95,000 square feet. The lease shall be conditional for a period of up to 180 days in order to obtain approval from the appropriate municipal authorities for zoning of a legal marijuana production facility. Due to local regulatory restrictions, no facility was ever leased.

On May 28, 2014, our company and Enertopia 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 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. This agreement was terminated on June 11, 2015 and 500,000 common shares issued by the Company to Enertopia were returned to treasury and cancelled.

On May 29, 2014, the Company received gross proceeds of \$5,000 for the exercise of 50,000 stock options at \$0.10 into 50,000 common shares of the Company.

On June 11, 2014, the Company held its Annual and Special Meeting of Shareholders for the following purposes:

1. To elect Chris Bunka, Bal Bhullar, and Nicholas Baxter as directors of the Company for the ensuing year and until their successors are elected;
2. To ratify MNP LLP our independent registered public accounting firm for the fiscal year ending October 31, 2014 and to allow directors to set the remuneration;
3. To approve a change of business of the Company;
4. To conduct an advisory vote on the compensation of our Company's Named Executive Officers (the Say-on-Pay Proposal );
5. To conduct an advisory vote on the frequency of future advisory votes on the compensation on our Company's Named Executive Officers (the Say When-on-Pay Proposal );
6. To approve the adoption of the Company's 2014 stock option plan; and
7. To transact such other business as may properly come before the Meeting or any adjournment of the postponement thereof.

All proposals were approved by the shareholders. The proposals are described in detail in the Company's definitive proxy statement filed with the Securities and Exchange Commission on May 20, 2014.

On June 11, 2014, our shareholders approved and adopted our company's 2014 Stock Option Plan which permits our company to grant up to an aggregate of 3,500,000 options to acquire shares of our common stock, to directors, officers, employees and consultants of our company.

On July 24, 2014, the Company granted 100,000 stock options to Ron Struthers, 500,000 stock options to Robert McAllister, and 25,000 stock options to Taven White with an exercise price of \$0.25, vesting immediately and expiring on July 24, 2019.

On August 5, 2014, the Company made its second quarter payment to Agora Internet Relations Corp. of \$13,125 by issuing 82,031 common shares of the Company at a market price of \$0.16 per share.

On August 12, 2014, we closed a private placement by issuing 1,251,333 units at a price of US\$0.15 per unit for gross proceeds of US\$187,700 ( Unit ). 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.

### ***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. On November 26, 2014, we executed the sale of all or our working interests in Belmont Lake with a closing date of December 5, 2014. In April of 2014, we began our entry into the medicinal marijuana business through the creation of a joint venture to establish a licensed medical marijuana production facility under the Marihuana for Medical Purposes Regulation in Canada. The change of business was approved our shareholders during our Annual General Meeting held on June 11, 2014. On June 26, 2015, we entered into a definitive agreement with a third party and our joint venture partner, Enertopia Corp., to sell our 49% interest in our medical marijuana joint venture. As at the date of this report we do not have any active projects in the medical marijuana sector.

In November of 2014, our Company acquired 51% of PoViva Tea LLC which produces hemp oil enriched teas and holds patent pending intellectual property for the enhancement of foods by lipid infusion. The acquisition marked our entry into in the food science and food supplement sector.

Our company's business plan is currently focused in the USA, on the introduction of hemp oil-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; to investigate expansions and additions to our intellectual property portfolio; 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 are seeking patent protection for what we believe to be a unique process for the nutritional delivery of 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 past fiscal year we experienced the following significant corporate developments:**

On September 26, 2014, the Company closed a private placement by issuing 305,200 units at a price of \$0.15 per unit for gross proceed of \$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 \$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 and acquired 51% of PoViva with an initial consideration of US\$50,000.

On November 26, 2014 a Purchase and Sale Agreement was entered 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. The scheduled closing date of the Purchase and Sale Agreement is December 5, 2014. For additional details in regards to the purchase and sale, refer to the full copy of the Purchase and Sale Agreement attached hereto as an exhibit to this current report.

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. Concurrently with the extension of the lease our joint venture with Enertopia to establish a Burlington, Ontario, medical marijuana facility was extended to June 12, 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 months, and 100,000 vesting in 12 months, these options 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 is obligated to 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 and 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 which 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.

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On May 14, 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. During August 2015, Peter Przygoda commission was reduced by \$4,900 and his warrants were reduced to 108,500.

In June 2015, the Company filed 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 Anti Inflammatories, and certain Vitamins.

On June 8, 2015, we entered into an investor relations and public relations Services Agreement with TDM Financial for 60 days at a cost of \$18,000.

Also on June 8, 2015, we issued 250,000 restricted common shares valued at \$50,000 at \$0.19 per share to Messrs Ron Keleher (50,000 common shares) and Scott Urquart (200,000 common shares) with respect to business development consulting agreements signed on April 2, 2015 and May 27, 2015.

On June 11, 2015, the Company entered into a letter of intent with Shaxon Enterprises Ltd. and Enertopia Corp. to sell its interest in our Burlington Joint Venture with Lexaria Corp., including our interest in MMPR application number 10QMM0610 for the proposed Burlington, Ontario production facility.

Subsequent to the LOI with Shaxon Enterprises Ltd. and Enertopia Corp., the Burlington Joint Venture between Enertopia and Lexaria which was entered into on May 28, 2014 was terminated due to the pending sale of the project. As a result of the termination, 500,000 restricted and escrowed shares of our common stock issued to Enertopia Corp. at a deemed price of \$0.40 were returned to treasury and cancelled. The Enertopia and Lexaria Master Joint Venture Agreement entered into on March 5, 2014 is still effective and governs the relationship between the parties.

On June 26, 2015, we entered into a definitive agreement with Enertopia Corp. and Shaxon Enterprises Ltd. to sell our 49% interest in the Burlington Joint Venture and the MMPR application number 10MMPR0610. The Burlington MMPR license application will continue in the application process under new ownership. Pursuant to the agreement, the joint venture received a non-refundable \$10,000 deposit and is entitled to receive up to \$1,500,000 in milestone payments upon the Burlington facility becoming licensed under the MMPR. All payments made pursuant to the Definitive Agreement would be divided 51% to Enertopia Corp. and 40% to our Company. Notwithstanding the foregoing, we can neither guarantee nor provide a meaningful time estimate regarding the grant of a production license for the Burlington facility. On August 17, 2015, the Company cancelled the 500,000 restricted common shares issued on July 22, 2015, as per an existing management consulting contract, to Docherty Management Limited. In their place, 420,000 restricted common shares have been issued at \$0.20 per share to Docherty Management Limited as well as US\$16,000 paid in order to compensate for the estimated tax burden of receiving restricted common shares that are not freely tradable.

On August 24, 2015, the Company announced potential industry-changing achievements in enhanced gastro-intestinal absorption of cannabidiol (CBD) utilizing Lexaria's patent pending technology. The recent third-party testing was conducted in two phases of *in vitro* tests beginning in June and completed in August, 2015. The independent laboratory results have delivered average CBD permeability as high as 499% of baseline permeability, compared to CBD permeability without Lexaria's technology.

Subsequent to year end, on September 16, 2015, the Company's Board has appointed Ted McKechnie as a Director. He was issued 100,000 common shares of the Company at \$0.19 per share and was awarded 100,000 stock options vested immediately and expiring in five years at an exercise price of \$0.19.

On October 6, 2015 we announced that our brand new Lexaria Energy10 Protein Bar will be in stock and available for sale on November 3, 2015. We believe that our Lexaria Energy10 bar is the world's first gluten free bar fortified with active full spectrum hemp oil utilizing Lexaria's patent pending technology for greater bioavailability. There are two different recipe formulations being introduced, each optimized for a slightly different purpose. The Cashew Berry Date vegan bar is optimized for pre-workout or pre afternoon use, with 10 grams of protein and a combination of dates, cherries and blueberries for energy from natural sugar sources. This 70 gram bar delivers energy for your workout or for your day to come. The 82 gram Chocolate Berry Date bar is optimized for post-workout and for afternoon or evening use. It has 21 grams of protein and 13 grams of fiber to provide comfort after strenuous activity.

## **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. To date, 26 producers have become licensed under the MMPR.

On June 26, 2015, we entered into a share purchase agreement with Shaxon Enterprises Ltd. and Enertopia Corp. to sell our 49% interest in our Burlington, Ontario medical marijuana project, including the MMPR application (no. 10MMPR0610) for our proposed production facility. The Burlington MMPR license application will continue in the application process under new ownership. Pursuant to the agreement, the joint venture received a non-refundable \$10,000 deposit and is entitled to receive up to \$1,500,000 in milestone payments upon the Burlington facility becoming licensed under the MMPR. These monies would be split 51% to Enertopia and 49% to our Company. Notwithstanding the foregoing, we can neither guarantee nor provide a meaningful time estimate regarding the grant of a production license for the Burlington facility.

Since June 12, 2015 the Company has had no direct involvement or ownership interest in any active or prospective operations or permit applications under the MMPR. We have further plans at this time to apply for a license in any jurisdiction for the production or sale of legal medical marijuana.

## **Regulation of Medical Marijuana Production Applicable to our Previously 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. On June 11, 2015, Supreme Court of Canada affirmed the lower court's decision. As a result of the Supreme Court of Canada decision, individuals authorized to possess marijuana under the MMPR and those falling under the terms of a court injunction (for example, Allard injunction, described below) may now possess marijuana derivatives for their own use. In order to eliminate uncertainty around a legal source of supply of marijuana, Health Canada has taken the immediate step of issuing a section 56 exemption under the Controlled Drugs and Substances Act (CDSA), allowing licensed producers to produce and sell cannabis oil and fresh marijuana buds and leaves in addition to dried marijuana (however plant material that can be used to propagate marijuana will not be permitted to be sold by licensed producers to clients). The role of healthcare practitioners in authorizing marijuana for medical purposes does not change. 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.

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

Prior to engaging in the production of medical marijuana, an applicant 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

Health Canada has not provided estimated or guaranteed process times for any application stage. According to Health Canada, as at March 31, 2015, it had received 1,284 formal production license applications under the MMPR since its call for applications in 2013. Of those, 252 have been refused; 324 applications are in progress; 40 have been withdrawn; 935 licence applications have been rejected or withdrawn; and 643 were incomplete and have been returned. 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 our former application under review would be processed.

Due to the above described regulatory hurdles and other legal uncertainties described below, on June 24, 2015, we sold our 49% interest in the joint venture and MMPR application for the proposed medical marijuana production facility in Burlington, Ontario.

### **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 the medical marijuana market is relatively new and largely unproven. The adoption rate of commercial medical marijuana 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 medical marijuana 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].

Medical marijuana 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, medical marijuana 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 Previous 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 were to be divided 51% to Enertopia and 49% to Lexaria. Expenses incurred by the joint venture would be allocated 45% to Enertopia and 55% to Lexaria. Enertopia was to be responsible for management of the joint venture for as long as it maintained majority ownership. Lexaria and Enertopia contributed \$55,000 and \$45,000 to the joint venture, respectively. The joint venture 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 was anticipated to cost approximately \$3,000,000 and Lexaria would have been responsible for \$1,650,000 of this cost. Unable to estimate when a production license might be granted by Health Canada, the joint venture sought assurances from Health Canada prior to commencement of construction. In the event that Health Canada did not grant a production license by May 27, 2015, the joint venture was to terminate. On August 1, 2014, through our wholly owned subsidiary Lexaria Canpharm Corp., we signed an extension to the letter of intent with 1475714 ONTARIO INC. and Thor Pharma Corp. (a subsidiary of Enertopia Corp.) to secure a 5 year lease on the Burlington, Ontario facility for our Burlington joint venture. The proposed Burlington, Ontario facility was comprised of 30,000 ft<sup>2</sup>, with Lexaria and 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. 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) was approximately 10,000 kilograms per year.

By November 30, 2014, our Burlington joint venture had announced that its application to Health Canada for the Burlington facility had advanced from preliminary to enhanced screening. By December 12, 2014, the joint venture was extended to June 12, 2015.

On June 11, 2015, we entered into a Letter of Intent dated June 10, 2015 with Shaxon Enterprises Ltd. to sell our 49% interest in the Burlington joint venture, including our interest in MMPR application number 10QMM0610 for the proposed Burlington, Ontario production facility. Subsequent to the LOI with Shaxon Enterprises Ltd., our joint venture agreement with Enertopia which was entered into on May 28, 2014 was terminated due to the pending sale of the project. As a result of the termination, 500,000 restricted and escrowed common shares of Lexaria issued to Enertopia at a deemed price of \$0.40 were returned to treasury and cancelled. The Enertopia and Lexaria Master Joint Venture Agreement entered into on March 5, 2014 is still effective and governs the relationship between our Company and Lexaria.

On June 26, 2015, we signed a Definitive agreement to our interest in the Burlington joint venture along with the MMPR application number 10MMPR0610. The Burlington MMPR license application will continue in the application process under new ownership. Pursuant to the agreement, the joint venture received a non-refundable \$10,000 deposit and is entitled to receive up to \$1,500,000 in milestone payments upon the Burlington facility becoming licensed under the MMPR. These monies would be split 51% to Enertopia and 49% to Lexaria. Notwithstanding the foregoing, we can neither guarantee nor provide a meaningful time estimate regarding the grant of a production license for the Burlington facility.

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

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.

## Food Science and Technology

Lexaria is a food sciences company focused on the delivery of cannabinoid compounds procured from legal, agricultural hemp, through gourmet foods based upon its proprietary infusion technologies. Lexaria is focusing its capital and management time on its pursuit of intellectual property, technology licensing opportunities, and an expanding portfolio of patent pending applications. The Company introduced an expanding variety of CBD-fortified consumer food products throughout 2015, and expects to introduce several more products before the end of calendar 2015. During the month of August six additional flavoured teas were made available for sale to the consumer.

On November 11, 2014, our Company acquired 51% of PoViva Tea LLC and executed 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 oversees all 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 hemp 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 hemp oil 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.

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.*

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.

Despite independent scientific findings in many locations around the world, 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 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 our products as soon as possible; focused on the immediate opportunities in the CBD-sectors derived from hemp oil that is federally legal. Cannabinoids 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 CBD's 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 hemp oil into the mainstream. Because hemp oil does 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 commissioned two new websites in 2015 – one for ViPova-branded food products and another for a new Lexaria corporate website - which were introduced in the first half of 2015. A third separate website is being planned, to be able to sell Lexaria-branded food 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 has been contracted to ensure rapid and accurate fulfillment of all orders. A 1-800 ordering center has also already been placed into operation.

Lexaria is in the process of launching the Lexaria Energy brand that will be 100% owned by the Company. Under this brand, the Company plans to develop hemp oil-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 has been finalized. Packaging is underdevelopment and the new hemp oil infused protein bars are expected to be available for sale prior to the end of calendar 2015. The Lexaria Energy brand will utilize the same patent-pending infusion process across its product line as is currently used by the ViPova brand.

Through the November 2014 acquisition of 51% of Poviva Teas LLC, Lexaria acquired control of certain patents pending with the United States Patent Office. Throughout the fiscal year, Lexaria has worked to broaden the patents and extend their utility to molecules other than those originally named.

On August 11, 2015, Lexaria signed a license agreement with PoViva Tea LLC for \$10,000, granting Lexaria a 35-year non exclusive worldwide license to unencumbered use of PoViva Tea LLC's IP Rights, including rights of resale. This license agreement ensures Lexaria has full access to the underlying patent pending infusion technology.

