# FORM 5

## QUARTERLY LISTING STATEMENT

Name of CNSX Issuer: Lexaria Corp (the "Issuer").

Trading Symbol: LXX

### FINANCIAL STATEMENTS

The interim financial statements for the third quarter ended May 31, 2015 are attached hereto as Schedule A.

### SUPPLEMENTARY INFORMATION

The interim financial statements for the third quarter ended May 31, 2015 are attached hereto as Schedule B.

### 1. Related party transactions for the nine months ended May 31, 2015.

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

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

(b) On October 27, 2008 the Company entered a secured loan agreement in the amount of CAD$300,000 with CAB (See Note 10e). On July 10, 2009 $40,000 of the debt was converted to equity. On October 21, 2010, the Company settled a portion of the debt, namely US$1,625 with CAB by converting 65,000 warrants into 32,500 common shares of the Company as per Purchase Agreement dated October 27, 2008 at a price of $0.05 per share. On June 28, 2011, the Company paid down CAD $100,000 of the debt. The debt was paid in full from the Belmont Lake sale. For the nine months ended May 31, 2015, the Company paid/accrued interest expenses of CAD $6,833 (2014: CAD$20,457).

(c) On October 27, 2008 the Company entered a secured loan agreement in the amount of CAD$400,000 with Christopher Bunka (See Note 10e). On October 21, 2010, the Company settled a portion of the debt, namely $2,167 with Christopher Bunka by converting 86,667 warrants into 43,333 common shares of the Company as per Purchase Agreement dated October 27, 2008 at a price of $0.05 per share. The debt was paid in full from the Belmont Lake sale. For the nine months ended May 31, 2015, the Company paid/accrued interest expenses of CAD $17,902 (2014: CAD$53,709).

(d) On April 1, 2010, the Company entered a non-secured loan agreement in the amount of US$75,000 with CAB (See Note 10a). The debt was paid in full from the Belmont Lake sale. For the nine months ended May 31, 2015, the Company paid/accrued interest expenses of $3,375 (2014: $10,125).

(e) On March 30, 2012, the Company entered a non-secured loan agreement in the amount of US$50,000 with Chris Bunka. The debt was paid in full from the Belmont Lake sale. For the nine months ended May 31, 2015, the Company incurred interest expenses of $1,500 (2014: $4,500).

(f) On December 1, 2011, the Company entered into a secured loan agreement in the amount of $200,000 with two directors of the Company (see Note 10c, f). This loan agreement was amended for another year to repay the debt in twelve equal monthly principal payment, plus interest on the monthly declining balances. The interest rates of the amendment debt are the same as the existing debt agreement. On November 13, 2013, the Company refinanced and extended repayment terms on all debt that was otherwise due to mature in December 2013. The loan repayment schedule will be converted, with an effective date of December 1, 2013, to a new one year term loan with monthly interest payments at 18% on any declining balance, in arrears and all principal amounts not paid before then due in full on December 1, 2014; b) the first payment of interest shall be due on January 1, 2014; c) the Company will make ten (10) monthly principal payments, each of which is 1/10th of the principal amount owing at the time this Agreement goes into effect, beginning on March 1 2014 and repeating on the first day of each month thereafter until all the principal is paid. The debt was paid in full from the Belmont Lake sale. For the nine months ended May 31, 2015, the Company has paid interest expense of $5,458 (2014: $17,868).

## 2. Summary of securities issued and options granted during the period.

a) summary of securities issued during the period,

| Date of Issue | Type of Security (common shares, convertible debentures, etc.) | Type of Issue (private placement, public offering, exercise of warrants, etc.) | Number | Price | Total Proceeds | Type of Consideration (cash, property, etc.) | Describe relationship of Person with Issuer (indicate if Related Person) | Commission Paid |
|---|---|---|---|---|---|---|---|---|
| May 14, 2015 | Common Shares | Private Placement | 5,000,000 | $0.10 | $500,000 | Cash | 2 officers participated in private placement | $32,900 |

b) summary of options granted during the period,

| Date | Number | Name of Optionee if Related Person and relationship | Generic description of other Optionees | Exercise Price | Expiry Date | Market Price on date of Grant |
|---|---|---|---|---|---|---|
| 3/26/2015 | 500,000 | John Docherty, President | N/A | US$0.10 | 3/26/2020 | US$0.10 |

**3. Summary of securities as at the end of the reporting period.**

The following information details the outstanding share capital of the Issuer as at the quarter ended May 31, 2015:

a) Authorized:

200,000,000 Common Shares, voting, par value $0.001

b) Issued and outstanding:

| Outstanding Share Capital | Number of Common Shares | Exercise Price per Common Share | Expiry Date |
|---|---|---|---|
| Issued and outstanding as at May 31, 2015 | 39,682,984 | N/A | N/A |
| Stock Options | 3,850,000 | | |
| Warrants | | | |
| | 500,000 | 0.10 | Nov 1 2015 |
| | 10,600,000 | 0.25 | Sept 21 2015 |
| | 1,302,333 | 0.25 | Feb 12 2016 |
| | 305,200 | 0.25 | Mar 26 2016 |
| | 5,000,000 | 0.25 | May 14, 2017 |
| | 329,000 | 0.20 | May 14, 2017 |
| | | | |
| Escrow | N/A | N/A | N/A |
| Fully Diluted as at May 31, 2015 | 61,569,517 | N/A | N/A |

c) **List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.**

| Name of Individual | Position with Issuer |
|---|---|
| Chris Bunka | Chief Executive Officer and Director |
| John Docherty | President |
| Bal Bhullar | Chief Financial Officer and Director |
| Tom Ihrke | SVP Business Development |
| Nicholas Baxter | Director |

## MANAGEMENT DISCUSSION AND ANALYSIS

The management discussion and analysis for the third quarter ended May 31, 2015 are attached hereto as Schedule B.

