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

**FORM 10-K**

(Mark One)

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

For the fiscal year ended **October 31, 2012**

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

For the transition period from [ ] to [ ]

Commission file number 000-52138

**LEXARIA CORP.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of incorporation or organization)

**20-2000871**

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

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

(Address of principal executive offices)

**V6E 4A4**

(Zip Code)

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

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

Title of Each Class  
N/A

Name of Each Exchange On Which Registered  
N/A

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

Common Stock, Par Value \$0.001  
(Title of class)

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act Yes [ ] No

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 [ ]

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-K (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of Common Stock held by non-affiliates of the Registrant on April 30, 2012 was \$621,603 based on the average of the high and low bid and asked price of the Registrant's shares of common stock on the OTC Bulletin Board or \$0.11 on April 30, 2012. For purposes of this computation, all executive officers and directors have been deemed to be affiliates. Such determination should not be deemed to be an admission that such executive officers and directors are, in fact, affiliates of the Registrant.

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

16,431,452 common shares as of January 29, 2013

#### DOCUMENTS INCORPORATED BY REFERENCE

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None.

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## PART I

### Item 1. Business

This annual report contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors" that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are stated in United States Dollars (US\$) and are prepared in accordance with United States Generally Accepted Accounting Principles.

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

As used in this current report and unless otherwise indicated, the terms "we", "us", "our" and "our company" mean Lexaria Corp.

#### ***General Overview***

We were incorporated in the State of Nevada on December 9, 2004. We are an exploration and development oil and gas company currently engaged in the exploration for and development of petroleum and natural gas in North America. We maintain our registered agent's office and our U.S. business office at Nevada Agency and Transfer Company, 50 West Liberty, Suite 880, Reno, Nevada 89501. Our telephone number is (755) 322-0626.

The address of our principal executive office is Suite 950, 1130 West Pender Street, Vancouver, British Columbia V6E 4A4. Our telephone number is (604) 602-1675. We have an additional office located in Kelowna, British Columbia.

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

We are an oil and gas company engaged in the exploration for oil and natural gas in Canada and the United States. Our company is currently generating revenues from our business operations in Mississippi. Our company's business plan is to focus on development of the Belmont Lake oil field, in which we have working interests, in order to maximize cash flow and use excess cash flow to pay debt and conduct additional development well drilling. Eventually, if cash flows are strong enough, our company will once again be able to explore for additional oil and gas by way of our existing 60% interest option to drill 38 exploratory wells (see "Oil & Gas Properties - Mississippi and Louisiana: Frio-Wilcox Project"). To accomplish this, our company intends to focus on development drilling first. Eventually our company will seek a balance between exploration, development and exploitation drilling. To achieve sustainable and profitable growth, our company intends to control the timing and costs of our projects wherever possible. Our company is not currently the operator of any of our properties and will consider becoming the operator only when financial conditions have improved sufficiently.

#### ***Overview of Business over the Last Five Years***

Since we began operations in 2005, we have been focused exclusively on the exploration for and development of oil and gas assets located in North America. We participated in the drilling of a single well in Strachan Hills Alberta and eventually wrote down the value of that well to \$nil. We participated in the drilling of wells in Oklahoma where we successfully produced and sold oil and gas prior to selling our interest in the Oklahoma properties. We have participated in the drilling of oil and gas wells in Mississippi and remain focused there as our key area of interest with all our current assets within Amite and Wilkinson Counties, Mississippi.

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

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

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

On May 14, 2008 our company entered into an unsecured Loan Agreement with each of our president and a shareholder of our company for \$62,000. The purpose of this Loan Agreement was to set out terms of the arrangement by which our company agreed to make a Loan of US\$124,000 at an interest rate of 16.8% and no set principal payments for one year available to our company. The purpose of the Loan Agreement was to provide our company with capital funds for oil and gas exploration and/or general corporate purposes. On October 27, 2008, the loan from the President in the amount of US\$62,000 was terminated in favour of an updated debt agreement.

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

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

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

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

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

On April 3, 2009, our company entered into an Asset Purchase Agreement with Delta Oil & Gas, Inc. and The Stallion Group to acquire additional interests in its existing core producing Mississippi oil and gas properties. Our company paid \$40,073.39 to acquire an additional two percent (2%) working interest in the proven Belmont Lake oil and gas field and an additional 10% working interest in potential nearby exploration wells, bringing our total gross working interest in the Belmont Lake oil and gas field to 32% and bringing our total gross working interest to 60% in the 38 wells that remain to be drilled of this original 50-well option with Griffin & Griffin Exploration in over 140,000 acres surrounding Belmont Lake in all directions.

On August 28, 2009, our company entered into four separate assignment agreements with Enertopia Corp., 0743608 BC Ltd., David DeMartini, and Murrayfield Ltd., three of which are people or companies with related management. Our company received from these four parties proceeds of \$371,608.57 to fund additional interests in a new well. As a result, our company has a 25.84% perpetual gross interest in the well (18.0% net revenue interest); as well as a 5.2% net revenue interest in the non-consent interest. The non-consent interest remains valid until such time as the well produces 500% of all costs and expenses back to the participants in the form of revenue, at which time the non-consent interest ends. Enertopia Corp, a company with related management, acquired from our company a 6.16% perpetual gross interest in the 12-4 well; David DeMartini, a director of our company, acquired from our company a 5% gross interest in the non-consent interest in the 12-4 well; and 0743608 BC Ltd. a company owned by our president, acquired from our company a 11.6% gross interest in the non-consent interest in the 12-4 well.

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

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

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

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

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

On May 31, 2010, we issued 499,893 units at a price of \$0.12 per share for a Settlement Agreement valued at \$59,987.24. Each unit consist one share of common stock and one share purchase warrant exercisable at \$0.20 per share for a period of two years.

On June 16, 2010, we signed a Settlement Agreement with a third party, who had originally participated in the August 28, 2009 opportunity in the non-consent interest for Belmont Lake 12-4. We returned \$144,063.46 to the third party and cancelled its participation.

On July 29, 2010, we agreed with our operators at Belmont Lake not to proceed to drill a horizontal 12-4 well. Rather, two of the three proposed vertical wells 12-2, 12-4, or 12-5 were proposed to be drilled in August 2010. To take best advantage of this opportunity, our company cancelled all previous agreements relating to August 28, 2009 with respect to Belmont Lake horizontal well 12-4 and entered into three separate assignment agreements, of which all three were with people or companies with related management. Our company received total proceeds of \$324,677.12 to fund additional interests in these wells. As a result, our company has a 32% perpetual gross interest in the wells (24.0% net revenue interest); as well as a 8% gross interest (6% net revenue interest) in the non-consent interest. The non-consent interest remains valid until such time as the well produces 500% of all costs and expenses back to the participants in the form of revenue, at which time the non-consent interest ends. Emerald Atlantic LLC, a company owned by a director of our company, has acquired from our company a 8.74% gross interest in the non-consent interest in two of the three vertical wells; and 0743608 BC Ltd. a company owned by our president, has acquired from our company a 20.79% gross interest in the non-consent interest in the two of the three vertical wells; an advisor to our company has acquired from our company 2.46% gross interest in the non-consent interest in two of the three vertical wells.

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

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

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

In September and October, 2010, new wells 12-2; 12-4 and 12-5 were drilled at the Belmont Lake oil field.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On April 30, 2012, at 11 am PDT, Lexaria Corp. ("Lexaria" or the "Company") held its Annual and Special Meeting of Shareholders for the following purposes:

1. To elect Chris Bunka, Bal Bhullar, and David DeMartini, Nicolas Baxter, and Dustin Elford as directors of the Company for the ensuing year and until their successors are elected;
  2. To ratify MNP LLP our independent registered public accounting firm for the fiscal year ending October 31, 2012 and to allow directors to set the remuneration; and
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3. To transact such other business as may properly come before the Meeting or any adjournment of the postponement thereof.

All proposals were approved by the shareholders. The proposals are described in detail in the Company's definitive proxy statement filed with the Securities and Exchange Commission on March 26, 2012.

On July 20, 2012, the Company entered into a loan agreement with Christopher Bunka, our President, Chief Executive Officer and Director, ("Lender") for a non-secured promissory note in the amount of \$50,000 (the "Promissory Note"). The Company promises to pay to Lender at the end of every month \$4,166 to be applied against the principal amount outstanding from the date of the Loan Agreement for twelve months, plus interest at the rate of 12% per annum on the outstanding balance.

#### ***Our Current Business***

We are an oil and gas company engaged in the exploration for oil and natural gas in Canada and the United States. We are currently generating revenues from our business operations in Mississippi.

We have acquired working interests in various oil and gas properties in Mississippi USA. All of our current oil and gas assets are located in Wilkinson and Amite counties, Mississippi, where we have between 42% gross working interest and 60% gross working interests in producing oil and/or gas wells and in exploration wells yet to be drilled. Our Belmont Lake oil field discovered in December 2006 is located within the Palmetto Point area of Wilkinson county, Mississippi.

Our company's business plan is to focus on development of the Belmont Lake oil field, in which we have working interests, in order to maximize cash flow and use excess cash flow to pay debt and conduct additional development well drilling. Eventually, if cash flows are strong enough, we expect to explore for additional oil and gas by way of our existing 60% interest option to drill 38 exploratory wells (see "Oil & Gas Properties -Mississippi and Louisiana: Frio-Wilcox Project"). To accomplish this, our company intends to focus on development drilling first. Eventually our company will seek a balance between exploration, development and exploitation drilling. To achieve sustainable and profitable growth, our company intends to control the timing and costs of our projects wherever possible. We are not currently the operator of any of our properties and will consider becoming the operator only when our financial conditions have improved sufficiently.