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.

**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 NSAID s. 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), Ibruprofen (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, Ibruprofen, 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.

On August 24, 2015, the Company announced potential industry-changing achievements in enhanced gastro-intestinal absorption of cannabidiol (CBD) utilizing Lexaria s patent pending technology. The recent third-party testing was conducted in two phases of *in vitro* tests beginning in June and completed in August, 2015.

The independent laboratory results have delivered average CBD permeability of 499% of baseline permeability, compared to CBD permeability without Lexaria s technology. These results exceed Company expectations. This was assessed in a strictly controlled, *in vitro* experiment using a human intestinal tissue model. Samples of Lexaria s commercially available CBD-fortified ViPova black tea were administered in the model compared with concentration-matched CBD control preparations that lacked Lexaria s patent-pending formulation and process enhancements. Lexaria believes that its *in vitro* findings provide compelling evidence of the intestinal absorption enhancing capabilities of its technology, based on which it is exploring opportunities to progress to more advanced, follow-on bioavailability testing in animals.

The tests also showed 325% of baseline gastro-intestinal permeability of CBD comparing Lexaria s CBD-fortified ViPova black tea to a second control of CBD and black tea combined, *without* Lexaria s patent-pending formulation enhancements. This confirms that the specialized processing undertaken by Lexaria during its manufacturing process together with its formulation enhancements, does indeed significantly improve absorption levels.

As previously reported by the Company, bioavailability of CBD (or of THC) varies greatly by delivery method. Smoking typically delivers cannabinoids at an average bioavailability rate of 30% (Huestis (2007) Chem. Biodivers.

4:1770 1804; McGilveray (2005) Pain Res. Manag. 10 Suppl. A:15A-22A). By comparison, orally consumed cannabis edibles typically deliver cannabinoids at an average bioavailability rate of only 5% (Karschner et al. (2011) Clin. Chem. 57:66-75).

The Company's present findings suggest that its technology may achieve a 5-fold improvement in cannabinoid absorption in edible form over that which can be achieved without its proprietary process and formulation enhancements. This conceptually supports that Lexaria's technology represents a significant breakthrough in cannabinoid delivery by approximating the high absorption levels achieved as though through administration by smoking, but without the associated negative effects on human health caused by smoking.

The tests were completed in two phases culminating with testing using simulated intestinal fluid conditions that delivered these findings. These results were stronger than earlier iterations of the tests that did not use a simulated intestinal fluid environment and has contributed to Lexaria's understanding of the mechanisms at work. For these and other reasons, Lexaria believes that bioavailability testing in animals is likely to yield even stronger absorption results in the presence of natural intestinal fluid conditions.

CBD has been repeatedly found to provide beneficial pain relieving, anti-inflammatory, anti-anxiety, neuroprotection, anti-psychotic, and anti-convulsive effects among others. Lexaria's patent-pending technology could significantly reduce individual serving requirements for CBD to consumers. This could lead to reduced costs of consumption for consumers and increased profitability for Lexaria.

Lexaria believes that the same technology used to enhance the absorption of CBD in the recent laboratory tests, is applicable to THC, nicotine, NSAIDs and other lipophilic compounds that are widely used today.

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.

Our business plan does not anticipate that we will hire a large number of employees or that we will require extensive office space. We expect to be able to utilize contracted third parties for most of our production and distribution needs, instead focusing on our capital on higher value added aspects of the business such as research and development, and scientific testing. We have no current plans to build our own production facility.

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, exploration and production for roughly 10 years. We sold our last remaining oil and gas assets in 2014 and no longer have any business interests in that sector. 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.

The legal marijuana industry is comprised of several sub-sectors, and is legal under different guidelines in many states though it remains illegal under most federal laws. Notwithstanding, the overall sector is generally recognized to be one of the fastest growing in the USA, with state-legal revenue of some \$3 billion in 2015. Independent projections and publicized reports expect revenue of \$20 billion or more in 2020, both as the sector gains in credibility and acceptance, and as more and more states legalize either medical use or adult recreational use; or both. In any fast growing industry, competition is expected to be both strong and also difficult to evaluate as to the most effective competitive threats. While we are an early adopter within the cannabinoid delivery sector, there are already reports of more than 300 public companies that have claimed to be involved in the sector in some fashion; and an unknown number of private companies. Our current strategies may prove to be ineffective as the sector grows and matures, and if so, we will have to adapt quickly to changing sectoral circumstances.

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 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 licence 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. Any operation or joint venture we pursue within Canada will, however, select locations for prospective facilities based on the availability of municipal zoning allowances for our proposed activities and will of necessity comply with all local and federal regulations.

At least 24 States in the USA have passed some form of legislation related to that state's permission to grow, cultivate, sell or use marijuana either for medical purposes or for recreational or adult use purposes; or both. The various state legislation is not necessarily harmonious with one another, leading to potential conflicts between state laws. It is most often not legal to transport cannabis-related products across state lines.

Lexaria does not touch the plant in any location within or outside of the USA. We comply with federal law that provides for certain exemptions for agricultural (industrial) hemp and certain byproducts to be manufactured and sold in the US. Our technology may have applications within the legal marijuana sector and we may seek to license that technology to companies that have met and comply with state regulations for the sale or distribution of cannabis related products in any particular jurisdiction.

Lexaria's patent-pending technology may also have application in completely separate sectors such as vitamins, non-steroidal anti-inflammatories, and nicotine. We have no products nor operations in any of these sectors today. If we enter any of these sectors at any time, we will be exposed to and of necessity will have to comply with, all local, state and federal regulations in each of those sectors. As a result of the possibility of Lexaria being involved in a number of disparate business sectors, compliance with government regulations could require significant resources and expertise from our company.

### **Employees**

We primarily have used the services of sub-contractors and consultants for manual labour exploration work and drilling on our former oil and gas properties, and expect to also primarily use sub-contractors and consultants in the medical marijuana operations. Most of our executive management are engaged via consulting agreements.

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, 2014, 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.

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 product advancement or retail acceptance of our new products, we may need to retain additional employees particularly in the fields of product manufacturing and development, and in sales and distribution. It is not possible to accurately project potential needs into the future based on circumstances that may or may not occur.

## **Research and Development**

We have incurred \$146,466 in research and development expenditures over the last fiscal year. Subject to successful financing efforts, we expect to conduct additional research and development, and conduct additional scientific testing, in the upcoming fiscal year. Exact programs remain undefined at this time and will be tightly related to our financial ability to undertake such steps.

However our plans include *in vitro* absorption tests of our patent pending technology of molecules such as Vitamin E; Ibuprofen; Nicotine; and, THC. We also hope to conduct our first ever *in vivo* absorption tests on CBD and on THC, all curing the upcoming fiscal year if budgets allow. Depending on how many of these tests we undertake, we could require budgets of as much as \$500,000, or as little as \$35,000, to do so.

## **Subsidiaries**

We have one wholly owned subsidiary, Lexaria CanPharm Corp., a Canadian corporation. We also have a 51%-owned subsidiary Poviva Tea, LLC which was incorporated on December 12, 2014, under the laws of the State of Nevada.



## **Item 1A. Risk Factors**

Our business operations are subject to a number of risks and uncertainties, including, but not limited to those set forth below:

### **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 encountered by entering a new and rapidly evolving sector such as the legal marijuana sector. The likelihood of success must be considered in light of the problems, expenses, difficulties, complications and delays encountered in connection with the compliance with regulations at the local, State and Federal level that may at times be contradictory. These potential problems include, but are not limited to, unanticipated problems relating to evolving regulatory compliance; development, marketing and distribution of new lines of products; and, additional costs and expenses that may exceed current estimates. The expenditures to be made by us in the development of new products may not result in the generation of meaningful revenues. If the results of our product development do not meet minimum levels to establish profitability, we may decide to abandon that product line or even cease operations. The development of new products or product lines will be dependent upon us possessing capital resources at the time. 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 \$260,075 and working capital surplus of \$619,609 as of year ended August 31, 2015. Any development of new products or of intellectual property is subject to our ability to obtain the financing necessary for us to fund, develop and produce revenue from that product or intellectual property. The requirements are substantial. Obtaining additional financing would be subject to a number of factors, including but not limited to investor acceptance of our business model 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 year ended August 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 products will be successful, and we cannot be sure that our overall business model within any particular sector 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 product development, marketing, or other aspects of the business. Although we will exercise due consideration in our development of new products, and the marketing of them, ultimate consumer acceptance of these products is not reliably forecastable.

In addition, our product 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 input costs of food products and changes in the estimates of costs to complete the projects. We will continue to gather information about our planned products, and it is possible that additional information may cause our company to alter our schedule or determine that a product should not be pursued at all. You should understand that our plans regarding our products are subject to change.

Our revenues now are generated from being a food sciences and products company. We should be considered to be a start-up: the revenue recognized for the year ended August 31, 2015 is \$14,702.

We recognize that if we are unable to generate significant revenues from our products or intellectual property, we will not be able to earn profits or possibly, 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 food industry is highly competitive and there is no assurance that we will be successful in developing or successfully selling products.*

The food industry is intensely competitive. We compete with numerous individuals and companies, including many food manufacturing and production companies which have substantially greater technical, financial and operational resources and staff. Accordingly, there is a high degree of competition for desirable distribution channels, shelf space and salespeople in both the food industries as well as the legal cannabis industries. We cannot predict if the necessary funds can be raised to assist in our development of any distribution channels that may be helpful to our ability to generate sales and potential profits..

*There can be no assurance that we will develop any product that will meet with widespread consumer acceptance..*

Both new and established food and cannabis products fail to generate consumer interest on a regular basis. There is no assurance that a food or cannabis product that is successfully adopted by consumers at one time, will still be in demand at a future time. If we cannot develop and sell products in commercial quantities, our business will fail.

*Even if we develop food or intellectual property-based products or revenue streams, the potential profitability of each depends upon factors beyond the control of our company.*

The potential profitability of food products and of intellectual property revenue streams is dependent upon many factors beyond our control. For instance, prices and markets for food products are unpredictable, highly volatile, potentially subject to controls or any combination of other factors, and respond to changes in domestic, international, political, social and economic environments. 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.

In addition, a product or technology that is initially successful and possibly even profitable may not remain so due to changes in consumer demand, regulatory environments, or other causes. There is no assurance that an initially successful product or technology will remain so.

*The marketability of food products 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 food products will be affected by numerous factors beyond our control. These factors include market fluctuations in consumer preferences for various food items based on factors such as pricing, macro trends for certain ingredients or flavors, ruling by regulators on health issues associated with certain foods, and more. 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.

*Both food products and cannabis products 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.*

Food production and safety operations, and cannabis products and sales operations, are subject to federal, state, and local laws relating to the protection of human health and safety. Food production and cannabis operations are each also subject to federal, state, and local laws and regulations which seek to maintain health and safety standards

through a wide variety of regulations. Various permits from government bodies may be required by us in order to conduct our business. Regulations and standards imposed by federal, provincial, or local authorities may be changed at any moment in time and any such changes may have material adverse effects on our activities. Changes in regulations are impossible to foresee and could be disruptive or destructive to our business plans and execution. 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 contaminants or other 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.

*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 those parts of our business that are related to intellectual property generation or exploitation. 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 vertically integrated food production facilities, and so we are exposed to the risks of our third-party operators.*

We rely on the expertise of contracted third-parties for their judgment, experience and advice related to the manufacturing and/or packaging of our food products. 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 operations and activities in which we are contractually bound.

*Our management has limited experience and training in the food processing and manufacturing industries, and in the cannabis products industries, and could make uninformed decisions that negatively impact our operations and our company.*

Because our management has limited experience and training in the food processing and manufacturing industry, and in the cannabis products industry, we may not have sufficient expertise to make informed best practices decisions regarding our operations. It is possible that, due to our limited knowledge, we might elect to undergo manufacturing processes and incur financial burdens that a more experienced food manufacturing team might elect not to complete. Our ability to internally evaluate food and cannabis 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 year ended August 31, 2015 states that there is a substantial doubt that we will be able to continue as a going concern.*

As at August 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 marijuana business is structured to comply with all applicable Regulations. In the United States, 3 states, including our state of incorporation, Nevada, have approved and regulate medical marijuana use. Similarly, four 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.

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.

We do not currently, nor at any time in our corporate history have we ever cultivated, grown, processed, manufactured or sold marijuana in any location. Although we believe this fact to provide protection against prosecution related to marijuana legislation, we can not provide any assurance to that effect. We do not hold a license in any jurisdiction enabling us to grow or sell marijuana or cannabis related edibles, but because of our business model we do not feel that is a barrier to entry for us. Instead, we plan to license our technology related to bioabsorption of THC, to those entities that do have valid licenses in various North American jurisdictions to sell cannabis related edibles. If we are unable to license our technology to any valid license holders, then we may be shut out of this market.

*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 significant history of operations in the legal medical marijuana sector, the legal hemp oil infused products sector, or in the food products sector. Moreover, our business model is still evolving and subject to change. 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. In that regard we have 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 our products may cause our business plan to be unprofitable.*

Demand for medical marijuana and for cannabis or hemp related products 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 marijuana and hemp products will continue to grow across North America, there is no assurance that such increase in demand will happen or that our endeavors will be profitable.

*We may not acquire market share or achieve profits due to competition in our industries.*

Our company operates in highly competitive marketplaces 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 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.

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

The decision of a potential client to purchase our products may be motivated by cultural phenomena or by perceived health or nutritional benefits. The cultural desirability or popularity of hemp related products is subject to change due to factors beyond our immediate control. Similarly, the perceived nutritional or health related benefits of our products are subject to change in light of continuing research or the introduction of competitive products. . Changes in consumer and commercial preferences, or trends, toward or away from cannabis or hemp related products would have a corresponding impact on the development of the market for our current and planned products.. There can be no assurance that the products supplied by our company and or its partners will be successful in establishing or maintaining a significant share of the consumer market.

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

The willingness of businesses to spend time and money on non-essential food and health products may be dependent upon general economic conditions; and any material downturn may reduce the likelihood of consumers incurring costs toward what some may consider a discretionary expense item. Willingness by customers to buy our products may be dependent upon general economic conditions and any material downturn may reduce the potential profitability of the food sciences or medical marijuana business sectors.

*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 onetime 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 medical marijuana business and of our food products 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.

*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 medical marijuana 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 conduct our business activities. 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.

*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.

*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.

*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 constituting 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 1B. Unresolved Staff Comments**

As a smaller reporting company, we are not required to provide the information required by this Item.

**Item 2. Properties**

*Executive Offices*

The address of our principal executive office is Suite 950, 1130 West Pender Street, Vancouver, British Columbia, V6E 4A4, for which we share 250 square feet of office space, which includes one executive office for a monthly rental of CAD\$1,230. Our telephone number is (604) 602-1675. We have an additional office located in Kelowna, British Columbia, where we have 1,200 square feet of office space, which includes several offices for a monthly rental of CAD\$826. Our current locations provide adequate office space for our purposes at this stage of our development.

