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

Form 10-Q

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

For the quarterly period ended **November 30, 2018**

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 Bioscience Corp.

(Exact name of registrant as specified in its charter)

Nevada	**20-2000871**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
156 Valleyview Rd., Kelowna, BC Canada	**V1X 3M4**
(Address of principal executive offices)	(Zip Code)

250-765-6424
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ YES ☐ NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ 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	☐
			Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act ☐ YES ☒ NO

APPLICABLE ONLY TO CORPORATE ISSUERS

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

77,450,421 common shares issued and outstanding as of January 11, 2019

PART 1 – FINANCIAL INFORMATION

Item 1. Financial Statements.

Lexaria Bioscience Corp.'s ("Lexaria" or the "Company") unaudited interim consolidated financial statements for the three-month period ended November 30, 2018, form part of this quarterly report. They are stated in United States Dollars and are prepared in accordance with United States generally accepted accounting principles.

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

	November 30 2018 (Unaudited)	August 31 2018
ASSETS		
Current		
Cash and cash equivalents	**$ 2,644,860**	**$ 1,727,184**
Marketable Securities (Note 18)	**71,018**	**10,151**
Accounts and other receivables (Note 6)	**214,866**	**265,751**
Inventory (Note 7)	**116,668**	**87,233**
Prepaid expenses (Note 17)	**183,430**	**193,732**
Total Current Assets	**3,230,842**	**2,284,051**
Patents (Note 8)	**189,924**	**146,538**
Property & Equipment (Note 9)	**123,448**	**1,237**
	313,372	**147,775**
TOTAL ASSETS	**$ 3,544,214**	**$ 2,431,826**
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 108,284**	**$ 35,785**
Due to related parties (Note 14)	**21,654**	**7,855**
Total Current Liabilities	**129,938**	**43,640**
TOTAL LIABILITIES	**129,938**	**43,640**
STOCKHOLDERS' EQUITY		
Share Capital		
Authorized: 220,000,000 common voting shares with a par value of $0.001 per share Issued and outstanding: 77,120,421 common shares at November 30, 2018 and 75,533,471 common shares at August 31, 2018	**77,120**	**75,533**
Additional paid-in capital	**23,807,329**	**22,095,682**
Accumulated other comprehensive loss	**-**	**(14,247)**
Deficit	**(20,470,173)**	**(19,768,782)**
Total Stockholders' Equity	**3,414,276**	**2,388,186**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 3,544,214**	**$ 2,431,826**

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

LEXARIA BIOSCIENCE CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (unaudited)
(Expressed in U.S. Dollars, except number of shares)

	THREE MONTHS ENDED	
	November 30 2018	**November 30 2017**
Revenue (Note 13)	22,209	24,635
Cost of Goods Sold	(2,158)	(6,099)
Gross profit	**20,051**	**18,536**
Expenses		
Accounting and audit	9,572	17,691
Depreciation and Amortization (Note 8, 9)	1,603	375
Advertising and promotions	171,913	188,999
Consulting	242,991	142,166
Investor relations	-	188
Legal and professional	96,652	59,903
Office and miscellaneous	72,902	46,156
Research and development	96,973	110,392
Travel	19,206	27,833
Unrealized loss on marketable securities (Note 18)	9,630	-
Inventory write-off (Note 7)	-	3,546
	721,442	**597,249**
Net loss and comprehensive loss for the period	**(701,391)**	**(578,713)**
Basic and diluted loss per share	**(0.01)**	**(0.01)**
Weighted average number of common shares outstanding		
-Basic and diluted	**76,226,802**	**68,635,596**

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

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

	THREE MONTHS ENDED	
	November 30 2018	**November 30 2017**
Cash flows used in operating activities		
Net loss for the period	(701,391)	(578,713)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock based compensation	64,044	-
Depreciation and amortization	1,603	375
Inventory write-off (Note 7)	-	3,546
Unrealized loss on marketable securities	9,630	-
Change in working capital:		
Accounts and other receivables	(5,365)	(26,630)
Inventory	(29,435)	(13,808)
Prepaid expenses	10,302	91,551
Accounts payable and accrued liabilities	72,499	27,280
Due to related parties	13,799	(17,672)
Unearned revenue	-	(6,250)
Net cash used in operating activities	**(564,314)**	**(520,321)**
Cash flows used in investing activities		
Investment in Poviva	-	(70,000)
Patent	(44,368)	(15,715)
Equipment	(122,832)	-
Net cash used in investing activities	**(167,200)**	**(85,715)**
Cash flows from financing activities		
Proceeds from issuance of equity	1,649,190	282,402
Net cash from financing activities	**1,649,190**	**282,402**
Increase (decrease) in cash	917,676	(323,634)
Cash, beginning of period	1,727,184	2,533,337
Cash, end of period	**2,644,860**	**2,209,703**
Supplemental information of cash flows:		
Interest paid in cash	**$ -**	**$ -**
Income tax paid in cash	**$ -**	**$ -**
Reclassification of NCI to additional paid in capital on acquisition	**$ -**	$ 238,476

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

LEXARIA BIOSCIENCE CORP.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Expressed in U.S. Dollars)

	COMMON STOCK						
	SHARES	**AMOUNT $**	**ADDITIONAL PAID-IN CAPITAL $**	**DEFICIT $**	**NCI $**	**AOCI $**	**TOTAL STOCKHOLDERS' EQUITY $**
Balance August 31, 2017	**67,975,761**	**67,976**	**16,108,270**	**(13,169,939)**	**(238,476)**	**-**	**2,767,831**
Non-controlling Interest (Note 9)	-	-	(318,820)	-	248,820	-	(70,000)
Shares issued for services	647,690	648	780,408	-	-	-	781,056
Stock based compensation (Note 13)	-	-	2,602,239	-	-	-	2,602,239
Warrants issued for services	-	-	1,063,270	-	-	-	1,063,270
Exercise of stock options	545,875	546	93,156	-	-	-	93,702
Exercise of warrants	6,364,145	6,363	1,767,159	-	-	-	1,773,522
Net loss	-	-	-	(6,598,843)	(10,344)	-	(6,609,187)
Other Comprehensive loss	-	-	-	-	-	(14,247)	(14,247)
Balance August 31, 2018	**75,533,471**	**75,533**	**22,095,682**	**(19,768,782)**	**-**	**(14,247)**	**2,388,186**
Stock based compensation (Note 13)	-	-	64,044	-	-	-	64,044
Private placement of shares, net of issuance cost	947,150	947	1,469,363	-	-	-	1,470,310
Exercise of stock options	330,000	330	32,670	-	-	-	33,000
Exercise of warrants	309,800	310	145,570	-	-	-	145,880
Net loss	-	-	-	(701,391)	-	-	(701,391)
Other Comprehensive income	-	-	-	-	-	14,247	14,247
Balance, November 30, 2018	**77,120,421**	**77,120**	**23,807,329**	**(20,470,173)**	**-**	**-**	**3,414,276**

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

LEXARIA BIOSCIENCE CORP.
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
November 30, 2018
(Expressed in U.S. Dollars)

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1. Organization, Business and Going Concern

Lexaria Biosciences Corp. ("Lexaria", or the "Company") Company was formed on December 9, 2004 under the laws of the State of Nevada. In March of 2014, the Company began its entry into the bioscience and alternative health and wellness business and in May 2016, the Company commenced out-licensing its patented technology for improved delivery of bioactive compounds that promotes healthy ingestion methods, lower overall dosing and higher effectiveness in active molecule delivery. The Company has its office in Kelowna, BC, Canada.

The unaudited interim consolidated financial statements 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 (US GAAP) have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Interim results are not necessarily indicative of results for a full year.

These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated annual financial statements and notes thereto included in our annual report filed on Form 10-K for the year ended August 31, 2018.

The Company's unaudited interim consolidated financial statements have been prepared in accordance with US GAAP 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 recurring losses from operations and net capital deficiency raise substantial doubt about the Company's ability to continue as a going concern.

The Company requires additional funds to maintain its operations and developments. 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.

2. Business Risk and Liquidity

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

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

Lexaria and its subsidiaries are not involved directly or indirectly in the cultivation, processing, distribution, or utilization of Cannabis or Cannabis derived components. All of Lexaria's consumer products utilize legally sourced Hemp and Hemp components in their production. Lexaria does have an ancillary involvement risk via out-licensing of its patented technology to licensees that choose to utilize its technology to manufacture products that contain locally or state approved but federally regulated and controlled contents. There can be no guarantee that changes in the regulatory framework and environment will not occur and such changes could have a materially adverse effect on the Company. It is possible some jurisdictions may even interpret Lexaria's ancillary involvement as in contravention with regulations.

3. Basis of Consolidation

These consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries, Lexaria CanPharm Corp., PoViva Tea, LLC, Lexaria Hemp Corp., Lexaria Nicotine Corp., and Lexaria Pharma Corp. All significant intercompany balances and transactions have been eliminated.

4. Estimates and Judgments

The preparation of financial statements in conformity with U.S GAAP requires us to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Some of the Company's accounting policies require us to make subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. These accounting policies involve critical accounting estimates because they are particularly dependent on estimates and assumptions made by management about matters that are highly uncertain at the time the accounting estimates are made. Although we have used our best estimates based on facts and circumstances available to us at the time, different estimates reasonably could have been used. Changes in the accounting estimates used by the Company are reasonably likely to occur from time to time, which may have a material effect on the presentation of financial condition and results of operations.

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

In preparing these unaudited interim consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended August 31, 2018, with the following update:

Property & Equipment

Property and Equipment are stated at cost less accumulated depreciation, and depreciated using the straight-line method over their useful lives.

5. Recent Accounting Guidance

In January 2016, FASB issued an ASU, Subtopic 82510, to amend certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Most prominent among the amendments is the requirement for changes in fair value of equity investments, with certain exceptions, to be recognized through profit or loss rather than other comprehensive income. The Company adopted the standard September 1, 2018. The impact was not material and the $14,247 impact on the Company's financial statements was included in income in the current period.

In February 2016 FASB issued ASU No. 201602, Leases (Topic 842) which supersedes FASB ASC Topic 840, Leases (Topic 840) and provides principles for the recognition, measurement, presentation, and disclosure of leases for both lessees and the lessors. The new standard requires the lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. The classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right of use asset and a lease liability for all leases with a term of greater than twelve months regardless of classification. Leases with a term of twelve months or less will be accounted for similar to existing guidance for operating leases. The standard is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted upon issuance. When adopted, the Company does not expect this guidance to have a material impact on its consolidated financial statements.

In June 2016, the FASB issued a new standard to replace the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss credit loss estimates. For trade and other receivables, loans and other financial instruments, the Company will be required to use a forward looking expected loss model rather than the incurred loss model for recognizing credit losses which reflects losses that are probable. Credit losses relating to available for sale debt securities will also be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. The new standard will be effective for Lexaria beginning September 1, 2020, with early adoption permitted. Application of the amendments is through a cumulative effect adjustment to deficit as of the effective date. The Company is currently assessing the impact of the standard on its consolidated financial statements.

In February 2018, the FASB issued ASU No. 201802, Income Statement–Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act enacted by the U.S. federal government on December 22, 2017 (the "2017 Tax Act"). Consequently, the amendments eliminate the stranded tax effects resulting from the 2017 Tax Act and will improve the usefulness of information reported to financial statement users. The amendments in this ASU are effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period, (1) for public business entities for reporting periods for which financial statements have not yet been issued and (2) for all other entities for reporting periods for which financial statements have not yet been made available for issuance. The Company is currently evaluating the effect this ASU will have on its consolidated financial statements and related disclosures, but does not expect it to have a material impact on its consolidated financial statements.

In June 2018, the FASB issued ASU No. 201807, Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share Based Payment Accounting. This is a simplification that involves several aspects of accounting for nonemployee share based payments resulting from expanding the scope of Topic 718 to include share based payment transactions for acquiring goods and services from nonemployees. The new standard will be effective for Lexaria for September 1, 2019. The company does not expect it to have a material impact on its consolidated financial statements.

6. Accounts and Other Receivables

	November 30 2018 $	August 31 2018 $
Trade and deposits receivable	5,727	5,200
Territory License Fee receivable (Note 13)	127,222	199,375
Sales tax receivable	81,917	61,176
	214,866	**265,751**

7. Inventory

	November 30 2018 $	August 31 2018 $
Raw materials	39,667	29,355
Work in progress	25,928	48,126
Finished goods	51,073	9,752
	116,668	**87,233**

During the three months ended November 30 2018, the Company wrote down $Nil (November 2017 - $3,546) of inventory to reflect its net realizable value.