During the past fiscal year we experienced the following significant corporate developments:

1. Lexaria entered into an Asset Purchase Agreement dated August 12, 2011, with Brinx Resources Ltd. to acquire 100% of its 10% gross working interest in the oil and gas interests located in Mississippi, USA. By acquiring the additional 10% working interest in Belmont Lake oil and gas field, Lexaria will then have 42% working interest in Belmont Lake and retains its existing 60% working interest in the exploration wells on approximately 130,000 acres surrounding Belmont Lake in all directions. Lexaria has agreed to pay a total of US \$400,000 and issue 800,000 common shares of the Company at \$0.30 per share. A total of \$430,000 in cash was paid as at July 31, 2012.
  2. On December 1, 2011, the Company closed a private placement offering of convertible debentures in the aggregate amount of \$200,000. The convertible debentures mature on December 1, 2012, subject to forced conversion as set out in the convertible debenture certificate. The convertible debentures pay an interest rate of 12% per annum (on a simple basis) and are convertible at \$0.35 per unit. Each unit is comprised of one share of our common share and one share purchase warrant. Each warrant entitles the holder thereof to purchase one share at a price of \$0.40 per share up to the earlier of the maturity date of the convertible debenture or one year from conversion of the convertible debenture. We also entered into a general security agreement with the subscribers, whereby the obligations to repay the convertible debenture are secured by the Company's working interest and production in and only in two oil wells located at Belmont Lake, Mississippi, with carrying value of \$1M as of July 31, 2012. Two directors of the Company, David DeMartini and CAB Financial Services Ltd, solely owned by a director, subscribed to the convertible debentures with the amount of \$200,000.
  3. On March 30, 2012, the Company entered into a loan agreement with Christopher Bunka, our President, Chief Executive Officer and Director, ("Lender") for a non-secured promissory note in the amount of \$50,000 (the "Promissory Note"). The Lender agreed to purchase a non-secured 12% interest bearing Promissory Note of our company subject to and upon the terms and conditions of the agreement. The Promissory Note has a month to month term.
  4. On April 30, 2012, at 11 am PDT, Lexaria Corp. ("Lexaria" or the "Company") held its Annual and Special Meeting of Shareholders for the following purposes:
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1. To elect Chris Bunka, Bal Bhullar, and David DeMartini, Nicolas Baxter, and Dustin Elford as directors of the Company for the ensuing year and until their successors are elected;
2. To ratify MNP LLP our independent registered public accounting firm for the fiscal year ending October 31, 2012 and to allow directors to set the remuneration; and
3. To transact such other business as may properly come before the Meeting or any adjournment of the postponement thereof.

All proposals were approved by the shareholders. The proposals are described in detail in the Company's definitive proxy statement filed with the Securities and Exchange Commission on March 26, 2012.

5. On July 20, 2012, the Company entered into a loan agreement with Christopher Bunka, our President, Chief Executive Officer and Director, ("Lender") for a non-secured promissory note in the amount of \$50,000 (the "Promissory Note"). The Company promises to pay to Lender at the end of every month \$4,166 to be applied against the principal amount outstanding from the date of the Loan Agreement for twelve months, plus interest at the rate of 12% per annum on the outstanding balance. .

Our company plans to continue our current business of acquiring interests in potentially high-impact oil and gas property interests that offer a high probability of being able to drill without significant time delays. We will endeavor to try to choose North American properties where, if drilling is successful, the wells could be quickly connected to infrastructure and thus, with success, brought into production and able to generate cash flow as quickly as possible.

Our business plan does not anticipate that we will hire a large number of employees or that we will require extensive office space. Our company has, to date, and plans to continue to acquire most of the industry and geological expertise we require through third party contractual relationships with consulting experts and with operating companies which will act as operators of our company's various interests. Although this exposes our company to certain risks on behalf of those operators, it also allows our company to participate in the often unique experience and knowledge that local persons have related to certain properties. This strategy allows our company to participate in a wider variety of oil and gas opportunities than if all of our geological expertise were in-house and confined to a single geographical area. From a business operations perspective, this strategy also enables our company to minimize our ongoing fixed in-house costs for geological or geophysical analytical expenses while still allowing it to contract for that expertise when and as needed. This business strategy has been successful during a time of declining oil and gas prices, when many companies with high internal overheads and cost structures due to large numbers of highly expensive in-house professionals cannot be sustained due to declining revenues. Our company will hire third-party consulting geophysicists and geologists on an as-needed basis to evaluate oil and gas properties that may be of interest, and to reinforce and double-check the technical work and abilities of its third-party operators. This provides our company with the required expertise we need, when its needed, whilst avoiding high fixed long-term costs.

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

#### *Competition*

We are in the business of acquisition and exploration of oil and gas properties. The petroleum industry is competitive in all its phases. We compete with numerous other participants in the search for and the acquisition of oil and natural gas properties, and in the marketing of oil and natural gas. Our competitors include oil and natural gas companies that have substantially greater financial resources, staff and facilities than ours. Our ability to obtain or increase reserves in the future will depend not only on our ability to explore and develop our present properties, but also on our ability to select and acquire suitable producing properties or prospects for exploratory drilling. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery.

#### *Compliance with Government Regulation*

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

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#### *Employees*

We primarily use the services of sub-contractors and consultants for manual labour exploration work and drilling on our properties. Our Director, Mr. David DeMartini is our technical advisor.

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

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

On August 5, 2010 the Company entered into a three month consulting agreement with Tom Ihrke to act as the Company's Senior Vice President, Business Development for consideration of US\$3,125 per month and 150,000 stock options granted at \$0.20. On December 2, 2010, the Company entered into a month to month management agreement with Tom Ihrke, where by Mr. Ihrke will continue to act as the Senior Vice-President Business Development for the Company. The Company paid a monthly consulting fee of \$3,125. Effective January 15, 2012, the consulting agreement has been decreased to \$10 a month.

#### *Research and Development*

We have incurred \$Nil in research and development expenditures over the last two fiscal years.

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

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

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

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

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

We had cash in the amount of \$180,514 and working capital deficiency of \$1,238,407 as of our year ended October 31, 2012. Any direct acquisition of a claim under lease or option is subject to our ability to obtain the financing necessary for us to fund and carry out exploration programs on potential properties. The requirements are substantial. Obtaining additional financing would be subject to a number of factors, including market prices for resources, investor acceptance of our properties and investor sentiment. These factors may negatively affect the timing, amount, terms or conditions of any additional financing available to us. The most likely source of future funds presently available to us is through the sale of equity capital and loans. Any sale of share capital will result in dilution to existing shareholders.

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

For the fiscal year 2012, we have earned revenues of \$1,357,762. We currently have only modest oil or gas reserves that are deemed proved, probable or possible pursuant to American standards of disclosure for oil and gas activities. All of our existing wells are in Mississippi, USA.

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

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

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

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

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

*There can be no assurance that we will discover oil or natural gas in any commercial quantity on our properties.*

Exploration for economic reserves of oil and natural gas is subject to a number of risks. There is competition for the acquisition of available oil and natural gas properties. Few properties that are explored are ultimately developed into producing oil and/or natural gas wells. If we cannot discover oil or natural gas in any commercial quantity thereon, our business will fail.

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

The potential profitability of oil and natural gas properties is dependent upon many factors beyond our control. For instance, world prices and markets for oil and natural gas are unpredictable, highly volatile, potentially subject to governmental fixing, pegging, controls or any combination of these and other factors, and respond to changes in domestic, international, political, social and economic environments. Additionally, due to worldwide economic uncertainty, the availability and cost of funds for production and other expenses have become increasingly difficult, if not impossible, to project. In addition, adverse weather conditions can hinder drilling operations. These changes and events may materially affect our future financial performance. These factors cannot be accurately predicted and the combination of these factors may result in our company not receiving an adequate return on invested capital.

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

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

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

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

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

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

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

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

Drilling operations generally involve a high degree of risk. Hazards such as unusual or unexpected geological formations, power outages, labor disruptions, blow-outs, sour natural gas leakage, fire, inability to obtain suitable or adequate machinery, equipment or labor, and other risks are involved. We may become subject to liability for pollution or hazards against which it cannot adequately insure or which it may elect not to insure. Incurring any such liability may have a material adverse effect on our financial position and operations.

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

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

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

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

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

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

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

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

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

*Our independent certified public accounting firm, in the notes to the audited financial statements for the year ended October 31, 2012 states that there is a substantial doubt that we will be able to continue as a going concern.*

As at October 31, 2012, we have experienced significant losses since inception. Failure to arrange adequate financing on acceptable terms and to achieve profitability would have an adverse effect on our financial position, results of operations, cash flows and prospects. Accordingly, there is substantial doubt that we will be able to continue as a going concern.

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

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

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

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*Penny stock rules will limit the ability of our stockholders to sell their stock.*

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

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

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

**Other Risks**

*Because majority of our officers and directors are located in non-U.S. jurisdictions, you may have no effective recourse against them for misconduct and you may not be able to enforce judgment and civil liabilities against our officers, directors, experts and agents.*

With the exception of one officer, all of our directors and officers are nationals and/or residents of countries other than the United States and all or a substantial portion of their assets are located outside of the United States. As a result, it may be difficult for investors to enforce within the United States any judgments obtained against our officers or directors, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

*Trends, Risks and Uncertainties*

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

**Item 1B. Unresolved Staff Comments**

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

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## **Item 2. Properties**

### *Executive Offices*

The address of our principal executive office is Suite 950, 1130 West Pender Street, Vancouver, British Columbia, V6E 4A4, for which we share 250 square feet of office space, which includes one executive office for a monthly rental of CAD\$1,337. Our telephone number is (604) 602-1675. We have an additional office located in Kelowna, British Columbia, for which we share 1,500 square feet of office space, which includes two executive offices for a monthly rental of CAD\$500. Our current locations provide adequate office space for our purposes at this stage of our development.

### *Resource Properties*

As at October 31, 2012, our company currently owns a 42% gross working interest in the PPF12-1 and PPF12-3A wells; a 50% gross working interest in wells PP F-12-4 and PP F-12-5; and a 60% gross working interest in 38 wells to be drilled; all located in Mississippi under various agreements with Griffin and Griffin Exploration, L.L.C. The most significant of these wells are the producing oil wells PP F-12-1, PP F-12-3A, PP F-12-4, and PP F-12-5 located within the Belmont Lake oil field which is itself located in the Palmetto Point region. The Belmont Lake oil field is onshore, as are all of our company's wells, but located in a flood plain of the Mississippi River which forces seasonal constraints on certain field activities. Our company has an interest in one producing gas well, the PP F-29, but because the gas from this well is consumed by field operations it is deemed to be of no commercial value. Except for this and the four oil wells noted immediately above, our company has no other producing wells. Additional details of these interests are noted below and not all of these wells were successful.