**Certificate Of Compliance**

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to CNSX that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all CNSX Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated July 20, 2015

Chris Bunka
Name of Director or Senior Officer

*"Chris Bunka"*
Signature

CEO/Chairman
Official Capacity

<table>
<tr><td>Issuer Details<br>Name of Issuer<br><br>Lexaria Corp.</td><td>For Quarter Ended<br><br>May , 2015</td><td>Date of Report<br>YY/MM/DD<br><br>15/07/20</td></tr>
<tr><td colspan="3">Issuer Address<br><br>950-1130 West Pender Street</td></tr>
<tr><td>City/Province/Postal Code<br><br>Vancouver, BC  V6E 4A4</td><td>Issuer Fax No.<br>(604)685-1602</td><td>Issuer Telephone No.<br>(604) 602-1675</td></tr>
<tr><td>Contact Name<br><br>Bal Bhullar</td><td>Contact Position<br><br>CFO</td><td>Contact Telephone No.<br><br>604-602-1675</td></tr>
<tr><td>Contact Email Address<br><br>bbspa@hotmail.com</td><td colspan="2">Web Site Address<br><br>www.lexariaenergy.com</td></tr>
</table>

**Schedule "A"**

**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 10-Q**

(Mark One)

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

For the quarterly period ended May 31, 2015

or

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

For the transition period from ______________ to ______________

Commission File Number ______________

**Lexaria Corporation**
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Nevada** | **20-2000871** |
| (State or other jurisdiction of incorporation or organization) | (IRS Employer Identification No.) |
| **950 - 1130 West Pender Street, Vancouver, BC** | **V6E 4A4** |
| (Address of principal executive offices) | (Zip Code) |

604-602-1675
(Registrant's telephone number, including area code)

**N/A**
(Former name, former address and former fiscal year, if changed since last report)

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

[ X ] YES [ ] NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act

Large accelerated filer [ ] Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company) Smaller reporting company [ X ]

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

[ ] YES [ X ] NO

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

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

[ ] YES [ ] NO

**APPLICABLE ONLY TO CORPORATE ISSUERS**

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

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

## PART 1 – FINANCIAL INFORMATION

### Item 1. Financial Statements.

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

**LEXARIA CORP.**

**CONSOLIDATED BALANCE SHEETS**

**(Expressed in U.S. Dollars)**

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

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

**LEXARIA CORP.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**(Expressed in U.S. Dollars)**

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

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



**LEXARIA CORP.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(Expressed in U.S. Dollars)**

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

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

**LEXARIA CORP.**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME**

**(Expressed in U.S. Dollars)**

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

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Stock Options issued @ $0.25 | | | 183,432 | | | | 183,432 |
| Shares issued for option exercise @ $0.10 | 50,000 | 50 | 4,950 | | | | 5,000 |
| Shares issued per agreement @ $0.30 | 55,000 | 55 | 16,445 | | | | 16,500 |
| Shares issued per agreement @ $0.26 | 880,000 | 880 | 263,120 | | | | 264,000 |
| Shares issued per LOI @ $0.30 | 91,662 | 92 | 27,408 | | | | 27,500 |
| Shares issued per agreement @ $0.16 | 82,031 | 82 | 13,043 | | | | 13,125 |
| Shares issued for PP @ $0.15 | 1,251,333 | 1,250 | 178,800 | | | | 180,050 |
| Comprehensive income (loss): | | | | | | | |
| (Loss) for the period | | | | | (3,257,712) | | (3,257,712) |
| Balance, August 31, 2014 | 34,249,690 | 34,249 | 10,033,438 | (35,200) | (8,315,389) | | 1,717,098 |
| Shares Cancelled | (110,000) | (110) | (35,090) | 35,200 | | | - |
| Shares issued for PP @$0.15 | 305,200 | 305 | 45,475 | | | | 45,780 |
| Non-controlling Interest | | | | | | (16,061) | (16,061) |
| Shares issued per agreement @$0.105 | 238,094 | 238 | 24,762 | | | | 25,000 |
| Stock Options issued @ $0.11 and $0.10 | | | 144,198 | | | | 144,198 |
| Shares issued for PP @$0.10 | 5,000,000 | 5,000 | 462,100 | | | | 467,100 |
| Stock Options issued @$0.10 | | | 52,802 | | | | 52,802 |
| Shares to be cancelled | - | | (44,500) | (500) | | | (45,000) |
| Comprehensive income (loss): | | | | | (1,254,670) | | (1,254,670) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Balance, May 31, 2015 | 39,682,984 | 39,682 | 10,683,185 | (500) | (9,570,059) | (16,061) | 1,136,247 |

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

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

**(Unaudited)**

1. **Basis of Presentation**

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

2. **Organization and Business**

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

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

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

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

## 3. Business Risk and Liquidity

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

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

## 4. Significant Accounting Policies

### a) Basis of Consolidation

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

### b) Inventories and Cost of Sales

The Company has three major classes of inventory: finished goods, raw materials and supplies. In all classes, inventory is valued at the lower of cost or market. Cost is determined on a first-in, first-out basis.