8. Intellectual Property

On November 12, 2014, the Company signed an agreement with Poppy's Teas LLC. ("PoViva") whereby we acquired 51% of PoViva Tea LLC replacing Poppy's Teas LLC. The Company acquired 100% ownership interest in PoViva Tea, LLC in October 2017 via compensation of $70,000, a waiver on certain debts owed to Lexaria, and a 5%, 20 year royalty on net profits of ViPova Tea™ tea, coffee, and hot chocolate sales. No Lexaria stock or options were issued.

The following is a list of US capitalized patents held by the Company

Issued Patent #	Patent Issuance Date	Patent Family
US 9,474,725 B1	10/25/2016	Food and Beverage Compositions Infused With Lipophilic Active Agents and Methods of Use Thereof
US 9,839,612 B2	12/12/2017	
US 9,972,680 B2	5/15/2018	
US 9,974,739 B2	5/22/2018	
US 10,084,044 B2	9/25/2018	
US 10,103,225 B2	10/16/2018	

Patents

	November 30 2018 $	August 31 2018 $
Balance – Beginning	146,538	62,827
Additions	44,368	85,399
Amortization*	(982)	(1,688)
Balance – Ending	**189,924**	**146,538**

** The patents are amortized over their legal life of 20 years.*

9. Property & Equipment

	November 30 2018 $	August 31 2018 $
Cost		
Property & Equipment Under Construction	79,492	-
Equipment	46,434	3,094
Less accumulated amortization	(2,478)	(1,857)
Balance - Ending	**123,448**	**1,237**

10. Unearned Revenue

On May 14, 2016, the Company entered into a licensing agreement (the "Licensing Agreement") with an arm's length party (the "Licensee") allowing the Licensee, for a two-year period, to utilize the Company's Technology to create, test, manufacture, and sell marijuana-infused consumable and/or topical products, in the state of Colorado, with an option of extending the terms of the Licensing Agreement to Washington, Oregon, and California (the "Territorial License"). In addition to the granting of the license, the Company is required to provide support services to the Licensee in connection with the use of the Company's Technology during the term of the Licensing Agreement.

The Company determined that the provision of the support services is a separate deliverable under the licensing agreement. Accordingly, the Company recognized revenue on a prorated basis over the term of the Licensing agreement. The Company has since determined that the support services form an insignificant portion of the licensing contract as they are primarily completed prior to delivery of the technology and that delivery of the license is complete when the Technology is transferred to the Licensee.

	November 30 2018 $	August 31 2018 $
Balance – Beginning	-	17,803
Territorial License fees received	-	-
Advance payments on product sales	-	-
Earned revenue	-	(17,803)
Balance - Ending	-	**-**

11. Common Shares and Warrants

Fiscal 2019 Activity

On October 31, 2018, the Company closed a non-brokered private placement for gross proceeds of $1,515,440 (the "Offering"). The Offering consisted of 947,150 units (each, a "Unit") at an issue price of $1.60 per Unit. Each Unit consists of one common share of the Company (a "Share") and one common share purchase warrant (each, a "Warrant"). Each Warrant entitles the holder to acquire one common share of the Company at a price of $2.25 per common share for a period of 24 months following the closing of the Offering. Finder's fees of $45,130 and 28,175 finder's warrants were paid on a portion of the proceeds raised, with each finder's warrant having exercise terms identical to the Warrants issued. The warrants were valued at $16,095, which were recorded as a share issue cost within additional paid in capital for a net effect of $Nil.

Type of Issuance	Number of Shares		Total Value
Warrant Exercise	309,800	$	145,880
Option Exercise	330,000	$	33,000
Private Placement	947,150	$	1,515,440
	1,586,950	**$**	**1,694,320**

A continuity schedule for warrants is presented below:

	Number of Warrants	Weighted Average Exercise Price $
Balance, August 31, 2017	8,844,506	0.29
Cancelled/Expired	(230,000)	0.17
Exercised	(6,364,145)	0.28
Issued	1,035,913	1.48
Balance, August 31, 2018	3,286,274	0.72
Exercised	(309,800)	0.47
Issued	975,325	2.25
Balance, November 30, 2018	3,951,799	1.11

The fair value of warrants granted as compensation warrants was estimated as of the date of the grant by using the Black-Scholes option pricing model with the following assumptions:

	November 30 2018
Expected volatility	117%
Risk-free interest rate	2.87%
Expected life	2.00 years
Dividend yield	0.00%
Estimated fair value per warrant	$0.57

A summary of warrants outstanding as of November 30, 2018 is presented below:

# of Warrants	Weighted Average Remaining Contractual Life	Weighted Averag Exercise Price $
250,000	0.11 years	0.44
564,265	0.34 years	0.60
212,209	0.34 years	0.42
200,000	0.55 years	0.295
750,000	2.86 years	0.14
250,000	1.00 years	0.83
500,000	1.13 years	1.83
250,000	2.48 years	1.55
975,325	1.92 years	2.25
3,951,799	1.48 years	1.11

12. Stock Options

The Company has established its 2007 Equity Incentive Plan, whereby the board of directors may grant up to 2,000,000 stock options to eligible employees and directors, the 2010 Stock Option Plan whereby the board of directors may, from time to time, grant up to 1,980,000 stock options to officers and employees, and its 2014 Stock Option Plan whereby the board of directors may, from time to time, grant up to 3,850,000 stock options to directors, officers, employees, and consultants. Stock options granted must be exercised no later than five years from the date of grant or such lesser period as determined by the Company's board of directors. The exercise price of an option is equal to or greater than the closing market price of the Company's common shares on the day preceding the date of grant. The vesting terms of each grant are set by the board of directors.

Fiscal 2019 Activity

The Company granted 390,000 stock options on common shares of the Company at a price of $1.27 for a period of five years, vesting over a period of three years during the period ended November 30, 2018.

Fiscal 2018 Activity

No stock options were granted during the period ended November 30, 2017.

A continuity schedule for stock options is presented below:

	Options Outstanding	Weighted Average Exercise Price $
Balance, August 31, 2017	3,320,875	0.15
Exercised	(545,875)	0.17
Granted	2,025,000	1.49
Balance, August 31, 2018	4,800,000	0.71
Exercised	(330,000)	0.10
Granted	390,000	1.27
Balance, November 30, 2018	4,860,000	0.80

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

	November 30 2018
Expected volatility	144%
Risk-free interest rate	2.89%
Expected life	5.00 years
Dividend yield	0.00%
Estimated fair value per option	$ 1.07

A summary of the stock options as at November 30 2018, is presented below:

Number of Stock Options	Number of Stock Options Exercisable	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price $	Aggregate Intrinsic Value $
660,000	660,000	1.06 years	0.10	686,400
275,000	275,000	1.18 years	0.09	288,500
550,000	550,000	1.32 years	0.09	577,000
110,000	110,000	1.80 years	0.17	106,400
300,000	300,000	2.38 years	0.11	309,000

200,000	200,000	3.51 years	0.37	154,000
350,000	150,000	3.56 years	0.29	295,750
200,000	200,000	4.01 years	0.83	62,000
1,725,000	1,725,000	4.50 years	1.53	-
100,000	100,000	4.75 years	2.06	-
390,000	60,000	4.99 years	1.27	-
4,860,000	4,330,000	3.21 years	0.80	2,479,050

13. Revenues

	Three Months Ended	
	November 30 2018 $	November 30 2017 $
Product sales	2,257	8,008
Licensing revenue (Note 10)	19,902	16,250
Freight revenue	50	377
	22,209	**24,635**

The Company recognized licensing revenue on a pro-rated basis over the term of the Licensing Agreement (Note 10) and additional licensing fees as they were earned. The Company has determined that the support services form an insignificant portion of the licensing contract as they are substantially completed prior to delivery of the Technology and that delivery of the license is complete when the Technology is transferred to the licensee. Additional licensing fees and royalties are recognized as they are earned. During the period ended November 30, 2018, the Company recognized $Nil of deferred revenue (Note 10) and $19,902 of Licensing usage fees.

14. Related Party Transactions

For the period ended November 30, 2018, the Company paid/accrued the following:

	November 30 2018 $	November 30 2017 $
Management, consulting and accounting services:		
C.A.B Financial Services ("CAB")[1]	36,000	36,000
M&E Services Ltd. ("M&E")[1]	27,422	18,822
Docherty Management Limited ("Docherty Management")[1]	34,278	35,292
Company controlled by a director – consulting	-	12,000
	97,700	102,114

[1] CAB is owned by the CEO of the Company, M&E is owned by the CFO of the Company, and Docherty Management Limited ("Docherty Management") is owned by the President of the Company.

Due to related parties:

As at November 30, 2018, $21,654 (August 31, 2018 - $7,855) was payable to related parties included in due to related parties.

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

15. Segment Information

The Company's operations involve the development and usage, including licensing, of its proprietary nutrient infusion Technology. Lexaria is centrally managed and its chief operating decision makers, being the president and the CEO, use the consolidated and other financial information supplemented by revenue information by category of alternative health consumer products and technology licensing to make operational decisions and to assess the performance of the Company. The Company has identified two reportable operating segments: Intellectual Property Licensing and Consumer Products. Licensing revenues are significantly concentrated on five licensees.

	IP Licensing	Consumer Products	Corporate	Consolidated Total
External Revenue				
US	16,000	2,307	-	18,307
Canada	3,902	-	-	3,902
Total Revenue	19,902	2,307	-	22,209
CoGS	-	(2,158)	-	(2,158)
Operating Expenses	(397,150)	(28,952)	(295,340)	(721,442)
Segment Loss	(377,248)	(28,803)	(294,340)	(701,391)
Total Assets	360,020	117,750	3,066,444	3,544,214

16. Commitments, Significant Contracts and Contingencies

As at November 30, 2018, the Company is party to the following contractual commitments:

Party	Monthly Commitment	Expiry Date
C.A.B Financial Services (1) (2)	$12,000	Month to Month
Docherty Management Ltd. (1) (2)	CAD $15,000	March 1, 2019
M&E Services Ltd. (1)	CAD $12,000	June 1, 2021
Corporate Development	CAD $4,000	Month to Month
Corporate Development	CAD $1,000	January 16, 2019
Investor relations and communications – Alex Blanchard Capital(1)	CAD $7,500	Month to Month
Office Management(3)(4)	CAD $6,500	December 1, 2019
Research & Development	CAD $3,854	Month to Month
Office Rent(5)	CAD $4,823	November 15, 2023

Revenue Incentive Milestones

(1) 100,000 common shares issuable upon the Company achieving non-refundable revenues of $200,000 to any single customer in any consecutive 60-day period for the first 12 months of the contract, plus a further 50,000 common shares issuable upon achieving non-refundable revenues of $200,000 to any single customer in any consecutive 60-day period, during the 13th - 24th months of the contract. If the Company achieves non-refundable revenues of $500,000 in any fiscal quarter, a further 200,000 common shares may be issuable during the first 12 months of the contract and 100,000 common shares during the 13th - 24th months of the contract.

Intellectual Property Milestones

(2) During the term of the agreement, for each provisional patent application substantively devised and successfully created, written, and filed with the U.S. Patent Office for the Company's Technology, 250,000 restricted common shares of the Company will be issuable.

Corporate Development Milestones

(3) For new customers sourced by the Consultant for the first 12 months of the contract; for combined Lexaria Energy and ViPova products and including all combined sales efforts and/or technology licensing revenues, achieving non-refundable revenues of $200,000 to any single customer in any consecutive 60-day period would result in a restricted common share award of 100,000 Company shares (not achieved); and, during the 13th - 24th months of the contract; a restricted common share award of 50,000 Company shares may be achieved; this clause is limited to one payment per customer during the 12-month period, but payable on each customer that meets these sales/licensing thresholds.

(4) For new customers sourced by the Consultant for the first 12 months of the contract; for combined Lexaria Energy and ViPova products and including all combined sales efforts and/or technology licensing revenues, achieving non-refundable revenues of $500,000 in any fiscal quarter would result in a restricted common share award of 200,000 Company shares (not achieved); and, during the 13th - 24th months of the contract; for combined Lexaria Energy and ViPova products and including all sales efforts, achieving non-refundable revenues of $500,000 in any fiscal quarter would result in a restricted common share award of 100,000 Company shares; this clause is limited to one payment per fiscal quarter.