#### Mississippi: Palmetto Point Project

On December 21, 2005, our company agreed to purchase a 20% gross working and revenue interest in a 10 well drilling program in Palmetto Point, Mississippi owned by Griffin & Griffin Exploration for cash payments of \$700,000, comprised of \$220,000 paid upon entering the Agreement and the remaining balance of \$480,000 paid on January 17, 2006. Our company applied the full cost method to account for our oil and gas properties and as of July 31, 2009, seven wells were found to be proved wells, and three wells were found impaired. One of the wells was impaired due to uneconomic life, and the other two wells were abandoned due to no apparent gas or oil shows present. The costs of impaired properties were added to the capitalized cost in determination of the depletion expense. Palmetto Point is approximately 150 miles southwest of Jackson, Mississippi and approximately 50 miles north/northwest of Baton Rouge, Louisiana. It is 30 miles west of Woodville, Mississippi off of State Highway 33 and is entirely within Wilkinson County.

There were no further costs to our company in earning our interest in the 10 well drilling program, including well development costs or pipeline connections. Griffin has agreed that the leases held by it covering any mineral estate underlying the applicable well site acreage shall not provide for more than twenty-five (25%) percent royalty and overriding royalty interest. Our company's net interest in any oil and gas produced is calculated by subtracting the applicable royalties from its 20% gross interest. Consequently, its original net working interest in the drilling program was a minimum fifteen (15%) percent net working interest. Griffin conducted the Drilling Program in its capacity as Operator and receives a 15% carried interest.

One of these original 10 wells was the PP F-12-1 well, which was the discovery well of a field now known as the Belmont Lake field. All of these original 10 wells were targeting the Frio geological formation of the Cenozoic era and Oligocene series, which is characterized in this region as a generally shallow, sandstone-rich layer. In this area of Mississippi, the Frio geologic formation is generally found between 2,000 and 4,500 foot depth from surface.

On September 22, 2006, our company elected to participate in an additional two-well program in Palmetto Point, Mississippi owned by Griffin by paying an additional \$140,000 (paid). Our company earned the same 20% gross interest in the two (2) additional wells (12 wells total and all drilled) and subsequently increased our gross interest to 32% in these 12 wells, or a net revenue interest of 20.802815%. As of July 31, 2009, the two wells were found to be proved wells.

On June 23, 2007, our company acquired an assignment of a 10% gross working interest in the Palmetto Point wells described above from a third party for \$520,000 which was payable by a secured loan. The \$520,000 loan was valued at a Net Present Value of \$501,922, which is the capitalized amount. Our company calculated the net present value of the secured loan payable by applying 8% interest rate, which was based on a T-bill rate of 4.28% plus a risk premium.

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On October 4, 2007, our company elected to participate in the drilling of the PP F-12-3 well in Palmetto Point, Mississippi which was conducted by Griffin. This well was the second well drilled in the Belmont Lake oil field. Our company had a 30% gross working interest and paid \$266,348. On July 31, 2008, our company accrued and paid an additional cost of \$127,707 for the workovers of wells PP F-12 and PP F-12-3. PP F-12 has had intermittent production from October 2007, and PP F-12-3 has had intermittent production from November 2007.

On April 3, 2009, our company entered into an Asset Purchase Agreement with Delta Oil & Gas, Inc., and The Stallion Group to acquire additional interests in its existing core producing Mississippi oil and gas properties. Our company paid \$40,073.39 to acquire an additional two percent (2%) working interest in the proven Belmont Lake oil and gas field and an additional 10% working interest in potential nearby exploration wells. Total working interest for Belmont Lake as of July 31, 2009 is 32%; and total working interest in the exploration wells on approximately 140,000 acres surrounding Belmont Lake in all directions as of July 31, 2010, is 60%.

Our company had a short-lived opportunity to acquire additional fractional interests in the upcoming Belmont Lake 12-4 well which was expected to be a horizontal well. An unrelated third party did not participate in its right to participate in the 12-4 well, and therefore a share of its interest (a "non consent" interest) was made available to the other participating parties including our company. On August 28, 2009 and effective on September 1, 2009, to take best advantage of this opportunity, our company entered into four separate assignment agreements, three of which were with people or companies with related management. Our company received from these four parties proceeds of \$371,608.57 to fund additional interests in this well. As a result, our company has a 25.84% perpetual gross interest in the well (18.0% net revenue interest); as well as a 5.2% net revenue interest in the non-consent interest. The non-consent interest remains valid until such time as the well produces 500% of all costs and expenses back to the participants in the form of revenue, at which time the non-consent interest ends. EnerTopia, a company with related management, had acquired from our company a 6.16% perpetual gross interest in the 12-4 well; David DeMartini, a director of our company, had acquired from our company a 5% gross interest in the non-consent interest in the 12-4 well; and 0743608 BC Ltd. a company owned by the President of our company, had acquired from our company a 11.60% gross interest in the non-consent interest in the 12-4 well.

On May 31, 2010, our company signed a Settlement Agreement with EnerTopia Corp., whereby our company issued 499,893 units at \$0.12 per unit. Each unit consists of one restricted share of our common stock and one share purchase warrant exercisable at \$0.20 per share for a period of two years in exchange for the working interest initially assigned on August 28, 2009.

On June 16, 2010, our company signed a Settlement Agreement with a third party, who had originally participated in the August 28, 2009, opportunity in the non-consent interest for Belmont Lake 12-4. Our company returned \$144,063.46 to the third party and cancelled its participation.

On July 29, 2010, our company had agreed with its Operators at Belmont Lake not to proceed to drill a horizontal 12-4 well. Rather, two of the three proposed vertical wells 12-2, 12-4, or 12-5 were proposed to be drilled in August 2010. To take best advantage of this opportunity, our company cancelled all previous agreements relating to August 28, 2009 with respect to Belmont Lake horizontal well 12-4 and entered into three separate assignment agreements, of which all three were with people or companies with related management. Our company received total proceeds of \$324,677.12 to fund additional interests in these wells. As a result, our company has a 32% perpetual gross interest in the wells (24.0% net revenue interest); as well as a 8% gross interest (6% net revenue interest) in the non-consent interest. The non-consent interest remains valid until such time as the well produces 500% of all costs and expenses back to the participants in the form of revenue, at which time the non-consent interest ends. Emerald Atlantic LLC, a company owned by a director of our company, has acquired from our company a 8.74% gross interest in the non-consent interest in two of the three vertical wells; and 0743608 BC Ltd. a company owned by our president, has acquired from our company a 20.79% gross interest in the non-consent interest in two of the three vertical wells; an advisor to our company has acquired from our company 2.46% gross interest in the non-consent interest in two of the three vertical wells.

On September 13, 2010, Lexaria Corp. (the "Company") entered into three separate assignment agreements, replacing the July 29, 2010 agreements with Kelowna Resources Group formerly known as 0743608 BC Limited, solely owned by a Director/Officer of the Company; Emerald Atlantic LLC, solely owned by a Director of the Company, and the Senior VP Business Development. (the "Assignees"), whereby the Assignees have paid a fee of US\$408,116.48 to earn a 24% share of the Company's gross non-perpetual 32% interest in the three oil wells being drilled in Wilkinson County, Mississippi. As a result of the three assignment agreements, Lexaria receives at no cost to the company, a carried interest of 8% in these same rights and benefits. The Company assigns, transfers and sets over to the Assignees, all proportionate rights, interest and benefits in the Assigned Non Perpetual Interest held by or granted to the Assignor in and to the Participation Agreement between the Company and Griffin but limited to a gross 500% revenue payout based on the total amount paid under the Initial Consideration and the Subsequent Consideration after which all rights, interests and benefits cease.

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Total working interest for Belmont Lake as of October 31, 2011 is 42%, with the exception of a 50% interest in wells PP F-12-4 and PP F-12-5; and total working interest in the exploration wells on approximately 140,000 acres surrounding Belmont Lake in all directions as of October 31, 2010, is 60%.

During the year ended October 31, 2012, there were additional well interest changes or workovers pending of wells PP F-12, PP F12-3, PP F12-4, PP F12-5 and PP F-29 in the amount of \$438,267.

As of January 11, 2013, the status of the Palmetto Point, Mississippi wells is as follows:

| Well Name | Spud/Start | Complete   | Results                             | Depth | Status    |
|-----------|------------|------------|-------------------------------------|-------|-----------|
| PP F- 29  | Nov 11/06  | Nov. 14/06 | Frio Gas; 37 ft.                    | 4100  | Producing |
| PP F-12-1 | Dec 18/06  | Dec. 24/06 | Frio Gas; 3 ft.<br>Frio Oil, 26 ft. | 4016  | Producing |
| PP F-12-3 | Oct/07     | Oct/07     | Frio Oil                            | 3150  | Producing |
| PP F-12-4 | Aug/10     | Oct/10     | Frio Oil                            | 3150  | Producing |
| PP F-12-5 | Sep 12/10  | Nov 23/10  | Frio Oil                            | 3150  | Producing |
|           |            |            |                                     |       |           |
|           |            |            |                                     |       |           |

#### Mississippi and Louisiana: Frio-Wilcox Project

After participating in the Palmetto Point project, we entered into a separate agreement that expanded both our percentage interest in future wells, and also expanded the geographical area on which those wells could be drilled.

On August 3, 2006, we entered into a Phase II agreement with Griffin, to acquire a working interest in multiple zones of potential oil and gas production in Mississippi and Louisiana. This agreement contemplates up to a 50 well drill program, which are exclusive to the participants, for Wilcox and Frio wells, at our company's option, within the defined area of mutual interest ("AMI"). From these 50 prospects, Griffin and the participants will select all drill locations with the expectation that the wells will be drilled to depths sufficient to test prospectively for producible hydrocarbons from the top of the Frio Formation to the bottom of the Wilcox Formation.

These 50 wells are in addition to all wells drilled under the original 10-well agreement and also in addition to any development wells to be drilled at the Belmont Lake oil field discovery. The AMI originally included over 200,000 gross acres located non-contiguously between Southwest Mississippi and North East Louisiana which include the approximately 32,000 acres of the Palmetto Point area but also include other areas.

