

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

Form 10-Q

(Mark One)

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

For the quarterly period ended **May 31, 2021**

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
State or other jurisdiction of incorporation or organization

20-2000871
(I.R.S. Employer Identification No.)

#100 - 740 McCurdy Road, Kelowna BC Canada
(Address of principal executive offices)

V1X 2P7
(Zip Code)

Registrant's Telephone number, including area code: **250-765-6424**

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

Title of Each Class
N/A

Name of Each Exchange On Which Registered
N/A

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

Title of Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par Value \$0.001	LEXX	NASDAQ
Warrants	LEXXW	NASDAQ

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

Indicate by check mark whether the registrant has submitted electronically, 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 files). Yes No

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by a 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

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

5,104,332 common shares as of July 15, 2021

DOCUMENTS INCORPORATED BY REFERENCE
None.

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

	May 31 2021 (Unaudited)	August 31 2020 (Audited)
ASSETS		
Current		
Cash	\$ 8,108,512	\$ 1,293,749
Marketable securities (Note 21)	400,744	19,321
Accounts receivable (Note 9)	954,097	208,925
Inventory (Note 10)	51,738	116,871
Prepaid expenses and deposit (Note 20)	170,439	182,095
Current assets from discontinued operations (Note 22)	-	105,250
Total Current Assets	9,685,560	1,926,211
Non-current assets, net		
Lease right of use (Note 19)	100,256	126,920
Intellectual property (Note 11)	366,340	292,000
Property & equipment (Note 12)	395,397	483,357
Total Non-current Assets	861,993	902,277
TOTAL ASSETS	\$ 10,547,553	\$ 2,828,488
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 13)	\$ 173,901	\$ 86,920
Deferred revenue	-	44,255
Due to a related party (Note 17)	1,324	58,704
Loan payable	7,507	-
Lease payable (Note 19)	38,485	36,038
Current liabilities from discontinued operations (Note 22)	-	250
Total Current Liabilities	221,217	226,167
Long Term		
Lease payable (Note 19)	60,164	89,393
Loan payable	-	30,670
Total Long Term Liabilities	60,164	120,063
TOTAL LIABILITIES	281,381	346,230
STOCKHOLDERS' EQUITY		
Share Capital (Note 14) Authorized: 220,000,000 common voting shares with a par value of \$0.001 per share Issued and outstanding: 5,104,332 common shares at May 31, 2021 and 3,001,476 common shares at August 31, 2020	5,104	3,001
Additional paid-in capital (Notes 14, 15)	40,989,692	30,324,398
Deficit	(30,651,112)	(27,802,198)
Equity attributable to shareholders of the Company	10,343,684	2,525,201
Non-controlling Interest	(77,512)	(42,943)
Total Stockholders' Equity	10,266,172	2,482,258
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 10,547,553	\$ 2,828,488

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



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

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	May 31 2021 (Unaudited)	May 31 2020 (Unaudited)	May 31 2021 (Unaudited)	May 31 2020 (Unaudited)
Revenue (Notes 16, 18)	\$ 204,055	\$ 36,423	\$ 691,717	\$ 250,804
Cost of Goods Sold	59,989	20,319	155,037	86,278
Gross profit	144,066	16,104	536,680	164,526
Expenses				
Accounting and audit	6,472	17,113	64,382	43,642
Depreciation and amortization (Notes 10, 11, 12)	27,929	28,081	83,788	83,875
Advertising and promotions	325,500	48,124	410,273	128,295
Bad debt	-	25,000	37,000	25,000
Consulting (Notes 14, 15)	1,268,668	944,210	1,960,468	1,949,234
Investor relations	134,540	-	212,691	21,277
Legal and professional	120,434	149,257	529,776	289,614
Office and miscellaneous	106,621	55,402	365,433	193,857
Research and development	454,443	24,557	823,102	318,577
Travel	-	2,566	850	46,178
Wages and salaries	196,153	125,274	343,812	303,635
Gain on disposal of assets (Note 22)	-	18,198	(1,522,704)	18,198
Unrealized (gain)/loss on marketable securities (Note 21)	69,858	(19,654)	86,810	20,937
Inventory write-off (Note 10)	-	8,240	2,482	8,240
	2,710,618	1,426,368	3,398,368	3,450,559
Net loss from continuing operations	(2,566,552)	(1,410,264)	(2,861,483)	(3,286,033)
Discontinued operations				
Income (loss) from discontinued operations (Note 22)	-	19,611	(22,000)	83,795
Net loss and comprehensive loss for the period	<u>\$ (2,566,552)</u>	<u>\$ (1,390,653)</u>	<u>\$ (2,883,483)</u>	<u>\$ (3,202,238)</u>
Net loss and comprehensive loss attributable to:				
Common shareholders	\$ (2,556,997)	\$ (1,361,381)	\$ (2,848,914)	\$ (3,108,368)
Non-controlling interest	\$ (9,555)	\$ (29,272)	\$ (34,569)	\$ (93,870)
Basic and diluted income (loss) per share				
Continuing operations	\$ (0.40)	\$ (0.50)	\$ (0.70)	\$ (1.19)
Discontinued operations	-	(0.01)	(0.01)	(0.03)
Total	<u>\$ (0.50)</u>	<u>\$ (0.50)</u>	<u>\$ (0.71)</u>	<u>\$ (1.23)</u>
Weighted average number of common shares outstanding				
Basic and diluted	5,104,332	2,769,488	4,056,755	2,698,763

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



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

	NINE MONTHS ENDED	
	May 31 2021 (Unaudited)	May 31 2020 (Unaudited)
Cash flows used in operating activities		
Net loss and comprehensive loss	\$ (2,861,483)	\$ (3,286,033)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock based compensation	410,007	1,139,270
Depreciation and amortization	83,788	83,875
Inventory write-off	2,482	8,240
Bad debt expense	37,000	25,000
Noncash right of use lease expense	26,664	-
Gain on asset disposal	(1,522,704)	-
Realized loss on disposal of investment	-	18,198
Unrealized loss on marketable securities	86,810	20,937
Warrants issued for services	785,895	168,833
Change in working capital		
Accounts receivable	(1,106)	(30,815)
Inventory	71,976	(13,396)
Prepaid expenses and deposits	11,656	(20,013)
Accounts payable and accrued liabilities	86,981	(81,284)
Due to related parties	(57,380)	(18,501)
Operating lease liability	(26,782)	-
Deferred revenue	(44,255)	6,250
Net cash (used in) by operating activities	\$ (2,910,451)	\$ (1,979,439)
Cash flows used in investing activities		
Sale of marketable securities	-	6,802
Intellectual property	(79,493)	(20,007)
Disposal of assets	273,375	-
Net cash provided by (used in) investing activities	\$ 193,882	\$ (13,205)
Cash flows from financing activities		
Repayment of loan payable	(23,163)	28,756
Proceeds from issuance of equity	9,471,495	2,714,627
Net cash from financing Activities	\$ 9,448,332	\$ 2,743,383
Net cash from discontinued operations	\$ 83,000	\$ (1,875)
Net change in cash for the period	6,814,763	748,864
Cash at beginning of period	1,293,749	1,285,147
Cash at end of period	\$ 8,108,512	\$ 2,034,011
Supplemental information of cash flows:		
Income taxes paid in cash	\$ 3,540	\$ (10,459)
Non-cash consideration on asset disposal	\$ 1,171,599	\$ -

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



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

	COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	DEFICIT	NCI	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT				
Balance As At August 31, 2019	2,626,236	2,626	26,248,614	(23,868,202)	107,674	2,490,712
Stock based compensation	-	-	162,414	-	-	162,414
Warrants issued for services	-	-	70,752	-	-	70,752
Private placement	60,792	61	815,959	-	-	816,020
Net loss	-	-	-	(907,313)	-	(907,313)
Non-controlling interest	-	-	-	-	(17,450)	(17,450)
Balance As At November 30, 2019	2,687,028	2,687	27,297,739	(24,775,515)	90,224	2,615,135
Stock based compensation	-	-	294,293	-	-	294,293
Exercise of stock options	3,667	4	10,996	-	-	11,000
Net loss	-	-	-	(950,344)	-	(950,344)
Non-controlling interest	-	-	-	-	(47,148)	(47,148)
Balance As At February 29, 2020	2,690,695	2,691	27,603,028	(25,725,859)	43,076	1,922,936
Stock based compensation	-	-	682,563	-	-	682,563
Warrants issued for services	-	-	98,081	-	-	98,081
Private placement	295,540	296	1,887,310	-	-	1,887,606
Net loss	-	-	-	(1,361,381)	-	(1,361,381)
Non-controlling interest	-	-	-	-	(29,272)	(29,272)
Balance As At May 31, 2020	2,986,235	2,986	30,270,983	(27,087,240)	13,804	3,200,533
Exercise of stock options	3,667	4	19,026	-	-	19,030
Shares issued for service	11,574	12	99,988	-	-	100,000
Private placement	-	-	(65,600)	-	-	(65,600)
Net loss	-	-	-	(714,958)	-	(714,958)
Non-controlling interest	-	-	-	-	(56,747)	(56,747)
Balance As At August 31, 2020	3,001,476	3,001	30,324,398	(27,802,198)	(42,943)	2,482,258
Stock based compensation	-	-	48,887	-	-	48,887
Net loss	-	-	-	(696,028)	-	(696,028)
Non-controlling interest	-	-	-	-	(14,093)	(14,093)
Balance As At November 30, 2020	3,001,476	3,001	30,373,285	(28,498,226)	(57,036)	1,821,024
Stock based compensation	-	-	17,154	-	-	17,154
Brokered placement	2,102,856	2,103	9,469,392	-	-	9,471,495
Net Income	-	-	-	404,111	-	404,111
Non-controlling interest	-	-	-	-	(10,921)	(10,921)
Balance As At February 28, 2021	5,104,332	5,104	39,859,831	(28,094,115)	(67,957)	11,702,863
Stock based compensation	-	-	343,966	-	-	343,966
Warrants issued for services	-	-	785,895	-	-	785,985
Net loss	-	-	-	(2,556,997)	-	(2,378,420)
Non-controlling interest	-	-	-	-	(9,555)	(9,555)
Balance As At May 28, 2021	5,104,332	5,104	40,989,692	(30,651,112)	(77,512)	10,266,172

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



LEXARIA BIOSCIENCE CORP.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2021
(Expressed in U.S. Dollars)

1. Organization and Description of Business

Lexaria Bioscience Corp. (“Lexaria”, “we”, “our” or “the “Company”) was incorporated in the State of Nevada on December 9, 2004. In March 2014, the Company began work in the field of enhanced delivery of active ingredients and drugs. In May 2016, the Company commenced out-licensing its patented DehydraTECH™ technology (the “Technology”) for improved delivery of bioactive compounds that promotes healthy ingestion methods, lower overall dosing and higher effectiveness in active molecule delivery.

The Company is headquartered in Kelowna, British Columbia, Canada. The corporate website is www.lexaribioscience.com

On December 9, 2020, the Company completed the sale of the business assets underlying its Lexaria CanPharm ULC THC related segment. As a result, the related financial results are reflected in our consolidated statement of operations, retrospectively, as discontinued operations beginning in the first quarter of fiscal 2021. The assets and liabilities associated with the discontinued operations in the prior year consolidated balance sheet are classified as discontinued operations. See “Note 22 - Discontinued Operations” for additional information.

On January 11, 2021, the Company effected a 30:1 reverse stock split with no fractional shares issued. All share and per share information within these condensed interim consolidated financial statements have been retroactively restated accordingly.

On January 12, 2021, the Company closed an underwritten public offering for net proceeds of \$9,471,495 and issued 2,102,856 common shares. (Note 2)



2. Liquidity and Uncertainties

The unaudited interim consolidated financial statements have been prepared in accordance with US GAAP applicable to a going concern, which assumes the Company will have sufficient funds to pay its operational and capital expenditures for a period of at least 12 months from the date this financial report was issued.

Since inception, we have incurred significant operating and net losses. Our net losses were \$3.9 million, \$4.1 million and \$6.6 million for the years ended August 31, 2020, 2019 and 2018, respectively. As of May 31, 2021, we had an accumulated deficit of \$30.6 million. We expect to continue to incur significant expenses and operating and net losses in upcoming 12 months. Our net losses may fluctuate significantly from quarter to quarter and year to year, depending on the stage and complexity of our R&D studies, the receipt of additional milestone payments, if any, the receipt of payments under any current or future collaborations we may enter into, and our expenditures on other R&D activities.

In the second quarter of 2021, the Company completed an underwritten public offering of common stock for net proceeds of approximately \$9.5 million (the "Offering"). As of May 31, 2021, working capital was approximately \$9.5 million, an increase of approximately \$7.8 million from August 2020. The Company has evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern. With the Offering, the Company is reasonably certain it has sufficient liquidity to support operations in the upcoming 12 months. We may offer additional securities for sale during our fiscal year 2021 or thereafter in response to market conditions or other circumstances if we believe such a plan of financing is required to advance the Company's business plans and is in the best interests of our stockholders.

3. COVID-19

The emergence of the COVID-19 pandemic in January of 2020 continues to present uncertainty and unforecastable new risks to the Company and its business plan. Restrictions on national and international travel and required business closures present challenges in carrying out normal business activities related to corporate finance efforts and the pursuit of new customers throughout North America who might otherwise access the retail products of our licensees. As a result, the pandemic has increased the risk of lower revenues and higher losses.

We have made modifications to our normal operations including requiring team members to work remotely on a rotational basis. To the extent possible, we are conducting business as usual, with necessary or advisable modifications to employee travel. At this time, these measures will continue in force for the near term.

We will continue to actively monitor the rapidly evolving situation related to COVID-19 and may take further actions that alter our operations, including those that may be required by federal, state, provincial, or local authorities, or that we determine are in the best interests of our employees and other third parties with which we do business. We do not know when, or if, it will become practical to relax or eliminate some or all these measures entirely.