Office Management Milestones

(3) Until December 1, 2018 for combined Lexaria Energy and ViPova products and including all combined sales efforts and/or technology licensing revenues, achieving nonrefundable revenues of $200,000 would result in a restricted common share award of 75,000 Company shares; and from December 2, 2018, until December 1, 2019 for combined Lexaria Energy and ViPova products and including all sales efforts, achieving nonrefundable revenues of $200,000 would result in a restricted common share award of 40,000 Company shares; this clause limited to one payment per customer during the 24month period, but payable on each customer that meets these sales/licensing thresholds;

(4) Until December 1, 2018 for combined Lexaria Energy and ViPova products and including all combined sales efforts and/or technology licensing revenues, achieving nonrefundable revenues of $500,000 in any fiscal quarter would result in a restricted common share award of 150,000 Company shares; and, from December 2, 2018, until December 1, 2019 for combined Lexaria Energy and ViPova products and including all sales efforts, achieving nonrefundable revenues of $500,000 in any fiscal quarter would result in a restricted common share award of 80,000 Company shares; this clause limited to one payment per fiscal quarter.

Corporate Offices

(5) Corporate office and R&D lab space leased in Kelowna, British Columbia, Canada until November 15, 2023 with an option to extend an additional five years. Base rent is CAN$12.56 per square foot until November 14, 2019, CAN$12.86 per square foot until November 14, 2021 and CAN $13.21 per square foot until November 14, 2023 plus common area maintenance and taxes.

17. Prepaid Expenses

Prepaid expenses consist of the following at November 30, 2018 and August 31, 2018:

	November 30 2018 $	August 31 2018 $
Advertising & Conferences	122,999	137,654
Consulting Fees	4,618	4,555
Office & Insurance	28,566	21,533
Legal Fees	27,247	29,990
	183,430	**193,732**

18. Marketable Securities

The components of Marketable Securities were as follows:

	Cost Basis $	Unrealized Gains $	Unrealized Losses $	Total $
August 31, 2018				
Common Stock	25,000	-	(14,247)	10,753
Total	**25,000**	-	**(14,247)**	**10,753**
November 30, 2018				
Common Stock	81,250	4,617	(14,247)	71,620
Total	**81,250**	**4,617**	**(14,247)**	**71,620**

Unrealized losses from common stock are due to market price movements. Management does not believe any remaining unrealized losses represent other-than-temporary impairments based on our evaluation of available evidence.

19. Subsequent Events

a) Subsequent to November 30, 2018 250,000 warrants were exercised for a total of $110,000.

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 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" and "shares" refer to the common shares in our capital stock, unless otherwise indicated.

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

General and Historical Overview of Our Business

The Company was formed on December 9, 2004 under the laws of the State of Nevada as an independent oil and gas company engaged in the exploration, development and acquisition of oil and gas properties in the United States and Canada. In March of 2014, the Company began its entry into the bioscience and alternative health and wellness business and discontinued its involvement in the oil and gas business in November 2014. In May 2016, the Company also commenced out-licensing its patented technology for improved delivery of bioactive compounds that promotes healthy ingestion methods, lower overall dosing and higher effectiveness in active molecule delivery. The Company has its office in Kelowna, BC, Canada.

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

Our common stock is quoted on the OTCQX under the symbol "LXRP" and on the Canadian Securities Exchange under the symbol "LXX".

In 2014, the Company submitted an application to enter the legal medical marijuana business in Canada and also launched a hemp oil-based food supplement company in the USA.

The Company entered into a joint venture agreement with Enertopia Corp for a prospective medical marijuana business under the Canadian Marijuana for Medical Purposes Regulations ("MMPR") for a 49% net ownership interest in the business (Enertopia 51%) utilizing an identified location in Burlington, Ontario.

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

The Company's food sciences activities include the development of our proprietary nutrient infusion technologies for the production of functional foods, and the production of enhanced food products under our consumer product brands, ViPova™, Lexaria Energy™ and ChrgD+^{TM}. The Company's patented lipid nutrient infusion technology DehydraTECH^{TM} is believed to improve taste, rapidity and delivery of bioactive compounds that include cannabinoids, vitamins, NSAIDs, nicotine and other molecules compared to what is possible without lipophilic enhancement technology. This can allow for lower overall dosing requirements and/or higher effectiveness in active molecule delivery.

We began filing patent applications on our intellectual property during 2015 through the US Patent Office (USPTO), and also internationally under the Patent Cooperation Treaty (PCT). We were granted our first patent in October of 2016 and to date have been granted six patents through the USPTO and two in Australia.

Lexaria hopes to reduce other common but less healthy administration methods, such as smoking, as it embraces the benefits of its technology for public health. The Company is aggressively pursuing patent protection in national jurisdictions around the world. The Company currently has more than 50 patent applications pending worldwide and, due to the complexity of pursuing patent protection, the quantity of patent applications will vary continuously as each application advances or stalls. Lexaria is also filing new patent applications for novel new discoveries that arise from the Company's R&D programs and, due to the inherent unpredictability of scientific discovery, it is not possible to predict if or how often such new applications might be filed.

As at November 30, 2018, we have identified two reportable operating segments: Intellectual Property Licensing and Consumer Products.

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 156 Valleyview Rd, Kelowna BC Canada V1X3M4. We have administrative functions located in Phoenix, Arizona. Subsequent to November 30, 2018, our offices will be moving to Unit 100 – 740 McCurdy Road, Kelowna BC V1X2P7 with the anticipated opening date for the new offices during first quarter of calendar 2019.

Our common stock is quoted on the OTCQX under the symbol "LXRP" and on the Canadian Securities Exchange under the symbol "LXX".

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's business plan is currently focused on the development of strategic partnerships with licensees for our patented technology in exchange for up front and/or staged licensing fees over time. Secondarily and more generally, we continue to investigate national and international opportunities for development and distribution of the Company's enhanced functional food and supplement product offerings; to investigate expansions and additions to our intellectual property portfolio; and, to search for additional opportunities in alternative health sectors. This includes the acquisition or development of intellectual property if and when we believe it advisable to do so.

Our current patent portfolio includes patent family grants relating to: Infused Food and Beverage Compositions and Methods of Use Thereof, pertaining to Lexaria's method of improving bioavailability and taste, and the use of DehydraTECH^{TM} technology as a delivery platform for a wide variety of Active Pharmaceutical Ingredients ("APIs") encompassing all cannabinoids including THC; fat soluble vitamins; non-steroidal anti-inflammatory pain medications ("NSAIDs"); and nicotine.

To date, the following patents have been awarded:

Issued Patent #	Patent Issuance Date	Patent Family
US 9,474,725 B1	10/25/2016	Food and Beverage Compositions Infused With Lipophilic Active Agents and Methods of Use Thereof
US 9,839,612 B2	12/12/2017	
US 9,972,680 B2	5/15/2018	
US 9,974,739 B2	5/22/2018	
US 10,084,044 B2	9/25/2018	
US 10,103,225 B2	10/16/2018	
AUS 2015274698	6/15/2017	
AUS 2017203054	8/30/2018	
AUS 2018202562	8/30/2018	
AUS 2018202583	8/30/2018	

We are seeking additional patent protection for what we believe to be a unique process for the nutritional delivery of certain molecules such as cannabinoids, Nicotine, Non-Steroidal Anti-Inflammatory Drugs (NSAIDs), and Vitamins. To achieve sustainable and profitable growth, our company intends to control the timing and costs of our projects wherever possible. We have filed for patent protection of our delivery technology for additional compounds such as phosphodiesterase inhibitors, human hormones such as estrogen and testosterone, and more.

During the three-month period ended November 30, 2018, and up to the date of this report, we experienced the following significant corporate developments:

On September 7, 2018, the Company announced additions to its patent portfolio. Three new Australian patents were granted to Lexaria by the Australian Patent Office, bringing the Company's worldwide patent portfolio to eight issued patents: four each in the US and Australia. All eight patents are within Lexaria's first patent family, "Food and Beverage Compositions Infused With Lipophilic Active Agents and Methods of Use Thereof", and significantly strengthen Lexaria's intellectual property claims in the US and Australia. The three new Australian patents are projected to expire on June 10, 2035.

The US Patent & Trademark Office also issued two new Notices of Allowance for pending patent applications and the Company expects to receive corresponding US issued patents prior to year-end 2018. The Company is concurrently pursuing accelerated examination in Australia based on these US Notices of Allowance and expects two new Australian patents to also be issued prior to year-end 2018. If issued in both the US and Australia, the Company will then hold twelve issued patents within its first patent family and continues to pursue claims in corresponding pending applications within this first patent family around the world. Lexaria has now filed a total of over 50 patent applications across nine current patent families.

On September 7, 2018, the Company announced the filing of a new strategic patent application. The new provisional patent application is entitled "Lipophilic Active Agent Infused Tobacco Leaves and/or Tobacco Materials and Methods of Use Thereof". This application represents Lexaria's tenth patent family and expands the applicability of the already-patented DehydraTECH™ technological process to impart benefits to tobacco leaves that may be utilized to deliver compounds that may or may not include nicotine.

Lexaria also announced it cancelled the contract announced on April 25, 2018 with GP Holdings LLC due to ongoing delays and non-performance.

On October 10, 2018, the Company announced it has completed the creation of four wholly-owned subsidiary companies. This new corporate structure more suitably reflects the distinct customer bases and business applications for each subsidiary, thereby allowing the Company to focus its future research and consider financing structures and industry partnerships specifically optimized to each.

- Lexaria CanPharm Corp., a Canadian company focused on providing DehydraTECH™ technology and other enhancements to the global cannabis industry.
- Lexaria Nicotine Corp., a US company with a global license to provide DehydraTECH technology to the global nicotine and tobacco industries.
- Lexaria Hemp Corp., a US company globally licensed to provide DehydraTECH to the rapidly growing hemp-based foods and supplements industries.
- Lexaria Pharmaceutical Corp., a US company globally empowered to license DehydraTECH to the large and diverse pharmaceutical sectors.

On October 16, 2018, the Company announced it was granted two new US patents. Lexaria now has six granted patents in the US and four granted patents in Australia. All ten of these patents are within Lexaria's first patent family, "Food and Beverage Compositions Infused With Lipophilic Active Agents and Methods of Use Thereof". Specifically, the two new patents are related to certain cannabinoid infused beverage compositions utilizing Lexaria's proprietary DehydraTECH process. Newly granted patent numbers US 10,103,225 B2 and US 10,084,044 B2 provide protection for compositions as well as methods for making the compositions, each of which include the use of both non-psychoactive cannabinoids such as CBD and also psychoactive cannabinoids such as THC.

On October 31, 2018, the Company closed a non-brokered private placement for gross proceeds of $1,515,440 (the "Offering"). The Offering consisted of 947,150 units (each, a "Unit") at an issue price of $1.60 per Unit. Each Unit consists of one common share of the Company (a "Share") and one common share purchase warrant (each, a "Warrant"). Each Warrant entitles the holder to acquire one common share of the Company at a price of $2.25 per common share for a period of 24 months following the closing of the Offering. Finder's fees of $45,080 and 28,175 finder's warrants were paid on a portion of the proceeds raised, with each finder's warrant having exercise terms identical to the Warrants issued. The warrants were valued at $16,095, which were recorded as a share issue cost within additional paid in capital for a net effect of $Nil.

On November 13, 2018, the Company announced the launch of ChrgD+, a water-soluble, ready-mix hemp supplement powder packet formulation designed to be added to any drink. Lexaria engaged Cultivating Wellness Inc., a California-based brand development and distribution company, to create the ChrgD+ premium brand. Cultivating Wellness' distribution network reaches tens of thousands of retail buyers in c-stores, grocery chains, specialty retail, and national accounts.

On November 26, 2018, the Company announced it submitted a research application under Health Canada's Cannabis Tracking and Licensing System for the operation of a Kelowna-based R&D laboratory within Lexaria's new head office. The laboratory will enhance Lexaria's ability to formulate for analytical purposes, various products that may contain cannabinoids or other controlled substances. Lexaria expects to work on cannabinoid related formulations as soon as the lab receives its research license to do so. Experimental work on nicotine formulations, nonsteroidal anti-inflammatory drugs, vitamins and other bioactive compounds of interest will also begin soon after completion of lab construction. Bringing this work in-house is expected to enable the Company to expand its work schedules while reducing costs and development timelines. Lexaria also appointed Dr. Ed Ergenzinger to its executive team as Chief Legal Officer and Senior Vice President of Innovation for the Company. Dr. Ergenzinger is a U.S. licensed patent attorney who also holds a doctorate in Neuroscience (with concentrations in Pharmacology and Physiology) and is an Adjunct Professor of Law.