Cost of sales includes all expenditures incurred in bringing the goods to the point of sale. Inventory costs and costs of sales include direct costs of the raw material, inbound freight charges, warehousing costs, handling costs (receiving and purchasing) and utilities and overhead expenses related to the Company's manufacturing and processing facilities.

**c) New Accounting Pronouncements**

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

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

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

## 5. Inventory

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

## 6. Capital Stock

### Share Issuances

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

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

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

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

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

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

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

## 7. Discontinued Operations

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

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

Discontinued operations were comprised of :

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

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

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

## 8. Medical Marijuana Investment

On March 5, 2014, the Company has entered into a three year Joint Venture Agreement ("JV") with

Enertopia Corp. and Mr. Robert McAllister (collectively, the "Parties"). Whereas Enertopia Corp (" Enertopia") and Robert McAllister will source opportunities in the business, and the terms and conditions on which the Parties will form a joint venture to jointly participate in, or offer specific opportunities within the business (the "Joint Venture"), and Robert McAllister will join the Company as advisory board for the term of this Agreement. The Company issued Enertopia Corp. 1,000,000 shares and Robert McAllister 500,000 shares on signing of the Agreement. The Company agreed to additionally pay Enertopia a finder's commission, received at the sole election of Enertopia in either cash or in common restricted shares of Lexaria, within a range of 2% - 5% of the value (less of taxes) of any future business acquisition, joint venture or transaction that Lexaria accepts and closes for the life of this Agreement. Lexaria as its initial Contribution, paid to McAllister 500,000 common restricted shares as compensation for entering the Joint Venture and for McAllister to initiate and during the term of the Agreement continue to provide to Lexaria opportunities for Lexaria to build its business. Lexaria agrees to additionally award McAllister 500,000 stock options to buy common shares of Lexaria, with terms to be specified and ratified by shareholder and regulatory approvals, as compensation for joining and serving as Chairperson of Lexaria's marijuana business advisory board for the term of this Agreement.

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

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

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

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

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

| | | |
|---|---|---|
| Enertopia | - | 51% |
| Lexaria | - | 49% |

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

| | | |
|---|---|---|
| Enertopia | - | 45% |
| Lexaria | - | 55% |

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

| | | |
|---|---|---|
| Enertopia | - | 51% |
| Lexaria | - | 49% |

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

| | | |
|---|---|---|
| Enertopia | - | 51% |
| Lexaria | - | 49% |

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

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

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

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

**9. Alternative Health Product**

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

- Pay to Operations bank account US$50,000 as an initial amount to upgrade the Business as may be required to advance the Business (paid)
- Agree to Spend $75,000 over one year following the execution date of this agreement as a product marketing and operations budget
- Agree to Extend to the founders of ViPova ("Founders") $25,000 worth of Lexaria common shares subject to a share lockup of six months as required by the Securities and Exchange Commission (paid)
- Agree to Pay one of the Founders $2000 a month for production consulting for a period of 12 months out of revenues, the operating account, or against the marketing budget
- Agree to Pay one of the Founders $2000 a month for marketing consulting for a period of 12 months out of revenues, the operating account, or against the marketing budget
- Agree to Provide the Founders a cash bonus in the amount of $50,000 should the company generate $300,000 in sales within 8 months of the execution of this agreement
- Agree to grant to ViPova a Right of First Refusal to produce under "white-label," additional cannabinoid ("CBD") -based products on behalf of Lexaria, but Lexaria reserves the right to engage other producers should Lexaria, in its reasonable discretion, believe ViPova to be uncompetitive to supply the products requested by Lexaria.
- As part of this Agreement, and once the terms of this Agreement have expired, the Founders will be automatically granted a lifetime license to personally produce products covered by patent numbers # 62010621 and 62037706. This personal license does not extend to any third party corporation, joint venture or partnership that would compete against PoViva Tea, LLC or Lexaria Corporation.

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

- Spend an additional US$100,000 on sales and marketing "ViPova by Lexaria" brand beginning within 60 days of executing this Agreement and completing spending within 24 months of executing this Agreement.
- Lexaria to pay to ViPova or to its principals 2.5 times trailing 12 months ViPova revenue (pro-rata) calculated from that date that this option is exercised. ViPova can receive up to 50% of this payment in the Company's common stock at ViPova's discretion.
- This Section is valid beginning November 15th, 2015 and expires on November 15th, 2017.