Our company had contracted to assume a 40% gross interest in this AMI, meaning we were obligated to pay 40% of costs related to licensing, permitting, drilling, completion and all other related costs. Upon payment of 40% of the costs, we earned a net 32% of all production from all producible zones to the base of the Frio formation (Frio Targets); and, 30% of all production to the base of the Wilcox formation (Wilcox Targets). All working interests are to be registered in the name of our company. This 50-well AMI was intended to be drilled in several stages.

Our company's pro rata share of the first stage had a total cost \$1.6 million. As of October 31 2007, we had placed \$1,600,000 in trust to completely fund this initial commitment. During the drill program, an unrelated third party participant elected not to continue their participation in the program, and we assumed our pro-rata portion of their 10% gross working interest as our own, at no additional cost, bringing our total gross working interest in the seven (7) wells and their leases (Initial AMI Drilling Program), to 45%.

On June 21, 2007, we acquired an additional 10% from a third party for all rights, title and benefits excluding the seven wells drilled under the AMI Agreement between August 3, 2006 and June 19, 2007, specifically wells CMR-USA-39-14, Dixon #1, Faust #1 TEC F-1, CMR/BR F-14, RB F-1 Red Bug #2, BR F-33, and Randall #1 F-4, and any offset wells that could be drilled to any of these specified wells (Subsequent AMI Drilling Program). This brought our interest in the remaining 43 wells to 50% and we drilled 5 wells under this arrangement.

On April 3, 2009, we acquired an additional 10% working interest in the 38 exploration wells remaining to be drilled, bringing its total gross working interest to 60% in the 38 wells that remain to be drilled of this original 50-well option in over 140,000 acres surrounding Belmont Lake in all directions.

On December 16, 2010, we entered into an assignment agreement with Emerald Atlantic LLC, a company solely owned by a director of our company, whereby Emerald Atlantic has paid a fee of \$30,076 to earn 18% of a 4.423% share of our company's net revenue interest after field operating expenses for a well USA 1-27 that was subsequently drilled in Wilkinson County and found to have no economic oil or gas reserves.

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#### *Initial AMI Drilling Program*

Our company's pro rate share of the first stage had a total cost \$1.6 million. As of October 31 2007, we had placed \$1,600,000 in trust to completely fund this initial commitment. During the drill program, an unrelated third party participant elected not to continue their participation in the program, and we assumed our pro-rata portion of their 10% gross working interest as our own, at no additional cost, bringing our total gross working interest in these seven (7) drilled wells and their leases, to 45%.

We successfully drilled and completed seven (7) wells under this drilling program. Certain wells were placed into production.

Details of the drill program are outlined below:

In December 2006, the first well CMR-US 39-14 was found to have sufficient hydrocarbons to become economic. USA 1-37 and BR F-33 had started intermittent production from November 2007. Our company applied the full cost method to account for its oil and gas properties.

As at January 31, 2007, we abandoned Dixon #1 due to no economic hydrocarbons being present and \$162,420 of drilling costs was added to the capitalized costs. The Dixon #1 was the only Wilcox well our company has drilled to date. Every other well we have participated in located in Mississippi and Louisiana is a Frio well. Slightly deeper than the Frio targets, but also of the Cenozoic era, the Wilcox geologic formation is of the Eocene series, generally found at depths of less than 8,000 feet.

On June 2, 2007, we abandoned Randall #1 and \$107,672 drilling costs were added to the capitalized costs in determination of depletion expense.

During August to October 2007, three additional wells, PP F-90, PP F-100, and PP F-111 were drilled in the area. These Frio wells were abandoned due to modest gas shows and a total of \$306,562 drilling costs was added to the capitalized costs in determination of depletion expense.

During December 2007, two additional wells, PP F-6A and PP F-83, were drilled and were plugged and abandoned due to non-economic gas shows. A total of \$247,086 drilling costs were added to the capitalized costs in determination of depletion expense.

#### *Subsequent AMI Drilling Program*

Five additional wells were drilled under the 50-well AMI. Each of these wells encountered non commercial quantities of hydrocarbons and were plugged and abandoned.

#### *Significant Acquisitions and Dispositions*

None to Report.

#### **Production and Prices**

The following table sets forth information regarding net production of oil and natural gas, and certain price and cost information for fiscal years ended October 31, 2012, 2011 and 2010.

|                          | <b>For the fiscal year ended<br/>October 31, 2012</b> | <b>For the fiscal year ended<br/>October 31, 2011</b> | <b>For the fiscal year ended<br/>October 31, 2010</b> |
|--------------------------|---|---|---|
| <b>Production Data:</b>  |   |   |   |
| Natural gas (Mcf)        | 0   | 0   | 360   |
| Oil (Bbls)               | 22,527  | 11,506  | 4,641   |
| <b>Average Prices:</b>   |   |   |   |
| Natural gas (per Mcf)    | \$3.19  | \$4.20  | \$4.50  |
| Oil (per Bbl)            | \$93.47   | \$108.74  | \$81.47   |
| <b>Production Costs:</b> |   |   |   |
| Natural gas (per Mcf)    | \$Nil   | \$Nil   | \$15.72   |
| Oil (per Bbl)            | \$26.78   | \$17.21   | \$17.43   |

## Productive Wells

The following table summarizes information at October 31, 2012, relating to the productive wells in which we owned a working interest as of that date. Productive wells consist of producing wells and wells capable of production, but specifically exclude wells drilled and cased during the fiscal year that have yet to be tested for completion (e.g., all of the operated wells drilled by our company during this year have been cased in preparation for completion, but no operations have been initiated that would allow these wells to be productive). Gross wells are the total number of producing wells in which we have an interest, and net wells are the sum of our fractional working interests in the gross wells.

| Location    | Gross |     |       | Net  |      |       |
|-------------|-------|-----|-------|------|------|-------|
|             | Oil   | Gas | Total | Oil  | Gas  | Total |
| Mississippi | 4     | 1   | 5     | 0.27 | 0.27 | 0.54  |
| Total       | 4     | 1   | 5     | 0.7  | .27  | 0.54  |

## Unaudited Oil and Gas Reserve Quantities

The unaudited reserve estimates for Mississippi, as of October 31, 2012, were prepared by Veazey & Associates, an independent petroleum engineering firm.

The estimated proved reserves prepared by Veazey and Associates are summarized in the table below, in accordance with definitions and pricing requirements as prescribed by the Securities and Exchange Commission (the "SEC"). Prices paid for oil and natural gas vary widely depending upon the quality such as the Btu content of the natural gas, gravity of the oil, sulfur content and location of the production related to the refinery or pipelines.

There are many uncertainties inherent in estimating proved reserve quantities and in projecting future production rates and the timing of development expenditures. In addition, reserve estimates of new discoveries that have little production history are more imprecise than those of properties with more production history. Accordingly, these estimates are expected to change as future information becomes available.

Proved oil and gas reserves are the estimated quantities of crude oil and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions.

Proved developed oil and gas reserves are those reserves expected to be recovered through existing wells with existing equipment and operating methods.

Unaudited net quantities of proved developed and undeveloped reserves of crude oil and natural gas (all located within United States) are as follows:

The standardized measure of discounted future net cash flows relating to proved natural gas and oil reserves is as follows:

|  | USD\$                   |
|--|-------------------------|
| Future cash inflows                                      | 15,518,360              |
| Future production costs                                  | (3,883,845)             |
| Future development costs                                 | (1,103,551)             |
| Future net cash flows - undiscounted                     | 10,530,964              |
| 10% annual discount for estimated timing of cash flows   | (2,435,351)             |
| Standardized measure of discounted future net cash flows | <u><u>8,095,613</u></u> |

Year-end price per Bbl of oil used in making standardized measure determinations as of October 31, 2012 was \$111.61.

### *Estimated Net quantities of Natural Gas and Oil Reserves:*

The following table sets forth our proved reserves, including changes, and proved developed reserves at the end of October 31, 2012.

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|                                   | Crude Oil<br>(MBbls) | Natural<br>Gas<br>(MMcf) | Crude Oil<br>Equivalents<br>(MBbls) |
|-----------------------------------|----------------------|--------------------------|-------------------------------------|
| <b>Proved reserves:</b>           |                      |                          |                                     |
| Beginning of the year reserve     | 155.79               | -                        | 155.79                              |
| Adjustments of reserves in place  | 5.78                 | -                        | 5.78                                |
| Productions                       | (22.53)              | -                        | (22.53)                             |
| End of year reserves              | 139.04               | -                        | 139.04                              |
| <b>Proved developed reserves:</b> |                      |                          |                                     |
| Beginning of the year reserve     | 68.07                | -                        | 68.07                               |
| End of year reserves              | 56.14                | -                        | 56.14                               |

#### Oil and Gas Acreage

The following table sets forth the undeveloped and developed acreage, by area, held by us as of October 31, 2012. Undeveloped acres are acres on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and gas, regardless of whether or not such acreage contains proved reserves. Developed acres are acres, which are spaced or assignable to productive wells. Gross acres are the total number of acres in which we have a working interest. Net acreage is obtained by multiplying gross acreage by our working interest percentage in the properties. The table does not include acreage in which we have a contractual right to acquire or to earn through drilling projects, or any other acreage for which we have not yet received leasehold assignments.

|             | Undeveloped Acres |     | Developed Acres |        |
|-------------|-------------------|-----|-----------------|--------|
|             | Gross             | Net | Gross           | Net    |
| Mississippi | 220               | 132 | 1,160           | 316.72 |
| Total       | 220               | 132 | 1,160           | 316.72 |

#### Drilling Activity

The following table sets forth our drilling activity during the years ended October 31, 2012, 2011 and 2010.

|                    | 2012  |     | 2011  |     | 2010  |      |
|--------------------|-------|-----|-------|-----|-------|------|
|                    | Gross | Net | Gross | Net | Gross | Net  |
| Exploratory wells: |       |     |       |     |       |      |
| Productive         |       |     |       |     |       |      |
| Dry                |       |     | 1     |     |       |      |
| Development wells: |       |     |       |     |       |      |
| Productive         |       |     |       |     | 2     | 1.28 |
| Dry                |       |     |       |     | 1     | .64  |
| Total wells        |       |     |       |     | 2     | 1.92 |

#### Item 3. Legal Proceedings

On October 20, 2011 Lexaria Corp., (the “Company”) was served with an amended complaint filed on behalf of John M. Deakle in the Circuit Court of Hinds County, Mississippi. The complaint included the Company as one of the defendants and alleges breach of contract as well as mismanagement of the drilling activity and improper billing by Griffin and Griffin, the operator on the Company’s Belmont Lake oil and gas properties. Deakle specifically alleges that the Company pressured Griffin and Griffin to undertake the drilling of unnecessary wells for their own benefit. The complaint requests injunctions to enjoin the operator from drilling additional wells on the Belmont Lake property, declaratory judgments stating, apart from other things, that Deakle’s rights under the joint operating agreement were breached, and punitive damages.