For the three-month period ended November 30, 2018, the following table summarizes the share issuances and related values:

Type of Issuance	Number of Shares	Total Value
Warrant Exercise	309,800	$ 145,880
Option Exercise	330,000	$ 33,000
Private Placement	947,150	$ 1,515,440
	1,586,950	**$ 1,694,320**

Food Science and Technology

Lexaria is a Biotechnology and food science company focused on developing and out-licensing its proprietary technology for improved taste, rapidity, and delivery of bioactive compounds in foods and other ingestible products Lexaria is focusing its capital and management time on its pursuit of intellectual property, technology licensing opportunities, an expanding portfolio of patent pending applications, and functional food and supplement formulations.

On November 11, 2014, our Company acquired 51% of PoViva Tea LLC and executed an operating agreement to develop a business of legally producing, manufacturing, importing/exporting, testing, researching and developing, a line of hemp oil with cannabidiol-infused teas, drinks and foods. Lexaria oversees all aspects of the business including, but not limited to, production, product quality, licensing, testing, product legality, accounting, marketing, capital investment, capital raising, sales, branding, advertising and fulfillment. Pursuant to the agreement, there is a Management Committee, whereby there are two representatives from Lexaria and one of the founding members of PoViva. On November 2, 2017, we announced that we acquired 100% of PoViva Tea LLC.

The Company introduced an expanding variety of hemp fortified consumer food products throughout 2015 to demonstrate Lexaria's DehydraTECH^{TM} technology to both consumers and potential licensees. From January 2015 to December 2015, seven (7) flavors of teas; hot chocolate; coffee, and two (2) flavors of protein energy bars were introduced – all utilizing Lexaria's patented technology DehydraTECH^{TM} for the more palatable and efficient delivery of bioactive molecules infused within those food products.

In the production of the products, for each raw material to be used in ViPova™ -branded products, the Company assesses if the product inputs and the completed products comply with all applicable food and drug laws, and that the inputs and the finished products meet all applicable legal and quality standards including and as it relates to hemp oil content; THC content; molds and mildews; heavy metals; and may measure additional components.

The US Federal government, through the US Department of Health and Human Services, owns US Patent #6630507, which among other things, claims that

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

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

Despite independent scientific findings in many locations around the world, some regulatory agencies do not officially recognize that a human endocannabinoid system exists.

Over one hundred 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 ("CBD") is one of the major phytocannabinoid forms of cannabinoids and is not psychoactive, often 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 World Anti Doping Agency ("WADA") has exempted CBD from its 2018 list of banned substances.

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 ~328,000,000, this suggests between 17.4 million and 19.0 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; Consumer product development and sales

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 Corp. has filed multiple patents pending and has received several granted patents to bind active hemp oil ingredients with a lipid, potentially allowing for more efficient and comforting delivery of the CBD.

Lexaria began producing cash flows from its products in January 2015; focused on the immediate opportunities in the hemp-oil-sectors that are federally legal. Cannabinoids have been found by many researchers to have antioxidant properties and Lexaria plans to use the DehydraTECH^{TM} patented process

to infuse hemp oils into a number of popular food and beverages.

Lexaria has launched a line of premium products, always relying on our DehydraTECH™ patented infusion process, to bring hemp oil into the mainstream. Because hemp oil does not have psychoactive properties we expect our products to appeal to the widest possible customer base. To date we will focus our sales efforts across the continental USA. Some studies have found that 3% of the Canadian population regularly consumes hemp food products, while 1% of the American population regularly consumes hemp food products. We believe the consumption of hemp based food products offers exceptional growth possibilities.

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 $4.7 billion US industry in 2015 and expected to grow to over a $20 billion sector before 2025 but is clearly a much smaller industry sector than the more established food sectors. Lexaria has not yet determined whether our hemp oil-infused products will be accepted into any or all three of these particular sectors.

Lexaria has a main corporate website as well as smaller e-commerce focused websites devoted to consumer products. The majority of product sales have taken place through the e-commerce websites. A contracted national distribution center ensures rapid and accurate fulfillment of all orders. A 1-800 ordering center has also been placed into operation.

Lexaria had previously launched the “Lexaria Energy” brand that is 100% owned by the Company. Under this brand, the Company plans to develop hemp oil-infused food products for people with active lifestyles, such as protein bars, protein shakes and other similar products. On November 3, 2015, Lexaria Energy10 protein bars became available for retail sales with two flavors. The original contract manufacturer of these protein bars was unable to fulfill additional orders and we have not currently been able to locate and contract an alternative location to manufacture this more complicated food product, with the result that the product is temporarily discontinued while we search for a suitable manufacturing location.

Through the November 2014 acquisition of 51% of Poviva Tea LLC, and October 2017 100% acquisition, Lexaria acquired control of certain patents pending with the United States Patent Office. Lexaria has worked to broaden the patents and extend their utility to molecules other than those originally named.

On June 11, 2015, 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 (“USPTO”). 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.

In December 2015, the Company filed two further provisional patent applications in the U.S. These new applications served to further broaden the variety and applicability of base compounds that can be used when formulating the Company’s lipid based technology. The first of these applications identify compounds like edible starches (e.g., tapioca starch) that are commonly used in food products today and could, therefore, serve as a base for formulating and incorporating the Company’s Technology into a wide variety of every day food products. The second of these applications identify emulsifier compounds like gum Arabic that are commonly used in beverage products today in order to facilitate similar flexibility for formulating the Company’s Technology in every day, shelf-stable beverages.

On October 26, 2016, the USPTO issued U.S Patent No. 9474725, Cannabinoid Infused Food and Beverage Compositions and Methods of Use Thereof, pertaining to our method of improving bioavailability and taste of certain cannabinoid lipophilic active agents in food products. This is the Company's first patent granted and has a publish date of October 27, 2016 (June 15 2017 in Australia No. 2015274698) and protects our technology for twenty years. On December 12, 2017, the USPTO granted patent number US 9,839,612 B2 for the use of DehydraTECH™ technology as a delivery platform. On May 22, 2018 patent US 9,974,739 B2, "Food and Beverage Compositions Infused With Lipophilic Active Agents and Methods of Use Thereof" was granted providing for "composition of matter" claims that protect the specific combination of substances which enable improved taste and bioabsorption properties of its DehydraTECH™ technology for the delivery of cannabinoids. On May 15, 2018 patent US 9,972,680 B2, "Food and Beverage Compositions Infused With Lipophilic Active Agents and Methods of Use Thereof" was granted providing claims that protect processes for making specific compositions of matter for enhanced cannabinoid delivery utilizing its DehydraTECH™ technology. On August 31, 2018 Australian patents 2017203054, 2018202562, and 2018202583 were granted. On September 25, 2018 the USPTO granted US 10,084,044 B2 and on October16, 2018 US 10,103,225 B2 within the same patent family.

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. It can be a challenge to be successful by introducing new consumer products to a competitive retail marketplace, and we can offer no assurances that our products will be a commercial success.

International Patent Protection

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

Additional Molecules

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

Worldwide, retail cigarette sales were worth $722 billion in 2013, with over 5.7 trillion cigarettes sold to more than 1 billion smokers.

RELEVANCE: Lexaria postulates that delivery of nicotine to satisfy current demand, utilizing our patented 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. Non-steroidal Anti-inflammatories are the second-largest category of pain management treatment options in the world. The global pain management market was estimated at $22 billion in 2011, with $5.4 billion of this market being served by NSAID's. The U.S. makes up over one-half of the global market. The opioids market (such as morphine) form the largest single pain management sector but are known to be associated with serious

dependence and tolerance issues.

Some of the most commonly known NSAIDs are ASA (Aspirin), Ibuprofen (Advil, Motrin), and Acetaminophen (Tylenol). (Acetaminophen is not

accepted by all persons to be an NSAID.) Although NSAIDs are generally a safe and effective treatment method for pain, they have been associated with a number of gastrointestinal problems including dyspepsia and gastric bleeding.

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

VITAMINS. The global vitamin and supplement market is worth $68 billion according to Euromonitor. The category is both broad and deep, comprised of many popular and some lesser known substances. Vitamins in general are thought to be an $8.5 billion annual market in the U.S. The U.S. is the largest single national market in the world, and China and Japan are the 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 patented lipid-based delivery mechanism may result in less waste and lower dosages required than most current pill forms. As well, ingestion of pills is an unpleasant experience for many people so it is possible that vitamin delivery through common food groups could vastly expand market demand for this sector. Vitamin E is a named molecule in the latest Lexaria patent applications.

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

Scientific testing and validation

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

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

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

The bioavailability of CBD (or of THC) varies greatly by delivery method. Smoking typically delivers cannabinoids at an average bioavailability rate of 30% (Huestis (2007) Chem. Biodivers. 4:1770–1804; McGilveray (2005) Pain Res. Manag. 10 Suppl. A:15A – 22A). By comparison, orally consumed cannabis edibles typically deliver cannabinoids at an average bioavailability rate of only 5% (Karschner et al. (2011) Clin. Chem. 57:66–75).

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

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

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

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

During January 2015, Lexaria conducted a study of nitric oxide levels in humans, as a biomarker for absorption of cannabidiol, with the expectation that it would provide additional evidence of the efficient absorption of cannabidiol from Lexaria food products enhanced with hemp oil, by demonstrating the elevation of nitric oxide in the human body in response to product ingestion.

The study data from human subjects demonstrated significant elevation of systemic nitric oxide levels as a surrogate biomarker for cannabidiol (CBD) bioabsorption in response to ingestion of Lexaria's products. This provided clinical support for the CBD bioavailability enhancing properties of Lexaria's patented technology, on the premise that bioavailable CBD is known to elevate levels of the endocannabinoid anandamide in the human body which, in turn, stimulates release of nitric oxide in the vascular system.

In summary, consuming Lexaria and ViPova™ food products resulted in elevated levels of nitric oxide within the body. The results of the study indicated that all Lexaria and ViPova™ food products elicited significant increases in salivary nitric oxide, achieving levels from 110 μM to as high as 220 μM in the test subjects. The beverage products generally had faster initial responses in as little as 15 minutes after product ingestion, whereas the initial responses from the protein-energy bars required 30 minutes. The faster response time with the beverage products was to be expected, given the relative ease of digesting liquids versus solids. All products sustained their maximum levels of nitric oxide detection through to the 60-minute end-points used in the study, indicating a need for additional study to determine the length of time that nitric oxide levels remain elevated following production consumption.

The study assessed six flavors of ViPova™ tea (Yunan Black, Herbal Cherry Black, Earl Grey, Herbal Bengal Chai, Herbal Masala Chai and Decaf English Breakfast), ViPova™ Columbian Supremo Coffee, ViPova™ Hot Chocolate and Lexaria Energy Foods' Chocolate Berry Date and Cashew Berry Date protein-energy bars.

Six healthy human subjects (3 male and 3 female) between the ages of 22 and 65 years of age were recruited for the study. Subjects were screened for cardiovascular and allergic response to hemp products, were non-smokers and did not have any history of substance or alcohol abuse. One product was studied per day across all six subjects, with each subject consuming a full product serving size. Subjects were required to refrain from eating food or using vape products for at least 12 hours before test article administration on each day of the study. Nitric oxide levels in the test subjects were assessed using a commercially available, colorimetric test kit designed to quantify systemic nitric oxide via a detectable salivary marker. Immediately before test article administration each day, all subjects were required to demonstrate a negative baseline nitric oxide saliva test. Subjects were considered to have a negative

test strip reading at a level of 20 μM according to the test strip scale, and positive readings anywhere above this. Subjects performed salivary nitric oxide testing at 15, 30, 45 and 60 minutes' post-consumption of each product. All subjects remained sedentary from baseline through to the completion of testing for each product.

In August of 2018 we released results from our TurboCBD™ capsules in a randomized, placebo-controlled, double-blind European human clinical study that evaluated TurboCBD™ - a proprietary, DehydraTECH™ powered, cannabidiol ("CBD") fortified hemp oil capsule developed by Lexaria. The

degree and speed of CBD absorption into blood plasma and potential cardiovascular and cognitive performance enhancement in 12 healthy male volunteers were studied.