*Resource Properties*

As at August 31, 2014, our company owned a 42% gross working interest in the PPF12-1 and PPF12-3A wells; a 50% gross working interest in wells PP F-12-4(not producing), PP F-12-5(not producing) and 13.3% gross working interest in well PP F 12-7, all located in Mississippi under various agreements with Griffin and Griffin Exploration, L.L.C. The most significant of these wells are the producing oil wells PP F-12-1 and PP F-12-3A, and the PP F-12-7 well which began production subsequent to our fiscal year end, all located within the Belmont Lake oil field which is itself located in the Palmetto Point region. The Belmont Lake oil field is onshore, as are all of our company's wells, but located in a flood plain of the Mississippi River which forces seasonal constraints on certain field activities. Other than the five oil wells noted immediately above, our company has no other producing wells. Additional details of these interests are noted below and not all of these wells were successful. On November 26 2014 our company sold all of our working interests in Belmont Lake, Mississippi and at that moment no longer owned any natural resource assets.

***Significant Acquisitions and Dispositions***

On November 26, 2014, our company sold all its working interests in Belmont Lake.

The Purchase and Sale Agreement was executed on November 26, 2014, by and between our company 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. The closing date of the Purchase and Sale Agreement was December 5, 2014.

Subsequent to year end, on November 12, 2014, the Company has signed an agreement with PoViva and acquired 51% of PoViva with an initial consideration of US\$50,000. Lexaria serves as the Manager of Business Operations of PoViva's Teas. As Manager, Lexaria oversees most 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

On June 26, 2015, we entered into a definitive agreement with our joint venture partner Enertopia Corp., and Shaxon Enterprises Ltd. to sell our 49% interest in the Burlington Joint Venture and the MMPR application number 10MMPR0610. The Burlington MMPR license application will continue in the application process under new ownership. Pursuant to the agreement, the joint venture received a non-refundable \$10,000 deposit and is entitled to receive up to \$1,500,000 in milestone payments upon the Burlington facility becoming licensed under the MMPR. All payments made pursuant to the Definitive Agreement would be divided 51% to Enertopia Corp. and 40% to our Company. Notwithstanding the foregoing, we can neither guarantee nor provide a meaningful time estimate regarding the grant of a production license for the Burlington facility.

**Item 3. 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 4. Mine Safety Disclosures**

None.

**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Our common shares are quoted on the Over-the-Counter Bulletin Board under the symbol LXRP. Our common shares are also quoted on the Canadian National Stock Exchange (CNSX) under the symbol LXX. The following quotations, obtained from Yahoo Finance, reflect the high and low bids for our common shares as quoted on the Over-the-Counter Bulletin Board based on inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

The high and low bid prices of our common stock for the periods indicated below are as follows:

<b>OTC Bulletin Board<sup>(1)</sup></b>		
<b>Quarter Ended</b>	<b>High</b>	<b>Low</b>
October 31, 2013	\$0.10	\$0.0413
January 31, 2014	\$0.074	\$0.0325
April 30, 2014	\$0.785	\$0.042
July 31, 2014	\$0.434	\$0.14
August 31, 2014	\$0.14	\$0.102
November 30, 2014	\$0.12	\$0.04
Feb 28, 2015	\$0.12	\$0.07
May 31, 2015	\$0.225	\$0.076
August 31, 2015	\$0.27	\$0.13

<sup>(1)</sup> Over-the-counter market quotations reflect inter-dealer prices without retail mark-up, mark-down or commission, and may not represent actual transactions.

As of October 9, 2015, there were 58 holders of record of our common stock. As of such date, 39,852,984 shares of common stock were issued and outstanding.

## Edgar Filing: LEXARIA CORP. - Form 10-K

Our common shares are issued in registered form. Computershare, 2nd Floor, 510 Burrard Street, Vancouver, BC V6C 3B9 (Telephone: 604-661-9400; Facsimile: 604-661-9549) is the transfer agent for our common shares.

Nevada Agency and Trust Company, 50 West Liberty Street, Suite 880, Reno, Nevada 89501 (Telephone: 775.322.0626; Facsimile: 775.322.5623) is our registrar.

### *Dividend Policy*

We have not paid any cash dividends on our common stock and have no present intention of paying any dividends on the shares of our common stock. Our current policy is to retain earnings, if any, for use in our operations and in the development of our business. Our future dividend policy will be determined from time to time by our board of directors.

### *Recent Sales of Unregistered Securities*

Other than set out below, we did not sell any equity securities which were not registered under the Securities Act during the year ended August 31, 2015 that were not otherwise disclosed on our quarterly reports on Form 10-Q or our current reports on Form 8-K filed during the year ended August 31, 2015.

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 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. Cash finders fee in the amount of \$4,900 from Peter Przygoda was returned in August, 2015 and his broker warrants were adjusted to 108,500.

On June 8, 2015, the Company issued 250,000 common shares valued at \$50,000 at \$0.19 per share to Ron Keleher (50,000 common shares) and Scott Urquart (200,000 common shares) with respect to agreements signed on April 2, 2015 and May 27, 2015. On June 11, 2015, 500,000 restricted shares of the Company that were issued to Enertopia Corp. were returned back to treasury and cancelled.

On August 17, 2015, the Company issued 420,000 common shares of the Company at a price of \$0.20 per common share to Docherty Management Limited as per the terms of the consulting agreement.

### **Equity Compensation Plan Information**

We have no long-term incentive plans other than the stock option plans described below:

#### **2007 Equity Plan**

On April 25, 2007, our shareholders approved our 2007 Equity Incentive Stock Option Plan.

The 2007 Plan permits our company to issue up to 500,000 shares of our common stock to eligible employees and directors of our company upon the exercise of stop options granted under the 2010 Plan.

### 2010 Equity Compensation Plan

On February 26, 2010, our shareholders approved and adopted our 2010 equity incentive plan.

The 2010 Plan permits our Company to issue up to 1,800,000 shares of our common stock to directors, officers, employees and eligible consultants of our Company upon exercise of stock options granted under the 2010 plan.

### 2014 Stock Option Plan

On June 11, 2014, our shareholders approved and adopted our company's 2014 Stock Option Plan which permits our company to grant up to an aggregate of 3,500,000 options to acquire shares of our common stock, to directors, officers, employees and consultants of our company.

The Board may amend, subject to the approval of any regulatory authority whose approval is required, suspend or terminate this Plan or any portion thereof. No such amendment, suspension or termination shall alter or impair any outstanding unexercised Options or any rights without the consent of such Participant. If this Plan is suspended or terminated, the provisions of this Plan and any administrative guidelines, rules and regulations relating to this Plan shall continue in effect for the duration of such time as any Option remains outstanding.

<b>Equity Compensation Plan Information</b>			
<b>Plan category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</b>
Equity compensation plans not approved by shareholders	Nil	Nil	Nil
Equity compensation plans approved by shareholders:			
2007 Equity compensation plan	Nil	Nil	Nil
2010 Equity compensation plan	900,000	\$0.24	1,200,000
2014 Stock Option Plan approved by security holders	2,800,000	\$0.25	700,000

<b>Total</b>	<b>3,700,000</b>	0.24	1,900,000
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**Convertible Securities**

As of August 31, 2015, we had outstanding options to purchase 3,700,000 shares of our common stock exercisable between prices of \$.60 and \$0.10.

On July 11, 2011, we granted 700,000 stock options to directors and officers of our company at an exercise price of \$0.35 per share, which options vest immediately and expire on July 11, 2016. (250,000 options were exercised)

On June 18, 2013, based on this original 2010 Stock Option Plan, we granted additional 500,000 stock options to directors and officers, and a consultant of our company. The exercise price of the stock options were US\$0.10, vested immediately and expire on June 18, 2018. (100,000 were exercised)

On March 25, 2014, Jason Springett joined our company as an advisor and we granted 50,000 stock options with an exercise price of \$0.60, vesting immediately and expiring on March 25, 2019.

On July 24, 2014, we granted 100,000 stock options to Ron Struthers, 500,000 stock options to Robert McAllister, and 25,000 stock options to Taven White with an exercise price of \$0.25, vesting immediately and expiring on July 24, 2019.

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.

#### **Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

We did not purchase any of our shares of common stock or other securities during our fiscal year ended August 31, 2015.

#### **Item 6. Selected Financial Data**

As a smaller reporting company, we are not required to provide the information required by this Item.

#### **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion should be read in conjunction with our audited consolidated financial statements and the related notes that appear elsewhere in this annual 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 annual report, particularly in the section entitled "Risk Factors" beginning on page 28 of this annual report.

Our audited financial statements are stated in United States Dollars and are prepared in accordance with United States Generally Accepted Accounting Principles.

#### **Plan of Operation**

During the next twelve month period (beginning September 1, 2015), we intend to:

- continue sales and marketing efforts for ViPova and new product lines
- identify and secure sources of equity and/or debt financing for patent applications;
- identify and secure sources of equity and/or debt financing for additional line of products for health and wellness;

identify and secure sources of equity and/or debt financing for research and development

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Our plans are dependent upon our ability to obtain sufficient capital to execute. Without sufficient capital, our plans will change, and could change materially. We anticipate that we will incur the following operating expenses during this period:

<b>Estimated Funding Required During the 12 Months beginning September 1, 2015</b>		
<b>Expense</b>	<b>Amount (\$)</b>	<b>Estimated Completion/Due Date</b>
Research and Development of additional products	40,000	12 months
Patent applications and trademark	150,000	29 months
Marketing and Sales	200,000	12 months
Management Consulting Fees (\$426,000 is officers and directors)	1,010,000	12 months
Professional fees	150,000	12 months
Rent	35,000	12 months
Other general administrative expenses (including travel, insurance, conferences, and fees)	360,000	12 months
<b>Total</b>	<b>\$ 1,945,000</b>	

*12 Month Outlook for Current Product Line, Product Development & Design, Patents*

As at the date of this annual report, we have a working capital surplus of \$619,608 and cash on hand of approximately \$260,075. We therefore estimate that we will be required to raise approximately \$1,945,000 in cash to finance our planned expenditures for the 12 months beginning September 1, 2015. In the uncertain event that we are unable to raise sufficient funds to execute our current business plan, or in the uncertain event that all of our debt obligations become due, we will be required to scale back our operations to prioritize immediate and necessary expenses. These necessary expenses include professional fees and general and administrative expenses necessary to satisfy our public reporting requirements.

Our business strategy involves several elements. We intend to prioritize our consumer food products enriched with full spectrum hemp oil containing cannabidiol.

Our patent pending technology was developed to aid absorption and bioavailability of certain payload molecules, including cannabinoids such as cannabidiol (CBD) and tetrahydrocannabinol (THC). CBD is not psychoactive and may have desirable qualities, and is found in plant species such as hemp, cannabis, and Echinacea. Our technology appears to improve absorption and bioavailability of CBD into human epi-intestinal cells. We are developing a line of food products fortified with full spectrum hemp oil that contains cannabinoids such as CBD, but contains less than 0.3% THC. Because of the low amounts of THC, and because the hemp oil is derived from legally imported hemp, the products are legal under Federal law.

We first began selling trial amounts of ViPova-branded black tea fortified with hemp oil and utilizing our technology, in January 2015. In August 2015 we added six new flavors of tea to expand the brand's reach. We may continue to modify the flavors that are available to the public during the remainder of 2015 and in 2016, as we learn which flavors are most highly valued by consumers.

In or near October 2015, we plan to begin offering our first coffee and hot chocolate also fortified with full spectrum hemp oil, and also under the ViPova brand. Together, tea, coffee and hot chocolate are expected to comprise all our product offerings under the ViPova brand for the coming fiscal year, despite modest changes to flavors or perhaps packaging, etc. Offering a variety of self-made beverages to the consumers helps us to establish the ViPova brand and may also help us to develop relationships with retail distributors who are less likely to place orders from manufacturers that can only offer a single product.

As the year progresses we will evolve so that less of our focus is on product development, and more of our focus is on product sales and distribution. Generating meaningful revenue from product sales will be challenging and will rely in part on our ability to achieve widespread retail distribution access. We are also investigating the possibility of generating sales from international markets, in those locations where hemp oil fortified foods are permissible by law.

ViPova branded products are owned by our 51%-owned Poviva Tea LLC subsidiary.

During much of 2015 we have also been in active development of the beginning of a second line of food based products. While the ViPova line is focused on a coffee house experience, the Lexaria Energy line is focused on athletic performance and active lifestyle needs. The first Lexaria Energy product is believed to be unique or nearly so: a protein energy bar utilizing our technology to fortify with full spectrum hemp oil that contains CBD. We expect the Lexaria Energy Bar to be available for sale in October or November, 2015.

Lexaria Energy branded products are owned 100% by Lexaria Corp.

A manufacturing facility has been contracted to produce the bar and recipe development was ongoing during much of 2015 and is considered complete. Packaging was under development late in the past fiscal year and design was completed in September, 2015.

The Lexaria Energy Bar will first be manufactured with two slightly different recipes, each of which relies exclusively or almost exclusively on sugars derived from natural fruits and berries; each of which is gluten free and contains no artificial sweeteners, flavors, colors, or preservatives. One recipe delivers 21 grams of protein and 13 grams of fiber per serving while the other recipe delivers proportionately more carbohydrates as an energy enhancement. Recipes are subject to change without notice.

Our strategy will be to encourage online sales via a dedicated website, but also to encourage fitness enthusiasts to become aware of the Lexaria Energy Bars at fitness clubs and gyms, which they are likely to frequent. We will also pursue traditional grocery store, convenience store, and roadside store distribution channels mostly in 2016.

It is our intention, subject to sufficient funding being available, to develop additional fitness-style products in 2016 under the Lexaria Energy brand, such as protein powders for shakes or smoothies, and protein energy drinks. We are also considering other product development.

We believe the range of products available and under development are sufficient to prepare for revenue growth and potentially profitable long term operations if we are able to generate sufficient consumer demand and obtain sufficiently widespread retail distribution locations.

Meanwhile our business strategy contains a second element that involves the further development, and eventual licensing of, our intellectual property of molecule delivery that enhances bioactivity or absorption.



At this time we are not planning to offer for sale any products containing THC in quantities higher than 0.3% . However we envision licensing our technology to companies legally licensed to offer THC products in the states or jurisdictions where they do business. We will attempt to communicate the benefits of our technology to potential licensing partners, ie; with higher absorption levels a manufacturer could infuse smaller amounts of active molecules into a product, thus reducing their manufacturing input costs. We believe this to a meaningful competitive advantage that may lead to the potential to generate licensing revenue, and will pursue these opportunities within the THC market both within the USA and also internationally, in those locations where it is legal and regulated by government.

We would not ourselves be selling any THC products we would only be licensing technology to already-licensed participants in valid jurisdictions. We expect a low number of licensees initially.

Subject to available funding, we also plan to conduct additional *in vitro* and *in vivo* studies testing the absorption of some or all of the molecules named within our patent applications CBD, THC, NSAIDs, Vitamins, and Nicotine to substantiate the effectiveness of our invention. More than simply satisfying scientific curiosity, successful tests could lead to increased awareness and acceptance of our technology as a meaningful method by which to deliver some or all of the named molecules more effectively than their current delivery methods. Therefore absorption tests could become an important element leading towards higher rates of acceptance of our technology licensing initiatives.

We will pursue technology licensing opportunities as a method of generating highly profitable revenue streams over long periods of time. In addition, our patent applications have not yet been granted. It is not possible to forecast with certainty when, or if, our patent pendings will become granted patents. But if our patent applications do become granted patents, our ability to generate meaningful license revenue from our intellectual property may increase in a very short period of time. If our patent applications are denied, then we may lose the ability to generate any license revenue.

We will continue to pursue our patents pending as vigorously as we are able, since the successful granting of one or more of those applications could lead to material increases in shareholder value.