4. Significant Accounting Policies

The significant accounting policies of the Company are consistent with those of our audited financial statements on Form 10-K for the year ended August 31, 2020.



5. Basis of Consolidation

These interim consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries; Lexaria CanPharm ULC, PoViva Corp., Lexaria Hemp Corp., Kelowna Management Services Corp., and Lexaria Pharmaceutical Corp., and our 83.333% owned subsidiary Lexaria Nicotine LLC (16.667% Altria Ventures Inc., an indirect wholly owned subsidiary of Altria Group, Inc.). All significant intercompany balances and transactions have been eliminated.

6. Basis of Presentation

The Company's unaudited interim consolidated financial statements 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 or any subsequent period.

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, 2020.

7. 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. Although we believe that these estimates are reasonable actual results could differ.

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 audited consolidated financial statements for the year ended August 31, 2020, with the addition of discontinued operations. (Note 22)



8. Recent Accounting Guidance

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 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 probable losses. 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. In November 2019 FASB issued ASU No 201910 revised the effective date based on updated criteria with the effective date for fiscal years beginning after December 15, 2022. 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.

9. Accounts and Other Receivables

	May 31 2021	August 31 2020
	\$	\$
Trade and deposits receivable	784,859	82,492
Intellectual property fees	113,905	38,250
Sales tax receivable	55,333	88,183
	954,097	208,925

Trade and deposits receivable includes \$781,067 from the asset sale (Note 22).

10. Inventory

	May 31 2021	August 31 2020
	\$	\$
Raw materials	51,738	51,404
Work in progress	-	15,705
Finished goods	-	49,762
	51,738	116,871

During the period ended May 31, 2021, the Company wrote down \$44,851 in finished goods and allocated the amount to advertising and promotion as the goods were donated to charity. A further \$2,482 (2020 - \$8,240 full year) of finished goods inventory was write-off to reflect its net realisable value.



11. Intellectual Property

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

Issued Patent #	Patent Certificate Grant 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	05/15/2018	
US 9,974,739 B2	05/22/2018	
US 10,084,044 B2	09/25/2018	
US 10,103,225 B2	10/16/2018	
US 10,381,440	08/13/2019	
US 10,374,036	08/06/2019	
US 10,756,180	08/25/2020	

As at May 31, 2021 the Company held ten non-capitalized patents outside the US. See Note 23.

A continuity schedule for capitalized patents is presented below:

	May 31 2021	August 31 2020
	\$	\$
Balance - beginning	292,000	265,127
Addition	79,493	33,645
Amortization	(5,153)	(6,772)
Balance - ending	366,340	292,000

Patents are amortized over their 20 year legal life.

12. Property & Equipment

Nine Months Ended May 31, 2021	Cost	Period Amortization	Disposal	Accumulated Amortization	Net Balance May 31, 2021
	\$	\$	\$	\$	\$
Leasehold improvements	259,981	(40,528)	-	(127,138)	132,843
Computers	63,964	(14,761)	-	(46,630)	17,334
Furniture fixtures & equipment	34,220	(4,813)	(3,094)	(14,816)	16,310
Lab equipment	291,235	(27,858)	-	(62,325)	228,910
	649,400	(87,960)	(3,094)	(250,909)	395,397

Year Ended August 31, 2020	Cost	Period Amortization	Accumulated Amortization	Net Balance August 31, 2020
	\$	\$	\$	\$
Leasehold improvements	259,981	(53,268)	(86,610)	173,371
Computers	63,964	(19,681)	(31,869)	32,095
Furniture fixtures & equipment	34,220	(7,036)	(13,097)	21,123
Lab equipment	291,235	(27,921)	(34,467)	256,768
	649,400	(107,906)	(166,043)	483,357

During the nine-month period ended May 31, 2021, \$9,325 of amortization was included in the cost of goods sold.



13. Accounts Payable and Accrued Liabilities

	May 31 2021	August 31 2020
	\$	\$
Accounts Payable		
Trades payable	163,754	45,080
Accrued Liabilities		
Corporate tax payable	4,755	3,834
Trades payable	5,392	38,006
Balance	173,901	86,920

14. Common Shares and Warrants

The fair value of share purchase warrants granted was estimated as of the date of the grant by using the Black-Scholes option pricing model. This mathematical model for determining the value of derivatives was developed in 1973 and assumes a constant volatility skew. The value assigned to the warrants issued during the period reflects an anomaly inherent in this model.

During the quarter ended May 31, 2021, the Company issued the following warrants summarized below:

Type of Issuance	Number of Shares	Exercise Price	Total Value
Warrants	300,000	\$9.00	\$ 785,895
	300,000		\$ 785,895

A continuity schedule for warrants is presented below:

	Number of Warrants	Weighted Average Exercise Price \$
Balance August 31, 2019	94,177	41.40
Cancelled/expired	(25,000)	44.90
Issued	402,431	12.74
Balance August 31, 2020	471,608	16.77
Cancelled/expired	(44,161)	67.50
Issued	2,630,017	6.58
Balance May 31, 2021	3,057,464	7.87

A summary of warrants outstanding as of May 31, 2021, is presented below:

# of Warrants	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price \$
25,000	0.36 years	4.20
292	0.45 years	36.00
7,500	1.43 years	24.00
300,000	2.88 years	9.00
51,814	3.46 years	36.00
8,984	3.50 years	36.00
16,667	3.79 years	9.00
317,190	3.93 years	10.50
2,330,017	4.63 years	6.58
3,057,464	4.32 years	7.85

The fair value of purchase warrants was estimated using the following assumptions:

	May 31 2021
Expected volatility	103%
Risk-free interest rate	0.16%
Expected life	3 years
Dividend yield	0%
Estimated fair value per warrant	\$ 2.62



15. Stock Options

The Company has established the 2014 Stock Option Plan whereby the board of directors may, from time to time, grant up to 62,917 stock options to directors, officers, employees, and consultants; and the 2019 Equity Incentive Plan whereby the board of directors may, from time to time, grant up to 261,290 stock options to directors, officers, employees, and consultants. Stock options granted must be exercised within 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.

The Company granted the following options during the quarter ended May 31, 2021:

Quantity	Exercise Price \$		Life (Years)
12,000	5.04		5
43,500	5.31		5
26,000	5.88		5
81,500	5.22		

A continuity schedule for stock options is presented below:

	Options	Weighted Average Exercise Price \$	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value \$
Balance August 31, 2019	166,767	21.30		
Cancelled/expired	(149,437)	29.51		
Exercised	(7,333)	4.09		
Granted	161,600	11.66		
Balance August 31, 2020	171,604	11.17		
Cancelled	(114,935)	10.85		
Granted	84,900	5.41		
Balance May 31, 2021 (Outstanding)	141,569	7.98	4.44	56,827
Balance May 31, 2021 (Exercisable)	128,569	8.27	4.39	44,657

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

	May 31 2021
Expected volatility	134%
Risk-free interest rate	0.85%
Expected life	5 years
Dividend yield	0%
Estimated fair value per option	\$ 4.63

16. Revenues

	May 31 2021 \$	May 31 2020 \$
Product sales	360,558	119,709
Licensing revenue	326,474	130,509
Freight revenue	100	586
Interest revenue	4,585	-
Income from continuing operations	691,717	250,804

During the nine months ended May 31, 2021, the Company recognized \$317,884 of usage fees from continuing operations and \$22,000 of loss from discontinued operations (May 2020 - \$73,759 licensing and \$56,750 usage fees).

Our intermediate product sales significantly increased with licensees ramping up their production and increasing their orders of our intermediate product. Intermediate products are typically a DehydraTECH enabled powder that companies can purchase to include in their products. The licensing fees consist of intellectual property licensing fees for transfer of the Technology with the signing of definitive agreements for the DehydraTECH technology and usage fees. Interest revenue is derived from interest payments on the promissory note issued as a part of our subsidiary CanPharm's sale of assets. (Note 22)

17. Related Party Transactions

Due to related parties:

Related party transactions are recorded at the exchange amount established and agreed to between the related parties. As at May 31, 2021, \$324 (August 31, 2020 - \$58,704) was payable to and included in due to related parties.

18. Segment Information

The Company's operations involve the development and usage, including licensing, of its proprietary DehydraTECH 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 segments: Intellectual Property and Products. Licensing revenues are significantly concentrated on one licensee.



	IP Licensing \$	Products \$	Corporate \$	Consolidated Total \$
Revenue	326,474	360,658	4,585	691,717
Cost of goods sold	-	(155,037)	-	(155,037)
Operating expenses	914,485	(402,846)	(3,909,802)	(3,398,163)
Discontinued operations	(22,000)	-	-	(22,000)
Segment income(loss)	1,218,959	(197,225)	(3,905,217)	(2,883,483)
Total assets	709,155	51,738	9,786,659	10,547,553

Capital Asset by Region Nine Months Ended May 31, 2021	Cost US \$	Disposal US \$	Net Balance US \$	Cost Canada \$	Net Balance Canada \$	Total Net Balance \$
Leasehold Improvements	-	-	-	259,981	132,843	132,843
Computers	-	-	-	63,964	17,334	17,334
Furniture Fixtures Equipment	3,094	3,094	-	31,126	16,309	16,310
Lab Equipment	98,050	-	71,899	193,185	157,010	228,910
	101,144	3,094	71,899	548,256	323,496	395,397

Capital Asset by Region Year Ended August 31, 2020	Cost US \$	Net Balance US \$	Cost Canada \$	Net Balance Canada \$	Total Net Balance \$
Leasehold Improvements	-	-	259,981	173,371	173,371
Computers	-	-	63,964	32,095	32,095
Furniture Fixtures Equipment	3,094	-	31,126	21,123	21,123
Lab Equipment	98,050	85,263	193,185	171,505	256,768
	101,144	85,263	548,256	398,094	483,357

19. Commitments, Significant Contracts and Contingencies

Right of Use Assets - Operating Lease

The Corporate office and R&D lab space located in Kelowna, British Columbia, Canada is leased until November 15, 2023, with a five-year renewal option. In addition to minimum lease payments, the lease requires us to pay property taxes and operating costs which are subject to annual adjustments.

Right of use assets - operating leases:	\$
February 28, 2021	109,306
Amortization	(9,050)
Total right of use assets	100,256
Liabilities:	
February 28, 2021	107,738
Lease payments	(10,987)
Interest accretion	1,898
Total lease liabilities	98,649
Operating lease cost as at May 31, 2021	
Operating cash flows for lease	10,948
Remaining lease term (years)	2.42
Discount rate	7.25%

Pursuant to the terms of the Company's lease agreements in effect, the following table summarizes the Company's maturities of operating lease liabilities as of May 31, 2021:

2021	10,987
2022	44,599
2023	44,816
2024	7,469
Thereafter	-
Total lease payments	107,871
Less: imputed interest	(9,222)
Present value of operating lease liabilities	98,649
Less: current obligations under leases	(38,485)
Total	60,164

20. Prepaid Expenses and Deposit

Prepaid expenses consist of the following at May 31, 2021 and August 31, 2020:

	May 31 2021	August 31 2020
	\$	\$
Advertising & conferences	65,350	21,878
Consulting	24,962	-
Legal fees	24,370	47,498
Licence, filing fees, dues	41,375	8,541
Office & insurance	14,382	78,792
Research & development	-	25,386
	170,439	182,095

21. Marketable Securities

The components of Marketable Securities were as follows:

	Cost Basis	Unrealized Gains	Unrealized Losses	Total
	\$	\$	\$	\$
August 31, 2020				
Common stock	56,250	9,997	(38,584)	
Total	56,250	9,997	(46,926)	19,321
May 31, 2021				
Common stock	524,513	24,410	(111,220)	
Total	524,513	34,407	(158,146)	400,774

Unrealized gains and 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.



22. Discontinued Operations

Judgement is required in determining whether a subsidiary or group of assets qualifies as a business and as discontinued operations. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing economic benefits. The Company determined that the assets sold were a business. The Company derecognizes a subsidiary or a group of assets only when the rights to the cash flows from the asset expire, or when it transfers the subsidiary or group of asset and substantially all the risks and rewards of ownership of the assets to another entity.

Determination of the date of recognition was based on the closing date, final clearance and approval by the TSX Venture Exchange (TSXV) of the share issuances forming part of the consideration. As all consideration is in C\$ and the share value is based on fixed C\$ values, regardless of the share price of the underlying stock, the amounts were translated at the spot foreign exchange rate on the closing date. The valuation of the note receivable was included at its nominal value of \$NIL as payment of the note is not determinable.

On November 19, 2020, the Company entered a definitive asset sale agreement through its wholly owned subsidiary Lexaria CanPharm ULC to sell certain non-core business assets to Hill Street Beverage Company ("Hill Street") (TSXV: BEER) for gross proceeds of \$3,850,000.

With the closing of the sale on December 10, 2020, the Company received C\$350,000 in cash, 6,031,363 restricted common shares at a fair value of C\$500,000 as the first required equity-based payment, and a C\$2,000,000 promissory note bearing interest at 10% per annum. The promissory note was included at its nominal value of \$NIL. Pursuant to the terms of the transaction, the Company will receive an additional C\$1,000,000 worth of common shares of Hill Street in two equal tranches at eight and sixteen months post-closing.