Key bioavailability data highlights from the study comparing the 90 mg dose of Lexaria's TurboCBD™ to a 90 mg dose of a positive control formulation without Lexaria's DehydraTECH™ technology were as follows:

- 30 Minutes: CBD delivered from Lexaria's TurboCBD™ capsules was absorbed much more effectively than from the positive control, delivering 317% more CBD to blood at the 30-minute mark of the study (i.e., 18.4 ng/mL compared to only 4.4 ng/mL on average respectively [95% CI; p=0.051]);
- 60 Minutes: The TurboCBD™ capsules went on to deliver more CBD to the blood at the 60-minute mark (i.e., 38.8 ng/mL) than the positive control capsules were able to reach at any time during the 6-hour study, further demonstrating the exceptional rapidity of action and effectiveness of the TurboCBD™ capsules;
- 90 Minutes: The TurboCBD™ capsules further went on to deliver significantly more CBD to the blood (86% more) than the positive control capsules at the 90-minute mark (i.e., 53.0 ng/mL compared to only 28.4 ng/mL respectively [95% CI; p=0.034]);
- Through to Study Completion: Lexaria's TurboCBD™ capsules continued to deliver more CBD to blood than the positive control capsules at each subsequent time point in the study through to the 6-hour mark when the study was completed.

These results corroborate and confirm other in vitro and in vivo studies that have evaluated Lexaria's DehydraTECH™ technology. Although this study evaluated absorption only of CBD and its metabolites, Lexaria believes nearly identical bioavailability enhancement results would be achieved with other cannabinoids.

We have also completed our first study evaluating DehydraTECH™ used in a topical cream formulation for absorption of CBD through human skin. Results proved significant increases in both speed and quantity of CBD absorption through skin when compared to control formulations. The absorption study was performed on human skin at a California-based laboratory that specializes in Franz diffusion cell skin permeability testing. Lexaria's DehydraTECH™ technology was used together with a sophisticated oil-in-water emulsion formulation design and compared to a series of matching oil-in-water emulsion formulations prepared with the same CBD inputs, with and without the DehydraTECH™ technology and with and without two leading skin penetration enhancers currently used in the skin products industry. Several factors were measured, including the time required to detect CBD skin penetration and quantity, and peak amounts of CBD absorbed into and through the skin, at multiple testing intervals over a 48-hour duration.

Lexaria's DehydraTECH™-enabled topical formulation, absent either of the commercial penetration enhancers, was the fastest acting for absorption into the epidermis, dermis or through the skin into the systemic fraction representing permeation into the underlying circulatory system. Lexaria's DehydraTECH™-enabled product also had no odour even without the use of perfumes, contrary to other cannabinoid industry products that can be quite strongly odoriferous without the use of masking perfumes.

Furthermore, Lexaria's DehydraTECH™-enabled topical formulation without the addition of either of the commercial penetration enhancers, demonstrated the highest overall average quantity of CBD delivered through the skin and into the representative systemic fraction of all the formulations tested, with as much as a 225% increase in CBD permeability when compared to the highest performing commercial penetration enhancer formulation assessed and almost a 1,900% increase in CBD permeability when compared to a control formulation that was devoid of both the DehydraTECH™ technology or any commercial penetration enhancers. The commercial skin penetration enhancers only demonstrated performance that was on par or superior to the DehydraTECH™-enabled formulations tested in so far as total CBD absorption into the shallow epidermis or dermis was concerned.

We have also completed our first ingestible nicotine in vivo (animal) absorption study. Lexaria is pursuing the use of its patented DehydraTECH™ technology as a possible new nicotine delivery method, an edible dose absorbed through the gastrointestinal tract, with potential both as a nicotine replacement therapy as well as an alternative product format for regular tobacco users.

DehydraTECH™ delivered the following major nicotine absorption performance improvements: 1,160% faster delivery of equivalent peak quantities of nicotine to the bloodstream than achieved with controls (within 15 min vs. 2.9 hours), 148% gain in the quantity of peak nicotine delivery to the bloodstream relative to controls, 560% higher brain levels of nicotine where nicotine effects are focused, compared to controls, Lower urine levels of nicotine excreted than controls, for enhanced nicotine activity and bioavailability over the course of the study, lower quantities of key liver metabolites in the bloodstream than controls as hypothesized, suggesting bypass of first pass liver metabolism.

Study Design Parameters:

The study was designed to principally assess the relative ingestible nicotine absorption performance of DehydraTECH™-powered formulations compared to concentration-matched control formulations that lacked any form of delivery enabling technology in rats. Nicotine was administered in a nicotine polacrilex derivative format as is widely commercialized today in nicotine replacement therapy products such as chewing gums. Twelve male rats were divided into four groups of three, such that DehydraTECH™ and control formulations were each tested at a 1 mg/Kg and 10 mg/Kg dosage level. Formulations were administered orally and all rats were cannulated for blood collection at multiple intervals over an 8 hour duration post-dosing with the first data collection at the 15-minute mark. Urine and feces were also collected for up to a 24-hour duration post-dosing, and essential organ tissue samples were also collected for examination after the study. All samples were subjected to analytical testing in order to quantify the levels of nicotine therein, as well as the levels of three major liver metabolites thereof, hydroxycotinine, nicotine N'-oxide and cotinine, in order to assess the relative metabolite levels absorbed by the different formulations. Lexaria's hypothesis was tested to prove that its DehydraTECH™ technology would influence more rapid and complete intestinal bioabsorption of nicotine lymphatically with less metabolic degradation by the liver. All animals were also assessed for general tolerability of the administered formulations. The study was conducted at the same independent laboratory in Philadelphia where the Company completed its initial cannabidiol absorption study in 2015.

Results & Observations:

The Lexaria formulations generally achieved faster absorption, higher peak absorption and higher overall quantities of nicotine, on average, in the blood than the concentration-matched control formulations at both the 1mg and 10 mg/Kg doses tested. Furthermore, as previously reported, there were no obvious signs of gastrointestinal distress such as vomiting or diarrhea indicating that the animals appeared to tolerate the treatment well.

Nicotine blood levels were evaluated multiple times over a period of 8 hours after dosing. In the 10mg/Kg dosing arm, the control formulation required nearly 3 hours to reach similar levels of blood absorption that the Lexaria formulation reached in only 15 minutes. Furthermore, the Lexaria formulation went on thereafter to demonstrate peak plasma levels that were 148% of those achieved by the control formulation. If replicated in human studies, these findings are suggestive that Lexaria's technology could prove more effective in elevating blood nicotine levels through edible formats much more quickly and substantially than previously theorized, potentially making ingestible nicotine preparations a viable alternative to today's available product formats while also leading to a more rapid nicotine craving satiation.

Analysis of the liver metabolites revealed, as expected, that overall levels in the blood of two of the three metabolites studied were higher in the control group than in the Lexaria formulation group at the 10 mg/Kg dose. This result was especially pronounced in the 45-minute to 2-hour time interval post-dosing which is consistent with the expected timing of release of metabolites in higher quantity into the bloodstream by the liver following normal

physiological processing of ingested nicotine with the control preparation, compared to the DehydraTECH™ technology that is believed to elude first pass liver metabolism. The Lexaria formulation also demonstrated lower quantities of nicotine in the rat urine at both doses, which is consistent with the fact that the levels of nicotine in the rat blood remained higher over the duration of the study with the Lexaria formulation than with the control. The study also revealed that the Lexaria formulation at the 10 mg/Kg level achieved up to 5.6-times as much nicotine upon analysis of the rat brain tissue than was recovered with the matching control formulation. These findings together perhaps suggest prolongation of nicotine effectiveness with the Lexaria formulation which may also be beneficial in humans to control cravings over an extended time-period from a single edible nicotine dose.

In our follow-up third-party *in vivo* statistically significant study, including two groups of 20 animals, further defining delivery of nicotine in edible form at each of the 2, 4, 6, 8 and 10-minute intervals post-dosing, with 90.2% greater delivery than the concentration-matched control formulation by the 10-minute mark (95% CI; p=0.044), and significantly greater absorption levels than the control formulation at all subsequent time points in the study. Speed of onset is a key attribute for oral drug administration, and it is of particular importance for the consideration of non-inhalation nicotine delivery formats.

Key highlights of the follow-up study are as follows:

- Peak Level: 79% improvement in peak blood levels (maximum concentration or "Cmax") at 394 ng/mL using Lexaria's DehydraTECH™ technology vs. 220 ng/mL with the control (95% CI; p=0.0257);

- Total Quantity: 94% improvement in total quantity of nicotine delivered (area under the curve or "AUC") to the blood during the 60-minute course of the study, at 266 hr•ng/mL versus 137 hr•ng/mL (95% CI; p=0.0086);

- Rapidity: Lexaria's technology delivered nicotine into the blood stream by the first time interval of blood sampling at the 2-minute mark. On average, Lexaria's technology delivered 203 ng/mL to the blood in aggregate of the 2, 4, 6, 8, 10, 12 and 15-minute time points, compared to only 120 ng/mL in aggregate over the same period by the control, an improvement of 70% (95% CI; p=0.0004).

In addition to the above described scientific testing and validation studies, Lexaria has also conducted various cannabinoid formulation experiments, together with potential DehydraTECH™ licensee partners, on chocolates, candies, gummies, mouth-melts, chocolate bars, protein bars, beverages such as beer, spices, tea, coffee, supplements and more over the past several years. Beverage formulations have produced cannabinoid water-based products including de-alcoholized beer that mask unwanted cannabis flavor and are fast acting. Chocolate formulations were reported as being the fastest acting, most consistent, and best-tasting products relative to comparator control formulations in approximately 70% of cases in a recent 2017 consumer study. As well, on March 22, 2016, Lexaria announced results from another chocolate formulation consumer study in which test subjects ranked those chocolates that had been created with Lexaria's technology as the best tasting, most palatable and providing the best overall experience of the chocolates sampled. Furthermore, the test subjects in that study indicated a time of onset of the cannabis oil effects in as little as 15-20 minutes on average. The study included 12 volunteers who were all regular cannabis consumers with experience ingesting conventional edibles. All chocolates used in the study were blinded (unmarked) in order that the subjects could not discern the product formulations applied.

Technology out-licensing

On May 14, 2016, the Company entered into a Licensing Agreement with Nuka Enterprises, LLC for a two-year period, to utilize the Company's technology to create, test, manufacture, and sell marijuana-infused consumable and/or topical products, in the state of Colorado, with an option of extending the terms of the Licensing Agreement to Washington, Oregon, and California. On April 30, 2018, the Company announced a new 10-year renewal licensing agreement with Nuka Enterprises LLC, maker of 1906 brand cannabis chocolates and other edible products. The new agreement provides Nuka Enterprises LLC with semi-exclusive ability to utilize the DehydraTECH™ technology across the US. Nuka also acquired an option to expand its products and brand to Canada, including using Lexaria's existing chocolate and confections contract manufacturer licensee Cannfections Group Inc. The agreement incorporates new rights in product categories in addition to the original chocolate formats, which include candies, beverages, capsules and pills, and topical creams.

On January 25, 2018, the Company announced it entered a definitive technology licensing agreement with a 7-year term with Cannfections Group Inc. whereby Lexaria is providing its patented DehydraTECH™ technology to empower next-generation performance in cannabis infused chocolates and candies to be developed and sold in Canada and internationally.

On February 26, 2018 the Company announced it entered an agreement with NeutriSci International Inc. ("NeutriSci") (TSX-V: NU, OTCQB: NRXCF) such that NeutriSci now owns 100% of Ambarii Trade Corporation and Lexaria has granted to NeutriSci an Intellectual Property License and Supply Agreement for the manufacturing and sale of CBD based products.

On February 27, 2018 the Company announced it entered a definitive technology licensing agreement with Los Angeles-based, privately-held Biolog, Inc. ("Biolog") for a 5-year term whereby Lexaria provided its patented DehydraTECH^{TM} technology to empower a unique set of next-generation food and beverage cannabis infusion products to be sold in the United States.

On April 25, 2018, the Company announced that it entered a definitive technology licensing agreement with GP Holdings LLC, ("GP") whereby Lexaria provided its patented DehydraTECH^{TM} technology for cannabis infused beverages and topical skin products in California. GP acquired a 5-year semi-exclusive right. Subsequent to year end, on September 28, 2018, the Company cancelled the contract due to ongoing delays and non-performance.

On July 31, 2018, the Company announced, and Hill Street Beverage Company Inc., (TSXV:BEER; "Hill Street") jointly announced that they signed a Definitive Agreement to license Lexaria's DehydraTECH ^{TM}, on a semi-exclusive basis, for a term of five (5) years, to produce a line of cannabis-infused alcohol-free beverages for Canadian distribution, following regulatory approval.