#### ***Results of Operations for our Year Ended August 31, 2015 and August 31, 2014***

Our net loss and comprehensive loss for the year ended August 31, 2015, for the year ended August 31, 2014 and the changes between those periods for the respective items are summarized as follows:

	<b>Year Ended August 31, 2015 \$</b>	<b>Year Ended August 31, 2014 \$</b>	<b>Change Between Year Ended August 31, 2015 and August 31, 2014 \$</b>
Revenue	\$ 14,702	\$ Nil	\$ 14,702
Other (income)expenses	Nil	Nil	Nil
General and administrative	1,968,089	1,559,341	408,748
Interest expense	31,544	165,790	(134,236)
Consulting fees	835,655	847,660	(12,005)
Medical Marijuana expenses	22,664	151,306	(128,642)
Professional Fees	98,751	58,849	39,792
Net Income (loss)	(1,934,352)	(3,257,712)	1,323,361



**Revenue**

Readers are cautioned that the Vipova sales of \$14,702 were for the year end August 31, 2015, 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.

**Income (Loss) from Discontinued Operations**

On November 26, 2014, our company sold all its working interests in Belmont Lake. The Purchase and Sale Agreement was executed on November 26, 2014, by and between our company 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. The closing date of the Purchase and Sale Agreement was December 5, 2014. Due to the disposition of our oil and gas assets at Belmont Lake, our oil and gas revenues have been applied against all costs associated with the Belmont Lake sale.

**General and Administrative**

Our general and administrative expenses increased by \$408,748 during the year ended August 31, 2015. The increase in our general and administrative expenses for the year ended August 31, 2015 was largely due to increased costs in advertising, stock based compensation, rent, and travel. These increased costs are due to the Company's entrance into the food sciences business sector.

**Professional Fees**

Our professional fees were \$98,751 during the year ended August 31, 2015 compared to \$58,959 for the year ended August 31, 2014. Increased costs are associated with the PoViva LLC acquisition.

**Interest Expense**

Interest expense decreased by \$134,236 during the year ended August 31, 2015. The decrease in interest expense for our year ended August 31, 2015 is due to the repayment of all debt outstanding from the completion of the Belmont Lake sale.

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

	At August 31, 2015	At August 31, 2014
Current assets	\$ 674,733	\$ 2,567,474
Current liabilities	55,125	918,038
Working capital surplus (deficiency)	\$ 619,608	\$ 1,649,436

**Cash Flows**

	Year Ended	
	August 31, 2015	August 31 2014
Cash flows from (used in) operating activities	\$ (1,501,027)	(515,817)
Cash flows from (used in) investing activities	684,817	(76,286)
Cash flows from (used in) financing activities	373,255	1,229,591
Net increase (decrease) in cash during year	\$ (442,955)	637,488



### ***Operating Activities***

Net cash used in operating activities was \$1,501,027 for the year ended August 31, 2015 compared with cash used in operating activities of \$515,817 in the same period in 2014. This difference was largely due to the increased costs in advertising, stock based compensation, inventory, rent, and travel.

### ***Investing Activities***

Net cash provided from investing activities was \$684,817 for the year ended August 31, 2015 compared to net cash used in investing activities of \$76,286 in the same period in 2014. Net cash for investing activities is largely due to the sale of Belmont Lake oil field in Mississippi.

### ***Financing Activities***

Net cash provided in financing activities was \$373,255 for the year ended August 31, 2015 compared to net cash provided of \$1,229,591 in the same period in 2014. The net cash provided in 2014 is attributable to the private placements and option exercises compared to smaller financings in 2015.

### **Contractual Obligations**

As a smaller reporting company, we are not required to provide tabular disclosure obligations.

### **Going Concern**

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. Our company has a net loss of \$1,934,352 for the year ended August 31, 2015 (August 31, 2014: \$3,257,712) and at August 31, 2014 had a deficit of \$10,085,889 (August 31, 2014 \$8,315,389). Our company has working capital surplus of \$619,608 as at August 31, 2015 (August 31, 2014 surplus: \$1,649,436). Our company requires additional funds to maintain our existing operations and to acquire new business assets. 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 we will be available at acceptable terms. The outcome of these matters cannot be predicted at this time.

These consolidated 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.

At this time, we cannot provide investors with any assurance that we will be able to raise sufficient funding from the sale of our common stock or through a loan from our directors to meet our obligations over the next twelve months. We do not have any arrangements in place for any future debt or equity financing.

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

We have no 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**

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with the accounting principles generally accepted in the United States of America. Preparing consolidated 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 aspects of our financial statements are critical to an understanding of our financial statements as more particularly described in Note 3 to our audited annual financial statements included herein.

## Recent 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.

In January 2015, the FASB issued ASU 2015-01, Income Statement-Extraordinary and Unusual Items (Subtopic 225-20), Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items, which eliminates the concept of extraordinary items. Under this new guidance, entities will no longer be required to separately classify, present and disclose extraordinary events and transactions. The amendments in this update are effective for annual and interim periods beginning after December 15, 2015. The Company is evaluating the impact of ASU 2015-01 and an estimate of the impact to the consolidated financial statements cannot be made at this time.

In February 2015, the FASB issued ASU No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis" ("ASU 2015-02"). ASU 2015-02 makes several modifications to the consolidation guidance for variable interest entities ("VIEs") and general partners' investments in limited partnerships, as well as modifications to the evaluation of whether limited partnerships are VIEs or voting interest entities. It is effective for annual and interim periods beginning after December 15, 2015. Early adoption is permitted.

In April 2015, FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03). In August 2015, FASB issued ASU 2015-15, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements (ASU 2015-15). ASU 2015-03 will require that debt issuance costs be presented in the balance sheet as a deduction from the carrying amount of the debt. ASU 2015-15 allows an entity to present debt issuance costs associated with a revolving line of credit arrangement as an asset, regardless of whether a

balance is outstanding. The recognition and measurement guidance for debt issuance costs are not affected by ASU 2015-03 or ASU 2015-15. These ASU s are effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period, with early adoption permitted. ASU 2015-03 will require the Company to reclassify its deferred financing costs associated with its long-term debt from other assets to long-term debt on a retrospective basis. The new standard will not affect the Company s results of operations or cash flows.

In April 2015, FASB issued ASU 2015-04, Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets ( ASU 2015-04 ). ASU 2015-04 allows employers with a fiscal year end that does not coincide with a calendar month end to make an accounting policy election to measure defined benefit plan assets and obligations as of the end of the month closest to their fiscal year end. ASU 2015-04 is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. Prospective application is required, and early adoption is permitted.

In July 2015, FASB issued ASU 2015-11, Simplifying the Measurement of Inventory ( ASU 2015-11 ). ASU 2015-11 requires that an entity measure inventory at the lower of cost and net realizable value. This ASU does not apply to inventory measured using last-in, first-out. ASU 2015-11 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Company does not expect the new standard to have a significant impact on its consolidated financial position, results of operations or cash flows.

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.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

As a smaller reporting company, we are not required to provide the information required by this Item.

**Item 8. Financial Statements and Supplementary Data**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders of

**LEXARIA CORP.**

We have audited the balance sheets of Lexaria Corp. (the Company) as at August 31, 2015 and October 31, 2014 and the related statements of stockholders' equity and comprehensive income, operations and cash flows for the years then ended August 31, 2015 and the ten-month period ended August 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as at August 31, 2015 and August 31, 2014 and the result of its operations and its cash flows for the year then ended August 31, 2015 and the ten-month period ended August 31, 2014 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements refer to above have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company had recurring losses and requires additional funds to maintain its planned operations. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Vancouver, Canada  
November 24, 2015

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

	August 31 2015	August 31 2014
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 260,075	\$ 703,030
Accounts receivable	31,382	97,003
Inventory (Note 4)	167,986	-
Assets Held For Sale (Note 6)	-	1,400,000
Prepaid expenses and deposit	215,290	367,441
	<b>674,733</b>	<b>2,567,474</b>
Patent	36,989	-
Medical Marijuana Investments (Note 8)	-	67,662
	<b>36,989</b>	<b>67,662</b>
<b>TOTAL ASSETS</b>	<b>\$ 711,722</b>	<b>\$ 2,635,136</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 33,073	\$ 93,553
Loan payable (Note 9)	-	776,936
Share Subscriptions Receivable	-	45,780
Due to a related party (Note 11)	22,052	1,769
<b>Total Current Liabilities</b>	<b>55,125</b>	<b>918,038</b>
<b>TOTAL LIABILITIES</b>	<b>55,125</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: 39,852,984 common shares at August 31, 2015 and 34,249,690 common shares at August 31, 2014	<b>39,852</b>	<b>34,249</b>
<b>Additional paid-in capital</b>	<b>10,818,446</b>	<b>10,033,438</b>
<b>Shares to be returned</b>	<b>-</b>	<b>(35,200)</b>
<b>Deficit</b>	<b>(10,085,889)</b>	<b>(8,315,389)</b>
<b>Equity attributable to shareholders of the Company</b>	<b>772,409</b>	<b>1,717,098</b>
<b>Non-Controlling Interest</b>	<b>(115,812)</b>	<b>-</b>
<b>Total Stockholders' Equity</b>	<b>656,597</b>	<b>1,717,098</b>



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

	YEAR ENDED	
	August 31 2015	August 31 2014
<b>Revenue</b>		
Sales	14,702	-
Cost of Goods Sold	29,883	-
<b>Gross profit (loss)</b>	<b>(15,181)</b>	-
<b>Expenses</b>		
Accounting and audit	52,823	47,448
Insurance	10,095	5,777
Advertising and promotions	276,560	91,683
Bank charges and exchange loss	850	(29,058)
Stock Based Compensation	256,051	97,002
Consulting (note 11)	835,655	847,660
Fees and Dues	54,104	41,398
Interest expense from loan payable (note 6,8)	31,544	165,790
Investor relation	18,000	2,738
Legal and professional	45,928	11,511
Office and miscellaneous	18,833	11,625
Research and Development	146,466	-
Rent	85,650	54,438
Telephone	8,105	4,375
Taxes	3,578	5,248
Travel	101,183	50,400
MMJ expense	22,664	151,306
	<b>1,968,089</b>	1,559,341
<b>(Loss) for the period before other income</b>	<b>(1,983,270)</b>	(1,559,341)
<b>Income (Loss) from discontinued operations</b>	<b>48,918</b>	(1,698,371)
<b>Net (loss) for the period</b>	<b>(1,934,352)</b>	(3,257,712)
<b>Net (loss) attributable to:</b>		
<b>Common Shareholders</b>	<b>(1,770,500)</b>	
<b>Non-Controlling Interest</b>	<b>(163,852)</b>	
<b>Basic and diluted (loss) per share</b>	<b>(0.05)</b>	(0.14)
<b>Weighted average number of common shares outstanding</b>		
- <b>Basic and diluted</b>	<b>36,091,674</b>	23,369,940

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

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

	Period Ended	
	2015	2014
<b>Cash flows used in operating activities</b>		
Net (loss) for the period	\$ (1,983,270)	(1,559,341)
Income (loss) from discontinued operations	48,918	(1,698,371)
Net (loss) from operations	(1,934,352)	(3,257,712)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock based compensation	256,051	97,002
Shares issued for rent	-	35,750
Shares issued for services	-	551,325
Depletion	-	161,112
Write-off of oil and gas properties	-	1,879,007
Research and development	73,040	
MMJ Joint Venture	22,662	140,000
Consulting fee	127,300	-
Change in operating assets and liabilities:		
(Increase)/Decrease in accounts receivable	65,620	(21,440)
(Increase)/Decrease in inventory	(167,985)	
(Increase)/ Decrease in prepaid expenses and deposit	96,834	(58,141)
Increase in accounts payable and accrued liabilities	(60,480)	(42,720)
Due to related parties	20,283	-
<b>Net cash used in operating activities</b>	<b>(1,501,027)</b>	<b>(515,817)</b>
<b>Cash flows used in investing activities</b>		
Oil and gas property acquisition and exploration costs	-	(68,624)
Proceeds from sale of oil and gas property	721,806	
Patent	(36,989)	
Medical Marijuana Investments	-	(7,662)
<b>Net cash used in investing activities</b>	<b>684,817</b>	<b>(76,286)</b>
<b>Cash flows from financing activities</b>		
Payments of loan payable	(98,742)	(306,893)
Proceeds from private placement, convertible debt, and option exercise	471,997	0
	0	1,536,484
<b>Net cash from financing Activities</b>	<b>373,255</b>	<b>1,229,591</b>
<b>Increase (Decrease) in cash and cash equivalents</b>	<b>(442,955)</b>	<b>637,488</b>
Cash and cash equivalents, beginning of year	703,030	65,542
<b>Cash and cash equivalents, end of year</b>	<b>\$ 260,075</b>	<b>703,030</b>
<b>Supplemental information of cash flows:</b>		
Interest paid in cash	\$ 98,742	165,790
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
	552,380	552	192,781				193,333

Shares issued for debt conversion @ \$0.35				
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

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Shares issued for option exercise @ \$0.10	50,000	50	4,950			5,000
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
Share to be cancelled				(35,200)		(35,200)
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					(115,812)	(115,812)
Shares issued per agreement @ \$0.105	238,094	238	24,762			25,000
Stock Options issued @ \$0.11 and \$0.10			144,199			144,199
Shares issued for PP @ \$0.10	5,000,000	5,000	462,100			467,100
Stock Options issued @ \$0.10			52,801			52,801

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Shares cancelled	(500,000)	(500)	(44,500)	(45,000)
Shares issued per agreement @ \$0.19	250,000	250	47,250	47,500

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Shares issued per agreement @ \$0.20	420,000	420	83,112			83,532
Return of commission from previous PP			4,899			4,899
Comprehensive income (loss):				(1,770,500)		(1,770,500)
Balance, August 31, 2015	39,852,984	39,852	10,818,446	(10,085,889)	(115,812)	656,597

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

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

**1. 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 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 consolidated 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 \$1,934,352 for the year ended August 31, 2015 (August 31, 2014: \$3,257,712) and at August 31, 2015 had a deficit accumulated since its inception of \$10,085,889 (August 31, 2014: \$8,315,389). The Company has working capital surplus of \$619,608 as at August 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 consolidated 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.

**2. Business Risk and Liquidity**

The Company is subject to several categories of risk associated with its operating activities. The production and sale 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. 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.

### 3. Significant Accounting Policies

#### a) Basis of Consolidation

The 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) Principles of Accounting

These consolidated financial statements are stated in U.S. dollars and have been prepared in accordance with U.S. generally accepted accounting principles.

#### c) Revenue Recognition

The Company uses the sales method of accounting for natural gas and oil revenues. Under this method, revenues are recognized upon the passage of title, net of royalties. Revenues from natural gas production are recorded using the sales method. When sales volumes exceed the Company's entitled share, an overproduced imbalance occurs. To the extent the overproduced imbalance exceeds the Company's share of the remaining estimated proved natural gas reserves for a given property, the Company records a liability. At August 31, 2015 and October 31, 2014, the Company had no overproduced imbalances.

Revenue from the sale of health products is generally recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable, and collectability is reasonably assured. In most cases, these conditions are met when the product is shipped to the customer or services have been rendered. The Company reports its sales net of the amount of actual sales returns and the amount of reserves established for anticipated sales returns based upon historical return rates. Sales tax collected from customers is excluded from net sales in the accompanying consolidated statements of income.

#### d) Inventories and Cost of Sales

The Company has two major classes of inventory: finished goods and raw materials. 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.