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

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

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

## 10. Loan Payable

| Notes | Nature | Original amounts | Carrying amounts May 31, 2015 | Carrying amounts 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 |
| **Total Outstanding** | | 1,698,690 | - | 776,936 |
| **Loan payable – current** | | 1,698,690 | - | 776,936 |
| **Loan payable - long term** | | - | 0 | - |

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

a) On April 1, 2010, the Company entered into a purchase agreement with CAB Financial Services Ltd., a company controlled by Christopher Bunka, our President, Chief Executive Officer and Director, ("Purchaser") for a non-secured promissory note in the amount of $75,000 (the "Promissory Note"). The Purchaser agreed to purchase a non-secured 18% interest bearing Promissory Note of our company subject to and upon the terms and conditions of the Purchase Agreement. The Promissory Note is due and payable on April 1, 2012. The Promissory Note may be prepaid in whole or in part at any time prior to April 1, 2012 by payment of 108% of the outstanding principal amount including accrued and unpaid interest. Upon the mature of the Promissory Note, it has been renewed to a month to month basis.
As long as the Promissory Note is outstanding, the Purchaser may voluntarily convert the Promissory Note including accrued and unpaid interest to common shares of our Company at the conversion price of $0.30 per common share.

This debt has been paid through the Purchase and Sale Agreement of Belmont Lake.
The Company did not incur beneficiary conversion charges as the conversion price is greater than the fair value of the Company's equity at the time of issuance.

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

We also entered into a general security agreement with the subscribers, whereby the obligations to repay the convertible debenture are secured by the Company's working interest and production in and only in two oil wells located at Belmont Lake, Mississippi, with carrying value of $1,000,000 as of October 31, 2012. One director of the Company and Emerald Atlantic LLC, solely owned by the director, subscribed the convertible debentures with amount of $50,000.
On December 16, 2010, the Company closed the second tranche of a private placement offering of convertible debentures in the aggregate amount of $170,000. The convertible debentures mature on November 30, 2012, subject to forced conversion as set out in the convertible debenture certificate. The convertible debentures pay an interest rate of 12% per annum (on a simple basis) and are convertible at $0.35 per unit. Each unit is comprised of one share of our common stock and one share purchase warrant. Each warrant entitles the holder thereof to purchase one share at a price of $0.40 per share up to the earlier of the maturity date of the convertible debenture or one year from conversion of the convertible debenture. We also entered into a general security agreement with the subscribers, whereby the obligations to repay the convertible debenture are secured by the same assets for the first tranche of the private placement offering on November 30, 2010. One director of the Company and Emerald Atlantic LLC, solely owned by the director, subscribed the convertible debentures with amount of $120,000.

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

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

c) On December 1, 2011, the Company closed a private placement offering of convertible debentures in the aggregate amount of $200,000. The convertible debentures mature on December 1, 2012, subject to forced conversion as set out in the convertible debenture certificate. The convertible debentures pay an interest rate of 12% per annum (on a simple basis) and are convertible at $0.35 per unit. Each unit is comprised of one share of our common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase one share at a price of $0.40 per share up to the earlier of the maturity date of the convertible debenture or one year from conversion of the convertible debenture. We also entered into a general security agreement with the subscribers, whereby the obligations to repay the convertible debenture are secured by the Company's working interest and production in and only in two oil wells located at Belmont Lake, Mississippi, with carrying value of $1,000,000 as of October 31, 2012. Two directors of the Company, David DeMartini and Christopher Bunka, via CAB Financial Services Ltd, solely owned by the director, subscribed to the convertible debentures with the amount of $200,000.

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

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

d) On March 30, 2012, the Company entered into a loan agreement with Christopher Bunka, our President, Chief Executive Officer and Director, ("Lender") for a non-secured promissory note in the amount of $50,000 (the "Promissory Note"). The Lender agreed to purchase a non-secured 12% interest bearing Promissory Note of our company subject to and upon the terms and conditions of the agreement. The Promissory Note has a month to month term. This debt was been repaid in full during November 2014.

e) On October 27, 2008 the Company entered into a Purchase Agreement in the amount of CAD$900,000 of Notes being purchased by the President (CAD$400,000), the President's wholly-owned company (CAD$300,000) and a shareholder (CAD$200,000) of the Company ("Purchasers"). The Purchasers agreed to purchase an 18% interest bearing Promissory Note of the Company subject to and upon the terms and conditions of the Purchase Agreement. The Company's obligations to repay the Promissory Note will be secured by certain specified assets of the Company pursuant to a Security Agreement. As long as the Promissory Note is outstanding, the Purchasers may voluntarily convert the Promissory Note to Common Shares at the conversion price of $0.45 per share of Common Stock. The Promissory Note matures on October 27, 2010 or by mutual agreement by all parties on October 27, 2009.

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

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

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

On July 10, 2009 the Purchasers converted $45,000 of the Promissory Note into equity at $0.05 per share.

On October 27, 2009, 191,000 warrants were exercised for 95,500 common shares.

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

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

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

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

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

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

## 11. Related Party Transactions

(a) For the nine months ended May 31, 2015, the Company paid $84,000 to CAB (2014: $48,000); to BKB Management Ltd. ("BKB") CAD$61,500 (2014: CAD$49,500) for management, consulting and accounting services; to Thomas Ihrke $33,000 (2014: $5,000) for executive management consulting; and to Docherty Management Limited CAD$19,167 (2014: $Nil). CAB is owned by the CEO of the Company, BKB is owned by the CFO of the Company and Docherty Management Limited is owned by the President of the Company.
The related party transactions are recorded at the exchange amount established and agreed to between the related parties.