Gain on asset disposal

Book value of assets sold	\$	-
Cash consideration		273,373
Shares received		468,264
Shares receivable		781,067
Promissory note		-
	\$	1,522,704

The financial results of the group of assets sold are presented as income (loss) from discontinued operations, net of income taxes in our consolidated statement of income. The following table presents financial results of the assets:

	NINE MONTHS ENDED	
	May 31 2021	May 31 2020
Revenue	\$ 3,000	\$ 114,750
Operating expenses	(25,000)	(30,795)
Net income (loss)	\$ (22,000)	\$ 83,795



The following table presents cash flows of discontinued operations:

	NINE MONTHS ENDED	
	May 31 2021	May 31 2020
Cash flows used in discontinued operating activities		
Net income (loss)	\$ (22,000)	\$ 83,795
Change in working capital	105,000	(85,670)
Net cash used in discontinued operating activities	\$ 83,000	\$ (1,875)
Net cash provided by (used in) discontinued operations	83,000	\$ (1,875)

The following table presents the aggregate carrying amounts of the classes of assets and liabilities of discontinued operations of the assets:

	May 31	August 31
	2021	2020
Current Assets		
Accounts receivable	\$ -	\$ 105,250
Total assets classified as discontinued operations in the consolidated balance sheet	-	105,250
Current Liabilities		
Accounts payable	-	250
Total liabilities classified as discontinued operations in the consolidated balance sheet	\$ -	\$ 250

23. Subsequent Events

On June 8, 2021, the Company announced the issuance of 87,935 stock options at \$7.08 for a period of five years. The Options were issued pursuant to the Company's registered Incentive Equity Plan and bear a four-month restrictive hold period pursuant to the policies of the Canadian Securities Exchange ("CSE").



On June 29, 2021, the Company announced the results of its Annual General Meeting held on June 28, 2021. The shareholders approved an amendment to the Company's Equity Incentive Plan for the issuance of an additional 249,143 common shares.

Since Lexaria's listing on the NASDAQ in January 2021 we have noted a significant reduction in its Canadian stockholders' base and associated low trading volumes of the Company's shares (CSE:LXX) on the CSE. As such the Company announced it had requested approval for a voluntary delisting from the CSE. On June 30, 2021, the Company received preliminary approval for delisting from the CSE and on July 8, 2021, the shares ceased to be traded on that exchange.

On July 13, 2021 the Company announced it had been granted its first patent in Japan.



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

Cautionary Note Regarding Forward-Looking Statements

This quarterly report contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Any statements contained herein that are not statements of historical fact may be forward-looking statements. These statements relate to future events or our future financial performance. Any forward-looking statements are based on our present beliefs and assumptions as well as the information currently available to us. In some cases, forward-looking statements are identified by terminology such as “may”, “will”, “should”, “could”, “targets”, “goal”, “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” set forth in Item 1(A) in our annual report on Form 10-K, as filed with the Securities and Exchange Commission on October 14, 2020, 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. We caution you not to place undue reliance on any forward-looking statements as they speak only as of the date on which such statements were made, and we undertake no obligation to update any forward-looking statement or to reflect the occurrence of an unanticipated event. New factors may emerge and it is not possible to predict all factors that may affect our business and prospects. Further, management cannot assess the impact of each factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

Our unaudited interim consolidated financial statements are stated in United States Dollars (“US\$”) and are prepared in accordance with United States Generally Accepted Accounting Principles (“US GAAP”). The following discussion should be read in conjunction with our financial statements and the related notes that appear elsewhere in this quarterly report.

In this quarterly report, unless otherwise specified, all dollar amounts are expressed in United States dollars. All references to “CS” refer to Canadian dollars and all references to “common shares” and “shares” refer to the common shares in our capital stock, unless otherwise indicated. The terms “Lexaria” “we”, “us”, “our” and “Company” mean Company and/or our subsidiaries, unless otherwise indicated.

The following discussion should be read in conjunction with our condensed financial statements and accompanying notes in this quarterly report on Form 10-Q, and our audited financial statements with notes in our annual report on Form 10-K for the year ended August 31, 2020.

Overview

We are a biotechnology research and development (“R&D”) company focused on developing and out licensing our patented DehydraTECH™ technology. DehydraTECH improves delivery orally and topically of active ingredients and drugs. The Company is focusing its capital and management time on its pursuit of intellectual property, the development of strategic partnerships with licensees for our patented DehydraTECH technology in exchange for up front and/or staged licensing fees and/or royalty payments over time, and an expanding portfolio of patent pending applications.



Our current patent portfolio includes patent family applications or grants pertaining to our method of improving bioavailability and taste, and the use of DehydraTECH as a delivery platform for a wide variety of Active Pharmaceutical Ingredients (“APIs”) including, but not limited to, fat soluble vitamins; nonsteroidal anti-inflammatory drugs (“NSAIDs”); anti-viral drugs; phosphodiesterase inhibitors; human hormones; regulated cannabinoids, and nicotine and its analogs.

The Company currently has over 50 patent applications pending worldwide and on April 30, 2021 the Company was granted its first patent in India for its third patent family titled “Stable ready-to-drink beverage compositions comprising lipophilic active agents” representing its 19th patent granted to date.

On July 13, 2021, the Company announced its first patent issued in Japan for its third patent family titled “Stable ready-to-drink beverage compositions comprising lipophilic active agents” and becomes the 20th patent granted to Lexaria.

The Company’s issued patents in the United States, Australia, Europe, India and Japan are as follows:

Issued Patent #	Patent Certificate Grant 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	05/15/2018	
US 9,974,739 B2	05/22/2018	
US 10,084,044 B2	09/25/2018	
US 10,103,225 B2	10/16/2018	
US 10,381,440	08/13/2019	
US 10,374,036	08/06/2019	
US 10,756,180	08/25/2020	
AUS 2015274698	06/15/2017	
AUS 2017203054	08/30/2018	
AUS 2018202562	08/30/2018	
AUS 2018202583	08/30/2018	
AUS 2018202584	01/10/2019	
AUS 2018220067	07/30/2019	
EP 3164141	11/11/2020	Methods for Formulating Orally Ingestible Compositions Comprising Lipophilic Active Agents
AUS 2016367036	07/30/2019	
AUS 2016367037	08/15/2019	Stable Ready-to-Drink Beverage Compositions Comprising Lipophilic Active Agents
IN 365854	04/30/2021	
JP 2017-554607	06/30/2021	

Due to the complexity of pursuing patent protection, the quantity of patent applications will vary continuously as each application advances or stalls. The Company is also filing new patent applications for 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.



Reverse Stock Split

On June 23, 2020, our stockholders approved a reverse stock split within the range of 1-for-2 to 1-for-30 of our issued and outstanding shares of common stock and authorized the Board, in its discretion, to determine the final ratio, effective date, and date of filing of the certificate of amendment to our articles of incorporation in connection with the reverse stock split.

On January 11, 2021, the Company filed an amendment and restatement of its articles of incorporation, effective 4:30 P.M. Eastern time, to effectuate a 1-for-30 reverse split of the issued and outstanding shares of common stock of the Company. The purpose of the reverse stock split was to meet Nasdaq's minimum stock price requirement. The reverse stock split did not change the number of authorized shares of common stock, which remains at 220,000,000 shares.

Amendment to Bylaws

Effective January 12, 2021, the Company amended its amended and restated bylaws to increase the quorum for holding shareholder meetings from 10% to 33 1/3% of shares issued.

Public Offering and NASDAQ Listing

On January 12, 2021, the Company conducted an underwritten public offering (the "Offering") of 1,828,571 shares (the "Initial Shares") of the Company's common stock, par value \$0.001 per share, at a public offering price of \$5.25 per share, less underwriting discounts and commissions. Each Initial Share was sold with one five-year warrant (each an "Initial Warrant") to purchase one share of common stock at an exercise price of \$6.58. On January 13, 2021, the representative of the underwriters for the Offering exercised its over-allotment option to purchase an additional 274,285 shares of common stock (the "Option Shares" and, together with the Initial Shares, the "Shares") at a public offering price of \$5.25 per share, less underwriting discounts and commissions. Each Option Share was sold with one five-year warrant (each an "Option Warrant") to purchase one share of common stock at an exercise price of \$6.58. The Initial Warrants and Option Warrants are immediately exercisable. The Offering closed on January 14, 2021.

The Company agreed to pay the underwriters an underwriting discount equal to 8% of the gross proceeds of the offering and a management fee equal to 1% of the gross proceeds of the offering, reimbursement for a non-accountable expense allowance of \$50,000, up to \$100,000 in legal fees and up to \$12,900 for clearing expenses. Additionally, as partial compensation for the underwriter's services as underwriter in the Offering, the Company also issued to the underwriter five-year warrants (the "Representative Warrants" and together with the Initial Warrants and Option Warrants, the "Warrants") to purchase 166,781 shares of common stock with an exercise price of \$6.58 per share.

The net proceeds to the Company from the Offering, including proceeds received upon exercise of the over-allotment option and after deducting the underwriting discount and the underwriters' fees and expenses, were approximately \$9,629,490. The Company plans to use approximately \$3,700,000 of the net proceeds for research and development studies and the patent and legal costs associated thereto, with the remaining net proceeds to be used for general working capital purposes.

Effective as of the opening of market trading on January 12, 2021, the Company's common stock and the Warrants began trading on the Nasdaq Capital Market under the symbols LEXX and LEXXW, respectively.

The Shares and Warrants were offered by the Company pursuant to a registration statement on Form S-1, as amended (File No. 333-250326), filed with the Securities and Exchange Commission (the "Commission"), which was declared effective by the Commission on January 11, 2021, and a registration statement on Form S-1 (File No. 333-252031) filed with the Commission on January 11, 2021 pursuant to Rule 462(b) and immediately declared effective.

Because certain investors in the Company's May 2020 financing participated in the Offering, the Company paid 8% of the gross proceeds received from these investors in the Offering to the placement agent for the May 2020 financing and issued to the placement agent restricted warrants to purchase shares of common stock equal to 8% of the shares issued to those investors in the Offering.



Asset Sale

On December 10, 2020 the Company announced that it closed the sale of its non-pharmaceutical THC-related assets (“the Assets”) held within Lexaria CanPharm ULC to Hill Street Beverage Company Inc. Lexaria received C\$350,000 in cash, 6,031,363 restricted common shares of Hill Street at fair value of C\$500,000 as the first required equity-based payment, a promissory note having a principal amount of C\$2,000,000 and bearing interest at the rate of 10% per annum, and a limited license to use the DehydraTECH technology outside of Canada and the US for certain non-pharmaceutical, therapeutic and medicinal products that contain 0.3% or greater THC which are not classified by a national regulator as drug, pharmaceutical or biopharmaceutical product. Pursuant to the terms of the transaction, Lexaria will receive another C\$1,000,000 worth of common shares of Hill Street over a period sixteen months in C\$500,000 issuances eight and sixteen months after the closing date.

Impact of COVID-19

The COVID-19 pandemic continues to present uncertainty and unforecastable new risks to the Company and its’ business plan. Restrictions on national and international travel and required business closures present challenges in carrying out normal business activities related to corporate finance efforts and the pursuit of new customers throughout North America who might otherwise access the retail products of our licensees. As a result, the pandemic has increased risk of lower revenues and higher losses. To date, we have not experienced a material impact on our financial statements, impairments of any of our assets or any major business disruptions, including with our vendors.

We have made modifications to our normal operations including requiring team members to work remotely on a staggered basis. To the extent possible, we are conducting business as usual, with necessary or advisable modifications to employee travel. At this time, these measures will continue in force for the near term.

We will continue to actively monitor the rapidly evolving situation related to COVID-19 and may take further actions that alter our operations, including those that may be required by federal, state, provincial, or local authorities, or that we determine are in the best interests of our employees and other third parties with whom we do business. We do not know when, or if, it will become practical to relax or eliminate some or all these measures entirely.

Research and Development

During the quarter ended May 31, 2021, Lexaria incurred \$454,443 (May 2020 \$24,577) in R&D expenditures. Specific R&D programs are in ongoing development and align to our financial ability to undertake each research phase for each API. Due to our expanding portfolio coverage, we continually examine accelerated timetable options for testing, research, and development of each API.

The Company continually focuses on new R&D programs to investigate the potential of additional commercial applications for its Technology. These include, but are not limited to, ongoing programs to explore methods to integrate nanoemulsification chemistry techniques together with its Technology and to further enhance intestinal bioabsorption rates with its Technology, as well as ongoing programs to expand the types and breadth of product form factors into which its Technology can be applied. Depending on how many of these tests are undertaken, R&D budgets are expected to vary significantly. 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 rapid path to and/or highest likelihood of commercial revenue generation.



Historically the Company has conducted *in vitro* and *in vivo* absorption tests of our DehydraTECH technology of molecules such as: CBD, ibuprofen, and nicotine which supplied us with knowledge and understanding to perform subsequent testing on nicotine and CBD with generally positive results. Our work during 2018 wherein we conducted our first ever human clinical absorption tests on CBD also yielded positive results and we discovered that DehydraTECH-processed CBD was effective in lowering human blood pressure, leading to expanded plans to evaluate DehydraTECH-processed CBD during 2021 for potential blood pressure reduction outcomes. In our first tests of representative drugs from two classes of antiviral therapies we had positive results which we announced in December of 2020. During the second quarter ended May 31, 2021, the Company announced the positive results of its CBD DehydraTECH 2.0 enhanced formulations. Ongoing testing plans are proceeding to further define molecular compatibility, absorption rates, timing and viable formats of delivery. Our R&D is conducted with the goal of further defining DehydraTECH's value with the goal of commercialization and revenue generation.

During the period ended May 31, 2021, the Company received results from certain of its animal studies which tested new formulations of DehydraTECH ("DehydraTECH 2.0") enabled cannabidiol ("CBD") for the purposes of future use in human clinical trial studies focusing on the efficacy of DehydraTECH 2.0 formulations for treating hypertension. The Company was also able to report generally positive results from pharmacokinetic testing in the R&D studies and most recent advancements with antiviral and hypertension drugs in our investigatory programs.

The Company continues to report progress on its R&D programs through its filing of Form 8-Ks and other public releases. These results of these programs can also be found on the Company's website: www.LexariaBioscience.com.