#### e) Cash and Cash Equivalents

Cash equivalents comprise certain highly liquid instruments with a maturity of three months or less when purchased. As of August 31, 2015 and August 31, 2014, cash and cash equivalents consist of cash only.

#### f) Patents

Capitalized patent costs represent legal costs incurred to establish patents. When patents reach a mature stage, any associated legal costs are comprised mostly of maintenance fees and costs of national applications and are expensed as incurred. Capitalized patent costs are amortized on a straight line basis over the remaining life of the patent. In the fiscal year ended August 31, 2015, the Company has not completed the patents application.

**g) Oil and Gas Properties**

The Company utilizes the full cost method to account for its investment in oil and gas properties. Accordingly, all costs associated with acquisition, exploration and development of oil and gas reserves, including such costs as leasehold acquisition costs, capitalized interest costs relating to unproved properties, geological expenditures, tangible and intangible development costs including direct internal costs are capitalized to the full cost pool. When the Company obtains proven oil and gas reserves, capitalized costs, including estimated future costs to develop the reserves and estimated abandonment costs, net of salvage, will be depleted on the units-of-production method using estimates of proved reserves.

Investments in unproved properties are not depleted pending determination of the existence of proved reserves. Unproved properties are assessed periodically to ascertain whether impairment has occurred. Unproved properties whose costs are individually significant are assessed individually by considering the primary lease terms of the properties, the holding period of the properties, and geographic and geologic data obtained relating to the properties. Where it is not practicable to assess individually the amount of impairment of properties for which costs are not individually significant, such properties are grouped for purposes of assessing impairment. The amount of impairment assessed is added to the costs to be amortized, or is reported as a period expense, as appropriate.

Pursuant to full cost accounting rules, the Company must perform a ceiling test periodically on its proved oil and gas assets. The ceiling test provides that capitalized costs less related accumulated depletion and deferred income taxes for each cost center may not exceed the sum of (1) the present value of future net revenue from estimated production of proved oil and gas reserves using current prices, excluding the future cash outflows associated with settling asset retirement obligations that have been accrued on the balance sheet, at a discount factor of 10%; plus (2) the cost of properties not being amortized, if any; plus (3) the lower of cost or estimated fair value of unproved properties included in the costs being amortized, if any; less (4) income tax effects related to differences in the book and tax basis of oil and gas properties. Should the net capitalized costs for a cost center exceed the sum of the components noted above, an impairment charge would be recognized to the extent of the excess capitalized costs.

Sales of proved and unproved properties are accounted for as adjustments of capitalized costs with no gain or loss recognized, unless such adjustments would significantly alter the relationship between capitalized costs and proved reserves of oil and gas, in which case the gain or loss is recognized in the statement of operations.

Exploration activities conducted jointly with others are reflected at the Company's proportionate interest in such activities.

Cost related to site restoration programs are accrued over the life of the project.

**h) Stock-Based Compensation**

Company accounts for its stock-based compensation awards in accordance with ASC Topic 718, Compensation - Stock Compensation (ASC 718). ASC 718 requires all stock-based payments to employees, including grants of employee stock options, to be recognized as expense in the statements of operations based on their grant date fair values. For stock options granted to employees and to members of the Board of Directors for their services on the Board of Directors, the Company estimates the grant date fair value of each option award using the Black-Scholes option-pricing model. The use of the Black-Scholes option-pricing model requires management to make assumptions with respect to the expected term of the option, the expected volatility of the common stock consistent with the expected life of the option, risk-free interest rates and expected dividend yields of the common stock.

Share-based payments issued to non-employees are recorded at their fair values, and are periodically revalued as the equity instruments vest and are recognized as expense over the related service period in accordance with the provisions of ASC 718 and ASC Topic 505, Equity. For equity instruments granted to non-employees, the Company recognizes stock-based compensation expense on a straight-line basis.

**i) Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Some of our accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. These accounting policies involve critical accounting estimates because they are particularly dependent on estimates and assumptions made by management about matters that are highly uncertain at the time the accounting estimates are made. Although we have used our best estimates based on facts and circumstances available to us at the time, different estimates reasonably could have been used. Changes in the accounting estimates we use are reasonably likely to occur from time to time, which may have a material effect on the presentation of our financial condition and results of operations. Our Significant accounting estimates and assumptions are used for, but not limited to:

- useful lives of tangible and intangible assets;
- the valuation of deferred tax assets;
- share-based payment arrangements;
- proved oil and gas reserves.

We review our estimates, judgments and assumptions periodically and reflect the effects of revisions in the period in which they are deemed to be necessary. We believe that these estimates are reasonable; however, actual results could differ from these estimates

**j) Capital Assets**

The capital asset represents computer equipment which is carried at cost and is amortized over its estimated useful life of 3 years straight-line. Computer equipment is written down to its net realizable value if it is determined that its carrying value exceeds estimated future benefits to the Company.

**k) Loss Per Share**

Loss per share is computed using the weighted average number of shares outstanding during the period. The Company has adopted ASC 220 *Earnings Per Share* . Diluted loss per share is equivalent to basic loss per share because the potential exercise of the equity-based financial instruments was anti-dilutive.

**l) Foreign Currency Translations**

The Company's operations are located in the United States of America and Canada, and it has offices in Canada. The Company maintains its accounting records in U.S. Dollars, as follows:

At the transaction date, each asset, liability, revenue and expense that was acquired or incurred in a foreign currency is translated into U.S. dollars by the using of the exchange rate in effect at that date. At the period end, monetary assets and liabilities are translated at the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in operations.

**m) Financial Instruments**

ASC 820 *Fair Value Measurements and Disclosures* requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable; and

Level 3 - Unobservable inputs that are supported by little or no market activity, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, loan payable and due to a related party. The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, loans payable and due to a related party approximate their fair values due to their short maturities. The carrying values of the Company's long-term debt approximate their fair values based upon a comparison of the interest rate and terms of such debt to the rates and terms of debt currently available to the Company.

The Company is located in Canada, which results in exposure to market risks from changes in foreign currency rates. The financial risk is the risk to the Company's operations that arise from fluctuations in foreign exchange rates and the degree of volatility of these rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk.

**n) Income Taxes**

The Company has adopted ASC 740, *Income Taxes*, which requires the Company to recognize deferred tax liabilities and assets for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns using the liability method. Under this method, deferred tax liabilities and assets are determined based on the temporary differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the year in which the differences are expected to reverse.

**o) Long-Lived Assets Impairment**

Long-term assets of the Company are reviewed for impairment when circumstances indicate the carrying value may not be recoverable in accordance with the guidance established in ASC 360, *Property, Plant and Equipment*. For assets that are to be held and used, an impairment loss is recognized when the estimated undiscounted cash flows associated with the asset or group of assets is less than their carrying value. If impairment exists, an adjustment is made to write the asset down to its fair value. Fair values are determined based on discounted cash flows or internal and external appraisals, as applicable. Assets to be disposed of are carried at the lower of carrying value or estimated net realizable value.

**p) Asset Retirement Obligations**

The Company accounts for asset retirement obligations in accordance with the provisions of ASC 410, *Asset Retirement and Environmental Obligations*. ASC 410 requires the Company to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets.

**q) Comprehensive Income**

The Company has adopted ASC 220, *Comprehensive Income*, which establishes standards for reporting and display of comprehensive income, its components and accumulated balances. The Company is disclosing this information on its Statement of Stockholders' Equity. Comprehensive income comprises equity changes except those transactions resulting from investments by owners and distributions to owners.

**r) Credit risk and receivable Concentration**

The Company places its cash and cash equivalent with high credit quality financial institution. As of August 31, 2015, the Company had approximately \$205,606 in a bank beyond insured limit (August 31, 2014: \$551,673).

**s) Convertible Debentures**

The Company accounts for its convertible debt instruments that may be settled in cash upon conversion according to ASC 470-20-30-22 which requires the proceeds from the issuance of such convertible debt instruments to be allocated between debt and equity components so that debt is discounted to reflect the Company's non-convertible debt borrowing rate.

Further, the Company applies ASC 470-20-35-13 which requires the debt discount to be amortized over the period the convertible debt is expected to be outstanding as additional non-cash interest expense.

**t) Commitments and Contingencies**

In accordance with ASC 450-20, *Accounting for Contingencies*, the Company records accruals for such loss contingencies when it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. In the event that estimates or assumptions prove to differ from actual results, adjustments are made in subsequent periods to reflect more current information. Historically, the Company has not experienced any material claims.

**u) Discontinued Operations**

The results of discontinued operations are presented separately, net of tax, from the results of ongoing operations for all periods presented. The expenses included in the results of discontinued operations are the direct operating expenses incurred by the disposed components that may be reasonably segregated from the costs of the ongoing operations of the Company. See Note 6 - Discontinued Operations for further detail.

**v) 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.

In January 2015, the FASB issued ASU 2015-01, Income Statement-Extraordinary and Unusual Items (Subtopic 225-20), Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items, which eliminates the concept of extraordinary items. Under this new guidance, entities will no longer be required to separately classify, present and disclose extraordinary events and transactions. The amendments in this update are effective for annual and interim periods beginning after December 15, 2015. The Company is evaluating the impact of ASU 2015-01 and an estimate of the impact to the consolidated financial statements cannot be made at this time.

In February 2015, the FASB issued ASU No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis" ("ASU 2015-02"). ASU 2015-02 makes several modifications to the consolidation guidance for variable interest entities ("VIEs") and general partners' investments in limited partnerships, as well as modifications to the evaluation of whether limited partnerships are VIEs or voting interest entities. It is effective for annual and interim periods beginning after December 15, 2015. Early adoption is permitted.

In April 2015, FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs ( ASU 2015-03 ). In August 2015, FASB issued ASU 2015-15, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements ( ASU 2015-15 ). ASU 2015-03 will require that debt issuance costs be presented in the balance sheet as a deduction from the carrying amount of the debt. ASU 2015-15 allows an entity to present debt issuance costs associated with a revolving line of credit arrangement as an asset, regardless of whether a balance is outstanding. The recognition and measurement guidance for debt issuance costs are not affected by ASU 2015-03 or ASU 2015-15. These ASUs are effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period, with early adoption permitted. ASU 2015-03 will require the Company to reclassify its deferred financing costs associated with its long-term debt from other assets to long-term debt on a retrospective basis. The new standard will not affect the Company's results of operations or cash flows.

In April 2015, FASB issued ASU 2015-04, Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets ( ASU 2015-04 ). ASU 2015-04 allows employers with a fiscal year end that does not coincide with a calendar month end to make an accounting policy election to measure defined benefit plan assets and obligations as of the end of the month closest to their fiscal year end. ASU 2015-04 is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. Prospective application is required, and early adoption is permitted.

In July 2015, FASB issued ASU 2015-11, Simplifying the Measurement of Inventory ( ASU 2015-11 ). ASU 2015-11 requires that an entity measure inventory at the lower of cost and net realizable value. This ASU does not apply to inventory measured using last-in, first-out. ASU 2015-11 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Company does not expect the new standard to have a significant impact on its consolidated financial position, results of operations or cash flows.

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.

#### 4. Inventory

A summary of inventory as of August 31, 2015 and 2014 follows:

	August 31, 2015	August 31, 2014
Finished goods	\$ 119,944	\$ -
Raw materials	48,042	-
	\$ 167,986	\$ -

#### 5. 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 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. Cash finders fee in the amount of \$4,899 from Peter Przygoda was returned in August, 2015 and his broker warrants were adjusted to 108,500.

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On June 8, 2015, the Company issued 250,000 common shares valued at \$50,000 at \$0.19 per share to Ron Keleher (50,000 common shares) and Scott Urquart (200,000 common shares) with respect to agreements signed on April 2, 2015 and May 27, 2015

On June 11, 2015, 500,000 restricted shares of the Company that were issued to Enertopia Corp. were returned back to treasury and cancelled.

On August 17, 2015, the Company issued 420,000 common shares of the Company at a price of \$0.19 per common share to Docherty Management Limited as per the terms of the consulting agreement.

As at August 31, 2015, Lexaria Corp. has 39,852,984 shares issued and outstanding and 18,036,533 warrants issued and outstanding.

The following table summarizes warrant activity for the year ended August 31, 2015 and 2014:

	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, August 31, 2015	18,036,533	\$ 0.25

## 6. 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 August 31	2014 August 31
Revenue	\$ 59,715	\$ 508,049
Costs	(10,797)	(327,413)
Loss on disposition oil and gas property	-	(1,879,007)
Income from discontinued from oil & gas operations	48,918	1,698,371

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

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

## 7. Medical Marijuana Investment

- a) 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. The Company is still receiving the services in accordance with the Agreement as at August 31, 2015 and expect to continue to receive the service up to the end of the term of the Agreement.
- b) 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. The LOI did not become an agreement within the year and the Company is no longer pursuing this interest.
- c) 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%

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 . This agreement was terminated in June 2015. As result of termination, the Company wrote off \$7,662 of leasehold improvement and cancelled 500,000 restricted common shares issued to Enertopia as Medical Marijuana Investments. On June 11, 2015 the shares were returned to treasury.

- 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. The Company did not renew the lease LOI.

## 8. 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.

In June 2015, 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 Steriodal Anit Inflammatories, and certain Vitamins. As at August 31, 2015, the Company capitalized of \$36,989 for patent application.

On August 11, 2015, Lexaria signed a licence agreement with PoViva Tea LLC for \$10,000, granting Lexaria a 35-year non exclusive worldwide license to unencumbered use of PoViva Tea LLC's IP Rights, including rights of resale. This license agreement ensures Lexaria has full access to the underlying patent pending infusion technology. The Company has not paid such payment as at August 31, 2015.

## 8. Loan Payable

Notes	Nature	Carrying amounts		
		Original amounts	August 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</b>				
<b>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. On December 4, 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.

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. On December 4, 2014, 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.

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.

On December 4, 2014, the Company has paid down all of the debt outstanding of CAD\$563,108 (August 31, 2014: \$44,917).

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.

## 9. Related Party Transactions

- a) For the year ended August 31, 2015, the Company paid \$119,700 to CAB (2014: \$80,000); to BKB Management Ltd. ( BKB ) CAD\$84,000 (2014: CAD\$55,000) for management, consulting and accounting services; to Thomas Ihrke \$69,000 (2014: \$5,000) for executive management consulting; and to Docherty Management Limited CAD\$56,667 and \$16,000 (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.
- 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 year ended August 31, 2015, the Company paid/accrued interest expenses of CAD \$6,818 (2014: CAD\$20,457).
- 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 year ended August 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 year ended August 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 year ended August 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 year ended August 31, 2015, the Company has paid interest expense of \$5,458 (2014: \$17,868).

g) \$22,051 was payable to the President and a company controlled by a CEO of the Company. The related party transactions are recorded at the exchange amount established and agreed to between the related parties.

See also Note 10 and Note 5.

## 10. Stock Options

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, 1,225,000 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 year ended August 31, 2015, the Company recorded a total of \$252,318 (August 31, 2014: \$21,279) for stock based compensation expenses.