The Company believed that this was a frivolous suit, devoid of any merit as it related to the Company’s activities, and defended its position. Additionally, the Company considered filing a countersuit against Deakle for damages caused by Deakle’s refusal to comply with the terms of the joint operating agreement, the unwarranted interruption of drilling activity on the property as a result of Deakle’s action, as well as costs associated with defending the lawsuit.

The lawsuit has since been settled and there are no material adverse effects upon the Company as a result of the settlement.

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

#### SIGNATURES

#### Item 4. (Reserved and Removed)

#### PART II

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

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

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

| OTC Bulletin Board <sup>(1)</sup> |        |        |
|-----------------------------------|--------|--------|
| Quarter Ended                     | High   | Low    |
| October 31, 2010                  | \$0.29 | \$0.12 |
| January 31, 2011                  | \$0.35 | \$0.15 |
| April 30, 2011                    | \$0.50 | \$0.26 |
| July 31, 2011                     | \$0.40 | \$0.20 |
| October 31, 2011                  | \$0.35 | \$0.26 |
| January 31, 2012                  | \$0.30 | \$0.23 |
| April 30, 2012                    | \$0.15 | \$0.11 |
| July 31, 2012                     | \$0.12 | \$0.05 |
| October 31, 2012                  | \$0.12 | \$0.01 |

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

(2) No high or low bid prices for our common stock were recorded for the period indicated.

As of January 29, 2013, there were 29 holders of record of our common stock. As of such date, 16,431,452 shares of common stock were issued and outstanding.

Our common shares are issued in registered form. Olympia Trust Company, 1003-750 West Pender Street, Vancouver, BC V6C 2T8 (Telephone: 604-484-8612; Facsimile: 604-484-8638) is the transfer agent for our common shares.

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

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#### *Dividend Policy*

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

#### *Recent Sales of Unregistered Securities*

We did not sell any equity securities which were not registered under the Securities Act during the year ended October 31, 2012 that were not otherwise disclosed on our quarterly reports on Form 10-Q or our current reports on Form 8-K filed during the year ended October 31, 2012.

#### *Equity Compensation Plan Information*

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

##### 2007 Equity Plan

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

The 2007 Plan permits our company to issue up to 500,000 shares of our common stock to eligible employees and directors of our company upon the exercise of stock options granted under the 2010 Plan. As of October 31, 2012, there is 100,000 option outstanding under the 2007 Plan.

##### **2010 Equity Compensation Plan**

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

The 2010 Plan permits our company to issue up to 1,800,000 shares of our common stock to directors, officers, employees and eligible consultants of our company upon the exercise of stock options granted under the 2010 Plan. As of October 31, 2012, there are 1,725,000 options outstanding under the 2010 Plan.

| Equity Compensation Plan Information                   |   |   |   |
|--|---|---|---|
| Plan category  | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) |
| Equity compensation plans not approved by shareholders | Nil   | Nil   | Nil   |
| Equity compensation plans approved by shareholders:    |   |   |   |
| 2007 Equity compensation plan                          | Nil   | Nil   | 100,000   |
| 2010 Equity compensation plan                          | 1,725,000   | \$0.26  | 75,000  |
| <b>Total</b>   | <b>1,725,000</b>  | <b>0.26</b>   | <b>175,000</b>  |

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

We did not purchase any of our shares of common stock or other securities during our fiscal year ended October 31, 2012.

**Item 6. Selected Financial Data**

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

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

The following discussion should be read in conjunction with our audited consolidated financial statements and the related notes that appear elsewhere in this annual report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward looking statements. Factors that could cause or contribute to such differences include, but are not limited to; those discussed below and elsewhere in this annual report, particularly in the section entitled "Risk Factors" beginning on page 11 of this annual report.

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

**Results of Operations for our Years Ended October 31, 2012 and 2011**

Our net loss and comprehensive loss for the year ended October 31, 2012, for the year ended October 31, 2011 and the changes between those periods for the respective items are summarized as follows:

|  | <b>Year Ended<br/>October 31,<br/>2012<br/>\$</b> | <b>Year Ended<br/>October 31,<br/>2011<br/>\$</b> | <b>Change Between<br/>Year Ended<br/>October 31, 2012<br/>and Year Ended<br/>October 31, 2011<br/>\$</b> |
|--|---|---|--|
| Revenue  | \$ 1,357,762                                      | \$ 1,133,766                                      | \$ 223,996   |
| Other (income)expenses                                       | Nil   | Nil   | Nil  |
| General and administrative                                   | 826,002   | 1,004,137   | (178,135 )   |
| Interest expense   | 237,641   | 223,673   | 13,968   |
| Write down in carrying<br>value of oil and gas<br>properties | Nil   | Nil   | Nil  |
| Consulting fees  | 239,260   | 262,134   | (22,874 )  |
| Oil and gas operating<br>expenses                            | 326,670   | 297,656   | 29,014   |
| Professional Fees  | 166,498   | 90,448  | 76,050   |
| Net Income (loss)  | (251,508)   | (538,226)   | 344,520  |

**Revenue**

Our revenue increased by \$223,996 during the year ended October 31, 2012. The increase in our oil and gas revenues for our year ended October 31, 2012 was largely due to increased production volumes for oil wells PP F-12-1 and PP F-12-3 along with production from wells 12-4 and 12-5. Wells PP F-12-1 and PP F-12-3 both underwent significant reworks during the year that resulted in improved oil production.

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#### **General and Administrative**

Our general and administrative expenses decreased by \$178,135 during the year ended October 31, 2012. The decrease in our general and administrative expenses for our year ended October 31, 2012 was due to decreased costs for stock based compensation, consulting, travel, foreign exchange and advertising.

#### **Professional Fees**

Our professional fees increased by \$76,050 during the year ended October 31, 2012. There was an increase in accounting, audit and legal fees for our year ended October 31, 2012 in connection with the preparation and filing of a Form S-1 and short form prospectus. These fees are not expected to be experienced again until and unless such time as the Company decides to make similar prospectus filings.

#### **Interest Expense**

Interest expense increased by \$13,968 during the year ended October 31, 2012. The increase in interest expense for our year ended October 31, 2012 is due to the convertible debt financing made to the Company.

#### **Oil and Gas Operating Expenses**

Oil and gas operating expenses increased to \$326,670 during the year ended October 31, 2012. The increase in oil and gas operating expenses for our year ended October 31, 2012 was due to the increased production volumes for oil wells PP F-12-1 and PP F-12-3 along with production from wells 12-4 and 12-5. PP F-12-1 and PP F-12-3 both underwent significant reworks during the year that resulted in improved oil production. An average price of \$102.75 per barrel was received during the 2012 fiscal year compared to an average of \$103.53 per barrel for fiscal year 2011. Our net interests in the wells of Belmont Lake, had production volumes for the fiscal year ending October 31, 2012 were approximately 22,526 barrels, compared to production volumes for the year ending October 31, 2011 which were approximately 12,044. The operating cost per barrel for October 31, 2012 was approximately \$14.50 and the cost per barrel for October 31, 2011 was approximately \$24.71.

#### **Liquidity and Financial Condition**

##### **Working Capital**

|                              | At<br>October 31,<br>2012 | At<br>October 31,<br>2011 |
|------------------------------|---------------------------|---------------------------|
| Current assets               | \$ 472,925                | \$ 264,228                |
| Current liabilities          | <u>1,711,332</u>          | <u>1,078,583</u>          |
| Working capital (deficiency) | <u>\$ (1,238,407)</u>     | <u>\$ (814,355)</u>       |

The Company has a working capital deficiency of \$1,238,407 as of October 31, 2012. Historically the Company has funded operations from debt or equity financings and will attempt to do the same going forward. No assurances can be provided that the company will be successful in raising additional funds. Our oilfield operations (excluding G&A and other corporate expenses) generated \$1,357,762 in revenue in the year ended October 31, 2012 while our field operating costs were \$326,670, generating positive oil field cash flow of \$1,031,092 prior to depletion and G&A expenses. The Company will need to refinance or renegotiate its debt obligations; operating requirements; and capital expenditures to whatever extent its oil field operations are unable to do so.

##### **Cash Flows**

|  | Year Ended          |                     |
|--|---------------------|---------------------|
|  | October 31,<br>2012 | October 31,<br>2011 |
| Cash flows from (used in) operating activities | \$ 135,943          | \$ 109,837          |
| Cash flows (used in) investing activities      | (274,132)           | (1,002,630)         |
| Cash flows from (used in) financing activities | 287,502             | 861,005             |
| Net increase (decrease) in cash during year    | <u>\$ 149,313</u>   | <u>\$ (31,788)</u>  |

### ***Operating Activities***

Net cash provided in operating activities was \$228,280 for the year ended October 31, 2012 compared with cash used in operating activities of \$195,103 in the same period in 2011. This difference was largely due to the decrease in the prepaid deposit that was capitalized.

### ***Investing Activities***

Net cash used in investing activities was \$378,967 for the year ended October 31, 2012 compared to net cash used in investing activities of \$697,690 in the same period in 2011. During the fiscal 2012 year, the Company focused its cash investing activities primarily on the workovers of the PP F-12-1 and PP F-12-3 wells, as well as on the Plug and Abandonment program of several old, inactive wells drilled in earlier years. During the earlier 2011 fiscal year the Company's cash investing had been focused primarily on the drilling of the then-new PP F-12-4 and PP F-12-5 wells.