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 US GAAP. These accounting principles require management to make certain estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses during the periods reported. These estimates, judgments and assumptions are reasonable based on information available to management at the time that such estimates, judgments and assumptions are made. We believe that understanding the basis and nature of the estimates, judgments and assumptions involved with the following aspects of our financial statements is critical to an understanding of our financials. For a discussion of our critical accounting estimates, please read Note 3 to our financial statements in our Annual Report on Form 10-K for the year ended August 31, 2020. There have been no material changes to the critical accounting estimates previously disclosed in our Annual Report on Form 10-K for the year ended August 31, 2020.

Capital Assets

Capital assets are stated at cost less accumulated depreciation and depreciated using the straight-line method over their useful lives or otherwise by units of production.



Patents

Capitalized patent costs represent legal costs incurred to establish patents. When patents reach a mature stage, any associated legal costs are typically maintenance fees and 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 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.

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 APIs, 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 an API into one or more of their product lines for sale.

Funding Requirements

We anticipate that our expenses will increase substantially in connection with our ongoing R&D program, specifically with respect to our animal and human clinical trials of our DehydraTECH formulations for the purposes of treating hypertension and infectious diseases. We also anticipate incurring additional costs associated with operating a Nasdaq listed company. Accordingly, we expect to incur operating losses and negative cash flows for the foreseeable future.

Through May 31, 2021, we have funded our operations primarily with proceeds from the sale of our common stock. The Company has consistently incurred recurring losses and negative cash flows from operations, including net losses of \$2,883,483 and \$3,202,238 for the nine months ended May 31, 2021 and 2020, respectively.

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 accompanying 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 do raise doubt about the Company's ability to continue as a going concern within one year following the date that these consolidated financial statements are issued. As of the issuance date of these consolidated interim financial statements, we expect our cash and cash equivalents of approximately \$8.1m as at May 2021 will be sufficient to fund our operating expenses and capital expenditure requirements into the third quarter of fiscal 2022.



Results of Operations for our Period Ended May 31, 2021, and 2020

Our net loss and comprehensive loss for the nine months ended and the changes between those periods for the respective items are summarized as follows:

	NINE MONTHS ENDED		Change \$
	May 31 2021 \$	May 31 2020 \$	
Revenue	691,717	250,804	440,913
Consulting fees & salaries	1,960,468	1,949,234	11,234
Legal and professional	529,776	289,614	240,162
Other general and administrative	540,230	934,721	394,491
Discontinued operations	(22,000)	83,795	105,795
Net Loss	(2,861,483)	(3,286,033)	(424,550)

Revenue

Product revenues of \$360,558 and licensing usage fees of \$326,474 represent significant increases in intermediate product sales and related licensing usage fees during period ended May 31, 2021, that exclusively consist of sales to business customers. Intermediate products we produce are typically a DehydraTECH processed powder which easily allows consumer product third-party companies to include it in their product's manufacturing process for their existing products. The majority of our revenue was based on one licensee as they ramped up their production and product distribution.

A number of our licensees are experiencing suspended business activities due to the impact of COVID-19 on markets and consumer spending; however this phenomenon was substantially mitigated following the sale of our THC-related business division that closed on December 9, 2020. The abilities of other licensees to generate ongoing sales, thereby increasing usage fees are expected to increase as the effects of the pandemic are eventually diminished. We have continued strong interest in our intermediate products but cannot predict how long the pandemic will affect purchasing decisions of retail customers that ultimately affect the consumer product manufacturers that utilize our intermediate products. Nor can we predict when recovery of the general economy will translate into increasing licensing or usage revenues.

Our licensing revenues consist of IP licensing fees for the transfer of the Technology and usage fees that occur over time. IP licensing fees are due at the signing of definitive agreements for the Technology and can include payments due upon transfer of the Technology and installment payments that are receivable within 12 months (Note 7).

General and Administrative

Our total general and administrative expenses decreased by \$394,491 during the period ended May 31, 2021, over the same period last year. The increase is primarily comprised of increases to outreach programs, patent filings and licenses, fees and dues offset by reductions in consulting and related incentive costs, and travel expenses.



Research and Development

Expenditures on R&D increased by \$504,525 for the period ended May 31, 2021, as the company undertook several studies within its 2021 applied research and development program.

Consulting Fees

Our consulting fees increased by \$11,234 primarily due to non-cash stock-based compensation on warrants and options granted which were included in 2020 and were partially offset by management bonuses paid in 2021.

Legal and Professional Fees

Our professional fees increased by \$240,162 during the period primarily compared to the same period in the prior year due to increased patent and trademark filings, the up list to the Nasdaq Capital Markets, and additional advisory services utilized. We recognize certain legal fees, tax advice fees, and accounting services all as "Professional Fees."

Liquidity and Financial Condition

Working Capital	May 31 2021	August 31 2020
	\$	\$
Current assets	9,685,560	1,926,211
Current liabilities	(221,217)	(226,167)
Net Working Capital	9,464,343	1,700,044

The Company's working capital balance increased significantly during the period due to the underwritten public offering on January 12, 2021.

Cash Flows	May 31 2021	May 31 2020
	\$	\$
Cash flows (used in) provided by operating activities	(2,910,451)	(1,926,211)
Cash flows (used in) provided by investing activities	193,882	(13,205)
Cash flows (used in) provided by financing activities	9,448,332	2,743,383
Net cash flows (used in) discontinued operations	83,000	(1,875)
Increase (decrease) in cash	6,814,763	740,262

Operating Activities

Net cash used in operating activities increased by \$984,240 for the period compared with cash used in operating during the same period in 2020. This difference was largely due to the increased costs pertaining to professional fees, listing on the NASDAQ, outreach programs and other costs related to required filings.



Investing Activities

Net cash from investing activities increased by \$207,087 over 2020 from the disposition of assets offset through the capitalization of patent filings.

Financing Activities

Net cash provided from financing activities increased \$6,704,949 during the period ended May 31, 2021, primarily relating to the difference between the underwritten public offerings in 2021 vs 2020.

Liquidity and Capital Resources

We have accumulated a large deficit since inception that has primarily resulted from executing our business plan including R&D expenditures, we have made in seeking to identify and develop our intellectual property patents for licensing and product creation. We expect to continue to incur losses for at least the short term.

To date, we have obtained cash and funded our operations primarily through equity financings and limited amounts from revenue generation while our licensees ramp up production and market expansions. We expect to continue to evaluate various funding alternatives on an ongoing basis as needed to maintain operations, to continue our research programs and to expand our patent portfolio. If we determine it is advisable to raise additional funds, there is no assurance that adequate funding will be available to us or, if available, that such funding will be available on terms that we or our stockholders view as favorable. Market volatility and global economics may have a significant impact on the availability of funding sources and the terms at which any funding may be available.

Short Term Liquidity

On January 12, 2021, we closed an underwritten public offering for net proceeds of \$9,471,495, issuing 1,828,571 units consisting of one common share and one warrant for \$5.25. On May 31, 2021, we had \$8,108,512 in cash and cash equivalents and working capital of \$9,464,343. Based on our current research and development programs, we project cash resources are sufficient to allow us to continue operations for at least the next twelve months from the date of this Quarterly Report.

Long Term Liquidity

It will require substantial cash to achieve our objectives for developing and patenting our intellectual property across all applicable market and industry segments. This process typically takes many years and potentially millions of dollars for each segment. If we pursue full commercial exploitation of all applicable market and industry segment opportunities, we will need to obtain significant funding from existing or new relationships, increasing revenue streams or from other sources of liquidity such as the sale of equity, issuance of debt or other transactions.

Cash requirements will vary depending on the results of research programs and the requirements of each industry segment pursued. Pursuit of each segment will progress or be curtailed based on available sources of cash with which to execute individual segment business plans. The requirements will also be affected by transactions with existing or new relationships and the depth of regulatory requirements in each segment for compliance required to approve our IP and to market and license it. These changes to requirements and transactions may impact our liquidity as well as affect our expenditures.



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 and Chief Executive Officer (Principal Executive Officer) and our Chief Financial Officer (Principal Financial and Accounting Officer) to allow for timely decisions regarding required disclosure.

As of May 31, 2021, the quarter covered by this report, we carried out an evaluation, under the supervision and with the participation of our CEO, President and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our President, CEO and the CFO concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of May 31, 2021.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control include providing management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of consolidated financial statements in conformity with US GAAP. Our management assessed the effectiveness of our internal control over financial reporting as of May 31, 2021. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework. Our management has concluded that, as of May 31, 2021, 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 GAAP. Our management reviewed the results of their assessment with our Board.

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, regulations, 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 error. 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

During the quarter ended May 31, 2021 our controls and controls processes remained consistent with August 31, 2020. There have been no changes in our internal controls over financial reporting that occurred during the quarter ended May 31, 2021 that have materially or are reasonably likely to materially affect our internal controls over financial reporting.

Our control processes are designed to include remote workers, which we have utilized for many years. The advent of the COVID-19 pandemic has not materially impacted our internal controls over financial reporting other than increasing requirements for social distancing and some additional remote working requirements for staff.



PART II-OTHER INFORMATION

Item 1. Legal Proceedings

We know of no 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 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.

The risks associated with our business, common stock and other factors were with those described in the consolidated financial statements for the year ended August 31, 2020.

Item 2. Exhibits, Financial Statement Schedules

a) Financial Statements

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

b) Exhibits

Exhibit Number	Description
(3)	Articles of Incorporation and Bylaws
3.1*	Articles of Incorporation
3.2*	Bylaws
3.3	Amendment to Articles of Incorporation - Share Consolidation (Filed on Form 8-K May 29th, 2009 Exh 3.1)
3.4	Amendment to Articles of Incorporation - Share Expansion (Filed on Form 8-K March 10th, 2010)
3.5	Amendment to Articles of Incorporation -Share Forward Split (Filed on Form 8-K December 14th, 2015 Exh 3-1)
3.6	Amendment to Articles of Incorporation - Name Change (Filed on Form 8-K May 11th, 2016 Exh 99.1)
(4)	Instruments Defining the Rights of Security Holders, including Indentures
4.1	Equity Incentive Plan as amended on June 28, 2021
(10)	Material Contracts
10.1	Employment Agreement dated April 15, 2021 with Gregory Downey
(21)	Subsidiaries
21.1	Lexaria Canpharm ULC, a British Columbia Canada corporation
21.2	Poviva Corp, a Nevada corporation
21.3	Lexaria Hemp Corp., a Delaware corporation
21.4	Lexaria Nicotine LLC, a Delaware corporation
21.5	Lexaria Canpharm Holding Corp., a Nevada corporation
21.6	Lexaria Pharma Corp., a Delaware corporation
(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

*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

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

LEXARIA BIOSCIENCE CORP.

By: /s/ Christopher Bunka
Christopher Bunka
Chief Executive Officer, Chairman and Director
(Principal Executive Officer)
Date: July 15, 2021

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

By: /s/ Christopher Bunka
Christopher Bunka
Chief Executive Officer, Chairman and Director
(Principal Executive Officer)
Date: July 15, 2021

By: /s/ John Docherty
John Docherty
President and Director
Date: July 15, 2021

By: /s/ Greg Downey
Greg Downey CPA, CMA
Chief Financial Officer
(Principal Financial and Accounting Officer)
Date: July 15, 2021



LEXARIA BIOSCIENCE CORP.
EQUITY INCENTIVE PLAN

1. Purposes of the Plan. The purposes of this Plan are:

- (a) to attract and retain the best available personnel for positions of substantial responsibility,
- (b) to provide additional incentive to Employees, Directors, and Consultants, and
- (c) to promote the success of the Company's business.

The Plan permits the grant of Incentive Stock Options, Nonstatutory Stock Options, Stock Appreciation Rights, Restricted Stock, and Restricted Stock Units.

2. Definitions. As used herein, the following definitions will apply:

(a) "Administrator" means the Board or any of its committees as will be administering the Plan, in accordance with Section 4 of the Plan.

(b) "Applicable Laws" means the requirements relating to the administration of equity-based awards under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Shares are listed or quoted and the applicable laws of any foreign country or jurisdiction where Awards are, or will be, granted under the Plan.

(c) "Award" means, individually or collectively, a grant under the Plan of Options, Stock Appreciation Rights, Restricted Stock, or Restricted Stock Units.

(d) "Award Agreement" means the written or electronic agreement setting forth the terms and provisions applicable to each Award granted under the Plan. The Award Agreement is subject to the terms and conditions of the Plan.

(e) "Board" means the Board of Directors of the Company.

(f) "Change in Control" means the occurrence of any of the following events:

(i) Change in Ownership of the Company. A change in the ownership of the Company which occurs on the date that any one person, or more than one person acting as a group ("Person"), acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than 50% of the total voting power of the stock of the Company, except that any change in the ownership of the stock of the Company as a result of a private financing of the Company that is approved by the Board will not be considered a Change in Control; or

(ii) Change in Effective Control of the Company. If the Company has a class of securities registered pursuant to Section 12 of the Exchange Act, a change in the effective control of the Company which occurs on the date that a majority of members of the Board is replaced during any twelve (12) month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this clause (ii), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change in Control; or

(iii) Change in Ownership of a Substantial Portion of the Company's Assets. A change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions. For purposes of this subsection (iii), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

(iv) For purposes of this Section 2(f), persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase, or acquisition of stock, or similar business transaction with the Company.

(v) Notwithstanding the foregoing, a transaction will not be deemed a Change in Control unless the transaction qualifies as a change in control event within the meaning of Code Section 409A, as it has been and may be amended from time to time, and any proposed or final Treasury Regulations and Internal Revenue Service guidance that has been promulgated or may be promulgated thereunder from time to time.

(vi) Further and for the avoidance of doubt, a transaction will not constitute a Change in Control if: (A) its sole purpose is to change the jurisdiction of the Company's incorporation, or (B) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

(g) "Code" means the Internal Revenue Code of 1986, as amended. Any reference to a section of the Code herein will be a reference to any successor or amended section of the Code.

(h) "Committee" means a committee of Directors or of other individuals satisfying Applicable Laws appointed by the Board, or by the compensation committee of the Board, in accordance with Section 4 hereof.