(b) On October 27, 2008 the Company entered a secured loan agreement in the amount of CAD$300,000 with CAB (See Note 10e). On July 10, 2009 $40,000 of the debt was converted to equity. On October 21, 2010, the Company settled a portion of the debt, namely US$1,625 with CAB by converting 65,000 warrants into 32,500 common shares of the Company as per Purchase Agreement dated October 27, 2008 at a price of $0.05 per share. On June 28, 2011, the Company paid down CAD $100,000 of the debt. The debt was paid in full from the Belmont Lake sale. For the nine months ended May 31, 2015, the Company paid/accrued interest expenses of CAD $6,833 (2014: CAD$20,457).

(c) On October 27, 2008 the Company entered a secured loan agreement in the amount of CAD$400,000 with Christopher Bunka (See Note 10e). On October 21, 2010, the Company settled a portion of the debt, namely $2,167 with Christopher Bunka by converting 86,667 warrants into 43,333 common shares of the Company as per Purchase Agreement dated October 27, 2008 at a price of $0.05 per share. The debt was paid in full from the Belmont Lake sale. For the nine months ended May 31, 2015, the Company paid/accrued interest expenses of CAD $17,902 (2014: CAD$53,709).

(d) On April 1, 2010, the Company entered a non-secured loan agreement in the amount of US$75,000 with CAB (See Note 10a). The debt was paid in full from the Belmont Lake sale. For the nine months ended May 31, 2015, the Company paid/accrued interest expenses of $3,375 (2014: $10,125).

(e) On March 30, 2012, the Company entered a non-secured loan agreement in the amount of US$50,000 with Chris Bunka. The debt was paid in full from the Belmont Lake sale. For the nine months ended May 31, 2015, the Company incurred interest expenses of $1,500 (2014: $4,500).

(f) On December 1, 2011, the Company entered into a secured loan agreement in the amount of $200,000 with two directors of the Company (see Note 10c, f). This loan agreement was amended for another year to repay the debt in twelve equal monthly principal payment, plus interest on the monthly declining balances. The interest rates of the amendment debt are the same as the existing debt agreement. On November 13, 2013, the Company refinanced and extended repayment terms on all debt that was otherwise due to mature in December 2013. The loan repayment schedule will be converted, with an effective date of December 1, 2013, to a new one year term loan with monthly interest payments at 18% on any declining balance, in arrears and all principal amounts not paid before then due in full on December 1, 2014; b) the first payment of interest shall be due on January 1, 2014; c) the Company will make ten (10) monthly principal payments, each of which is 1/10th of the principal amount owing at the time this Agreement goes into effect, beginning on March 1 2014 and repeating on the first day of each month thereafter until all the principal is paid. The debt was paid in full from the Belmont Lake sale. For the nine months ended May 31, 2015, the Company has paid interest expense of $5,458 (2014: $17,868).

## 12. Stock Options

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

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

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

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

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

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

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

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

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

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

## 13. Commitments, Significant Contracts and Contingencies

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

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

On August 5, 2010 we entered into a three-month Management agreement with Tom Ihrke, whereby Mr. Ihrke will act as the Senior Vice-President, Business Development for the Company for consideration of $3,125 per month. On December 2, 2010, the Company entered into a month to month management agreement with Tom Ihrke, where by Mr. Ihrke will continue to act as the Senior Vice-President Business Development for the Company. On October 3, 2011 Mr. Ihrke and the Company amended the agreement whereby his title changed to Manager, Business Development. The Company will pay a monthly consulting fee of $3,125. Effective January 15, 2012, the consulting agreement has been decreased to $10 a month. Effective April 1, 2014, the amended consulting agreement has been increased to $5,000 per month. Effective December 23, 2014, the Company has entered into a new Executive Management consulting agreement with the consulting services at $3,000 per month.

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

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

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

See also Note 7 and 8.

## 14.Segmented Information

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

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

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

**15.Subsequent Events**

1. On June 8, 2015, the Company signed an investor relations and public relations agreement with TDM Financial for 60 days at a cost of $18,000.

2. On June 8, 2015, the Company issued 250,000 common shares valued at $50,000 at $0.19 per share to a third party (50,000 common shares) and to another third party (200,000 common shares) with respect to agreements signed on April 2, 2015 and May 27, 2015.
3. On June 11, Lexaria initiated the simultaneous filing of a U.S. utility patent application and an International patent application under the Patent Cooperation Treaty (PCT) procedure, both at the U.S. Patent and Trademark Office. These applications follow the Company's 2014 and 2015 family of provisional patent application filings in the U.S. and serve two additional broad purposes.

4. On June 11, 2015, Lexaria Corp. (the "Company") entered into a Letter of Intent dated June 10, 2015 with Shaxon Enterprises Ltd. to sell its 49% interest with the MMPR Burlington application number 10QMM0610. The Burlington project related with Joint Venture Agreement dated May 28, 2014 with Enertopia Corp. based on developing a business of legally producing, manufacturing, propagating, importing/exporting, testing, researching and developing marijuana at the Burlington Location. This Joint Venture is to be terminated based on the closing of a definitive agreement to be entered into pursuant to the terms of the Letter of Intent with Shaxon Enterprises Ltd. 500,000 restricted common shares issued to Enertopia Corp. at a deemed price of $0.40 held in escrow will be returned back to Lexaria Corp. treasury and cancelled. On June 24, 2015, the Share Purchase Agreement was signed with Shaxon Enterprises Ltd.