### ***Financing Activities***

Net cash provided in financing activities was \$300,000 for the year ended October 31, 2012 compared to net cash provided of \$861,005 in the same period in 2011. This is attributable to the convertible debt financing completed on December 16, 2010, and the exercising of warrants and stock options in 2011. For the year ended October 31, 2012, there was a convertible debt financing completed on December 1, 2011 and a loan provided to the Company on March 30 and July 31, 2012.

### **Contractual Obligations**

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

### **Going Concern**

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. Our company has a net loss of \$251,508 for the year ended October 31, 2012 [2011 – net loss of \$538,226] and at October 31, 2012 had a deficit of \$4,714,126 [2011 – \$4,462,618]. Our company has working capital deficiency of \$1,238,407 as at October 31, 2012 [2011 - \$814,355]. Our company requires additional funds to maintain our existing operations and to acquire new business assets. These conditions raise substantial doubt about our company's ability to continue as a going concern. Management's plans in this regard are to raise equity and debt financing as required, but there is no certainty that such financing will be available or that we will be available at acceptable terms. The outcome of these matters cannot be predicted at this time.

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

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

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

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

### **Critical Accounting Policies**

The discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with the accounting principles generally accepted in the United States of America. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. We believe that understanding the basis and nature of the estimates and assumptions involved with the following aspects of our financial statements are critical to an understanding of our financial statements.

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#### **Recent Accounting Pronouncements**

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income, which is effective for annual reporting periods beginning after December 15, 2011. ASU 2011-05 will become effective for the Company on January 1, 2012. This guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. In addition, items of other comprehensive income that are reclassified to profit or loss are required to be presented separately on the face of the financial statements. This guidance is intended to increase the prominence of other comprehensive income in financial statements by requiring that such amounts be presented either in a single continuous statement of income and comprehensive income or separately in consecutive statements of income and comprehensive income. The adoption of ASU 2011-05 is not expected to have a material impact on the Company's financial position or results of operations.

In May 2011, the FASB issued ASU 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs", which is effective for annual reporting periods beginning after December 15, 2011. This guidance amends certain accounting and disclosure requirements related to fair value measurements. Additional disclosure requirements in the update include: (1) for Level 3 fair value measurements, quantitative information about unobservable inputs used, a description of the valuation processes used by the entity, and a qualitative discussion about the sensitivity of the measurements to changes in the unobservable inputs; (2) for an entity's use of a nonfinancial asset that is different from the asset's highest and best use, the reason for the difference; (3) for financial instruments not measured at fair value but for which disclosure of fair value is required, the fair value hierarchy level in which the fair value measurements were determined; and (4) the disclosure of all transfers between Level 1 and Level 2 of the fair value hierarchy. The Company is currently evaluating the impact of the adoption.

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

Not Applicable.

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

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

### LEXARIA CORP.

We have audited the balance sheets of Lexaria Corp. (the "Company") as at October 31, 2012 and 2011 and the related statements of stockholders' equity, operations and comprehensive loss and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as at October 31, 2012 and 2011 and the result of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

Vancouver, Canada  
January 29, 2013

*MNP LLP*  
Chartered Accountants



**ACCOUNTING > CONSULTING > TAX**  
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**LEXARIA CORP.**  
**BALANCE SHEETS**  
(Expressed in U.S. Dollars)

|  | October 31<br>2012  | October 31<br>2011  |
|--|---------------------|---------------------|
| <b>ASSETS</b>  |                     |                     |
| <b>Current</b>   |                     |                     |
| Cash and cash equivalents  | \$ 180,514          | \$ 31,201           |
| Accounts receivable  | 290,936             | 230,880             |
| Prepaid expenses and deposit   | 1,475               | 2,147               |
| <b>Total Current Assets</b>  | <u>472,925</u>      | <u>264,228</u>      |
| <b>Deferred charges</b>  | -                   | 33,092              |
| <b>Oil and gas properties (Note 5)</b>   |                     |                     |
| Proved property  | 3,699,535           | 3,717,866           |
| Prepayment for oil and gas exploration   | -                   | 304,890             |
| Unproved properties  | 19,293              | 19,293              |
| <b>TOTAL ASSETS</b>  | <u>3,718,828</u>    | <u>4,042,049</u>    |
|  | <u>\$ 4,191,753</u> | <u>\$ 4,339,369</u> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                     |                     |
| <b>LIABILITIES</b>   |                     |                     |
| <b>Current</b>   |                     |                     |
| Accounts payable and accrued liabilities   | \$ 67,043           | \$ 322,313          |
| Loan payable (Note 6)  | 1,642,520           | 754,501             |
| Due to a related party (Note 8)  | 1,769               | 1,769               |
| <b>Total Current Liabilities</b>   | <u>1,711,332</u>    | <u>1,078,583</u>    |
| <b>Loan Payable (Note 6)</b>   | -                   | 599,438             |
| <b>Asset retirement obligations (Note 7)</b>   | <u>59,245</u>       | -                   |
| <b>TOTAL LIABILITIES</b>   | <u>1,770,577</u>    | <u>1,678,021</u>    |
| <b>STOCKHOLDERS' EQUITY</b>  |                     |                     |
| <b>Share Capital</b>   |                     |                     |
| Authorized:  |                     |                     |
| 200,000,000 common voting shares with a par value of \$0.001 per share   |                     |                     |
| Issued and outstanding: 16,431,452 common shares at October 31,<br>2012 (16,431,452 common shares at October 31, 2011) | 16,431              | 16,431              |
| <b>Additional paid-in capital</b>  | 7,118,871           | 7,107,535           |
| <b>Deficit</b>   | <u>(4,714,126)</u>  | <u>(4,462,618)</u>  |
| <b>Total Stockholders' Equity</b>  | <u>2,421,176</u>    | <u>2,661,348</u>    |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>  | <u>\$ 4,191,753</u> | <u>\$ 4,339,369</u> |

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

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

YEARS ENDED  
October 31

2012                    2011

|   |                   |            |
|---|-------------------|------------|
| <b>Revenue</b>  |                   |            |
| Natural gas and oil revenue                                 | <b>1,357,762</b>  | 1,133,766  |
| <b>Cost of revenue</b>                                      |                   |            |
| Natural gas and oil operating costs                         | 326,670           | 297,656    |
| Depletion   | 456,598           | 370,199    |
|   | 783,268           | 667,855    |
| <b>Gross profit (loss)</b>                                  | <b>574,494</b>    | 465,911    |
| <b>Expenses</b>   |                   |            |
| Accounting and audit  | 40,643            | 32,433     |
| Insurance   | 6,677             | 8,749      |
| Advertising and promotions                                  | 3,466             | 40,920     |
| Bank charges and exchange loss                              | 8,965             | 55,052     |
| Stock Based Compensation                                    | 11,336            | 179,789    |
| Consulting (note 8)   | 239,260           | 262,134    |
| Depreciation  | -                 | 425        |
| Fees and Dues   | 62,506            | 36,454     |
| Interest expense from loan payable (note 6)                 | 237,641           | 223,673    |
| Investor relations  | 29,616            | 29,153     |
| Legal and professional                                      | 125,855           | 58,015     |
| Office and miscellaneous                                    | 2,966             | 5,181      |
| Rent  | 15,434            | 14,620     |
| Telephone   | 4,135             | 3,047      |
| Taxes   | 14,042            | 5,977      |
| Training  | -                 | 268        |
| Travel  | 23,460            | 48,247     |
|   | <b>826,002</b>    | 1,004,137  |
| <b>Net (loss) for the year</b>                              | <b>(251,508)</b>  | (538,226)  |
| <b>Basic and diluted (loss) per share</b>                   | <b>(0.02)</b>     | (0.04)     |
| <b>Weighted average number of common shares outstanding</b> |                   |            |
| - Basic and diluted   | <b>16,431,452</b> | 13,451,758 |

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

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

|   | YEARS Ended<br>October 31 |                    |
|---|---------------------------|--------------------|
|   | 2012                      | 2011               |
| <b>Cash flows from (used in) operating activities</b>                       |                           |                    |
| Net (loss) for the year   | \$ (251,508)              | \$ (538,226)       |
| Adjustments to reconcile net loss to net cash used in operating activities: |                           |                    |
| Consulting -Debt Settlement   | -                         | 9,376              |
| Consulting - Stock based compensation                                       | 11,336                    | 179,789            |
| Depreciation  | -                         | 425                |
| Depletion   | 456,598                   | 370,199            |
| Foreign exchange gain / loss  | 1,078                     | 52,823             |
| Accrued interest on loan payable  | -                         | 6,334              |
| Change in operating assets and liabilities:                                 |                           |                    |
| (Increase)/Decrease in accounts receivable                                  | (60,056)                  | (156,001)          |
| (Increase)/Decrease in prepaid expenses and deposit                         | 33,765                    | 241                |
| Increase/(Decrease) in accounts payable                                     | (55,270)                  | 184,877            |
| <b>Net cash from (used in) operating activities</b>                         | <b>135,943</b>            | <b>109,837</b>     |
| <b>Cash flows (used in) investing activities</b>                            |                           |                    |
| Oil and gas property acquisition and exploration costs                      | (274,132)                 | (1,002,630)        |
| <b>Net cash used in investing activities</b>                                | <b>(274,132)</b>          | <b>(1,002,630)</b> |
| <b>Cash flows from financing activities</b>                                 |                           |                    |
| Proceeds from loan payable  | 100,000                   | 329,903            |
| Proceeds from private placement and convertible debt                        | 200,000                   | 36,908             |
| (Payment) of loan payable   | (12,498)                  | -                  |
| Proceeds from Stock Options and warrant                                     | -                         | 494,194            |
| <b>Net cash from financing Activities</b>                                   | <b>287,502</b>            | <b>861,005</b>     |
| <b>Increase (Decrease) in cash and cash equivalents</b>                     | <b>149,313</b>            | <b>(31,788)</b>    |
| <b>Cash and cash equivalents, beginning of year</b>                         | <b>31,201</b>             | <b>62,989</b>      |
| <b>Cash and cash equivalents, end of year</b>                               | <b>\$ 180,514</b>         | <b>\$ 31,201</b>   |
| Supplemental information of cash flows:                                     |                           |                    |
| Interest paid in cash   | \$ -                      | \$ -               |
| Income taxes paid in cash   | \$ -                      | \$ -               |