(i) "Company" means Lexaria Bioscience Corp., a Nevada corporation.

(j) "Consultant" means any person, including an advisor, engaged by the Company or a Parent or Subsidiary to render services to such entity.

(k) "Director" means a member of the Board.

(l) "Disability" means total and permanent disability as defined in Code Section 22(e)(3), provided that in the case of Awards other than Incentive Stock Options, the Administrator in its discretion may determine whether a permanent and total disability exists in accordance with uniform and non-discriminatory standards adopted by the Administrator from time to time.

(m) "Employee" means any person, including officers and Directors, employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company will be sufficient to constitute "employment" by the Company.

(n) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(o) “Exchange Program” means a program under which (i) outstanding Awards are surrendered or cancelled in exchange for Awards of the same type (which may have higher or lower exercise prices and different terms), Awards of a different type, and/or cash, (ii) Participants would have the opportunity to transfer any outstanding Awards to a financial institution or other person or entity selected by the Administrator, and/or (iii) the exercise price of an outstanding Award is reduced or increased. The Administrator will determine the terms and conditions of any Exchange Program in its sole discretion.

(p) “Fair Market Value” means, as of any date, the value of the Shares determined as follows:

(i) If the Shares are listed on any established stock exchange or a national market system, including without limitation the Canadian Securities Exchange (the “CSE”), the New York Stock Exchange, the Nasdaq Global Select Market, the Nasdaq Global Market, the Nasdaq Capital Market of The Nasdaq Stock Market, or the NYSE American, its Fair Market Value will be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system on the day of determination, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable. Notwithstanding the foregoing, in the event that the Shares are listed on the CSE, for the purposes of establishing the exercise price of any Options, the Fair Market Value shall not be lower than the greater of the closing market price of the Shares on the CSE on (A) the trading day prior to the date of grant of the Options, and (B) the date of grant of the Options;

(ii) If the Shares are regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share will be the mean between the high bid and low asked prices for the Shares on the day of determination (or, if no bids and asks were reported on that date, as applicable, on the last trading date such bids and asks were reported), as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or

(iii) In the absence of an established market for the Shares, the Fair Market Value will be determined in good faith by the Administrator.

(q) “Incentive Stock Option” means an Option that by its terms qualifies and is otherwise intended to qualify as an incentive stock option within the meaning of Code Section 422 and the regulations promulgated thereunder.

(r) “Nonstatutory Stock Option” means an Option that by its terms does not qualify or is not intended to qualify as an Incentive Stock Option.

(s) “Option” means a stock option granted pursuant to the Plan.

(t) “Parent” means a “parent corporation,” whether now or hereafter existing, as defined in Code Section 424(e).

(u) “Participant” means the holder of an outstanding Award.

(v) “Period of Restriction” means the period during which the transfer of Shares of Restricted Stock is subject to restrictions and therefore, the Shares are subject to a substantial risk of forfeiture. Such restrictions may be based on the passage of time, the achievement of target levels of performance, or the occurrence of other events as determined by the Administrator.

(w) “Plan” means this Equity Incentive Plan.

(x) “Restricted Stock” means Shares issued pursuant to an Award of Restricted Stock under Section 8 of the Plan, or issued pursuant to the early exercise of an Option.

(y) “Restricted Stock Unit” means a bookkeeping entry representing an amount equal to the Fair Market Value of one Share, granted pursuant to Section 9. Each Restricted Stock Unit represents an unfunded and unsecured obligation of the Company.

(z) “Service Provider” means an Employee, Director, or Consultant.

(aa) “Share” means a share of the Common Stock, which is intended to qualify as service recipient stock under Treasury Regulation 1.409A-1(b)(5)(iii), as adjusted in accordance with Section 13 of the Plan.

(bb) “Stock Appreciation Right” means an Award, granted alone or in connection with an Option, that pursuant to Section 7 is designated as a Stock Appreciation Right.

(cc) “Subsidiary” means a “subsidiary corporation,” whether now or hereafter existing, as defined in Code Section 424(f).

3. Stock Subject to the Plan.

(a) Stock Subject to the Plan. Subject to the provisions of Section 13 of the Plan, the maximum aggregate number of Shares that may be subject to Awards and sold under the Plan is **510,433**¹ Shares. The Shares may be authorized but unissued, or reacquired Shares.

(b) Lapsed Awards. If an Award expires or becomes unexercisable without having been exercised in full, is surrendered pursuant to an Exchange Program, or, with respect to Restricted Stock or Restricted Stock Units, is forfeited to or repurchased by the Company due to the failure to vest, the unpurchased Shares (or, for Awards other than Options or Stock Appreciation Rights, the forfeited or repurchased Shares) which were subject thereto will become available for future grant or sale under the Plan (unless the Plan has terminated). With respect to Stock Appreciation Rights, only Shares actually issued pursuant to a Stock Appreciation Right will cease to be available under the Plan; all remaining Shares under Stock Appreciation Rights will remain available for future grant or sale under the Plan (unless the Plan has terminated). Shares that have actually been issued under the Plan under any Award will not be returned to the Plan and will not become available for future distribution under the Plan; provided, however, that if Shares issued pursuant to Awards of Restricted Stock or Restricted Stock Units are repurchased by the Company or are forfeited to the Company due to the failure to vest, such Shares will become available for future grant under the Plan. Shares used to pay the exercise price of an Award or to satisfy the tax withholding obligations related to an Award will become available for future grant or sale under the Plan. To the extent an Award under the Plan is paid out in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Plan.

(c) Share Reserve. The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Plan.

4. Administration of the Plan.

(a) Procedure. The Plan will be administered by (i) the Board or (ii) a Committee, which Committee will be constituted to satisfy Applicable Laws.

¹ Reflects 30 for 1 post reverse stock split and approved amendment on June 28, 2021

(b) Powers of the Administrator. Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator will have the authority, in its discretion:

- (i) to determine the Fair Market Value;
- (ii) to select the Service Providers to whom Awards may be granted hereunder;
- (iii) to determine the number of Shares to be covered by each Award granted hereunder;
- (iv) to approve forms of Award Agreements for use under the Plan;

(v) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder. Such terms and conditions include, but are not limited to, the exercise price, the time or times when Awards may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Award or the Shares relating thereto, based in each case on such factors as the Administrator will determine;

- (vi) to institute and determine the terms and conditions of an Exchange Program;
- (vii) to construe and interpret the terms of the Plan and Awards granted pursuant to the Plan;

(viii) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of satisfying applicable foreign laws or for qualifying for favorable tax treatment under applicable foreign laws;

(ix) to modify or amend each Award (subject to Section 18(c) of the Plan), including but not limited to the discretionary authority to extend the post-termination exercisability period of Awards and to extend the maximum term of an Option (subject to Section 6(d));

- (x) to allow Participants to satisfy withholding tax obligations in a manner prescribed in Section 14;

(xi) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Administrator;

(xii) to allow a Participant to defer the receipt of the payment of cash or the delivery of Shares that otherwise would be due to such Participant under an Award; and

- (xiii) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions, determinations and interpretations will be final and binding on all Participants and any other holders of Awards.

5. Eligibility. Nonstatutory Stock Options, Stock Appreciation Rights, Restricted Stock, and Restricted Stock Units may be granted to Service Providers. Incentive Stock Options may be granted only to Employees.

6. Stock Options.

(a) Grant of Options. Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Options in such amounts as the Administrator, in its sole discretion, will determine.

(b) Option Agreement. Each Award of an Option will be evidenced by an Award Agreement that will specify the exercise price, the term of the Option, the number of Shares subject to the Option, the exercise restrictions, if any, applicable to the Option, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

(c) Limitations. Each Option will be designated in the Award Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. Notwithstanding such designation, however, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are exercisable for the first time by the Participant during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds one hundred thousand dollars (\$100,000), such Options will be treated as Nonstatutory Stock Options. For purposes of this Section 6(c), Incentive Stock Options will be taken into account in the order in which they were granted, the Fair Market Value of the Shares will be determined as of the time the Option with respect to such Shares is granted, and calculation will be performed in accordance with Code Section 422 and Treasury Regulations promulgated thereunder. Subject to adjustment as provided in Section 13, the maximum number of Shares that may be issued upon the exercise of Incentive Stock Options will equal the aggregate Share number stated in Section 3(a), plus, to the extent allowable under Code Section 422 and the Treasury Regulations promulgated thereunder, any Shares that become available for issuance under the Plan pursuant to Section 3(b).

(d) Term of Option. The term of each Option will be stated in the Award Agreement; provided, however, that the term will be no more than ten (10) years from the date of grant thereof. In the case of an Incentive Stock Option granted to a Participant who, at the time the Incentive Stock Option is granted, owns stock representing more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Incentive Stock Option will be five (5) years from the date of grant or such shorter term as may be provided in the Award Agreement.

(e) Option Exercise Price and Consideration.

(i) Exercise Price. The per Share exercise price for the Shares to be issued pursuant to the exercise of an Option will be determined by the Administrator, but will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant. In addition, in the case of an Incentive Stock Option granted to an Employee who owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price will be no less than one hundred ten percent (110%) of the Fair Market Value per Share on the date of grant. Notwithstanding the foregoing provisions of this Section 6(e)(i), Options may be granted with a per Share exercise price of less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant pursuant to a transaction described in, and in a manner consistent with, Code Section 424(a).

(ii) Waiting Period and Exercise Dates. At the time an Option is granted, the Administrator will fix the period within which the Option may be exercised and will determine any conditions that must be satisfied before the Option may be exercised.

(iii) Form of Consideration. The Administrator will determine the acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator will determine the acceptable form of consideration at the time of grant. Such consideration may consist entirely of: (A) cash; (B) check; (C) promissory note, to the extent permitted by Applicable Laws, (D) other Shares, provided that such Shares have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which such Option will be exercised and provided further that accepting such Shares will not result in any adverse accounting consequences to the Company, as the Administrator determines in its sole discretion; (E) consideration received by the Company under cashless exercise program (whether through a broker or otherwise) implemented by the Company in connection with the Plan; (F) by net exercise, (G) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws, or (H) any combination of the foregoing methods of payment. In making its determination as to the type of consideration to accept, the Administrator will consider if acceptance of such consideration may be reasonably expected to benefit the Company.

(f) Exercise of Option.

(i) Procedure for Exercise; Rights as a Stockholder. Any Option granted hereunder will be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Award Agreement. An Option may not be exercised for a fraction of a Share.

(A) An Option will be deemed exercised when the Company receives: (I) notice of exercise (in such form as the Administrator may specify from time to time) from the person entitled to exercise the Option, and (II) full payment for the Shares with respect to which the Option is exercised (together with applicable tax withholding). Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Award Agreement and the Plan. Shares issued upon exercise of an Option will be issued in the name of the Participant or, if requested by the Participant, in the name of the Participant and his or her spouse. Until the Shares are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a stockholder will exist with respect to the Shares subject to an Option, notwithstanding the exercise of the Option. The Company will issue (or cause to be issued) such Shares promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Shares are issued, except as provided in Section 13 of the Plan.

(B) Exercising an Option in any manner will decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(ii) Termination of Relationship as a Service Provider. If a Participant ceases to be a Service Provider, other than upon the Participant's termination as the result of the Participant's death or Disability, the Participant may exercise his or her Option within thirty (30) days of termination, or such longer period of time as is specified in the Award Agreement (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement) to the extent that the Option is vested on the date of termination, except that a Participant dismissed from employment or service for cause shall have his or her Option immediately terminated without any right to exercise same. Unless otherwise provided by the Administrator, if on the date of termination the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. If after termination the Participant does not exercise his or her Option within the time specified by the Administrator, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

(iii) Disability of Participant. If a Participant ceases to be a Service Provider as a result of the Participant's Disability, the Participant may exercise his or her Option within twelve (12) months of termination, or such longer period of time as is specified in the Award Agreement (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement) to the extent the Option is vested on the date of termination. Unless otherwise provided by the Administrator, if on the date of termination the Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will revert to the Plan. If after termination the Participant does not exercise his or her Option within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

(iv) Death of Participant. If a Participant dies while a Service Provider, the Option may be exercised within twelve (12) months following the Participant's death, or within such longer period of time as is specified in the Award Agreement (but in no event later than the expiration of the term of such Option as set forth in the Award Agreement) to the extent that the Option is vested on the date of death, by the Participant's designated beneficiary, provided such beneficiary has been designated prior to the Participant's death in a form acceptable to the Administrator. If no such beneficiary has been designated by the Participant, then such Option may be exercised by the personal representative of the Participant's estate or by the person(s) to whom the Option is transferred pursuant to the Participant's will or in accordance with the laws of descent and distribution. Unless otherwise provided by the Administrator, if at the time of death Participant is not vested as to his or her entire Option, the Shares covered by the unvested portion of the Option will immediately revert to the Plan. If the Option is not so exercised within the time specified herein, the Option will terminate, and the Shares covered by such Option will revert to the Plan.

7. Stock Appreciation Rights.

(a) Grant of Stock Appreciation Rights. Subject to the terms and conditions of the Plan, a Stock Appreciation Right may be granted to Service Providers at any time and from time to time as will be determined by the Administrator, in its sole discretion.

(b) Number of Shares. The Administrator will have complete discretion to determine the number of Shares subject to any Award of Stock Appreciation Rights.

(c) Exercise Price and Other Terms. The per Share exercise price for the Shares that will determine the amount of the payment to be received upon exercise of a Stock Appreciation Right as set forth in Section 7(f) will be determined by the Administrator and will be no less than one hundred percent (100%) of the Fair Market Value per Share on the date of grant. Otherwise, the Administrator, subject to the provisions of the Plan, will have complete discretion to determine the terms and conditions of Stock Appreciation Rights granted under the Plan.

(d) Stock Appreciation Right Agreement. Each Stock Appreciation Right grant will be evidenced by an Award Agreement that will specify the exercise price, the term of the Stock Appreciation Right, the conditions of exercise, and such other terms and conditions as the Administrator, in its sole discretion, will determine.