## Schedule "B"

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

*Forward-Looking Statements*

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

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

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

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

**Overview**

We were incorporated in the State of Nevada on December 9, 2004. We were an exploration and development oil and gas company engaged in the exploration for and development of petroleum and natural gas in North America from the date of incorporation until 2014. During 2014 we submitted an application to enter the legal medical marijuana business in Canada and also launched a cannabidiol-based food supplement company in the USA. We maintain our registered agent's office and our U.S. business office at Nevada Agency and Transfer Company, 50 West Liberty, Suite 880, Reno, Nevada 89501. Our telephone number is (755) 322-0626.

The address of our principal executive office is Suite 950, 1130 West Pender Street, Vancouver, British Columbia

V6E 4A4. Our telephone number is (604) 602-1675. We have another office located in Kelowna. Our current locations provide adequate office space for our purposes at this stage of our development.

Our common stock is quoted on the OTC Bulletin Board under the symbol "LXRP" and on the Canadian National Stock Exchange under the symbol “LXX”

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

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

**Our Current Business**

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

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

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

On **September 22, 2014**, the Company closed a private placement by issuing 305,200 units at a price of US$0.15 per unit for gross proceed of US$45,780. Each Unit consists of one common share of our company and one full non-transferable share purchase warrant (“Warrant”). Each Warrant will be exercisable into one further share (a

“Warrant Share”) at a price of US$0.25 per Warrant Share for a period of 18 months following closing. The Warrants are subject to an early acceleration provision pursuant to which, in the event that our company’s common shares at any time after 6 months and 1 day have elapsed from the closing of the offering, has been at or above CDN$0.60 for a period of 20 consecutive trading days, our company may, within 5 days thereafter issue to the subscribers a written notice advising of the accelerated expiry of the Warrants. Such written notice shall identify in reasonable detail the particulars of the acceleration event and identify the date (the "Warrant Accelerated Expiry Date") set for accelerated expiry, which in no event shall be less than 30 days after the mailing date of the written notice. For greater certainty, all Warrants shall expire and be of no further force or effect as of 4:30 pm (Pacific Time) on the Warrant Accelerated Expiry Date.

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

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

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

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

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

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

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

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

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

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

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

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

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

**Our Planned Medical Marijuana Production Operations**

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

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

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

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

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

The revised regulations create conditions for a commercial industry that is responsible for medical marijuana production and distribution, by eliminating small-scale, personal-use production. Commercial growers are now able to submit applications to Health Canada for the production of medical marijuana and, if licensed, supply patients who qualify for the product at a price that would be established by market forces and at the discretion of producers.

Currently, the MMPR only permits the sale of dried marijuana; the production of concentrated or edible forms (oils, resins, teas or infusions) is not permitted. On March 21, 2014, the Court of Appeal of the Province of British Columbia ruled in the case of *R v. Owen Edward Smith* that the MMPR's restriction on the production of edible marijuana products for medicinal purposes is unconstitutional. The court has given Health Canada 12 months to appeal or rewrite the current MMPR system to allow for other forms of marijuana consumption other than dried marijuana.

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

- production facilities may only be located indoors(greenhouses are also acceptable);
- production facilities must meet specified advanced security requirements to prevent and detect unauthorized access;
- producers may not operate storefronts;
- producers may not wholesale products except to other licensed producers; they must sell directly to authorized consumers or, if requested, to their physicians;
- producers are required to notify their local government, local police force and local fire officials of their intention to apply to Health Canada, so that local authorities are aware of their proposed location and activities. Producers are also required to communicate with local authorities whenever there is a change in the status of their license;
- producers must comply with all federal, provincial/territorial and municipal laws and by-laws, including municipal zoning by-laws;
- there are no applicable federal fees payable in respect of the application or maintenance of the license to produce marijuana under the MMPR;
- producer must have an employee designated as a quality assurance person who is responsible for assuring the quality of the dried marijuana, before it is made available for sale. This employee must have the training, experience and technical knowledge related to the proposed licensed activities and the requirements of the MMPR; and
- applicants must submit a detailed description of their proposed record keeping methods. This must include a description of the process that will be used for recording transactions relating to licensed activities, including maintaining appropriate records of transactions and dealings with both suppliers and clients.

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

- The MMPR do not contain any limitations on the conditions for which a health care practitioner can support the use of marijuana for medical purposes;
- The MMPR does not impose a limit on the number of production licenses;
- There are no restrictions under the new *MMPR* on the daily amount of marijuana that may be prescribed, there is an individual possession cap of the lesser of 150 grams or 30 times the daily amount. For example, if an individual has a daily amount of 2 grams per day, their possession cap would be 60 grams.