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:

	August 31, 2015	August 31, 2014
Expected volatility	243%-249%	210-252%
Risk-free interest rate	1.47-1.66%	1.70-1.76%
Expected life	5.00 years	5 years
Dividend yield	0.00%	0.00%

A summary of the stock options for the ten months year ended August 31, 2015 and 2014 is presented below:

	Options Outstanding		Weighted Average Exercise Price
	Number of Shares		
Balance, August 31, 2014	2,625,000	\$	0.24
Expired	(1,100,000)		0.23
Granted	2,175,000		0.11
Balance, August 31, 2015	3,700,000	\$	0.17

The Company has the following options outstanding and exercisable:

August 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 remaining contractual life	Weighted average exercise price	
\$0.35	450,000	0.86years	\$ 0.35	450,000	0.86years	\$ 0.35	
\$0.10	400,000	2.80 years	\$ 0.10	400,000	2.80 years	\$ 0.10	
\$0.60	50,000	3.57 years	\$ 0.60	50,000	3.57 years	\$ 0.60	
\$0.25	625,000	3.90 years	\$ 0.25	625,000	3.90 years	\$ 0.25	
\$0.11	1,425,000	4.31 years	\$ 0.11	1,425,000	4.30 years	\$ 0.11	
\$0.10	250,000	4.43 years	\$ 0.10	250,000	4.43 years	\$ 0.10	
\$0.10	500,000	4.57 years	\$ 0.10	500,000	4.57 years	\$ 0.10	
Total	3,700,000	3.69 years	\$ 0.17	3,700,000	3.68 years	\$ 0.17	

August 31, 2014		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	0.96 years	\$ 0.20	150,000	\$ 0.20		
\$0.20	850,000	0.39 years	\$ 0.20	850,000	\$ 0.20		
\$0.35	450,000	1.86years	\$ 0.35	450,000	\$ 0.35		
\$0.10	400,000	3.80 years	\$ 0.20	400,000	\$ 0.10		
\$0.60	50,000	4.57 years	\$ 0.60	50,000	\$ 0.60		
\$0.50	100,000	4.59 years	\$ 0.50	100,000	\$ 0.50		
\$0.25	625,000	4.90 years	\$ 0.25	625,000	\$ 0.25		
Total	2,625,000	2.54 years	\$ 0.25	2,625,000	\$ 0.24		

## 11. 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.

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. The Company may pay the Consultant a bonus from time to time, at its sole discretion.

Mr. John Docherty will be entitled to receive common stock-based and stock- option based bonuses upon achieving certain milestones during the time of his Consultancy with the Company. These milestones are:

Upon signing: A grant of 500,000 stock options priced one-cent above market prices at the time of award. (granted)

90 Days after signing: A grant of 500,000 restricted common shares.(420,000 restricted common shares issued)

Twelve months after signing: A grant of 300,000 stock options priced one-cent above market prices at the time of award.

Eighteen (18) months after signing: A grant of 300,000 restricted common shares.

During the first twelve (12) months after signing; for combined Lexaria Energy and ViPova products and including all combined sales efforts, achieving non- refundable sales of US\$200,000 to any single customer in any consecutive 60-day period would result in a restricted common share award of 100,000 Company shares; and, after the first twelve (12) months after signing and expiring twenty- four (24) months after signing; for combined Lexaria Energy and ViPova products and including all sales efforts, achieving non-refundable sales of US\$200,000 to any single customer in

any consecutive 60-day period would result in a restricted common share award of 50,000 Company shares; this clause limited to one payment per customer during the 24-month period, but payable on each customer that meets these sales thresholds;

During the first twelve (12) months after signing; for combined Lexaria Energy and ViPova products and including all combined sales efforts, achieving non-refundable sales of US\$500,000 in any fiscal quarter would result in a restricted common share award of 200,000 Company shares; and, after the first twelve (12) months after signing and expiring twenty-four (24) months after signing; for combined Lexaria Energy and ViPova products and including all sales efforts, achieving non-refundable sales of US\$500,000 in any fiscal quarter would result in a restricted common share award of 100,000 Company shares; this clause limited to one payment per fiscal quarter;

During the time this Agreement remains in effect, for each new provisional patent application substantially devised by Mr. John Docherty and successfully created, written and filed with the US Patent Office for Company-owned intellectual property, a restricted common share award of 250,000 Company shares, this clause not limited to frequency of payment but each patent application to be approved by the Board of Directors of the Company, in advance;

See also Note 7 and 8.

## 12. Income Tax

The following table reconciles the income tax benefit at the U.S. Federal statutory rate to income tax benefit at the Company's effective tax rates at August 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Income (loss) before taxes	\$ (1,934,352)	\$ (3,257,711)
Statutory tax rate	35%	35%
Expected income tax (recovery)	\$ (677,023)	\$ (1,140,199)
Non-deductible items	\$ 98,764	\$ 24,259
Change in estimates	\$ 646,711	(530)
Change in valuation allowance	\$ (68,453)	\$ 1,116,470
Total income taxes (recovery)	\$ Nil	\$ Nil

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax assets (liabilities) at August 31, 2015 and 2014 are comprised of the following:

	<u>2015</u>	<u>2014</u>
Net capital loss carryforwards	\$ 2,715,944	\$ 2,126,795
Oil and Gas Property	\$ -	\$ 657,652
	\$ 2,715,944	\$ 2,784,447
Valuation allowance	\$ (2,715,944)	\$ (2,784,447)
Net deferred tax assets (liabilities)	\$ Nil	\$ Nil

The Company has net operating loss carryforwards of approximately \$7,760,000 which may be carried forward to apply against future year income tax for US tax purposes.

<b>Year</b>	<b>Amount</b>
2025	\$ 76,000
2026	508,000
2027	1,056,000
2028	720,000
2029	753,000
2030	552,000
2031	538,000
2032	252,000
2033	344,000
2034	1,309,000
2035	1,652,000
<b>Total</b>	<b>\$ 7,760,000</b>

The deferred tax assets have not been recognized because at this stage of the Company's development, it is not determinable that future taxable profit will be available against which the Company can utilize such deferred income tax assets.

### 13. 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:

	<b>Oil and Gas</b>	<b>Alternative Health Products</b>	<b>Corporation</b>	<b>Total</b>
	\$	\$		\$
<b>Revenue</b>	48,918	14,702		63,620
<b>Operation expenses</b>	-	349,093	1,636,996	1,968,089
<b>Total assets</b>		214,632	497,090	711,722

### 14. Subsequent Events

- a) Subsequent year end, on September 16, 2015, the Company's Board has appointed Ted McKechnie as a Director. He was issued 100,000 common shares of the Company at \$0.19 per share and was awarded 100,000 stock options vested immediately and expiring in five years at an exercise price of \$0.19.

**Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure**

There were no disagreements related to accounting principles or practices, financial statement disclosure, internal controls or auditing scope or procedure during the two fiscal years and interim periods, including the interim period up through the date the relationship ended.

**Item 9A. 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.

As of August 31, 2015, the end of our fiscal year 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 as of the end of the period covered by this annual report.

***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 consolidated 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 August 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 August 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.

This annual report does not include an attestation report of our company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit our Company to provide only management's report in this annual report.

***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 year ended August 31, 2015 that have materially or are reasonably likely to materially affect, our internal controls over financial reporting.

**Item 9B. Other Information**

None

**PART III****Item 10. Directors, Executive Officers and Corporate Governance**

All directors of our company hold office until the next annual meeting of the security holders or until their successors have been elected and qualified. The officers of our company are appointed by our board of directors and hold office until their death, resignation or removal from office. Our directors and executive officers, their ages, positions held, and duration as such, are as follows:

Name	Position Held with our Company	Age	Date First Elected Or Appointed	Date of Resignation
Christopher Bunka	Chairman, Chief Executive Officer, Director, former President,	54	October 26, 2006 February 14, 2007	Resigned (President), April 15, 2015
John Docherty	President	45	April 15, 2015	-
Bal Bhullar	Chief Financial Officer and Director	46	May 12, 2009	-
Nicholas Baxter	Director	62	July 8, 2011	-
Ted McKenchie	Director	68	September 16, 2015	-
Tom Ihrke	Vice-President, US Operations (Lexaria), President, ViPova Tea, LLC	48	December 22, 2014	-

**Business Experience**

The following is a brief account of the education and business experience of each director and executive officer during the past five years, indicating each person's principal occupation during the period, and the name and principal business of the organization by which he was employed.

**Mr. Christopher Bunka Chairman, Chief Executive Officer and Director**

Mr. Bunka has served as our director, chairman, president and chief executive officer since October 26, 2006. From February 14, 2007 until May 12, 2009 he was the chief financial officer of our company. Since October 26, 2006 Mr. Bunka has successfully completed both equity and debt financings for our company, completed the acquisition of additional oil & gas assets, disposed of other oil & gas assets, and restructured our company. He has refocused our company from one of natural gas exploration to that of development of existing oil reserves, and has engaged additional geophysical expertise in an attempt to better understand its exploration and development opportunities. Mr.

Bunka has privately evaluated numerous oil and gas properties and investment opportunities for his private investments during the past 10 years.

Since 1988, Mr. Bunka has been the CEO of CAB Financial Services Ltd., a private holding company located in Kelowna, Canada. He is a venture capitalist and corporate consultant.

Mr Bunka was formerly Chairman/CEO of Enertopia Corp, (symbol ENRT-OTC)but resigned in 2013. Mr. Bunka was formerly a director of Defiance Capital Corp., (symbol DEF-TSXV) a Canadian resource company, but resigned in 2014.

***Mr. John Docherty - President***

Mr. Docherty was appointed President of Lexaria effective April 15, 2015. Prior to Lexaria Mr. Docherty was former President and Chief Operating officer of Helix BioPharma Corp. (TSX: HBP), where he led the company's pharmaceutical development programs for its plant and recombinantly derived therapeutic protein product candidates. Mr. Docherty is a senior operations and management executive with over 20 years experience in the pharmaceutical and biopharmaceutical sectors. He has worked with large multinational companies and emerging, private and publicly held start-ups. At Helix, Mr. Docherty was also instrumental in the areas of investor/stakeholder relations, capital raising, capital markets development, strategic partnering, regulatory authority interactions and media relations, and he also served as a management member of its board of directors. Prior to this, Mr. Docherty was President and a board member of PharmaDerm Laboratories Ltd., a Canadian drug delivery company that developed unique microencapsulation formulation technologies for use with a range of active compounds.

Mr. Docherty has also held positions with companies such as Astra Pharma Inc., Nu-Pharm Inc. and PriceWaterhouseCoopers former global pharmaceutical industry consulting practice. He is a named inventor on issued and pending patents and he has a M.Sc. in pharmacology and a B.Sc. in Toxicology from the University of Toronto.

***Ms. Bal Bhullar - Chief Financial Officer and Director***

Ms. Bhullar brings over 23 years of diversified financial and risk management experience in both private and public companies, in the industries of high-tech, film, mining, marine, oil & gas, energy, transport, and health and wellness industries.

Among some of the areas of experience, Ms. Bhullar brings expertise in financial & strategic planning, operational & risk management, regulatory compliance reporting, business expansion, start-up operations, financial modeling, program development, corporate financing, and corporate governance/internal controls.

Previously, Ms. Bhullar has held various positions as President of BC Risk Management Association of BC, and served as Director and CFO of private and public companies. Currently, Ms. Bhullar served as a former Director and CFO for Bare Elegance Medspa, CFO for public company Enertopia Corp (symbol ENRT-OTC; TOP-CNSX) and former CFO for ISEE3D Inc. (symbol ICT-TSXV).

Ms. Bhullar is a Chartered Professional Accountant, Certified General Accountant and as well holds a CRM designation from Simon Fraser University and a diploma in Financial Management from British Columbia Institute of Technology.

***Mr. Nicholas Baxter - Director***

Mr. Baxter has been in the oil & gas business for 30 years. Mr. Baxter received a Bachelor of Science (Honors) from the University of Liverpool in 1975. Mr. Baxter has worked on geophysical survey and exploration projects in the U.K., Europe, Africa and the Middle East. From 1981 to 1985, Mr. Baxter worked for Resource Technology plc, a geophysical equipment sales/services company that went public on the USM in London in 1983 and graduated to the London Stock Exchange in 1984. Mr. Baxter established his own company in 1985 as a co-founder of Addison & Baxter Limited, a private geophysical/geological sales and services company which was acquired by A&B Geoscience Corporation in 1992. Mr. Baxter was Chief Operating Officer and a director of A&B Geoscience Corporation from 1992 to 2002. Mr. Baxter worked as an independent upstream oil and gas consultant from 2002 to 2004. He joined Eurasia Energy Ltd in 2005, where he is currently President and Chief Executive Officer.

***Mr. Ted McKechnie Director***

An entrepreneurial executive with extensive Board and Senior Management Experience in the consumer goods industry with a proven track record for achieving corporate financial and growth objectives. He is the former President and COO of Maple Leaf Foods, which in 2014 had revenue of over CDN \$3.1 billion dollars. Mr. McKechnie also has held executive positions with Kraft, Frito Lay, General Foods, PepsiCo, and Philip Morris Companies. He is the Founder, Chairman and CEO of Canada's Technology For Food. Mr. McKechnie is an energetic leader experienced in building teams in marketing, sales and supply chain management. Ted is the recipient of the Philip Morris Chairman's Award for recognition of extraordinary contributions having a significant and lasting impact on the Corporation.

***Mr. Tom Ihrke Vice President of US Operations (Lexaria) and President of ViPova Tea, LLC***

Mr. Ihrke first began working as a consultant to Lexaria in 2008 and, since December 22, 2014 has served as Executive Vice President of Lexaria, and President of our majority-owned subsidiary company, PoViva Tea, LLC. Tom has an extensive background in the financial and capital markets, including as a Senior Investment Banker, Senior Trader and Market Maker for Morgan Keegan and Company. Mr. Ihrke was also co-founder and Managing Partner of a successful hedge fund. Mr. Ihrke received his MBA from the University of Tennessee and his BSc of Science from Texas Christian University.

**Family Relationships**

There are no family relationships among any of our directors or officers.

**Involvement in Certain Legal Proceedings**

None of our directors, executive officers, promoters or control persons has been involved in any of the following events during the past five years:

1. A petition under the Federal bankruptcy laws or any state insolvency law was filed by or against, or a receiver, fiscal agent or similar officer was appointed by a court for the business or property of such person, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing;
2. Such person was convicted in a criminal proceeding or is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);
3. Such person was the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from, or otherwise limiting, the following activities:



- i. Acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity
  - ii. Engaging in any type of business practice; or
  - iii. Engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of Federal or State securities laws or Federal commodities laws;
4. Such person was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any Federal or State authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described in paragraph (f)(3)(i) of this section, or to be associated with persons engaged in any such activity;
5. Such person was found by a court of competent jurisdiction in a civil action or by the Commission to have violated any Federal or State securities law, and the judgment in such civil action or finding by the Commission has not been subsequently reversed, suspended, or vacated;
6. Such person was found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any Federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated;
7. Such person was the subject of, or a party to, any Federal or State judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of:
  - i. Any Federal or State securities or commodities law or regulation; or
  - ii. Any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or
  - iii. Any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or
8. Such person was the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

#### **Compliance with Section 16(a) of the Securities Exchange Act of 1934**

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors and persons who own more than 10% of our common stock to file with the Securities and Exchange Commission initial statements of beneficial ownership, reports of changes in ownership and annual reports concerning their ownership of our common stock and other equity securities, on Forms 3, 4 and 5 respectively. Executive officers, directors and greater than 10% shareholders are required by the SEC regulations to furnish us with copies of all Section 16(a) reports that they file.

Based solely on our review of the copies of such forms received by us, or written representations from certain reporting persons, we believe that during fiscal year ended August 31, 2015, all filing requirements applicable to our

officers, directors and greater than 10% percent beneficial owners were complied with.