(e) Expiration of Stock Appreciation Rights. A Stock Appreciation Right granted under the Plan will expire upon the date determined by the Administrator, in its sole discretion, and set forth in the Award Agreement. Notwithstanding the foregoing, the rules of Section 6(d) relating to the maximum term and Section 6(f) relating to exercise also will apply to Stock Appreciation Rights.

(f) Payment of Stock Appreciation Right Amount. Upon exercise of a Stock Appreciation Right, a Participant will be entitled to receive payment from the Company in an amount determined by multiplying:

- (i) The difference between the Fair Market Value of a Share on the date of exercise over the exercise price; times
- (ii) The number of Shares with respect to which the Stock Appreciation Right is exercised.

At the discretion of the Administrator, the payment upon Stock Appreciation Right exercise may be in cash, in Shares of equivalent value, or in some combination thereof.

8. Restricted Stock.

(a) Grant of Restricted Stock. Subject to the terms and provisions of the Plan, the Administrator, at any time and from time to time, may grant Shares of Restricted Stock to Service Providers in such amounts as the Administrator, in its sole discretion, will determine.

(b) Restricted Stock Agreement. Each Award of Restricted Stock will be evidenced by an Award Agreement that will specify the Period of Restriction, the number of Shares granted, and such other terms and conditions as the Administrator, in its sole discretion, will determine. Unless the Administrator determines otherwise, the Company as escrow agent will hold Shares of Restricted Stock until the restrictions on such Shares have lapsed.

(c) Transferability. Except as provided in this Section 8 or as the Administrator determines, Shares of Restricted Stock may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated until the end of the applicable Period of Restriction.

(d) Other Restrictions. The Administrator, in its sole discretion, may impose such other restrictions on Shares of Restricted Stock as it may deem advisable or appropriate.

(e) Removal of Restrictions. Except as otherwise provided in this Section 8, Shares of Restricted Stock covered by each Restricted Stock grant made under the Plan will be released from escrow as soon as practicable after the last day of the Period of Restriction or at such other time as the Administrator may determine. The Administrator, in its discretion, may accelerate the time at which any restrictions will lapse or be removed.

(f) Voting Rights. During the Period of Restriction, Service Providers holding Shares of Restricted Stock granted hereunder may not exercise full voting rights with respect to those Shares, unless the Administrator determines otherwise.

(g) Dividends and Other Distributions. During the Period of Restriction, Service Providers holding Shares of Restricted Stock will be entitled to receive all dividends and other distributions paid with respect to such Shares, unless the Administrator provides otherwise. If any such dividends or distributions are paid in Shares, the Shares will be subject to the same restrictions on transferability and forfeitability as the Shares of Restricted Stock with respect to which they were paid.

(h) Return of Restricted Stock to Company. On the date set forth in the Award Agreement, the Restricted Stock for which restrictions have not lapsed will revert to the Company and again will become available for grant under the Plan.

9. Restricted Stock Units.

(a) Grant. Restricted Stock Units may be granted at any time and from time to time as determined by the Administrator. After the Administrator determines that it will grant Restricted Stock Units, it will advise the Participant in an Award Agreement of the terms, conditions, and restrictions related to the grant, including the number of Restricted Stock Units.

(b) Vesting Criteria and Other Terms. The Administrator will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Restricted Stock Units that will be paid out to the Participant. The Administrator may set vesting criteria based upon the achievement of Company-wide, business unit, or individual goals (including, but not limited to, continued employment or service), or any other basis determined by the Administrator in its discretion.

(c) Earning Restricted Stock Units. Upon meeting the applicable vesting criteria, the Participant will be entitled to receive a payout as determined by the Administrator. Notwithstanding the foregoing, at any time after the grant of Restricted Stock Units, the Administrator, in its sole discretion, may reduce or waive any vesting criteria that must be met to receive a payout.

(d) Form and Timing of Payment. Payment of earned Restricted Stock Units will be made as soon as practicable after the date(s) determined by the Administrator and set forth in the Award Agreement. The Administrator, in its sole discretion, may settle earned Restricted Stock Units in cash, Shares, or a combination of both.

(e) Cancellation. On the date set forth in the Award Agreement, all unearned Restricted Stock Units will be forfeited to the Company.

10. Compliance With Code Section 409A. Awards will be designed and operated in such a manner that they are either exempt from the application of, or comply with, the requirements of Code Section 409A, except as otherwise determined in the sole discretion of the Administrator. The Plan and each Award Agreement under the Plan is intended to meet the requirements of Code Section 409A and will be construed and interpreted in accordance with such intent, except as otherwise determined in the sole discretion of the Administrator. To the extent that an Award or payment, or the settlement or deferral thereof, is subject to Code Section 409A the Award will be granted, paid, settled, or deferred in a manner that will meet the requirements of Code Section 409A, such that the grant, payment, settlement, or deferral will not be subject to the additional tax or interest applicable under Code Section 409A.

11. Leaves of Absence/Transfer Between Locations. Unless the Administrator provides otherwise, vesting of Awards granted hereunder will be suspended during any unpaid leave of absence. A Participant will not cease to be an Employee in the case of (a) any leave of absence approved by the Company or (b) transfers between locations of the Company or between the Company, its Parent, or any Subsidiary. For purposes of Incentive Stock Options, no such leave may exceed three (3) months, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, then six (6) months following the first (1st) day of such leave, any Incentive Stock Option held by the Participant will cease to be treated as an Incentive Stock Option and will be treated for tax purposes as a Nonstatutory Stock Option.

12. Limited Transferability of Awards. Unless determined otherwise by the Administrator, Awards may not be sold, pledged, assigned, hypothecated, or otherwise transferred in any manner other than by will or by the laws of descent and distribution, and may be exercised, during the lifetime of the Participant, only by the Participant. If the Administrator makes an Award transferable, such Award may only be transferred (i) by will, (ii) by the laws of descent and distribution, and (iii) as permitted by all Applicable Laws, to the extent applicable.

13. Adjustments: Dissolution or Liquidation; Merger or Change in Control

(a) Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares occurs, the Administrator, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan, will adjust the number and class of shares of stock that may be delivered under the Plan and/or the number, class, and price of shares of stock covered by each outstanding Award.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Administrator will notify each Participant as soon as practicable prior to the effective date of such proposed transaction. To the extent it has not been previously exercised, an Award will terminate immediately prior to the consummation of such proposed action.

(c) Merger or Change in Control.

(i) In the event of a merger of the Company with or into another corporation or other entity or a Change in Control, each outstanding Award will be treated as the Administrator determines (subject to the provisions of the following paragraph) without a Participant's consent, including, without limitation, that (A) Awards will be assumed, or substantially equivalent Awards will be substituted, by the acquiring or succeeding corporation (or an affiliate thereof) with appropriate adjustments as to the number and kind of shares and prices; (B) upon written notice to a Participant, that the Participant's Awards will terminate upon or immediately prior to the consummation of such merger or Change in Control; (C) outstanding Awards will vest and become exercisable, realizable, or payable, or restrictions applicable to an Award will lapse, in whole or in part prior to or upon consummation of such merger or Change in Control, and, to the extent the Administrator determines, terminate upon or immediately prior to the effectiveness of such merger or Change in Control; (D) (I) the termination of an Award in exchange for an amount of cash and/or property, if any, equal to the amount that would have been attained upon the exercise of such Award or realization of the Participant's rights as of the date of the occurrence of the transaction (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction the Administrator determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment), or (II) the replacement of such Award with other rights or property selected by the Administrator in its sole discretion; or (E) any combination of the foregoing. In taking any of the actions permitted under this Section 13(c), the Administrator will not be obligated to treat all Awards, all Awards held by a Participant, or all Awards of the same type, similarly.

(ii) In the event that the successor corporation does not assume or substitute for the Award (or portion thereof), the Participant will fully vest in and have the right to exercise all of his or her outstanding Options and Stock Appreciation Rights, including Shares as to which such Awards would not otherwise be vested or exercisable, all restrictions on Restricted Stock and Restricted Stock Units will lapse, and, with respect to Awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met. In addition, if an Option or Stock Appreciation Right is not assumed or substituted in the event of a merger or Change in Control, the Administrator will notify the Participant in writing or electronically that the Option or Stock Appreciation Right will be exercisable for a period of time determined by the Administrator in its sole discretion, and the Option or Stock Appreciation Right will terminate upon the expiration of such period.

(iii) For the purposes of this Section 13(c), an Award will be considered assumed if, following the merger or Change in Control, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the merger or Change in Control, the consideration (whether stock, cash, or other securities or property) received in the merger or Change in Control by holders of Shares for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the merger or Change in Control is not solely common shares of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of an Option or Stock Appreciation Right or upon the payout of a Restricted Stock Unit, for each Share subject to such Award, to be solely common shares of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Shares in the merger or Change in Control.

(iv) Notwithstanding anything in this Section 13(c) to the contrary, an Award that vests, is earned or paid-out upon the satisfaction of one or more performance goals will not be considered assumed if the Company or its successor modifies any of such performance goals without the Participant's consent; provided, however, a modification to such performance goals only to reflect the successor corporation's post-Change in Control corporate structure will not be deemed to invalidate an otherwise valid Award assumption.

(v) Notwithstanding anything in this Section 13(c) to the contrary, if a payment under an Award Agreement is subject to Code Section 409A and if the change in control definition contained in the Award Agreement does not comply with the definition of "change of control" for purposes of a distribution under Code Section 409A, then any payment of an amount that is otherwise accelerated under this Section will be delayed until the earliest time that such payment would be permissible under Code Section 409A without triggering any penalties applicable under Code Section 409A.

14. Tax Withholding.

(a) Withholding Requirements. Prior to the delivery of any Shares or cash pursuant to an Award (or exercise thereof), the Company will have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, local, foreign or other taxes (including the Participant's FICA obligation) required to be withheld with respect to such Award (or exercise thereof).

(b) Withholding Arrangements. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit a Participant to satisfy such tax withholding obligation, in whole or in part by (without limitation) (i) paying cash, (ii) electing to have the Company withhold otherwise deliverable Shares having a Fair Market Value equal to the minimum statutory amount required to be withheld, (iii) delivering to the Company already-owned Shares having a Fair Market Value equal to the statutory amount required to be withheld, provided the delivery of such Shares will not result in any adverse accounting consequences, as the Administrator determines in its sole discretion, or (iv) selling a sufficient number of Shares otherwise deliverable to the Participant through such means as the Administrator may determine in its sole discretion (whether through a broker or otherwise) equal to the amount required to be withheld. The amount of the withholding requirement will be deemed to include any amount which the Administrator agrees may be withheld at the time the election is made, not to exceed the amount determined by using the maximum federal, state, or local marginal income tax rates applicable to the Participant with respect to the Award on the date that the amount of tax to be withheld is to be determined. The Fair Market Value of the Shares to be withheld or delivered will be determined as of the date that the taxes are required to be withheld.

15. No Effect on Employment or Service. Neither the Plan nor any Award will confer upon a Participant any right with respect to continuing the Participant's relationship as a Service Provider with the Company, nor will they interfere in any way with the Participant's right or the Company's right to terminate such relationship at any time, with or without cause, to the extent permitted by Applicable Laws. Under no circumstances shall any person ceasing to be an employee, officer or consultant of the Company or any Affiliate be entitled to any compensation for any loss of any right or benefit under the Plan which such employee might otherwise have enjoyed but for termination of employment or engagement, whether such compensation is claimed by way of damages for wrongful or unfair dismissal, breach of contract or otherwise.

16. Date of Grant. The date of grant of an Award will be, for all purposes, the date on which the Administrator makes the determination granting such Award, or such other later date as is determined by the Administrator. Notice of the determination will be provided to each Participant within a reasonable time after the date of such grant.

17. Term of Plan. Subject to Section 21 of the Plan, the Plan will become effective upon its adoption by the Board. Unless sooner terminated under Section 18, it will continue in effect for a term of ten (10) years from the later of (a) the effective date of the Plan, or (b) the earlier of the most recent Board or stockholder approval of an increase in the number of Shares reserved for issuance under the Plan.

18. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend, or terminate the Plan.

(b) Stockholder Approval. The Company will obtain stockholder approval of any Plan amendment to the extent necessary and desirable to comply with Applicable Laws.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension, or termination of the Plan will impair the rights of any Participant, unless mutually agreed otherwise between the Participant and the Administrator, which agreement must be in writing and signed by the Participant and the Company. Termination of the Plan will not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

19. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares will not be issued pursuant to the exercise of an Award unless the exercise of such Award and the issuance and delivery of such Shares will comply with all Applicable Laws and will be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Award, the Company may require the person exercising such Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

(c) Acceptance of Conditions. By participating in the Plan, each Participant shall be deemed to have accepted all the conditions of the Plan and the terms and conditions of any rules and regulations adopted by the Committee and shall be fully bound thereby.

20. Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, will relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority will not have been obtained.

21. Stockholder Approval. The Plan will be subject to approval by the stockholders of the Company within twelve (12) months after the date the Plan is adopted by the Board. Such stockholder approval will be obtained in the manner and to the degree required under Applicable Laws.

22. Governing Law. The validity and construction of this Plan and the instruments evidencing the Awards hereunder shall be governed by the laws of the State of Delaware other than any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Plan and the instruments evidencing the Awards hereunder to the substantive laws of any other jurisdiction.

Approved by the Board of Directors: May 1, 2019

Approved by the Shareholders: June 20, 2019

EMPLOYMENT AGREEMENT

THIS AGREEMENT made the 15th day of April, 2021.