**Our Planned Production Facilities**

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

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

**Production Facility Staffing Requirements**

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

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

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

**Marijuana Cultivation at our Planned Production Facilities**

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

- **Varietal Selection**: marijuana varietals are selected based on a variety of considerations, including patient demand, consumer availability, yield, growth time, and cannabidiol and tetrahydrocannabinol content (see paragraph below entitled "*The Use of Marijuana for Medical Purposes");*
- **Seed Procurement**: seeds are obtained from a range of Canadian and international suppliers approved by Health Canada;
- **Germination**: seeds are germinated in peat, soil, or water until sprouted (approximately 1 week)
- **Planting**: plants for production are grown from sprouted seeds or from clippings taken from a "mother" plant;
- **Seedling Maturation**: seedlings are matured under fluorescent lighting until they develop roots and cotyledons (seed leaves) and develop identifiable sex characteristics. Male plants are separated for breeding and female plants cultivated for consumption. (4 to 6 weeks).
- **Vegetative Phase**: Most varietals enter a vegetative phase upon developing identifiable sex characteristics. The vegetative phase is characterized by the downward expansion of root systems, leaf and stem growth. Certain varietals (auto-flowering hybrids) omit the vegetative stage and pass directly from seedling to pre-flowering. The length of the vegetative stage varies widely between varietals and depends significantly on the growing techniques selected. The duration of the vegetative phases is manipulated to obtain the desired results in terms of plant size and flowering time. (1 month to 3 months ).
- **Pre-Flowering**: Following the vegetative stage, plants enter a pre-flowering phase during which plant development increases dramatically and the structure for flowering develops (approximately 2 weeks).
- **Flowering**: Following pre-flowering, plants enter a flowering phases during which the smoke-able bud/flowers develop. The flowering phase varies from about 6 to 22 weeks.
- **Harvesting**: When flowers(buds) achieve the desired size and maturity they are harvested and dried on metal racks.
- **Quality Control**: Dried buds are weighed and tested for contaminants, mold, potency and chemical composition.
- **Storage**: Unsatisfactory product is quarantined and destroyed, which product meeting the required specification is vacuum sealed and labelled.

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

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

*Patient Eligibility and Registration*

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

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

*Ordering and Order Fulfillment*

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

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

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

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

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

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

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

**Current Litigation Affecting MMPR Regulatory Regime**

***Allard Case***

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

***Owen Smith Case***

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

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

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

**Market for Medical Marijuana in Canada**

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

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

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

The marijuana or cannabis plant, aka cannabis sativa, contains more than 80 cannabinoids, a group of chemical compounds which includes delta9-tetrahydrocannabinol (THC) and cannabidiol (CBD). Research has shown that THC and CBD influence different regions of the central nervous system and have different effects on cannabis users [Borgwardt, Biol Psychiatry, 2008]. Most of the psychoactive effects associated with the use of cannabis are caused by THC, whereas CBD has been shown to have anti-anxiety, anti-nausea, anti-inflammatory, and anti-psychotic effects [Bergamaschi, Curr Drug Saf., 2011; Niesink, Front Psychiatry, 2013]. Cannabis smoking often leads to adverse effects such as increases and fluctuations in heart rate and blood pressure, euphoria, anxiety, and impairment of cognition and memory. Cannabis also contains a similar array of detrimental and carcinogenic compounds compared to cigarette smoke, some of which are present even at higher concentrations [Leung, J Am Board Fam Med, 2011].

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

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

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

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

**Marketing and Advertising Restrictions**

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

**Client Registration, Ordering and Distribution Restrictions**

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

**Current Status of our Medical Marijuana Business**

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

**Enertopia Joint Venture**

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

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

The proposed Burlington, Ontario facility is now comprised of 30,000 ft², with Lexaria/Enertopia having acquired a right of first refusal having been acquired for another 45,000 square feet totaling 75,000 ft² to accommodate future growth. Municipal approval has been obtained to use the site for our intended purposes. Planned production areas have 22 foot ceilings which could allow for the possibility of a 2nd mezzanine level in many areas for further expansion. The production target for the facility based on 30,000 ft² (with approximately 50% devoted to production space) is approximately 10,000 kilograms per year.

**Status of Enertopia Joint Venture**

The Enertopia joint venture has identified a production location in Burlington, Ontario, secured a lease to the facility and received municipal zoning approval for the proposed site in July, 2014. The joint venture`s license application to Health Canada under the MMPR was submitted in July, 2014 and is currently in the preliminary screening stage. We currently occupy 30,000 square feet of the planned facility space and may terminate the lease with 90 days notice to the landlord if our Health Canada application is refused for any reasons. The lease is payable in shares of our common stock. If we do not receive a ready to build letter from Health Canada by January 22, 2015, we will have no further obligations under the lease agreement. Alternately, the joint venture may continue under the lease agreement and the applicable rent shall be payable in cash or in shares at the discretion of the lessor. agreement ($8.25 per square foot of occupied space). Commencement of construction on the proposed facility is subject to successful completion of preliminary and enhanced screening, security clearance, application review, and the issuance of a ready-to-build letter from Health Canada. Following completion of construction (if applicable) the facility will be subject to successful inspection before a license may be granted. We are currently unable to provide a meaningful time estimate for completion of this process. We estimate that construction of the facility will take approximately 6 to 9 months from the time we obtain a ready-to-build letter. We are currently in step 2 of the process of enhanced screening. Subsequent to quarter end, this joint venture has been terminated.