## **Code of Ethics**

We adopted a Code of Ethics applicable to our senior financial officers and certain other finance executives, which is a "code of ethics" as defined by applicable rules of the SEC. Our Code of Ethics is attached as an exhibit to our Form SB-2 filed on September 20, 2007. If we make any amendments to our Code of Ethics other than technical, administrative, or other non-substantive amendments, or grant any waivers, including implicit waivers, from a provision of our Code of Ethics to our chief executive officer, chief financial officer, or certain other finance executives, we will disclose the nature of the amendment or waiver, its effective date and to whom it applies in a Current Report on Form 8-K filed with the SEC.

## **Board and Committee Meetings**

Our board of directors held no formal meetings during the year ended August 31, 2015. All proceedings of the board of directors were conducted by resolutions consented to in writing by all the directors and filed with the minutes of the proceedings of the directors. Such resolutions consented to in writing by the directors entitled to vote on that resolution at a meeting of the directors are, according to the Nevada General Corporate Law and our Bylaws, as valid and effective as if they had been passed at a meeting of the directors duly called and held.

## **Nomination Process**

As of August 31, 2015, we did not effect any material changes to the procedures by which our shareholders may recommend nominees to our board of directors. Our board of directors does not have a policy with regards to the consideration of any director candidates recommended by our shareholders. Our board of directors has determined that it is in the best position to evaluate our company's requirements as well as the qualifications of each candidate when the board considers a nominee for a position on our board of directors. If shareholders wish to recommend candidates directly to our board, they may do so by sending communications to the president of our Company at the address on the cover of this annual report.

## **Audit Committee and Audit Committee Financial Expert**

Currently our audit committee consists of our Bal Bhullar, Nick Baxter, and Chris Bunka. We currently do not have nominating, compensation committees or committees performing similar functions. There has not been any defined policy or procedure requirements for shareholders to submit recommendations or nomination for directors.

Our board of directors has determined that it does not have a member of its board of directors (audit committee) that qualifies as an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K, and is "independent" as the term is used in Item 7(d)(3)(iv) of Schedule 14A under the Securities Exchange Act of 1934, as amended.

We believe that the members of our board of directors are collectively capable of analyzing and evaluating our consolidated financial statements and understanding internal controls and procedures for financial reporting. We believe that retaining an independent director who would qualify as an "audit committee financial expert" would be overly costly and burdensome and is not warranted in our circumstances given the early stages of our development and the fact that we have not generated any material revenues to date. In addition, we currently do not have nominating, compensation or audit committees or committees performing similar functions nor do we have a written nominating, compensation or audit committee charter. Our board of directors does not believe that it is necessary to have such committees because it believes the functions of such committees can be adequately performed by our board of directors.



**Item 11. Executive Compensation**

The particulars of the compensation paid to the following persons:

- (a) our principal executive officer;
- (b) each of our two most highly compensated executive officers who were serving as executive officers at the end of the years ended August 31, 2015 and August 31, 2014; and
- (c) up to two additional individuals for whom disclosure would have been provided under (b) but for the fact that the individual was not serving as our executive officer at the end of the years ended August 31, 2015 and August 31, 2014,

who we will collectively refer to as the named executive officers of our Company, are set out in the following summary compensation table, except that no disclosure is provided for any named executive officer, other than our principal executive officers, whose total compensation did not exceed \$100,000 for the respective fiscal year:

<b>SUMMARY COMPENSATION TABLE</b>										
<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Bonus (\$)</b>	<b>Stock Awards (\$)</b>	<b>Option Awards (\$)<sup>(3)</sup></b>	<b>Nonqualifi ed Non-Equit y Incentive Plan Compensa tion Earnings</b>			<b>All Other Compensa - tion (\$)</b>	<b>Total (\$)</b>
						<b>Compensa tion (\$)</b>	<b>tion (\$)</b>	<b>tion (\$)</b>		
Christopher Bunka <sup>(1)</sup> , Chairman, Chief Executive Officer, & Director	2015	119,700	Nil	Nil	49,750	Nil	Nil	Nil	Nil	163,750
	2014	80,000	Nil	Nil	Nil	Nil	Nil	Nil	Nil	80,000
Bal Bhullar <sup>(2)</sup> , Chief Financial Officer & Director	2015	73,020	Nil	Nil	49,750	Nil	Nil	Nil	Nil	122,770
	2014	63,324	Nil	Nil	Nil	Nil	Nil	Nil	Nil	63,324
Tom Irkhe <sup>(4)</sup> , Vice President	2015	42,000	Nil	Nil	29,850	Nil	Nil	Nil	Nil	71,850
	2014	5,000	Nil	Nil	Nil	Nil	Nil	Nil	Nil	5,000
John Docherty <sup>(5)</sup> , President	2015	60,983	Nil	Nil	39,722	Nil	Nil	Nil	Nil	84,705
	2014	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

- (1) Mr. Bunka was appointed as chairman, president, chief executive officer and director on October 26, 2006, and was chief financial officer of our company from February 14, 2007 until May 12, 2009. He resigned as president on April 15, 2015
- (2) Ms. Bhullar was appointed Chief Financial Officer on May 12, 2009
- (3) The fair value of the option award was estimated using the Black-Scholes pricing model with the following assumptions: expected volatility of 142.25%, risk free interest rate of 1.93%, expected life of 5 years, and dividend yield of 0.0%.
- (4) Mr. Irkhe became Vice President on December 23, 2015.

- (5) Mr. Docherty became President on April 15, 2015.

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Our company is currently paying consulting fees to our chief executive officer \$10,500 per month, paying our chief financial officer CAD\$7,500 per month, paying our vice president \$3,000 per month and paying our president CAD\$12,500 per month in consulting fees.

#### *Employment/Consulting Agreements*

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.

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.

Other than as set out in this annual report on Form 10-K we have not entered into any employment or consulting agreements with any of our current officers, directors or employees.

#### **Grants of Plan-Based Awards Table**

We did not grant any awards to our named executive officers in the during our fiscal year ended August 31, 2014.

#### **Outstanding Equity Awards at Fiscal Year End**

The particulars of unexercised options, stock that has not vested and equity incentive plan awards for our named executive officers are set out in the following table:

**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

Name (a)	OPTION AWARDS					STOCK AWARDS			
	Number of Securities Underlying Unexercised Options  (#) Exercisable (b)	Number of Securities Underlying Unexercised Options  (#) Unexercisable (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)  (d)	Option Exercise Price (\$) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock  That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock  That Have Not Vested (\$) (h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (i)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (#) (j)
Christopher Bunka	500,000	-	-	\$0.11	2019/12/22	-	-	-	-
	200,000	-	-	\$0.35	2016/07/11	-	-	-	-
	225,000	-	-	\$0.10	2018/06/18	-	-	-	-
Bal Bhullar	500,000	-	-	\$0.11	2019/12/22	-	-	-	-
	100,000	-	-	\$0.35	2016/07/11	-	-	-	-
	175,000	-	-	\$0.10	2018/06/18	-	-	-	-
Tom Irkhe	300,000	-	-	\$0.11	2019/12/22	-	-	-	-
John Docherty	500,000	-	-	\$0.10	2020/03/26	-	-	-	-

**Option Exercises**

During our fiscal year ended August 31, 2015, no options were exercised by our named officers.

**Compensation of Directors**

We do not have any agreements for compensating our directors for their services in their capacity as directors, although such directors are expected in the future to receive stock options to purchase shares of our common stock as awarded by our board of directors.

**Pension, Retirement or Similar Benefit Plans**

There are no arrangements or plans in which we provide pension, retirement or similar benefits for directors or executive officers. We have no material bonus or profit sharing plans pursuant to which cash or non-cash compensation is or may be paid to our directors or executive officers, except that stock options may be granted at the discretion of the board of directors or a committee thereof.

**Indebtedness of Directors, Senior Officers, Executive Officers and Other Management**

None of our directors or executive officers or any associate or affiliate of our company during the last two fiscal years is or has been indebted to our company by way of guarantee, support agreement, letter of credit or other similar

agreement or understanding currently outstanding.

**Compensation Committee Interlocks and Insider Participation**

During 2015, we did not have a compensation committee or another committee of the board of directors performing equivalent functions. Instead the entire board of directors performed the function of compensation committee. Our board of directors approved the executive compensation, however, there were no deliberations relating to executive officer compensation during 2015.

**Compensation Committee Report**

None.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The following table sets forth, as of October 1, 2015, certain information with respect to the beneficial ownership of our common shares by each shareholder known by us to be the beneficial owner of more than 5% of our common shares, as well as by each of our current directors and executive officers as a group. Each person has sole voting and investment power with respect to the shares of common stock, except as otherwise indicated. Beneficial ownership consists of a direct interest in the shares of common stock, except as otherwise indicated.

<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percentage of Class</b>
Christopher Bunka Kelowna BC Canada	10,832,544 <sup>(1)</sup> common shares	21.2%
Bal Bhullar Vancouver, BC	916,250 <sup>(2)</sup> common shares	1.8%
Nicholas Baxter Aberdeenshire, UK	450,000 <sup>(3)</sup> common shares	0.9%
Tom Irkhe South Carolina, USA	300,000 <sup>(4)</sup> Common shares	0.6%
John Docherty Toronto, Ontario	1,180,000 <sup>(5)</sup> Common shares	2.3%
Ted McKechnie Toronto, Ontario	200,000 <sup>(6)</sup> Common shares	0.4%
<b>Directors and Executive Officers as a Group (6 persons)</b>	<b>13,878,794</b> <b>common shares</b>	<b>27.1%</b>
David DeMartini, Texas, Houston	3,281,250 common shares	6.4%
<b>Total as a Group (7 persons) <sup>(7)</sup></b>	<b>17,160,044</b> <b>common shares</b>	<b>33.5%</b>

\* Less than 1%.

(1) Includes 5,248,586 shares held in the name of C.A.B. Financial Services and 4,488,958 shares held directly by Chris Bunka, chairman, chief executive officer and a director of our company. Includes 170,000 warrants held in the name of C.A.B. Financial Services with an exercise price of \$0.25. Includes 925,000 options which are exercisable at \$0.11, \$0.35, and \$0.10 within 60 days of October 15, 2015.

(2) Includes 575,000 options which are exercisable at \$0.11, \$0.35, and \$0.10 within 60 days October 15, 2015. Bal Bhullar is chief financial officer and a director of our company.

(3) Includes 250,000 options which are exercisable at \$0.35 and \$0.11 within 60 days of October 15, 2015. Nicholas Baxter is a director of our company.

(4) Includes 300,000 options which are exercisable at \$0.11 withing 60 days of October 15, 2015. Tom Irkhe is Vice President of our Company.

(5) Includes 130,000 warrants with an exercise price of \$0.25. Includes 500,000 options which are exercisable at \$0.10 within 60 days October 15, 2015. John Docherty is the President of our Company

(6) Includes 100,000 options exercisable at \$0.19 90 days after September 16, 2015. Ted McKechnie is a Director of our Company.

(7) Under Rule 13d-3, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares: (i) voting power, which includes the power to vote, or to direct the voting of shares; and (ii) investment power, which includes the power to dispose or direct the disposition of shares. Certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire the shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of these acquisition rights. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person's actual ownership or voting power with respect to the number of shares of common stock actually outstanding on October 15, 2015. As of October 15, 2015, there were 39,852,984 shares of our common stock issued and outstanding.

#### *Changes in Control*

We are unaware of any contract or other arrangement the operation of which may at a subsequent date result in a change in control of our company.

#### **Item 13. Certain Relationships and Related Transactions, and Director Independence**

Except as disclosed herein, no director, executive officer, shareholder holding at least 5% of shares of our common stock, or any family member thereof, had any material interest, direct or indirect, in any transaction, or proposed transaction since the year ended August 31, 2015, in which the amount involved in the transaction exceeded or exceeds the lesser of \$120,000 or one percent of the average of our total assets at the year end for the last three completed fiscal years.

#### *Director Independence*

We currently act with three directors, consisting of Christopher Bunka, Bal Bhullar, and Nicholas Baxter. We have determined that Nicholas Baxter is an independent director as defined in NASDAQ Marketplace Rule 4200(a)(15).

Currently our audit committee consists of our entire board of directors. We currently do not have nominating, compensation committees or committees performing similar functions. There has not been any defined policy or procedure requirements for shareholders to submit recommendations or nomination for directors.

Our board of directors has determined that it does not have a member of its audit committee who qualifies as an audit committee financial expert as defined in as defined in Item 407(d)(5)(ii) of Regulation S-K.

From inception to present date, we believe that the members of our audit committee and the board of directors have been and are collectively capable of analyzing and evaluating our financial statements and understanding internal controls and procedures for financial reporting.

We do not have a standing compensation or nominating committee, but our entire board of directors act in such capacity. We believe that our directors are capable of analyzing and evaluating our financial statements and understanding internal controls and procedures for financial reporting. Our directors do not believe that it is necessary to have an audit committee because we believe that the functions of an audit committee can be adequately performed by the board of directors. In addition, we believe that retaining additional independent directors who would qualify as an audit committee financial expert would be overly costly and burdensome and is not warranted in our circumstances given the early stages of our development.

**Item 14. Principal Accounting Fees and Services**

The aggregate fees billed for the most recently completed fiscal year ended August 31, 2015 and for fiscal year ended August 31, 2014 for professional services rendered by the principal accountant for the audit of our annual financial statements and review of the financial statements included in our quarterly reports on Form 10-Q and services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for these fiscal periods were as follows:

	Year Ended	
	August 31, 2015	August 31, 2014
Audit Fees	30,953	26,036
Audit Related Fees	16,454	19,677
Tax Fees	Nil	Nil
All Other Fees	Nil	Nil
Total	47,407	45,713

*Audit Fees.* Audit fees consist of fees billed for professional services rendered for the audits of our financial statements, reviews of our interim financial statements included in quarterly reports, services performed in connection with filings with the Securities and Exchange Commission and related comfort letters and other services that are normally provided by MNP LLP for the fiscal years ended August 31, 2015 and August 31, 2014 in connection with statutory and regulatory filings or engagements.

*Audit related Fees.* There were \$16,454 audit related fees paid to MNP LLP for the fiscal year ended August 31, 2014 and \$19,677 for the fiscal year ended August 31, 2014.

*Tax Fees.* Tax fees consist of fees billed for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal, state and local tax compliance and consultation in connection with various transactions and acquisitions. For the fiscal years ended August 31, 2015 and August 31, 2014, we did not use MNP LLP for non-audit professional services or preparation of corporate tax returns.

We do not use MNP LLP, for financial information system design and implementation. These services, which include designing or implementing a system that aggregates source data underlying the financial statements or generates information that is significant to our financial statements, are provided internally or by other service providers. We do not engage MNP LLP to provide compliance outsourcing services.

Effective May 6, 2003, the Securities and Exchange Commission adopted rules that require that before our independent auditors are engaged by us to render any auditing or permitted non-audit related service, the engagement be:

approved by our audit committee (which consists of our entire board of directors); or entered into pursuant to pre-approval policies and procedures established by the board of directors, provided the policies and procedures are detailed as to the particular service, the board of directors is informed of each service, and such policies and procedures do not include delegation of the board of directors' responsibilities to management.

Our board of directors pre-approves all services provided by our independent auditors. All of the above services and fees were reviewed and approved by the board of directors either before or after the respective services were rendered.