BETWEEN:

Kelowna Management Services Corp.
100 – 740 McCurdy Road
Kelowna, BC
V1X 2P7

(the “**Employer**”)

AND:

Gregory J. Downey
[**]¹

(the “**Employee**”)

WHEREAS:

- A. The Employer is in the business of providing management services to its affiliates (the “**Affiliates**”) as that term is defined in National Instrument 45-106 – Prospectus Exemptions;
- B. The Affiliates are in the business of research and development of patented technology;
- C. The Employer and the Employee have verbally agreed to amend their former employment relationship and terminate the Employment Agreement entered into between the Employer and the Employee dated December 4, 2018 whereby the Employee provided services as Corporate Controller, upon the entrance into this Employment Agreement whereby the Employee has agreed to provide Chief Financial Officer services effective as at April 15, 2021.

THIS AGREEMENT WITNESSES that the parties have agreed that the terms and conditions of the relationship shall be as follows:

1. Employment

1.1 The Employee will be employed by the Employer in the following capacities:

- (a) As the Chief Financial Officer and Treasurer of Lexaria Bioscience Corp.;
- (b) As the Treasurer of Poviva Corp. and Lexaria CanPharm Holding Corp.;

¹ Information regarding the Employee’s address has been redacted.

- (c) As an employee having financial oversight and management over the Employer and its other unnamed Affiliates, including having the responsibility of financial statement preparation;

with all such positions commencing on April 15, 2021.

1.2 The Employee agrees to be bound by the terms and conditions of this agreement. In carrying out the Employee's duties, the Employee will comply with all reasonable instructions as may be given by the Employer.

1.3 The Employee acknowledges and agrees that the Employer's policies and procedures form part of this agreement. The Employee agrees to comply with the terms of such policies and procedures so long as they are not inconsistent with any provisions of this agreement. If the terms of any policies and/or procedures conflict with the terms of this agreement, the terms of this agreement shall prevail.

1.4 The Employee acknowledges and agrees that effective performance of the Employee's duties requires the highest level of integrity and the Employer's complete confidence in the Employee's relationship with other employees of the Employer and its Affiliates and with all other persons with whom the Employee deals in the course of employment.

1.5 The Employee will report directly to the board of directors of the Company in fulfilling the duties and responsibilities as set out in Schedule "A" to this agreement (the "**Services**").

1.6 The Employee acknowledges and agrees that the Employee may be required to provide the Services to one or more of the Affiliates.

1.7 The Employee and Employer agree that the Services may be materially changed by the Employer upon providing the Employee with 9 months' notice (the "**Change of Services Notice**"). The Employee agrees that if the Employer materially changes the Services pursuant to a Change of Services Notice, the employment relationship will not be terminated.

1.8 The Employee agrees to devote the majority of his working time exclusively to the business of the Employer and its Affiliates that, in the capacity of Chief Financial Officer, such working time will not be restricted to an eight (8) hour Monday through Friday work schedule and the Employee will not receive any additional remuneration other than the remuneration set out in this Agreement for all such working time. The Employee also acknowledges that in the performance of the Services he may be expected to travel and represent the Company and its Affiliates which may include participation at trade shows, informational panels, presentations, media events and the like.

2. Remuneration and Benefits

2.1 In consideration of the Employee's performance of the obligations contained in this agreement, the Employer shall provide the Employee with the remuneration noted in the attached Schedule "B".

3. Confidential Information

3.1 The Employee acknowledges that the Employee will acquire information (the '**Confidential Information**') about certain matters which are confidential to and exclusive property of the Employer or the Affiliates, including, but not limited to, trademarks, patents, trade dress, know how or trade secrets including lists of present and prospective customers, pricing and sales policies and concepts, business plans, forecasts and market strategies, discoveries, designs, methods or techniques, inventions, research and development, formulas and technology.

3.2 The Employee acknowledges that the Confidential Information could be used to the detriment of the Employer or the Affiliates and that its disclosure to third parties could cause irreparable harm. Accordingly, the Employee undertakes to treat the Confidential Information confidentially and not to disclose it to any third party or use it for any purpose either during the employment, except as may be necessary in the proper discharge of the Employee's duties, or after termination of the employment for any reason, except with the written permission of the Employer.

3.3 The Employee acknowledges that the Employer owns all Confidential Information that may be developed in whole or in part by the Employee during the course of the employment with the Employer and the Employee agrees to waive all moral and legal rights to any such Confidential Information.

3.4 All files, notes, documents, data, tapes, reference items, sketches, drawings, memoranda, records, diskettes, discs and other materials in any way relating to any of the Confidential Information or to the Employer's business produced by the Employee or coming into possession by or through the employment, shall belong exclusively to the Employer and the Employee agrees to turn over to the Employer all of such materials in the Employee's possession or under the Employee's control, forthwith, at the request of the Employer or, in the absence of a request, on the termination of employment with the Employer.

4. Discipline and Termination

4.1 The Employee may terminate the Employee's employment by providing eight (8) weeks' advance notice in writing to the Employer. The Employer may waive such notice, in whole or in part and if it does so, the Employee's entitlement to remuneration and benefits pursuant to this agreement will continue to the expiration of the eight (8) weeks' notice period and any such waiver shall not constitute termination of the Employee's employment.

4.2 The Employer may terminate the Employee's employment without notice or payment in lieu thereof for just cause, subject to any minimum statutory entitlements required to be provided to the Employee under the B.C. *Employment Standards Act*, as amended from time to time (the "ESA") (if any). For the purposes of this agreement, the parties agree that "cause" shall include, but is not limited to:

- (a) any material breach of the provisions of this agreement by the Employee;
- (b) consistent poor performance on the Employee's part, after being advised as to the standard required;
- (c) the Employee's violation of any local, provincial or federal statute, including, without limitation, an act of dishonesty such as embezzlement or theft; and
- (d) conduct on the Employee's part that is materially detrimental to the business or the financial position of the Employer.

4.3 In response to instances of misconduct or other unacceptable performance by the Employee, the Employer may in its discretion impose disciplinary measures as may be deemed by the Employer to be appropriate when taking into account the nature of the misconduct or performance, the Employee's employment record, and the material surrounding circumstances. These disciplinary measures include, but are not limited to: verbal warning; written warning; loss of employment privileges and perquisites; unpaid suspension; removal from position or from certain duties associated with the position; dismissal. The Employer and the Employee agree that the Employer's imposition of any of these measures, with the exception of dismissal, shall not affect the other terms and conditions of this Agreement and, in particular, shall not be deemed or interpreted as constituting a constructive dismissal of the Employee by the Employer. The Employee agrees that this clause shall not mean that the Employer must proceed through any disciplinary measures before any termination of the Employee by the Employer without cause or with cause, and the Employer expressly reserves the right to terminate without cause without proceeding through any disciplinary measures.

4.4 The Employer may terminate the Employee's employment at any time without cause, upon providing the Employee with only the greater of:

- (a) the Employee's statutory entitlements to accrued wages, vacation pay and minimum statutory benefits continuation as required by the ESA, plus three (3) months' notice or pay in lieu of notice (or a combination thereof) should such termination occur anytime prior to January 7, 2022, and thereafter, such notice or pay in lieu of notice (or combination thereof) shall increase by one month increments upon the completion of each additional year of service, or portion thereof, and although such notice or pay in lieu of notice is inclusive of any severance pay under the ESA (if applicable), such severance pay will be provided to the Employee in a lump sum and the Employer will not provide such severance pay to the Employee in the form of working notice; OR
- (b) the minimum statutory notice of termination or statutory pay in lieu thereof, statutory severance pay (if applicable) and statutory benefits continuation (if applicable) as required by the ESA, as well as any other minimum entitlements required by the ESA including accrued wages and vacation pay.

Except for any entitlements that the Employee may have under the ESA, these entitlements shall be subject to a duty to mitigate. Where the Employer provides the Employee with pay in lieu of notice pursuant to clause 4.4(a) or statutory pay in lieu of notice or statutory severance pay pursuant to clause 4.4(b), such payment shall be calculated solely by reference to the Employee's annual base salary as defined in Schedule "B", except and only to the extent as otherwise minimally required by the ESA. For clarity, if the ESA requires the Employee's benefits to be continued during any statutory notice period, the Employee's benefits will only be continued for the minimum statutory notice period required by the ESA.

The Employee understands and agrees that the entitlements set out in clause 4.4 will constitute the Employee's full and final entitlements, in the event of a without cause termination, to notice or pay in lieu of notice, benefits continuation, and severance pay (if applicable), including in the event of a constructive dismissal of the Employee's employment and including any entitlements to common law notice. If a greater entitlement is provided under the ESA, that greater entitlement shall prevail and the Employee's entitlements shall be increased only to the extent necessary to satisfy such greater entitlement. In no event will the Employee be provided with less than the Employee's minimum entitlements under the ESA.

The Employee understands and agrees that clause 4.4 shall remain in force throughout the Employee's employment, regardless of the Employee's length of service or other changes to the Employee's position that may occur over time, including without limitation after any promotion or salary increase, unless amended by mutual written agreement.

5. Change of Control

5.1 Notwithstanding any compensation payable pursuant to clauses 4.1 and 4.4 of this agreement, should a change of control ("**Change of Control**") occur in Lexaria Bioscience Corp. (the "**Company**") while this Agreement is active or within 6 months after the earlier of the following: i) the date on which the Employee terminates the Agreement under section 4.1; or ii) the date of termination of the Agreement under section 4.4, then the Employee shall be entitled to the greater of:

- (a) the Employee's statutory entitlements to accrued wages, vacation pay and minimum statutory benefits continuation as required by the ESA, [**]² in a lump sum and such pay in lieu of notice is inclusive of any severance pay under the ESA (if applicable); OR
- (b) the minimum statutory notice of termination or statutory pay in lieu thereof, statutory severance pay (if applicable) and statutory benefits continuation (if applicable) as required by the ESA, as well as any other minimum entitlements required by the ESA including accrued wages and vacation pay; and

any stock options or warrants to purchase common stock, as referred to in all existing and future agreements between the Company and the Employee, granted to the Employee (including any award that resulted from a substituted or replacement of equity awards upon Change of Control) shall become immediately vested and exercisable.

² Information redacted relates to compensation payable on a change of control which was previously disclosed in a Form 8-K filing made on April 16, 2021.

5.2 For the purposes of clause 5.1, a Change of Control includes any of the following events:

- (a) If any individual, partnership, company, society, or other legal entity (a “**Person**”), alone or together with any other Persons with whom it is acting jointly or in concert, becomes the beneficial owner of, or acquires the power to exercise control or direction over, directly or indirectly, such securities (or securities convertible into, or exchangeable for, securities) entitled to more than fifty percent (50%) or more of the votes exercisable by holders of the then-outstanding securities generally entitled to vote for the election of directors (“**Voting Stock**”) of the Company or if any Persons that previously were not acting jointly or in concert commence acting jointly or in concert and together beneficially own, or have the power to exercise control or direction over, securities entitled to more than fifty percent (50%) or more of the votes exercisable by holders of voting stock, or have rights of conversion which, if exercised, would permit such Persons to own or control such a percentage of votes;
- (b) The Company is merged, amalgamated or consolidated into or with another Person and, as a result of such business combination, a Person who previously held securities representing less than fifty percent (50%) of the votes exercisable by the holders of the Voting Stock of the Company, either alone or together with any other persons with whom it is acting jointly or in concert, is now, either alone or together with any other persons with whom it is acting jointly or in concert, entitled to hold more than fifty percent (50%) of the votes, exercisable by holders of the Voting Stock of the Company or of such Person into which the Voting Stock of the Company has been converted;
- (c) The capital of the Company is reorganized and a Person, together with any other persons with whom it is acting jointly or in concert, which previously held securities representing less than fifty percent (50%) of the votes exercisable by the holders of the Voting Stock of the Company, now as a result of such reorganization, holds securities entitled to more than fifty percent (50%) of the votes exercisable by the holders of the Voting Stock of the Company;
- (d) The Company sells or otherwise transfers all or substantially all of its assets to another Person and a Person, together with any other persons with whom it is acting jointly or in concert, which previously held securities representing less than fifty percent (50%) of the votes exercisable by the holders of the Voting Stock of the Company, now as a result of such sale or transfer, holds securities entitled to more than fifty percent (50%) of the votes exercisable by the holders of the Voting Stock of the Company; or
- (e) During any period of two consecutive years, individuals (“**Incumbent Directors**”) who at the beginning of any such period constitute the directors of the Company, cease for any reason to constitute at least a majority thereof. For the purposes of this clause:

- (i) Each director who, during any such period, is elected or appointed as a director of the Company with the approval of at least a majority of the voting shareholders of the Company will be deemed to be an Incumbent Director;
- (ii) An “Incumbent Director” does not include a director, elected or appointed pursuant to an agreement (in respect of such election or appointment) with another Person that deals with the Company at arm’s length, or as part of or related to an amalgamation, a merger or a consolidation of the Company into or with another person, a reorganization of the capital of the Company or the acquisition of the Company as a result of which securities entitled to less than fifty (50%) percent of the votes exercisable by holders of the then-outstanding securities entitled to Voting Stock of the Company is converted on or immediately after such transaction are held in the aggregate by Persons who were holders of Voting Stock of the Company immediately prior to such transaction; and
- (iii) References to the Company shall include successors to the Company as a result of any amalgamation, merger, consolidation or reorganization of the Company into or with another body corporate or other legal Person.

6. Affiliate Sale

6.1 Notwithstanding any compensation provided under the termination provisions of this Agreement, should there be a sale of any of the Affiliates (each such sale being an “**Affiliate Sale**”) while this Agreement is active or within 6 months after the earlier of the following: i) the date on which the Employee terminates the agreement under section 4.1; or ii) the date of termination of the agreement under section 4.4, then the Company shall be obligated to pay the Employee a one-time lump sum payment in the amount equal to [**]³ of the total value of such Affiliate Sale (the “**Affiliate Sale Entitlement**”). The Affiliate Sale Entitlement shall be paid to the Employee within 90 days of completion of the Affiliate Sale.