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

**LEXARIA CORP**  
**STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME**  
For Years Ended October 31, 2012 and October 31, 2010  
(Expressed in U.S. Dollars)

|  | <b>COMMON STOCK</b> |        | ADDITIONAL<br>PAID-IN<br>CAPITAL | DEFICIT     | <b>TOTAL<br/>STOCKHOLDERS'<br/>EQUITY</b> |
|--|---------------------|--------|----------------------------------|-------------|---|
|  | SHARES              | AMOUNT |                                  |             |   |
| Balance, October 31, 2010  | 12,926,348          | 12,926 | 6,065,118                        | (3,924,392) | 2,153,653                                 |
| Warrant conversion @ \$0.22  | 66,300              | 66     | 14,520                           |             | 14,586                                    |
| Issuance of common stock per Settlement<br>Agreement at \$0.23 per share | 40,761              | 41     | 9,335                            |             | 9,375                                     |
| Warrants for Convertible Debt  |                     |        | 20,562                           |             | 20,562                                    |
| Issuance of common stock per stock option<br>Exercise                    | 106,250             | 106    | 21,144                           |             | 21,250                                    |
| Issuance of common stock per warrant<br>exercise @ \$0.20                | 2,173,043           | 2,173  | 432,436                          |             | 434,609                                   |
| Issuance of common stock per stock option<br>exercise @ \$0.20           | 118,750             | 119    | 23,631                           |             | 23,750                                    |
| Issuance of common stock per PP @ \$0.35                                 | 200,000             | 200    | 69,800                           |             | 70,000                                    |
| Stock Options @\$0.35  |                     |        | 179,789                          |             | 179,789                                   |
| Issuance of common stock per Agreement<br>at \$0.30 per share            | 800,000             | 800    | 239,200                          |             | 240,000                                   |
| Issuance of common stock for oil   |                     |        |                                  |             |   |

|                              |            |        |           |             |           |
|------------------------------|------------|--------|-----------|-------------|-----------|
| & gas property @ \$0.34      |            |        | 32,000    |             | 32,000    |
| Comprehensive income (loss): |            |        |           |             |           |
| (Loss) for the year          |            |        |           | (538,226)   | (538,226) |
| Balance, October 31, 2011    | 16,431,452 | 16,431 | 7,107,535 | (4,462,618) | 2,661,348 |
| Stock Options @ \$0.30       |            |        | 9,589     |             | 9,589     |
| Stock Options @ \$0.20       |            |        | 1,747     |             | 1,747     |
| Comprehensive income (loss): |            |        |           |             |           |
| (Loss) for the year          |            |        |           | (251,508)   | (251,508) |
| Balance, October 31, 2012    | 16,431,452 | 16,431 | 7,118,871 | (4,714,126) | 2,421,176 |

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

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**LEXARIA CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**October 31, 2012**  
**(Expressed in U.S. Dollars)**  
**(Audited)**

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**1. Organization and Business**

The Company was formed on December 9, 2004 under the laws of the State of Nevada and commenced operations on December 9, 2004. The Company is an independent natural gas and oil company engaged in the exploration, development and acquisition of oil and gas properties in the United States and Canada. The Company's entry into the oil and gas business began on February 3, 2005. The Company has offices in Vancouver and Kelowna, BC, Canada.

These financial statements have been prepared in accordance with United States generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company has recurring operating loss and required additional funds to maintain its operations. Management's plans in this regard are to raise equity and/or debt financing as required.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. These financial statements do not include any adjustment that might result from this uncertainty.

**2. Business Risk and Liquidity**

The Company is subject to several categories of risk associated with its operating activities. Natural gas and oil exploration and production is a speculative business and involves a high degree of risk. Among the factors that have a direct bearing on the Company's financial information are uncertainties inherent in estimating natural gas and oil reserves, future hydrocarbon production and cash flows, particularly with respect to wells that have not been fully tested and with wells having limited production histories; access and cost of services and equipment; and the presence of competitors with greater financial resources and capacity.

**3. Significant Accounting Policies**

**a) Principles of Accounting**

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

**b) Revenue Recognition**

The Company uses the sales method of accounting for natural gas and oil revenues. Under this method, revenues are recognized upon the passage of title, net of royalties. Revenues from natural gas production are recorded using the sales method. When sales volumes exceed the Company's entitled share, an overproduced imbalance occurs. To the extent the overproduced imbalance exceeds the Company's share of the remaining estimated proved natural gas reserves for a given property, the Company records a liability. At October 31, 2012 and 2011, the Company had no overproduced imbalances.

**c) Cash and Cash Equivalents**

Cash equivalents comprise certain highly liquid instruments with a maturity of three months or less when purchased. As of October 31, 2012 and 2011, cash and cash equivalents consist of cash only.

**d) Oil and Gas Properties**

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

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

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

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

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

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

**e) Stock-Based Compensation**

Accounting Standards Codification ("ASC") 718, "*Compensation – Stock Compensation*", accounts for its stock options and similar equity instruments issued. Accordingly, compensation costs attributable to stock options or similar equity instruments granted are measured at the fair value at the grant date, and expensed over the expected vesting period. ASC 718 requires excess tax benefits be reported as a financing cash inflow rather than as a reduction of taxes paid.

**f) Accounting Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions. Significant estimates are required in the valuation of deferred tax assets, asset retirement obligations, share-based payment arrangements and proved oil and gas reserves, and such estimates may impact the amount at which such items are recorded.

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**g) Capital Assets**

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

**h) Loss Per Share**

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

**i) Foreign Currency Translations**

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

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

**j) Financial Instruments**

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

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

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

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

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

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

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**k) Income Taxes**

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

**l) Long-Lived Assets Impairment**

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

**m) Asset Retirement Obligations**

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

**n) Comprehensive Income**

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

**o) Credit risk and receivable Concentration**

The Company places its cash and cash equivalent with high credit quality financial institution. As of October 31, 2012, the Company had approximately \$171,845 in a bank beyond insured limit (October 31, 2011: \$15,487).

The revenues were generated from the Company’s sole customer for fiscal year 2012 and 2011; the corresponding accounts receivable balances were \$257,693 and \$194,293 at October 31, 2012 and 2011, respectively.

**p) Convertible Debentures**

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

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

**q) Commitments and Contingencies**

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

**r) Newly Adopted Accounting Policies**

In September 2011, FASB issued Accounting Standards Update No. 2011-08, Testing Goodwill for Impairment (ASU 2011-08), which amends the guidance in ASC 350-20. The amendments in ASU 2011-08 provide entities with the option of performing a qualitative assessment before performing the first step of the two-step impairment test. If entities determine, on the basis of qualitative factors, it is not more likely than not that the fair value of the reporting unit is less than the carrying amount, then performing the two-step impairment test would be unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. If the carrying amount of a reporting unit exceeds its fair value, then the entity is required to perform the second step of the goodwill impairment test to measure the amount of the impairment loss, if any. ASU 2011-08 also provides entities with the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to the first step of the two-step impairment test. The adoption of ASU 2011-08 does not have significant impact on the Company’s financial statements.

In February 2010, the FASB issued ASC No. 2010-09, “Amendments to Certain Recognition and Disclosure Requirements”, which eliminates the requirement for SEC filers to disclose the date through which an entity has evaluated subsequent events. The adoption of ASC No. 2010-09 does not have a material impact on the Company’s financial statements.

In April 2010, the FASB issued ASU 2010-13, “Compensation—Stock Compensation (Topic 718): Effect of Denominating the Exercise Price of a Share-Based Payment Award in the Currency of the Market in Which the Underlying Equity Security Trades,” or ASU 2010-13. This ASU provides amendments to Topic 718 to clarify that an employee share-based payment award with an exercise price denominated in currency of a market in which a substantial portion of the entity’s equity securities trades should not be considered to contain a condition that is not a market, performance, or service condition. Therefore, an entity would not classify such an award as a liability if it otherwise qualifies as equity. The adoption does not have significant impact on its financial statements.

**s) New Accounting Pronouncements**

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income, which is effective for annual reporting periods beginning after December 15, 2011. ASU 2011-05 will become effective for the Company on November 1, 2012. This guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders’ equity. In addition, items of other comprehensive income that are reclassified to profit or loss are required to be presented separately on the face of the financial statements. This guidance is intended to increase the prominence of other comprehensive income in financial statements by requiring that such amounts be presented either in a single continuous statement of income and comprehensive income or separately in consecutive statements of income and comprehensive income. The adoption of ASU 2011-05 is not expected to have a material impact on the Company’s financial position or results of operations.

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In May 2011, the FASB issued ASU 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs", which is effective for annual reporting periods beginning after December 15, 2011. This guidance amends certain accounting and disclosure requirements related to fair value measurements. Additional disclosure requirements in the update include: (1) for Level 3 fair value measurements, quantitative information about unobservable inputs used, a description of the valuation processes used by the entity, and a qualitative discussion about the sensitivity of the measurements to changes in the unobservable inputs; (2) for an entity's use of a nonfinancial asset that is different from the asset's highest and best use, the reason for the difference; (3) for financial instruments not measured at fair value but for which disclosure of fair value is required, the fair value hierarchy level in which the fair value measurements were determined; and (4) the disclosure of all transfers between Level 1 and Level 2 of the fair value hierarchy. The Company is currently evaluating the impact of the adoption.

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

#### 4. Capital Stock

##### Share Issuances

On November 16, 2010, the Company settled the debt incurred as a result of a consulting agreement, being \$9,375 to Mr. Tom Ihrke by issuing 40,761 restricted common shares of the Company at a price of \$0.23 per share.

On January 4, 2011, 132,600 warrants were exercised for 66,300 common shares of the Company at a price of CAD\$0.22 for total proceeds of \$14,586. 100,000 warrants of the 132,600 warrants were exercised by a Director of the Company.

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

On June 8, 2011, 1,500,000 warrants were exercised for 1,500,000 common shares of the Company at a price of \$0.20 for total proceeds of \$300,000. The warrants were exercised by a Director of the Company.