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.

We are not yet profitable and have not yet demonstrated our ability to generate significant revenues from our business plan. We will require additional corporate funds if our existing capital is not sufficient to support the Company until potential future profitability is reached. There are no assurances that we will be able to obtain further funds required for our long-term operations. We do not expect to require additional operating capital during our fiscal 2019 year, but do expect to require capital in order to establish our own, federally licensed Canadian laboratory on-premises for our internal R&D purposes. 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 longer-term obligations as they become due. In such event, we could be forced to scale down or perhaps even cease our operations. There is uncertainty as to whether we can obtain additional long-term financing if we do in fact require it.

Our business plan anticipates that we will hire three to six employees and includes new office space that is under construction in order to facilitate a federally licensed Canadian laboratory on-premises for our internal R&D purposes. We expect to be able to utilize contracted third parties for most of our production and distribution needs, instead focusing our capital on higher value added aspects of the business such as research and development, and scientific testing. We have no current plans to build our own production facility.

Our company relies on the business experience of our existing management, on the technical abilities of consulting experts, and on the technical and

operational abilities of its operating partner companies to evaluate business opportunities.

The legal marijuana industry is comprised of several sub-sectors, and is legal under different guidelines in many states though it remains illegal under most federal laws. Notwithstanding, the overall sector is generally recognized to be one of the fastest growing in the USA, with state-legal revenue of over $8 billion in 2016. Independent projections and publicized reports expect revenue of $20 billion or more in 2020, both as the sector gains in credibility and acceptance, and as more and more states legalize either medical use or adult recreational use; or both. In any fast growing industry, competition is expected to be both strong and also difficult to evaluate as to the most effective competitive threats. While we are an early adopter within the cannabinoid delivery sector, there are already reports of more than 300 public companies that have claimed to be involved in the sector in some fashion; and an unknown number of private companies. Our current strategies may prove to be ineffective as the sector grows and matures, and if so, we will have to adapt quickly to changing sectoral circumstances. Accordingly, the Company intends to aggressively pursue technology out-licensing opportunities not only within the cannabinoids sector where it is already active, but also across other sectors where its DehydraTECH^{TM} technology is patent allowed and/or pending, including the opportunities in the vitamin and supplements sector, the pain relief sector and the nicotine products sector.

Competition in alternative health sectors and in consumer products 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 patent applications to protect intellectual property, there is no assurance that patents beyond those already issued 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. Lexaria is also aware of various competing technologies that exist in the marketplace that claim to also enhance the bioabsorption of cannabinoids as Lexaria has demonstrated through repeated *in vitro* and *in vivo* scientific testing with its patented DehydraTECH^{TM} technology. By and large, these technologies are all forms of nanotechnology that generally claim to enable the formation of microencapsulated microemulsions of cannabinoid active ingredients. These technologies can enable exceptional water solubility of cannabinoid ingredients and can impart improved intestinal bioabsorption as a result.

However, it is Lexaria's belief that its patented DehydraTECH^{TM} technology offers a host of benefits beyond what competing technologies can offer, including superior oral palatability, a more appealing and all-natural ingredient compositional profile from a food and beverage formulation perspective and superior scalability and cost effectiveness from a manufacturing perspective. Lexaria believes that its DehydraTECH^{TM} technology is, therefore, significantly distinguished from competing technologies in these respects, with a view to growing the breadth and number of licensees that will adopt its technology for their product offerings going forward. Lexaria believes that these competitive advantages together with its wealth of scientific data showing noteworthy bioabsorption enhancements with its DehydraTECH^{TM} technology constitute a compelling value proposition for its prospective licensees, and it intends to continue to pursue license arrangements not only within the cannabinoids edibles sector where it is already active, but also in the various other bioactive ingredient sectors identified in its issued and pending patent applications.

Compliance with Government Regulation

Over 30 States in the USA have passed some form of legislation related to that state's permission to grow, cultivate, sell or use marijuana either for medical purposes or for recreational or "adult use" purposes; or both. The various state legislation is not necessarily harmonious with one another, leading to potential conflicts between state laws. It is most often not legal to transport cannabis-related products across state lines.

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

Lexaria's position is that, just as a telephone company provides communications services, and an electric company provides electrical power, our provision of technological services to a state-legal cannabis company is in compliance with laws and required regulations.

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

The US Federal Government is contemplating the 2018 Farm Bill that may have significant positive impacts on industry segments that we operate and have products in and potentially change some of the regulatory compliance risks that may affect our business. The Bill includes lifting restrictions on advertising, marketing, banking and other financial services as well as allowing interstate commerce for hemp and hemp-derived cannabidiol (CBD), remove barriers for intellectual property protections under federal law such as patents and trademarks, as well as several other measures that may positively impact these industry segments overall. The impact the Bill may have on other regulatory bodies and their regulations will require ongoing monitoring to determine the outcome and timing of any revisions. Subsequent to November 30th 2018, the 2018 Farm Bill was passed and signed into law.

Significant Acquisitions and Dispositions

We have leased a new head-office location in Kelowna, Canada, that includes the purchase and construction of office equipment, furniture, computers, and communications systems. We are also in-progress of the construction of a federal licensed Canadian laboratory on-premises for our internal R&D purposes, for which a license application has been filed with Health Canada. Final costs are not known at this time but could amount to $400,000 - $600,000.

Contractors

We primarily use sub-contractors and consultants in the intellectual property development and licensing, and alternative health product sectors. We anticipate the addition of three employees during our second fiscal quarter and additional research personnel upon license approval from Health Canada for the research lab. We primarily engage with consultants to serve our executive needs.

The Company had an agreement with CAB for a consulting fee of $12,000 per month. The term of the agreement is two years but can be terminated by either party by providing two months notice, which continues on a month to month basis. The Company may pay Mr. Bunka a bonus from time to time, at its sole discretion. Mr. Bunka will be entitled to receive common stock-based and stock option based bonuses upon achieving certain milestones during the time of his consultancy with the Company. These milestones are during the first 12 months after the date of the agreement with CAB:

Revenue Incentive Milestones (Revenue Incentives "A")

- Upon the Company achieving non-refundable revenues of $200,000 to any single customer in any consecutive 60-day period, CAB would be entitled to an award of 100,000 restricted common shares of the Company and after the first 12-month period, expiring after 24 months of the amended agreement, upon the Company achieving non-refundable revenues of $200,000 to any single customer in any consecutive 60-day period, CAB would be entitled to an award of 50,000 restricted common shares of the Company. These awards are limited to one payment per customer during the 24-month period but payable for each customer that meets the revenue thresholds.

- Upon the Company achieving non-refundable revenues of $500,000 in any fiscal quarter would result in an award to CAB of 200,000 common shares of the Company and after the first 12 months, expiring 24 months after the amended agreement, the Company achieving non-refundable revenues of $500,000 in any fiscal quarter would result in an award to CAB of 100,000 common shares of the Company. These awards are limited to one payment per fiscal quarter.

Intellectual Property Milestones (IP Incentives "B")

- During the term of the agreement, for each provisional patent application substantively devised by CAB and successfully created, written and filed with the US Patent Office for the Company's Technology, CAB will be entitled to an award of 250,000 restricted common shares of the Company.

On July 1, 2018 the Company executed an updated three-year consulting contract with M&E Services Ltd. (M&E), a company wholly owned by Mr. Allan Spissinger, with monthly compensation of CAD$12,000 including an 8% annual increase superseding the previous CAD$8,000 per month contract that included 200,000 incentive stock options exercisable at $0.37. The Company may pay Mr. Spissinger a bonus from time to time, at its sole discretion. Mr. Spissinger will be entitled to receive additional common stock-based and stock option based bonuses upon achieving certain milestones during the time of his consultancy with the Company. These milestones are:

- Revenue Incentives “A” as defined above.

The Company appointed Mr. John Docherty as President of Lexaria effective April 15, 2015. On March 1, 2017, the Company executed a twenty four month consulting contract with Docherty Management Limited, solely owned by Mr. John Docherty with monthly compensation of CAD$15,000 plus applicable taxes, superseding the previous agreement with monthly compensation of CAD$12,500 plus applicable taxes. The Company may pay Mr. Docherty a bonus from time to time, at its sole discretion. Pursuant to the previous agreement, Mr. Docherty received 800,000 stock options and 924,000 restricted common shares of the Company. Mr. Docherty will be entitled to receive additional common stock-based and stock option based bonuses upon achieving certain milestones during the time of his consultancy with the Company. These milestones are during the first 12 months after the date of the agreement with Docherty Management Ltd.:

- Revenue Incentives “A” as defined above.
- IP Incentives “B” as defined above.

On June 19, 2017, the Company executed a contract with Alex Blanchard Capital as manager for investor relations and communications. The agreement is for six months continuing month to month and may be terminated thereafter with one month’s notice for CAD$7,500 per month. Mr. Blanchard was granted 200,000 warrants exercisable at $0.29 and 300,000 stock options exercisable at $0.295 vesting 100,000 options at 1st – 3rd anniversaries of the contract provided that the contract is not terminated. Mr. Blanchard will be entitled to receive additional common stock-based and stock option based bonuses upon achieving certain milestones during the time of his consultancy with the Company. These milestones are during the first 12 months after the date of the agreement with Alex Blanchard Capital:

- Revenue Incentives “A” as defined above.

We are planning an increase in the number of personnel over the next 12 month period to enhance capacity and, subject to regulatory approval of the lab facility, for R&D purposes. We do and will continue to outsource contract employment as needed. Additional capacity may be required with product advancement or retail acceptance of our new products, we may need to retain additional personnel particularly in the fields of product manufacturing, development, sales and distribution. It is not possible to accurately project potential needs into the future based on circumstances that may or may not occur.

Research and Development

Lexaria incurred $96,973 (2017 $110,392) in research and development expenditures during the period ending November 30, 2018. Specific R&D programs are in ongoing development and will be tightly related to our financial ability to undertake each research phase for each molecule. Due to our expanding portfolio coverage, we are continuing to examine accelerated timetable options for testing, research and development.

The Company’s plans to include *in vitro* absorption tests of our patented technology of molecules such as: Vitamin E, Ibuprofen, and Nicotine allowed us to perform testing on Nicotine with positive results. Our plan to conduct our first ever *in vivo* absorption tests on CBD also yielded positive results. Ongoing testing plans are proceeding to further define molecular compatibility, absorption rates, timing and viable formats of delivery.

Depending on how many of these tests are undertaken, it could require budgets of as much as $1,000,000, or as little as $65,000, to do so. It is in our best interests to remain flexible at this early stage of our R&D efforts in order to capitalize on potential novel findings from early-stage tests and thus re-direct research into specific avenues that offer the most reward.

Off-Balance Sheet Arrangements

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

Critical Accounting Estimates

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.

Equipment

Equipment is stated at cost less accumulated depreciation and depreciated using the straight-line method over its useful life.

Patents

Capitalized patent costs represent legal costs incurred to establish patents. When patents reach a mature stage, any associated legal costs are comprised mostly of maintenance fees and are expensed as incurred. Capitalized patent costs are amortized on a straight-line basis over the remaining life of the patent.

Revenue Recognition

Product revenue

Revenue from the sale of health products is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collectability is reasonably assured, which typically occurs upon shipment. The Company reports its sales net of the amount of actual sales returns. Sales tax collected from customers is excluded from net sales.

Licensing revenue from Intellectual Property

We recognize revenue for License fees at a point in time following the transfer of our intellectual property, our patented lipid nutrient infusion technology DehydraTECH™ for infusing Active Pharmaceutical Ingredients, to the licensee, which typically occurs on delivery of documentation.

Usage Fees from Intellectual Property

We recognize revenue for Usage fees when usage of our DehydraTECH™ intellectual property occurs by licensees infusing and Active Pharmaceutical Ingredient into one or more of their product lines for sale.

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 recurring losses from operations and net capital deficiency raise substantial doubt about the Company's ability to continue as a going concern.

Recent Accounting Guidance

In January 2016, FASB issued an ASU, Subtopic 82510, to amend certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Most prominent among the amendments is the requirement for changes in fair value of equity investments, with certain exceptions, to be recognized through profit or loss rather than other comprehensive income. The Company adopted the standard September 1, 2018. The impact was not material and the $14,247 impact on the Company's financial statements was included in income in the current period.