6.2 For the purposes of clause 6.1, an Affiliate Sale means any of the following events:

- (a) If any individual, partnership, company, society, or other legal entity (a “**Person**”), alone or together with any other Persons with whom it is acting jointly or in concert, becomes the beneficial owner of, or acquires the power to exercise control or direction over, directly or indirectly, such securities (or securities convertible into, or exchangeable for, securities) entitled to more than fifty percent (50%) or more of the votes exercisable by holders of the then-outstanding securities generally entitled to vote for the election of directors (“**Voting Stock**”) of an Affiliate or if any Persons that previously were not acting jointly or in concert commence acting jointly or in concert and together beneficially own, or have the power to exercise control or direction over, securities entitled to more than fifty percent (50%) or more of the votes exercisable by holders of voting stock, or have rights of conversion which, if exercised, would permit such Persons to own or control such a percentage of votes;

³ Information redacted relates to compensation payable on the sale of an affiliate which was previously disclosed in a Form 8-K filing made on April 16, 2021.

- (b) An Affiliate is merged, amalgamated or consolidated into or with another Person and, as a result of such business combination, a Person who previously held securities representing less than fifty percent (50%) of the votes exercisable by the holders of the Voting Stock of the Affiliate, either alone or together with any other persons with whom it is acting jointly or in concert, is now, either alone or together with any other persons with whom it is acting jointly or in concert, entitled to hold more than fifty percent (50%) of the votes, exercisable by holders of the Voting Stock of the Affiliate or of such Person into which the Voting Stock of the Affiliate has been converted;
- (c) The capital of an Affiliate is reorganized and a Person, together with any other persons with whom it is acting jointly or in concert, which previously held securities representing less than fifty percent (50%) of the votes exercisable by the holders of the Voting Stock of the Affiliate, now as a result of such reorganization, holds securities entitled to more than fifty percent (50%) of the votes exercisable by the holders of the Voting Stock of the Affiliate;
- (d) An Affiliate sells or otherwise transfers all or substantially all of its assets to another Person and a Person, together with any other persons with whom it is acting jointly or in concert, which previously held securities representing less than fifty percent (50%) of the votes exercisable by the holders of the Voting Stock of the Affiliate, now as a result of such sale or transfer, holds securities entitled to more than fifty percent (50%) of the votes exercisable by the holders of the Voting Stock of the Affiliate; or
- (e) During any period of two consecutive years, individuals (“**Incumbent Directors**”) who at the beginning of any such period constitute the directors of an Affiliate cease for any reason to constitute at least a majority thereof. For the purposes of this clause:
 - (i) Each director who, during any such period, is elected or appointed as a director of an Affiliate with the approval of at least a majority of the Incumbent Directors will be deemed to be an Incumbent Director;
 - (ii) An “Incumbent Director” does not include a director, elected or appointed pursuant to an agreement (in respect of such election or appointment) with another Person that deals with an Affiliate at arm’s length, or as part of or related to an amalgamation, a merger or a consolidation of an Affiliate into or with another person, a reorganization of the capital of an Affiliate or the acquisition of an Affiliate as a result of which securities entitled to less than fifty (50%) percent of the votes exercisable by holders of the then-outstanding securities entitled to Voting Stock of an Affiliate is converted on or immediately after such transaction are held in the aggregate by Persons who were holders of Voting Stock of an Affiliate immediately prior to such transaction; and
 - (iii) References to an Affiliate shall include successors to an Affiliate as a result of any amalgamation, merger, consolidation or reorganization of an Affiliate into or with another body corporate or other legal Person.

7. Non-Solicitation

7.1 The Employee will gain knowledge of the Employer and the Affiliate's business and will form a close working relationship with their respective clients, suppliers, and employees which knowledge could be used to injure the Employer and/or the Affiliates if made available to a competitor or used for competitive purposes.

7.2 The Employee agrees that during employment and for a period of six (6) months after the termination of employment hereunder, howsoever brought about, the Employee will not solicit or attempt to solicit any of the Employer's or Affiliates' clients, provided that following the termination of the Employee's employment, this clause shall only apply in respect of such clients with whom the Employee had serviced or solicited during the twelve (12) month period immediately preceding the termination of the Employee's employment.

7.3 The Employee agrees that during employment and for a period of six (6) months following termination of employment hereunder, howsoever brought about, the Employee will not solicit or attempt to solicit any employee of the Employer that causes or is attempted to cause such employees to cease or reduce the employment provided to the Employer by such employees, provided that following the termination of the Employee's employment, this provision shall only apply in respect of such employees with whom the Employee worked with during the twelve (12) month period immediately preceding the termination of the Employee's employment.

7.4 The Employee acknowledges and agrees that all of the restrictions contained in clause 7 are necessary and fundamental to the protection of the business of the Employer and that all such restrictions are fair, reasonable and valid given the nature of the Employer's business and the Employee's position within that business. The Employee hereby waives all defences to the strict enforcement thereof. The Employee further confirms that these obligations will not unduly preclude Employee from becoming gainfully employed or from otherwise working following the termination of this Agreement.

8. Notices

8.1 Any notice required or permitted to be given to either party must be delivered by hand or personally to the party's address last known to the other party and will be deemed to be received on the date of hand delivery or personal delivery to such address. Personal delivery shall include delivery by a commercial courier.

9. Survival

9.1 The Employee's obligations contained in clauses 3, 7 and 8, shall survive the termination of this agreement.

9.2 The provisions of this Agreement shall survive changes in the employment relationship including, but not limited to:

- (a) Changes in the Employee's duties, responsibilities, and compensation and benefits;
- (b) Changes in ownership of the Employer; and
- (c) Passage of time.

10. Severability, Employment Standards and Accessibility

10.1 In the event that any provision of this agreement is found to be void, invalid, illegal or unenforceable by a court of competent jurisdiction, such finding will not affect any other provision of this agreement. If any provision of this agreement is so broad as to be unenforceable, to the maximum extent permissible by law, such provision shall be interpreted to be only so broad as is enforceable. All covenants, provisions and restrictions in this agreement shall be interpreted in accordance with the ESA, and if a greater entitlement is provided for under the ESA than as set out in any covenant, provision or restriction of this agreement, that greater entitlement shall prevail, the Employee's entitlements shall be increased only to the extent necessary to satisfy such greater entitlement, and the Employer will provide the Employee with such greater entitlement.

11. Waiver

11.1 The waiver by either party of any breach or violation of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach or violation. Further, no such waiver shall be effective or binding unless made in writing by the party purporting to give it.

12. Entire Agreement

12.1 This Agreement, in conjunction with the Schedules to the Agreement and the Employer's policies and procedures, constitutes the entire agreement between the parties with respect to the employment of the Employee and any and all previous agreements, written or oral, express or implied between the parties or on their behalf relating to the employment of the Employee by the Employer are terminated and cancelled and each of the parties releases and forever discharges the other of and from all manner of actions, causes of action, claim or demands whatsoever under or in respect of any agreement.

13. Headings

13.1 The headings utilized in this agreement are for convenience only and are not to be construed in any way as additions or limitations of the covenants and agreements contained in this agreement.

14. Independent Legal Advice

14.1 The Employee agrees that the Employee has been afforded the opportunity to obtain independent legal advice with respect to this agreement and its terms, and the Employee fully understands the nature and effect of this agreement, and has entered it freely, voluntarily and without duress.

15. Governing Law

15.1 This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia.

IN WITNESS WHEREOF the parties have duly executed this agreement as of the day and year first above written.

Kelowna Management Services Corp.

Per: "Chris Bunka"
Chris Bunka

SIGNED, SEALED & DELIVERED)
in the presence of:)
)
[**]4)
Signature)
)
Print Name)
)
Address)
)
Occupation)

"Gregory Downey"
Gregory Downey

⁴ Information regarding the witness has been redacted

SCHEDULE "A"

SERVICES

The Employee shall provide the following services to the Employer and/or the Affiliates, as determined by the Employer:

- (a) All duties of a chief financial officer with review and signing authority, controller, and/or treasurer of a publicly traded consumer products / bioscience / biotechnology company including sourcing and/or negotiating financial proposals and corporate financings; managing accounts receivable and accounts payable; preparation and review of financial statements, notes and various monthly, quarterly and other regulatory reports; management of accounting staff; in coordination with the CEO, communications with shareholders and preparation and review of budgets, and preparation and implementation of internal accounting policies and procedures; and any other duties that should be reasonably expected by the Board of Directors or chief executive officer;
- (b) Collaborate with the president and/or chief executive officer to maintain and develop the financial reporting aspect only of the Company's corporate/investor outreach materials as needed including overall corporate messaging through direct creation and development of corporate presentations, powerpoints, websites, shareholder and community communications, business plans, fact sheets, etc.;
- (c) Identify and evaluate opportunities for capital raising and/or strategic collaboration with suitable third-parties at appropriate points in time for the Company, including research, plan, propose, execute and close approved projects, acquisitions, mergers and partnerships, as well as locate and cultivate finance sources, all of which create value for the Company;
- (d) Work as needed with lawyers, partners, shareholders and other stakeholders as required by the Employer and/or the Affiliates and assist with the strategic corporate and financial planning; management of all the overall business operations; communications with shareholders; negotiation and management of agreements; and any other duties that should be reasonably expected by and at the pleasure of the Board of Directors.

SCHEDULE "B"

REMUNERATION

- 1.1. The Employee's annual base salary will be [**]⁵ ("**Base Salary**") payable semi-monthly.
- 1.2. An annual increase equal to the Base Salary, equivalent to [**] of the Base Salary, beginning April 15, 2022 and on each subsequent anniversary thereafter until the end of the term;
- 1.3. The Employee's out of pocket expenses incurred on behalf of the Company shall be paid by the Company. Examples include, but are not limited to: stationery, printing, mileage allowance for personal vehicle use at \$0.55/km when the Employee is required to use his vehicle for business travel purposes, and other normal day-to-day office operational expenses, but not including home office rent. In respect of expenses, the Employee shall provide statements and vouchers to the Company on a monthly basis.
- 1.4. The Employee shall also be eligible to receive up to [**] of the total combined salary and any consulting fee compensation ("**Performance Criteria Milestone Completion Payment**") Employee receives annually from the Company and any of the Affiliates as applicable based upon completion of performance criteria milestones to be approved by the Board of Directors. For greater certainty, the Employee will not be eligible for any Performance Criteria Milestone Completion Payments during the reasonable notice period, subject only to applicable ESA requirements.
- 1.5. The Employee shall be entitled to ongoing training, continuing education and professional development programs of up to \$5,000 per year. The Employee shall also be entitled to be reimbursed for any fees paid to maintain his Chartered Professional Accountant membership.
- 1.6. The Employee shall be entitled to the following paid vacation:
 - During the first year of employment as Chief Financial Officer, namely during the period of April 15, 2021 to April 14, 2022, three weeks (or 15 days);
 - During the second year of employment as Chief Financial Officer, namely during the period of April 15, 2022 to April 14, 2023, four weeks (or 20 days);
 - For the remainder of time that the Employee is employed as Chief Financial Officer, five weeks (or 25 days).

⁵ Information redacted in Schedule "B" relates to compensation payable to the Employee which was previously disclosed in a Form 8-K filing made on April 16, 2021.

- 1.7. The Employee shall be issued 12,000 stock options from the Company's registered equity incentive plan, exercisable for a period of five (5) years, which shall be vested as to 4,000 options upon assuming the role of CFO of the Company, 4,000 options on April 15, 2022 and 4,000 options on April 15, 2023 at an exercise price equal to the greater of US\$0.01 more than the closing market price of the Company's shares either on: (i) the day before grant; or (ii) the date of grant. The Employee shall be entitled to future participation in any stock option plan of the Employer or an Affiliate, with such stock option amounts and exercise price to be determined by the Board of Directors of such Employer or Affiliate.

Notwithstanding anything to the contrary, in order to be eligible for any Performance Criteria Milestone Completion Payment and any other performance compensation, the Employee must be actively employed with the Employer at the time the Performance Criteria Milestone Completion Payment and any other performance compensation, as applicable, is paid to be eligible to receive payment, and for clarity (i) Performance Criteria Milestone Completion Payments and any other performance compensation are not earned, accrued, owned, owed, awarded or payable to the Employee unless the Employee is actively employed by the Employer at the time the Performance Criteria Milestone Completion Payment and any other performance compensation, as applicable, are made, and (ii) the Employee will not be considered actively employed or in active employment through any period of notice of termination that is or ought to have been given under any applicable law (including this agreement) in respect of such termination of employment, save and except as may be minimally required by the ESA. The Employee expressly agrees that the Employee waives any common law rights to any claim for loss of Performance Criteria Milestone Completion Payment and any other performance compensation.

If so requested by the Employee, through calculation with the Employee, and with the Employee's approval: At the time of any equity award consideration that may be paid to the Employee hereunder, such equity award shall be subject to a reduction in the equity issued to the Employee per grant to be paid instead as cash proportional to the tax liability to be incurred by the Employee at the time of the award. The Company will withhold from payment to the Employee that fraction of the equity that corresponds to the federal and provincial income tax payments otherwise payable by the Employee, specifically with respect to each award only, and the Employee agrees that such a hybrid payment of cash and equity would fulfill the obligations of the Company with respect to each affected award. The intent of this partial cash payment is to provide cash compensation to the Employee in the proportionate amount of the equity award and it is expressly agreed that it remains the sole responsibility of the Employee to remit all amounts due to Provincial and Federal tax authorities.

**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: July 15, 2021

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

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

I, Gregory Downey, 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: July 15, 2021

/s/ "Gregory Downey"

Gregory Downey CPA, CMA
Chief Financial Officer
(Principal Financial Officer and Principal Accounting
Officer)

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 May 31, 2021 (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: July 15, 2021

/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.

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

I, Gregory Downey, 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 May 31, 2021 (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: July 15, 2021

/s/ "Gregory Downey"
Gregory Downey CPA, CMA
Chief Financial Officer
(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.