**Marijuana Production in the United States**

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

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

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

**ViPova Acquisition**

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

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

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

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

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

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

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

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

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

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

The Alternative Health sector is large and growing. A long term Medical Expenditure Panel Survey was conducted from 2002 until 2008 with at least 29,370 subjects asked repeatedly if they had seen any kind of health care practitioner in the previous six months. The survey recorded whether the health care provider was a "complementary and alternative medicine care professional," including "homeopathic, naturopathic, or herbalist."

Between 5.3% and 5.8% of the survey group at any one time reported that they had seen a complementary or alternative medicine provider. Based on the US population of ~319,000,000, this suggests between 16.9 million and 18.5 million Americans are seeking an alternative health care professional at any given time.

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

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

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

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

**Status of Operations**

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

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

Our goal is to begin producing cash flows from these initiatives as soon as possible; focused on the immediate opportunities in the CBD-sectors derived from hemp oil available in all 50 states. CBD's (Cannabidiols) have been found by many researchers to have antioxidant properties and Lexaria plans to use the patent pending process it has acquired with ViPova teas, to infuse 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 CBD's into the mainstream. Because CBD's do not have psychoactive properties we expect our products to appeal to the widest possible customer base. Initially we will focus our sales efforts across the continental USA.

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

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

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

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

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

<u>INTERNATIONAL PATENT PROTECTION</u>

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.

<u>ADDITIONAL MOLECULES</u>

**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 opiods 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 2nd and 3rd largest vitamin markets.

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

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

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

**Summary**

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

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

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

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

**Competition**

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

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

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

**Compliance with Government Regulation**

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

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

*Significant Acquisitions and Dispositions*

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

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

*Corporate Offices*

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

*Employees*

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

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

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

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

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

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

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

**Off-Balance Sheet Arrangements**

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

**Critical Accounting Policies**

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

**Long-Lived Assets**

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

**Revenue Recognition**

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

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

**Going Concern**

We have suffered recurring losses from operations. The continuation of our Company as a going concern is dependent upon our Company attaining and maintaining profitable operations and/or raising additional capital. The financial statements do not include any adjustment relating to the recovery and classification of recorded asset amounts or the amount and classification of liabilities that might be necessary should our Company discontinue operations.

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

**New Accounting Pronouncements**

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

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

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

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

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

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

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

| | | **Three Months Ended May 31, 2015** | | **Three Months Ended May 31, 2014** | | **Change Between Three Months Period Ended May 31, 2015 and May 31, 2014** |
|---|---|---|---|---|---|---|
| Income from Discontinued Operations | $ | Nil | $ | 89,684 | $ | (89,684) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Sales | | 7,187 | | Nil | | 7,187 |
| Cost of Goods Sold | | 9,691 | | Nil | | 9,691 |
| General and administrative | | 508,504 | | 527,680 | | (19,176) |
| Interest expense | | Nil | | 53,123 | | (53,123) |
| Consulting fees | | 210,078 | | 373,670 | | (163,592) |
| Professional Fees | | 12,404 | | 15,553 | | (3,149) |
| Net Income (Loss) | | (511,008) | | (437,996) | | (73,072) |

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

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

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

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

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

| | | **Nine Months Ended May 31, 2015** | | **Nine Months Ended May 31, 2014** | | **Change Between Nine Months Period Ended May 31, 2015 and May 31, 2014** |
|---|---|---|---|---|---|---|
| Income from Discontinued Operations | $ | 48,918 | $ | 157,218 | $ | (108,300) |
| Sales | | 10,070 | | Nil | | 10,070 |
| Cost of Goods Sold | | 11,743 | | Nil | | 11,743 |

| | | | |
|---|---|---|---|
| General and administrative | 1,366,016 | 797,155 | 568,861 |
| Interest expense | 31,544 | 161,617 | (130,073) |
| Consulting fees | 511,720 | 484,583 | 27,137 |
| Professional Fees | 87,400 | 44,689 | 42,711 |
| Net Income (Loss) | (1,318,770) | (639,936) | (678,834) |

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

Readers are cautioned that the Vipova sales of $10,070 were for a period of only 4 months which is an initial startup of a new business sector. The Company is building sales channels initially in internet-based locations, and also through the formation and launching of a direct sales model. Early revenue figures are not expected to be representative of longer term sales figures, and any single early order could be disruptive to longer term averages.

As at May 31, 2015, we had $62,604 in current liabilities. Our net cash used in operating activities for the nine months ended May 31, 2015 was $920,138 compared to net cash used of $969,496 in the nine months ended May 31, 2014.

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

**Liquidity and Financial Condition**

*Working Capital*

| | May 31, 2015 | August 31, 2014 |
|---|---|---|
| Current assets | $ 1,157,896 | $ 2,567,474 |
| Current liabilities | 62,604 | 918,038 |

| | | | | |
|---|---|---|---|---|
| Working capital (Deficiency) | $ | 1,095,292 | $ | 1,649,436 |

*Cash Flows*

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

*Operating Activities*

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

*Investing Activities*

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

*Financing Activities*

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

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

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

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

**Item 4. Controls and Procedures**

***Management's Report on Disclosure Controls and Procedures***

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

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

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

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

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

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

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

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