In February 2016 FASB issued ASU No. 201602, Leases (Topic 842) which supersedes FASB ASC Topic 840, Leases (Topic 840) and provides principles for the recognition, measurement, presentation, and disclosure of leases for both lessees and the lessors. The new standard requires the lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. The classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right of use asset and a lease liability for all leases with a term of greater than twelve months regardless of classification. Leases with a term of twelve months or less will be accounted for similar to existing guidance for operating leases. The standard is effective for annual and interim periods beginning after December 15, 2018, with early adoption permitted upon issuance. When adopted, the Company does not expect this guidance to have a material impact on its consolidated financial statements.

In June 2016, the FASB issued a new standard to replace the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss credit loss estimates. For trade and other receivables, loans and other financial instruments, the Company will be required to use a forward looking expected loss model rather than the incurred loss model for recognizing credit losses which reflects losses that are probable. Credit losses relating to available for sale debt securities will also be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. The new standard will be effective for Lexaria beginning September 1, 2020, with early adoption permitted. Application of the amendments is through a cumulative effect adjustment to deficit as of the effective date. The Company is currently assessing the impact of the standard on its consolidated financial statements.

In February 2018, the FASB issued ASU No. 201802, Income Statement–Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act enacted by the U.S. federal government on December 22, 2017 (the "2017 Tax Act"). Consequently, the amendments eliminate the stranded tax effects resulting from the 2017 Tax Act and will improve the usefulness of information reported to financial statement users. The amendments in this ASU are effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period, (1) for public business entities for reporting periods for which financial statements have not yet been issued and (2) for all other entities for reporting periods for which financial statements have not yet been made available for issuance. The Company is currently evaluating the effect this ASU will have on its consolidated financial statements and related disclosures, but does not expect it to have a material impact on its consolidated financial statements.

In June 2018, the FASB issued ASU No. 201807, Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share Based Payment Accounting. This is a simplification that involves several aspects of accounting for nonemployee share based payments resulting from expanding the scope of Topic 718 to include share based payment transactions for acquiring goods and services from nonemployees. The new standard will be effective for Lexaria for September 1, 2019. The company does not expect it to have a material impact on its consolidated financial statements.

Results of Operations – Three Months Ended November 30, 2018 and 2017

The following summary of our results of operations should be read in conjunction with our financial statements for the period ended November 30, 2017, which are included herein.

Our operating results for the three months ended November 30, 2018 and 2017 and the changes between those periods for the respective items are summarized as follows:

	Three Months Ended November 30 2018 $	Three Months Ended November 30 2017 $	Change Between the Periods $
Sales	22,209	24,635	(2,426)
Cost of Goods Sold	2,158	6,099	(3,941)
General and Administrative	721,442	593,703	127,739
Impairment of Inventory	-	3,546	(3,546)
Net loss	(701,391)	(578,713)	(122,678)

Our financial statements report a net loss of $701,391 for the three-month period ended November 30, 2018 compared to 2017 where we incurred a net loss of $578,713. During the three-month period ended November 30, 2018, our general and administrative expenses were higher compared to the three months ended November 30, 2017, which is a result of the increases in consulting expenses to address additional industry segments and increases for patent and trademark filing costs. These increases are in line with expectations for executing our business plan.

Revenue were primarily based on Licensing usage fees in line with contract requirements, while consumer product sales remain low due to challenges in securing expansive distribution opportunities, production challenges and payment processing changes. The Company continues to pursue more widespread distribution possibilities which have the potential to unlock more significant consumer revenues.

The trend of hemp oil fortified foods, and hemp seed products, gaining consumer acceptance continued and provides a reason to believe that sales could increase. Those trends should support higher potential consumer product sales. In addition, legislative trends in America and in many nations around the world such as Canada and the UK are supportive of additional opportunities in the hemp-based foods and supplements sector. Those trends could support

higher potential consumer product sales. Release of the TurboCBD™ product was successful but sales were limited by changes to payment processing services outside of the Company's control. At the time of this report the Company had extinguished its supplies of certain products like protein bars and the lack of inventory was also a negative impact on consumer product sales potential.

For 2019 the Company expects to continue to derive the majority of its revenues from technology licensing to third parties noting that IP Territory fees are recognized when new definitive license agreements occur and IP Usage fees are dependent up on licensees opportunity to implements the technology based upon regulatory approval. Canadian regulatory approval for ingestible products is anticipated within 12 months of the October 17, 2018 legalization of recreational cannabis in that country. At August 31, 2015 the Company had zero technology licensing agreements entered. By August 31, 2016 we had entered several LOI's or definitive agreements related to technology out-licensing. During the period ended August 31, 2018 we have entered into six new licensing agreements that increased our IP licensing revenue and we expect additional revenue will be generated from the licensees utilizing the technology in their processes from the usage fees as their production and sales occur. It is the Company's view that the December 9, 2017, grant of patent US 9,839,612 B2, the grants of US 9,972,680 B2 and US 9,974,739 B2 during May 2018, the September 25, 2018 grant of US 10,084,044 B2, the October 16, 2018 grant of US 10,103,225 B2 and its expanding patent portfolio are positive steps in enabling the generation of more significant revenues. At the time of this report the Company has entered more than 10 formal letters of intent or definitive agreements and is negotiating more.

We do not expect that all of the Letters of Intent into which we enter will result in definitive agreements with paying customers and cannot predict how many will. We believe that strengthening and expanding our intellectual property portfolio and conducting supportive R&D will jointly contribute to strengthening revenue prospects.

Liquidity and Financial Condition

Working Capital	**November 30 2018 $**	**August 31 2018 $**
Current assets	3,230,842	2,284,051
Current liabilities	129,938	43,640
Working capital balance (deficiency)	3,100,904	2,240,411

The Company's working capital balance increased during the three months ended November 30, 2018, as a result of the completion of a private placement in October, 2018 for $1,470,310 net of fees and $178,880 from the exercise of options and warrants.

	Three Months Ended	
	November 30 2018	November 30 2017
Cash flows	**$**	**$**
Cash flows used in operating activities	(564,314)	(570,321)
Cash flows used in investing activities	(167,200)	(85,715)
Cash flows provided by financing activities	1,649,190	282,401
Increase (decrease) in cash	917,676	(323,635)

Operating Activities

The increase in the net cash used in operating activities during the three months ended November 30, 2018, is primarily as a result of the completion of a private placement in October, 2018 and ongoing exercises of options and warrants. Operating activities remained relatively consistent between the comparison periods with small decreases in advertising and promotions, and travel, and increase to ongoing legal fees for patent and trademark filings.

Investing Activities

During the three months ended November 30, 2018, the Company continued its investment in expanding its patent and trademark filings and began the renovations for the new head office location with in-house Health Canada compliant research lab.

Financing Activities

During the period ended November 30, 2018, the Company raised a total of $1,649,190 from equity issuances, relating to the private placement closed in October 2018 and the ongoing exercises of its outstanding stock options and warrants.

Item 3. 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 (also our principal executive officer) and our chief operating and financial officer (also our principal financial and accounting officer) to allow for timely decisions regarding required disclosure.

As of November 30, 2018, 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 our chief executive and chief financial officer (also our principal executive and accounting officers), of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our president and chief executive and financial officer (also our principal executive and accounting officers) concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of November 30, 2018.

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 November 30, 2018. 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 November 30, 2018, 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 period ended November 30, 2018, that have materially or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

Risks Associated with Our Business

Because cannabis is a controlled substance in some regulatory jurisdictions our Licensee's operations may be subject to regulatory actions.

Lexaria and its subsidiaries are not involved directly or indirectly in the cultivation, processing, distribution, or utilization of Cannabis or Cannabis derived components. All of Lexaria's consumer products utilize legally sourced Hemp and Hemp components in their production. Lexaria has an ancillary involvement exposure via out-licensing of its patented technology to licensees that may utilize the technology in the production of products that contain contents which are locally or state approved but federally controlled. Where licensee's products contain controlled contents any revenue streams from such licensee's may be interrupted by regulatory involvement in their business. It is possible some jurisdictions may even interpret Lexaria's ancillary involvement as in contravention with regulations.

Lexaria has no knowledge of any non-compliance by its licensees with the regulatory framework(s) in which its licensee(s) operate.

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

There can be no assurance that our current or future products will be successful, and we cannot be sure that our overall business model within any particular sector will ever come to fruition, and if they do, will not decline over time. We may not recover all or any portion of our capital investment in product development, marketing, or other aspects of the business. Although we will exercise due consideration in our development of new products, and the marketing of them, ultimate consumer acceptance of these products is not reliably forecastable.

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

Our revenues now are generated from out licensing of our technology. We should be considered to be a start-up: the revenue recognized for the period ended November 30, 2018 was $22,209.

The food industry is highly competitive and there is no assurance that we will be successful in developing or successfully selling products.

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

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

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

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

The potential profitability of food products and of intellectual property revenue streams is dependent upon many factors beyond our control. For instance, prices and markets for food products are unpredictable, highly volatile, potentially subject to controls or any combination or other factors, and respond to changes in domestic, international, political, social and economic environments. These changes and events may materially affect our future financial performance. These factors cannot be accurately predicted and the combination of these factors may result in our company not receiving an adequate return on invested capital.

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

Our failure to protect our intellectual property may have a material adverse effect on our ability to develop and commercialize our products

Because patents involve complex legal and factual questions, the issuance, scope, validity, and enforceability of patents cannot be predicted with certainty.

Some of our patent pending applications may not be granted as patents. Even if patents are issued, they may not be issued with claims of sufficient breadth to protect our nutrient infusion technology or may not provide us with competitive advantage against competitors with similar products or technologies. Issued patents may be challenged, invalidated, or circumvented. If patents issued to us are invalidated or found to be unenforceable, we could lose the ability to exclude others from making, using or selling the inventions claimed. Moreover, an issued patent does not give us the right to use the patented technology or commercialize a product using the technology. Third parties may have blocking patents that could be used to prevent us from developing our products, selling our products, or commercializing our nutrient infusion technology. Others may also independently develop products or technologies similar to those that we have developed or may reverse engineer or discover our trade secrets through proper means.

Enforcing a claim that a third party infringes on, has illegally obtained or is using an intellectual property right, is expensive and time-consuming and the outcome is unpredictable. In addition, enforcing such a claim could divert management's attention from our business. If any intellectual property rights were to be infringed, disclosed to, or independently developed by a competitor, our competitive position could be harmed. Any adverse outcome of such litigation or settlement of such dispute could subject us to significant liabilities and could put one or more of our patent pending applications at risk of being invalidated.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is risk that some of our confidential information could be compromised. This disclosure could provide our competitors with access to our proprietary information and may harm our competitive position.

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

The marketability of food products will be affected by numerous factors beyond our control. These factors include market fluctuations in consumer preferences for various food items based on factors such as pricing, macro trends for certain ingredients or flavors, ruling by regulators on health issues associated with certain foods, and more. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in us not receiving an adequate return on invested capital to be profitable or viable.

Both food products and cannabis products are subject to comprehensive regulation which may cause substantial delays or require capital outlays in excess of those anticipated causing an adverse effect on our company.

Food production and safety operations, and cannabis products and sales operations, are subject to federal, state, and local laws relating to the protection of

human health and safety. Food production and cannabis operations are each also subject to federal, state, and local laws and regulations which seek to maintain health and safety standards through a wide variety of regulations. Various permits from government bodies may be required by us in order to conduct our business. Regulations and standards imposed by federal, provincial, or local authorities may be changed at any moment in time and any such changes may have material adverse effects on our activities. Changes in regulations are impossible to foresee and could be disruptive or destructive to our business plans and execution. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on us. Additionally, we may be subject to liability for contaminants or other damages. To date, we have not been required to spend any material amount on compliance with environmental regulations. However, we may be required to do so in the future and this may affect our ability to expand or maintain our operations.

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

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

We are not the "operator" of vertically integrated food production facilities, and so we are exposed to the risks of our third-party operators.

We rely on the expertise of contracted third-parties for their judgment, experience and advice related to the manufacturing and/or packaging of our food products. We can give no assurance that these third party operators or consultants will always act in our best interests, and we are exposed as a third party to their operations and actions and advice in those operations and activities in which we are contractually bound.

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

Because our management has limited experience and training in the food processing and manufacturing industry, and in the cannabis products industry, we may not have sufficient expertise to make informed best practices decisions regarding our operations. It is possible that, due to our limited knowledge, we might elect to undergo manufacturing processes and incur financial burdens that a more experienced food manufacturing team might elect not to complete. Our ability to internally evaluate food and cannabis operations and opportunities could be less thorough than that of a more highly trained management team.