Our board of directors has considered the nature and amount of fees billed by our independent auditors and believes that the provision of services for activities unrelated to the audit is compatible with maintaining our independent auditors' independence.

## PART IV

### Item 15. Exhibits, Financial Statement Schedules

(a) Financial Statements

- (1) Financial statements for our Company are listed in the index under Item 8 of this document
- (2) All financial statement schedules are omitted because they are not applicable, not material or the required information is shown in the financial statements or notes thereto.

(b) Exhibits

#### Exhibit No. Document Description

<b>(3)</b>	<b>Articles of Incorporation and By-laws</b>
3.1	Articles of Incorporation (Incorporated by reference from Form SB-2 Registration Statement filed on March 1, 2006)
<b>(3)</b>	<b>Articles of Incorporation; Bylaws</b>
3.1	Articles of Incorporation (Incorporated by reference from Form SB-2 Registration Statement filed on March 1, 2006)
3.2	Bylaws (Incorporated by reference from Form SB-2 Registration Statement filed on March 1, 2006)
3.3	Certificate of Change (Incorporated by reference from our current report on Form 8-K filed on June 23, 2009)
3.4	Amended and restated Bylaws (Incorporated by reference from our current report on Form 8-K filed on December 22, 2009)
<b>(10)</b>	<b>Material Contracts</b>
10.1	Griffin Model Form Operating Agreement (Incorporated by reference from Form SB-2 Registration Statement filed on March 1, 2006)
10.2	Griffin Drilling Program Agreement (Incorporated by reference from Form SB-2 Registration Statement filed on March 1, 2006)
10.3	Assignment Agreement with Brinx Resources Ltd. (Incorporated by reference from our current report on Form 8-K filed on June 21, 2007)
10.4	Assignment Agreement with 0743608 BC Ltd. (Incorporated by reference from our current report on Form 8-K filed on June 21, 2007)
10.5	Consulting Agreement dated November 27, 2008 with CAB Financial Services Ltd. (Incorporated by reference from our current report on Form 8-K filed on December 1, 2008)
10.6	Amended Agreement and Promissory Notes (Incorporated by reference from our current report on Form 8-K filed on October 22, 2010)
10.7	Consulting Agreement with CAB Financial Services Ltd. (Incorporated by reference from our current report on Form 8-K filed on December 1, 2008)

**Exhibit No. Document Description**

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|-------|--|
| 10.8  | Agreement with Delta Oil & Gas, Inc. and The Stallion Group (Incorporated by reference from our current report on Form 8-K filed on April 7, 2009)   |
| 10.9  | Agreement with BKB Management Ltd. (Incorporated by reference from our current report on Form 8-K filed on May 19, 2009)   |
| 10.10 | Equity Compensation Plan 2007 (Incorporated by reference from our current report on Form S8 filed on May 7, 2007)  |
| 10.11 | 2010 Equity Compensation Plan (Incorporated by reference from our current report on Form 8-K filed on January 21, 2010)  |
| 10.12 | Assignment Agreements and Loan Agreement (Incorporated by reference from our current report on Form 8-K filed on September 13, 2010)   |
| 10.13 | Consulting Agreement with Tom Ihrke (Incorporated by reference from our current report on Form 8-K filed on August 6, 2010)  |
| 10.14 | Equity Compensation Plan 2010 (Incorporated by reference from our current report on Form 8-K filed on January 21, 2010)  |
| 10.15 | Form of Convertible Debenture Subscription (Incorporated by reference from our current report on Form 8-K filed December 1, 2010)  |
| 10.16 | Form of Convertible Debenture (Incorporated by reference from our current report on Form 8-K filed on December 1, 2010)  |
| 10.17 | Form of Security Agreement (Incorporated by reference from our current report on Form 8-K filed on December 1, 2010)   |
| 10.18 | Management Agreement with Tom Ihrke dated December 2, 2010 (Incorporated by reference from our current report on Form 8-K filed on December 3, 2010)   |
| 10.19 | Form of Convertible Debenture Subscription (Incorporated by reference from our current report on Form 8-K filed on November December 21, 2010)   |
| 10.20 | Form of Convertible Debenture (Incorporated by reference from our current report on Form 8-K filed on November December 21, 2010)  |
| 10.21 | Form of Security Agreement (Incorporated by reference from our current report on Form 8-K filed on November December 21, 2010)   |
| 10.22 | Assignment Agreement with Emerald Atlantic, LLC dated December 16, 2010 (Incorporated by reference from our current report on Form 8-K filed on November December 21, 2010)  |
| 10.23 | Asset Purchase Agreement with Brinx Resources Ltd. dated August 12, 2011 (Incorporated by reference from our current report on Form 8-K filed on August 12, 2011)  |
| 10.24 | Form of Convertible Debenture Subscription (Incorporated by reference from our current report on Form 8-K filed on December 2, 2012)   |
| 10.25 | Form of Convertible Debenture (Incorporated by reference from our current report on Form 8-K filed on December 2, 2012)  |
| 10.26 | Security Agreement (Incorporated by reference from our current report on Form 8-K filed on December 2, 2012)   |
| 10.27 | Debt Agreement with Chris Bunka dated March 30, 2012 (Incorporated by reference from our current report on Form 8-K filed on March 30, 2012)   |
| 10.28 | Debt Agreement with Chris Bunka dated July 20, 2012 (Incorporated by reference from our current report on Form 8-K filed on July 23, 2012)   |
| 10.29 | Amendments to Existing Agreements with CAB Financial Services Ltd., Cielo Investment, LLC, David DeMartini, Emerald Atlantic, LLC, Fred Hoffman, James Ihrke, Mathew Ihrke and Morgan Bunka (Incorporated by reference from our current report on Form 8-K filed on November 23, 2012) |
| 10.30 | Agreement with Carmel Advisors LLC dated August 23, 2013 (Incorporated by reference from our current report on Form 8-K filed on August 26, 2013)  |



**Exhibit No. Document Description**

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|-------|---|
| 10.31 | Assignment Agreement with CAB Financial Services Ltd. dated November 1, 2013 (Incorporated by reference from our current report on Form 8-K filed on November 4, 2013)  |
| 10.32 | Assignment Agreement with Cloudstream One LLC dated November 1, 2013 (Incorporated by reference from our current report on Form 8-K filed on November 4, 2013)  |
| 10.33 | Assignment Agreement with Emerald Atlantic, LLC dated November 1, 2013 (Incorporated by reference from our current report on Form 8-K filed on November 4, 2013)  |
| 10.34 | Second Amendments to Existing Agreements with CAB Financial Services, Ltd., Cielo Investment, LLC, David DeMartini, Emerald Atlantic, LLC, Fred Hoffman, James Ihrke, Mathew Ihrke and Morgan Bunka dated October 20, 2013 (Incorporated by reference from our current report on Form 8-K filed on November 13, 2013) |
| 10.35 | Debt Agreement with Chris Bunka dated December 4, 2013 (Incorporated by reference from our current report on Form 8-K filed on December 5, 2013)  |
| 10.36 | Security Agreement with Chris Bunka dated December 4, 2013 (Incorporated by reference from our current report on Form 8-K filed on November December 5, 2013)   |
| 10.37 | Joint Venture Agreement with Enertopia Corporation and Robert McAllister dated March 5, 2014 (Incorporated by reference from our current report on Form 8-K filed on March 5, 2014)   |
| 10.38 | Social Media/Web Marketing Agreement with Stuart Gray dated March 10, 2014 (Incorporated by reference from our current report on Form 8-K filed on March 10, 2014)  |
| 10.39 | Online Marketing Agreement with Agora Internet Relations Corp. dated March 12, 2014 (Incorporated by reference from our current report on Form 8-K filed on March 12, 2014)   |
| 10.40 | Convertible Debt Conversion Agreements with Matthew Ihrke, James Ihrke and Cielo Investments LLC dated April 1, 2014 2014 (Incorporated by reference from our current report on Form 8-K filed on April 1, 2014)  |
| 10.41 | Warrants with each of Matthew Ihrke, James Ihrke, Cielo Investments, LLC, dated April 1, 2014 2014 (Incorporated by reference from our current report on Form 8-K filed on April 1, 2014)   |
| 10.42 | Joint Letter of Intent Agreement with Enertopia Corporation dated April 10, 2014 (Incorporated by reference from our current report on Form 8-K filed on April 10, 2014)  |
| 10.43 | Lease Agreement with Enertopia Corporation dated April 10, 2014 (Incorporated by reference from our current report on Form 8-K filed on April 10, 2014)   |
| 10.44 | Letter of Appointment with Jeff Paikin dated April 10, 2014 (Incorporated by reference from our current report on Form 8-K filed on April 14, 2014)   |
| 10.45 | Consulting Agreement with Clark Kent dated April 24, 2014 (Incorporated by reference from our current report on Form 8-K filed on April 30, 2014)   |
| 10.46 | Consulting agreement with Great Lakes Cannabis Corp. and Bmullan and Associates dated May 3, 2014 (Incorporated by reference from our current report on Form 8-K filed on May 5, 2014)  |
| 10.47 | Letter of Intent with Arnprior Bay Property Limited dated May 26, 2014 (Incorporated by reference from our current report on Form 8-K filed on May 27, 2014)  |
| 10.48 | Joint Venture Agreement with Enertopia Corporation dated May 27, 2014 (Incorporated by reference from our current report on Form 8-K filed on May 29, 2014)   |
| 10.49 | Amended Consulting Contracts with each of Jason Springett, 490072 Ontario Ltd., Current market Communications and Associates Inc., Don Shaxon and Jeff Paikin dated June 17, 2014 (Incorporated by reference from our current report on Form 8-K filed on July 14, 2014)  |
| 10.50 | 2014 Stock Option Plan (Incorporated by reference from our current report on Definitive Proxy Statement filed on May 20, 2014)  |
| 10.51 | Form of Stock Option Agreement (Incorporated by reference from our current report on Form 8-K filed on July 24, 2014)   |
| 10.52 | Amended Lease Letter of Intent Extension dated July 22, 2014 (Incorporated by reference from our current report on Form 8-K filed on August 5, 2014)  |



Exhibit No.	Document Description
10.53	Form of Subscription Agreement for Private Placement closed on August 12, 2014 (Incorporated by reference from our current report on Form 8-K filed on August 12, 2014)
10.54	Form of Warrant Agreement dated August 12, 2014 (Incorporated by reference from our current report on Form 8-K filed on August 12, 2014)
10.55	Form of Subscription Agreement for Private Placement closed on September 22, 2014 (Incorporated by reference from our current report on Form 8-K filed on September 29, 2014)
10.56	Form of Warrant Agreement dated September 22, 2014 (Incorporated by reference from our current report on Form 8-K filed on September 29, 2014)
10.57	Operating Agreement dated November 11, 2014 with Poppy s Teas LLC (Incorporated by reference from our current report on Form 8-K filed on November 12, 2014).
10.56	Purchase and Sale Agreement dated November 26, 2014 with Cloudstream Belmont Lake, LP (Incorporated by reference from our current report on Form 8-K filed on December 1, 2014)
10.57	Form of Stock Option Agreement dated December 22, 2014 (Incorporated by reference from our current report on Form 8-K filed on December 22, 2014)
10.58	Consulting Agreement dated December 15, 2014 with Thomas Ihrke (Incorporated by reference from our current report on Form 8-K filed on December 22, 2014)
10.59	Form of Stock Option Agreement dated February 3, 2015 (Incorporated by reference from our current report on Form 8-K filed on February 5, 2015)
10.60	Consulting Agreement dated February 6, 2015 with Sequoia Partners Inc. (Incorporated by reference from our current report on Form 8-K filed on February 5, 2015)
10.61	Form of Stock Option Agreement dated March 26, 2015 (Incorporated by reference from our current report on Form 8-K filed on March 26, 2015)
10.62	Consulting Agreement dated March 26, 2015 (Incorporated by reference from our current report on Form 8-K filed on March 26, 2015)
10.63	Form of Subscription Agreement (1) for Private Placement closed on May 15, 2015 (Incorporated by reference from our current report on Form 8-K filed on May 15, 2015)
10.64	Form of Warrant Agreements (1) dated May 15, 2015 (Incorporated by reference from our current report on Form 8-K filed on May 15, 2015)
10.65	<u>Form of Broker Warrant Agreement (1) dated May 15, 2015</u> (Incorporated by reference from our current report on Form 8-K filed on May 15, 2015)
10.66	Letter of Intent dated June 10, 2015 with Shaxon Enterprises Ltd. and Enertopia Corp. (Incorporated by reference to our current report on Form 8-K filed on June 12, 2015)
10.67	Service Agreement dated June 8, 2015 with TDM Financial (Incorporated by reference to our current report on Form 8-K filed on June 8, 2015)
10.68	Share Purchase Agreement dated June 24, 2015 with Shaxon Enterprises Ltd. and Enertopia Corp. (Incorporated by reference from our current report on Form 8-K filed on August 5, 2014)
<b>(14)</b>	<b>Code of Ethics</b>
14.1	Code of Business Conduct and Ethics (Incorporated by reference from Form SB-2 Registration Statement filed on September 20, 2007)
<b>(21)</b>	<b>Subsidiaries of the Registrant</b>
21.1	Great Lakes Cannabis Corp., a Canadian corporation, (wholly-owned)
<b>(31)</b>	<b>Rule 13a-14(a)/15d-14(a)</b>
<u>31.1*</u>	<u>Section 302 Certifications under Sarbanes-Oxley Act of 2002 of Principal Executive Officer</u>
<u>31.2*</u>	<u>Section 302 Certifications under Sarbanes-Oxley Act of 2002 of Principal Financial Officer and Principal Accounting Officer</u>
<b>(32)</b>	<b>Section 1350 Certifications</b>
<u>32.1*</u>	<u>Section 906 Certification under Sarbanes Oxley Act of 2002 of Principal Executive Officer</u>



**Exhibit No. Document Description**

32.2*	<u>Section 906 Certification under Sarbanes Oxley Act of 2002 of Principal Financial Officer and Principal Accounting Officer</u>
<b>(99) Additional Exhibits</b>	
99.1	Haas Reserve Reports (Incorporated by reference from our current report on Form 8-K filed on July 17, 2007)
99.2	Veazey Reserve Report (Incorporated by reference from our current report on Form 8-K filed on January 19, 2012)
<b>(101)** Interactive Data Files</b>	
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document (
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

\* *Filed herewith.*

\*\* *Furnished herewith. Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of any registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, and otherwise are not subject to liability under those sections*

**SIGNATURES**

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**LEXARIA CORP.**

By: /s/ Christopher Bunka

Christopher Bunka  
Chief Executive Officer, Chairman and Director  
(Principal Executive Officer)

Date: November 25, 2015

By: /s/ Bal Bhullar

Bal Bhullar  
Chief Financial Officer and Director  
(Principal Financial Officer and Principal Accounting Officer)

Date: November 25, 2015

In accordance with the Exchange Act, this Report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Christopher Bunka

Christopher Bunka  
Chief Executive Officer, Chairman and Director  
(Principal Executive Officer)

Date: November 25, 2015

By: /s/ Bal Bhullar

Bal Bhullar  
Chief Financial Officer and Director  
(Principal Financial Officer and Principal Accounting Officer)

Date: November 25, 2015

By: /s/ Nicholas Baxter

Nicholas Baxter  
Director

Date: November 25, 2015

By: /s/ Ted McKechnie

Ted McKechnie  
Director

Date: November 25, 2015