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

All applicable Regulations, in the United Sates, over 20 states, including our state of incorporation, Nevada, have approved and regulate medical marijuana use. Similarly, four states have approved and regulate non-medical marijuana use by adults. However, it remains illegal under United States federal law to grow, cultivate or sell marijuana for any purpose. In that regard, the United States Justice Department has released the COLE Memorandum of 8-29-13 which states that the Justice Department will not prioritize the prosecution of marijuana related activities authorized under state laws provided that state authorities implement and enforce strict guidelines to ensure the health, safety and security of the public. Where the individual state framework fails to protect the public, the Justice Department has instructed federal prosecutors to enforce the Controlled Substances Act of 1970. The Department of Justice has not, to our knowledge, published any policy or guidance specifically regarding the participation of a United States corporation in lawful medical marijuana related activities outside of the United States.

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

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

Our company has no significant history of operations in the legal medical marijuana sector, the legal hemp oil infused products sector, or in the food products sector. Moreover, our business model is still evolving and subject to change. Our company's ability to continue as a going concern is dependent upon our ability to obtain adequate financing and to reach profitable levels of operations. In that regard we have no proven history of performance, earnings or success. There can be no assurance that we will achieve profitability or obtain future financing.

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

Demand for medical marijuana and for cannabis or hemp related products is dependent on a number of social, political and economic factors that are beyond the control of our company. While we believe that demand for marijuana and hemp products will continue to grow across North America, there is

no assurance that such increase in demand will happen or that our endeavors will be profitable.

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

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

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

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

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

- The corporation could financially undertake the opportunity;

- The opportunity is within the corporation's line of business; and
- It would be unfair to the corporation and its stockholders not to bring the opportunity to the attention of the corporation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We currently do not have many long-term agreements with any customers. Many of our products and services may be provided on a "onetime" basis. Accordingly, we will require new customers on a continuous basis to sustain our operations.

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

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

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

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

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

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

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

Because we have generated only minimal revenue from our business and cannot anticipate when we will be able to generate meaningful revenue from our business, we will need to raise additional funds to conduct and grow our business. We do not currently have sufficient financial resources to completely fund the development of our business plan. We anticipate that we will need to raise further financing. We do not currently have any arrangements for financing and we can provide no assurance to investors that we will be able to find such financing if required. The most likely source of future funds

presently available to us is through the sale of equity capital. Any sale of share capital will result in dilution to existing security-holders.

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

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

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

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

Risks Associated with Our Common Stock

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

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

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

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

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

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

their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

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

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

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

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

We are authorized to issue up to 220,000,000 shares. The board of directors of our company has the authority to cause us to issue additional shares, and to determine the rights, preferences and privileges of such shares, without consent of any of our stockholders. Consequently, our stockholders may experience more dilution in their ownership of our company in the future.

Other Risks

Protection against environmental risks.

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

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

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

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

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

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

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

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

Our constating documents authorize the issuance of 220,000,000 shares of common stock with a par value of $0.001. In the event that we are required to issue any additional shares or enter into private placements to raise financing through the sale of equity securities, investors' interests in our company will be diluted and investors may suffer dilution in their net book value per share depending on the price at which such securities are sold. If we issue any such additional shares, such issuances also will cause a reduction in the proportionate ownership and voting power of all other shareholders. Further, any such issuance may result in a change in our control.

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

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

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

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

Trends, risks and uncertainties.

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

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

None.

Item 3. Defaults Upon Senior Securities

None.

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

None.

Item 5. Other Information

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

Item 6. Exhibits

Exhibit Number	Description
(2)	**Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession**
2.1	Plan of Conversion (included as Schedule "A" to the proxy statement/prospectus)
(3)*	**Articles of Incorporation and Bylaws**
3.1*	Articles of Incorporation
3.2*	Bylaws
(4)	**Instruments Defining the Rights of Security Holders, including Indentures**
4.1	2007 Equity Incentive Plan
4.2	2010 Equity Compensation Plan
4.3	2014 Stock Option Plan
4.4	Specimen ordinary share certificate
(5)	**Opinion regarding Legality**
5.1	Opinion of Macdonald Tuskey regarding the legality of the securities being registered
(8)	**Opinions regarding Tax Matters**
8.1	Opinion of Dale Matheson Carr-Hilton Labonte LLP regarding U.S. tax matters
8.2	Opinion of Dale Matheson Carr-Hilton Labonte LLP regarding Canadian tax matters
(10)	**Material Contracts**
10.1	Membership Purchase Agreement dated October 23, 2017 with Marian Washington and Michele Reillo (incorporated by reference as exhibit 10.1 of our Current Report on Form 8-K filed November 2, 2017)
10.2	Services Agreement dated August 15, 2017 with Adam Mogil
10.3	Management Services Agreement dated June 19, 2017 with Dr. Phil Ainslie
10.4	Management Services Agreement dated June 1, 2017 with M&E Services Ltd. (Spissinger)
10.5	Marketing Agreement dated March 24, 2017 with Dig Media Inc.
10.6	Management Services Agreement dated March 1, 2017 with Docherty Management Ltd.
10.7	Collaborative Research Agreement dated February 6, 2017 with National Research Counsel
10.8	Services Agreement dated January 1, 2017 with Correlation Capital Inc.
10.9	Management Services Agreement dated December 1, 2016 with CAB Financial Services ltd.
10.10	Private Label Agreement dated September 5, 2016 with Timeless Herbal Care Limited
10.11	Intellectual Property License Agreement dated September 3, 2016 with Timeless Herbal Care Limited
10.12	Private Placement Subscription Agreement dated July 5, 2016 (incorporated by reference as exhibit 10.1 of our Current Report on Form 8-K filed August 16, 2016)
10.13	Licensing Agreement dated May 14, 2016 of Lexaria Bioscience Corp. (incorporated by reference as exhibit 10.1 of our Current Report on Form 8-K filed May 20, 2016)
10.14	License Agreement dated August 11, 2015 with PoViva Tea LLC (incorporated by reference to exhibit 10.1 of Current Report on Form 8-K filed August 12, 2015)
10.15	Share Purchase Agreement dated June 24, 2015 with Shaxon Enterprises Ltd. (incorporated by reference to exhibit 10.1 of Current Report on Form 8-K filed June 26, 2015)
10.16	Letter of Intent dated June 10, 2014 with Shaxon Enterprises (incorporated by reference to exhibit 10.1 of Current Report on Form 8-K filed June 12, 2015)
10.17	Operating Agreement dated November 11, 2014 with Poppy's Teas LLC (incorporated by reference to exhibit 10.1 of our Current Report on Form 8-K filed November 12, 2014)
10.18	Joint Venture Agreement dated May 27, 2014 with Lexaria (incorporated by reference to exhibit 10.1 of our Current Report on Form 8-K filed May 29, 2014)
10.19	Joint Venture Agreement dated March 5, 2014 with Enertopia Corp. et al. (incorporated by reference to exhibit 10.1 of our Current Report on Form 8-K filed March 5, 2014)
10.20	Consulting Agreement with JGRNT dated January 17, 2018 (incorporated by reference as exhibit 10.1 of our Current Report on Form 8-K filed January 22, 2018)
10.21	Licensing Agreement with Cannfections Group Inc. dated January 25, 2018 (incorporated by reference as exhibit 10.1 of our Current Report on Form 8-K filed January 25, 2018)
10.22	Licensing Agreement with Neutrisci International Corp. dated February 23, 2018 (incorporated by reference as exhibit 10.1 of our Current Report on Form 8-K filed March 2, 2018)

10.23	Licensing Agreement with Biolog, Inc. dated February 23, 2018 (incorporated by reference as exhibit 10.2 of our Current Report on Form 8-K filed March 2, 2018)
10.24	Form S-4/A Amendment No. 2 filed March 1, 2018
10.25	424B3 Notice Of Annual And Special Meeting Proxy Statement/Prospectus Summary
10.26	Licensing agreement with GP Holdings LLC dated April 20, 2018 (incorporated by reference as exhibit 10.1 of our Current Report on Form 8-K filed April 26, 2018)
10.27	Licensing agreement with Nuka Enterprises LLC dated April 24, 2018 (incorporated by reference as exhibit 10.1 of our Current Report on Form 8-K filed May 4, 2018)
10.28	Consulting contract with Nuka Enterprises, LLC dated May 25, 2018 (incorporated by reference as exhibit 10.1 of our Current Report on Form 8-K filed June 4, 2018)
10.29	Licensing Agreement with Hill Street Beverages Co. dated July 30, 2018 (incorporated by reference as exhibit 10.1 of our Current Report on Form 8-K filed August 2, 2018)
(21)	**Subsidiaries**
21.1	Lexaria Canpharm Corp., a Canadian federal company
21.2	Poviva Tea Corp, a Nevada corporation
21.3	Lexaria Hemp Corp., a Delaware corporation
21.4	Learia Nicotine Corp., a Delaware corporation
21.5	Lexaria Pharma Corp., a Delaware corporation
(23)	**Consents of Experts and Counsel**
23.1	Consent of Macdonald Tuskey (Included in Exhibit 5.1)
23.2	Consent of Dale Matheson Carr-Hilton Labonte LLP (Included in Exhibit 8.1)
23.3	Consent of Dale Matheson Carr-Hilton Labonte LLP (Included in Exhibit 8.2)
23.4	Consent of Davidson & Company LLP, Chartered Professional Accountants
23.5	Consent of MNP LLP, Chartered Accountants
31	**Rule 13(a) - 14 (a)/15(d) - 14(a)**
31.1*	Section 302 Certifications under Sarbanes-Oxley Act of 2002 of Principal Executive Officer
31.2*	Section 302 Certifications under Sarbanes-Oxley Act of 2002 of Principal Financial Officer and Principal Accounting Officer
32	Section 1350 Certifications
32.1	Section 906 Certification under Sarbanes Oxley Act of 2002 of Principal Executive Officer
32.2	Section 906 Certification under Sarbanes Oxley Act of 2002 of Principal Financial Officer and Principal Accounting Officer
101**	**Interactive Data Files**
101.INS	**XBRL Instance Document**
101.SCH	**XBRL Taxonomy Extension Schema Document**
101.CAL	**XBRL Taxonomy Extension Calculation Linkbase Document**
101.DEF	**XBRL Taxonomy Extension Definition Linkbase Document**
101.LAB	**XBRL Taxonomy Extension Label Linkbase Document**
101.PRE	**XBRL Taxonomy Extension Presentation Linkbase Document**

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

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

SIGNATURES

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

LEXARIA BIOSCIENCE CORP.

By: */s/ "John Docherty"*
John Docherty,
President and Director
(Principal Executive Officer)
January 11, 2019

By: */s/ "Chris Bunka"*
Chris Bunka,
Chief Executive Officer, Chairman and
Director (Principal Executive Officer)
January 11, 2019

By: */s/ "Allan Spissinger"*
Allan Spissinger CPA, CA
Chief Financial Officer
(Principle Financial Officer)
January 11, 2019

EXHIBIT 31.1

CERTIFICATION PURSUANT TO
18 U.S.C. ss 1350, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Chris Bunka, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lexaria Bioscience Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's first fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 11, 2019

/s/ " Chris Bunka "
Chris Bunka
CEO and Director
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION PURSUANT TO
18 U.S.C. ss 1350, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Allan Spissinger, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lexaria Bioscience Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's first fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 11, 2019

/s/ "Allan Spissinger"
Allan Spissinger CPA, CA
Chief Financial Officer and Treasurer
(Principal Financial Officer
and Principal Accounting Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Chris Bunka, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Quarterly Report on Form 10-Q of Lexaria Bioscience Corp. for the quarter ended November 30, 2018 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Lexaria Bioscience Corp.

Dated: January 11, 2019

/s/ " Chris Bunka "
Chris Bunka
CEO and Director
(Principal Executive Officer)
Lexaria Bioscience Corp.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Lexaria Bioscience Corp. and will be retained by Lexaria Bioscience Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Allan Spissinger, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) the Quarterly Report on Form 10-Q of Lexaria Bioscience Corp. for the quarter ended November 30, 2018 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Lexaria Bioscience Corp.

Dated: January 11, 2019

/s/ " Allan Spissinger "
Allan Spissinger CPA, CA
Chief Financial Officer and Treasurer
(Principal Financial Officer and
Principal Accounting Officer)
Lexaria Bioscience Corp.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Lexaria Bioscience Corp. and will be retained by Lexaria Bioscience Corp. and furnished to the Securities and Exchange Commission or its staff upon request.