On June 28, 2011, 500,000 warrants were exercised for 500,000 common shares of the Company at a price of \$0.20 for total proceeds of \$100,000. The warrants were exercised by a Director/Officer of the Company.

On July 13, 2011, 173,043 warrants were exercised for 173,043 common shares of the Company at a price of \$0.20 for total proceeds of \$34,608.

On July 13, 2011, the Company completed an equity financing and issued 200,000 units at the price of \$0.35 per unit and each unit consists of one share of common stock and one share purchase warrant which entitles a holder to purchase one common share at \$0.50 per share for a period of two years. All shares and warrants issued were restricted under applicable securities rules. The Company accepted and received gross proceeds of \$70,000. \$3,500 of finder's fee was paid to an officer of the Company.

On July 15, 2011, the Company accepted and received gross proceeds of \$23,750 for the exercise of 118,750 stock options at an exercise price of \$0.20 per stock option into 118,750 common shares of the Company. 100,000 stock options were exercised by a Director/Officer of the Company.

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On August 12, 2011, the Company issued 800,000 common shares of the Company at the price of \$0.34 for the acquisition of acquiring an additional 10% working interest in Belmont Lake.

As at October 31, 2012, Lexaria Corp. has 16,431,452 shares issued and outstanding and 1,971,429 warrants issued and outstanding.

A summary of warrants as at October 31, 2012 is as follows:

| <b>Number<br/>Outstanding<sup>1</sup></b> | <b>Exercise<br/>Price</b> | <b>Expiry<br/>Date</b> |
|---|---------------------------|------------------------|
| 1,771,429                                 | \$0.40                    | November 30, 2012 *    |
| 200,000                                   | \$0.50                    | July 13, 2013          |
| <b>1,971,429</b>                          | <b>\$0.41</b>             |                        |

1. Each warrant entitles a holder to purchase one common share.

\* Expired subsequent to year end unexercised.

## 5. Oil and Gas Properties

### (a) Proved properties

| <b>Properties</b>               | <b>October 31,<br/>2011</b> | <b>Addition</b>   | <b>Depletion</b>    | <b>October 31,<br/>2012</b> |
|---------------------------------|-----------------------------|-------------------|---------------------|-----------------------------|
| <b>U.S.A. – Proved property</b> | <b>\$ 3,717,866</b>         | <b>\$ 438,267</b> | <b>\$ (456,598)</b> | <b>\$ 3,699,535</b>         |
| <b>Properties</b>               | <b>October 31,<br/>2010</b> | <b>Addition</b>   | <b>Depletion</b>    | <b>October 31,<br/>2011</b> |
| <b>U.S.A. – property</b>        | <b>Proved\$ 3,118,376</b>   | <b>\$ 969,689</b> | <b>\$ (370,199)</b> | <b>\$ 3,717,866</b>         |

#### Palmetto Point Project

On December 21, 2005, the Company agreed to purchase a 20% working and revenue interest in a 10 well drilling program in Mississippi owned by Griffin & Griffin Exploration for \$700,000. Concurrent with signing the Company paid \$220,000 and January 17, 2006 the Company paid the remaining \$480,000. The Company applied the full cost method to account for its oil and gas properties, seven wells were found to be proved wells, and three wells were found impaired. One of the wells was impaired due to uneconomic life, and the other two wells were abandoned due to no apparent gas or oil shows present. The costs of impaired properties were added to the capitalized cost in determination of the depletion expense.

On September 22, 2006, the Company elected to participate in an additional two-well program in Mississippi owned by Griffin & Griffin Exploration and paid \$140,000. The two wells were found to be proved wells.

On June 23, 2007, the Company acquired an assignment of 10% gross working interest from a third party for \$520,000 secured loan payable. The Company recognized \$501,922 in the oil and gas property.

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On October 4, 2007, the Company elected to participate in the drilling of PP F-12-3 in Mississippi by Griffin & Griffin Exploration. The Company had 30% gross working interest and paid \$266,348. On July 31, 2008, the Company accrued and paid an additional cost of \$127,707 for the workovers of wells PP F-12 and PP F-12-3. PP F-12 started production from October 2007, and PP F-12-3 started production from November 2007.

On April 3, 2009, the Company entered into an Asset Purchase Agreement to acquire additional interests in its existing core producing Mississippi oil and gas properties. The Company paid \$40,073 to acquire additional 2% working interest in the proven Belmont Lake oil and gas and an additional 10% working interest in potential nearby exploration wells. At this time the total working interest for Belmont Lake is 32%; and total working interest in the exploration wells on approximately 140,000 acres surrounding Belmont Lake in all directions is 60%.

The Company had a short-lived opportunity to acquire additional fractional interests in the Belmont Lake 12-4 well which was expected to be a horizontal well. An unrelated third party did not participate in its right to participate in the 12-4 well, and therefore a share of its interest ("non consent" interest) was made available to the other participating parties including Lexaria. On August 28, 2009 and effective on September 1, 2009, to take best advantage of this opportunity, the Company entered into four separate assignment agreements, three of which were with people or companies with related management. The Company received from these four parties proceeds of \$371,609 to fund additional interests in this well. As a result, the Company has a 25.84% perpetual gross interest in the well (18.0% net revenue interest); as well as a 5.2% net revenue interest in the non-consent interest. The non-consent interest remains valid until such time as the well produces 500% of all costs and expenses back to the participants in the form of revenue, at which time the non-consent interest ends. Enertopia, a company with related management, had acquired from Lexaria a 6.16% perpetual gross interest in the 12-4 well; David DeMartini, a director of Lexaria, acquired from Lexaria a 5% gross interest in the non-consent interest in the 12-4 well; and Kelowna Resources Group formerly known as 0743608 BC Ltd. a company owned by the President of the Company, acquired from Lexaria a 11.60% gross interest in the non-consent interest in the 12-4 well.

On May 31, 2010, the Company signed a Settlement Agreement with Enertopia Corp., whereby the Company issued 499,893 units at \$0.12 per unit and each unit consists of one restricted common share and one share purchase warrant at \$0.20 per share for a period of two years in exchange for the working interest initially assigned on August 28, 2009.

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

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

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The July 29, 2010 agreements were replaced on September 13, 2010, when the Company entered into three separate assignment agreements with Kelowna Resources Group formerly known as 0743608 BC Ltd, solely owned by Director/Officer of the Company; Emerald Atlantic LLC, solely owned by a Director of the Company, and the Senior VP Business Development. (the "Assignees"), whereby the Assignees have paid a fee of \$408,116 to earn a 24% share of the Company's gross non-perpetual 32% interest in the three oil wells being drilled in Wilkinson County, Mississippi. As a result of the three assignment agreements, Lexaria receives at no cost to the company, a carried interest of 8% in these same rights and benefits. The Company assigns, transfers and sets over to the Assignees, all proportionate rights, interest and benefits in the Assigned Non Perpetual Interest held by or granted to the Assignor in and to the Participation Agreement between the Company and Griffin but limited to a gross 500% revenue payout based on the total amount paid under the Initial Consideration and the Subsequent Consideration after which all rights, interests and benefits cease.

Lexaria entered into an Asset Purchase Agreement dated August 12, 2011, with Brinx Resources Ltd. to acquire 100% of its 10% gross working interest in the oil and gas interests located in Mississippi, USA. By acquiring the additional 10% working interest in Belmont Lake oil and gas field, Lexaria then had 42% working interest in Belmont Lake and retains its existing 60% working interest in the exploration wells on approximately 130,000 acres surrounding Belmont Lake in all directions.

Lexaria has agreed to considerations as follows;

1. \$200,000 on the August 12, 2011 (the "Initial Payment") (paid), and
2. \$200,000 on or before November 12, 2011; or interim payments, as agreed, in the amount of \$10,000 per month for up to 3 months following November 12, 2011 with the remaining balance of \$200,000 then due and payable (the "Final Payment"), and, should Lexaria not make the final payment on February 12, 2011 a penalty of \$500 per day (the "Penalty Payments") beginning one day after February 12, 2011 and accruing until the balance of the \$200,000 Final Payment is made to the Vendor. Both the Vendor and the Purchaser agreed that, should any Penalty Payments be due, such Penalty Payments are not deductible from the balance of the \$200,000 Final Payment. As at October 31, 2012, the Company has paid \$230,000, including the interim payments and Final Payment.
3. 800,000 shares of restricted common stock issued from Lexaria treasury were issued on August 12, 2011.

During the year ended October 31, 2012, additional expenditures of \$378,967 were incurred for workovers and there were additional well interest changes or workovers pending of wells PP F-12, PP F12-3, and PP F29.

As of October 31, 2012, the Company's working interest and production in PPF-12-4 and PPF-12-5 well located at Belmont Lake, Mississippi, with carrying values of \$1,000,000, are used as security for the convertible debentures issued on November 30, 2010, December 16, 2010 and December 1, 2011 (see note 7 (b) and (c), with aggregate amount of \$820,000.

**(b) Unproved Properties**

| <b>Properties</b> | <b>October 31,<br/>2012</b> | <b>October 31,<br/>2011</b> |
|-------------------|-----------------------------|-----------------------------|
|-------------------|-----------------------------|-----------------------------|

|                                   |           |               |               |
|-----------------------------------|-----------|---------------|---------------|
| <b>U.S.A.-Unproved properties</b> | <b>\$</b> | <b>19,293</b> | <b>19,293</b> |
|-----------------------------------|-----------|---------------|---------------|

#### **Mississippi and Louisiana, USA**

The Company entered into an Agreement to acquire a working interest in multiple zones of potential oil and gas production in Mississippi and Louisiana. This Agreement contemplates up to a 50 well drill program for Wilcox and Frio wells, at the Company's option, within the defined area of mutual interest (AMI). The AMI includes over 200,000 gross acres located non-contiguously between Southwest Mississippi and North East Louisiana.

The Company originally agreed to pay 40% of all prospect fees, mineral leases, surface leases, and drilling and completion costs to earn a net 32% of all production from all producible zones to the base of the Frio formation (Frio Targets); and, 30% of all production to the base of the Wilcox formation (Wilcox Targets). All working interests are to be registered in the name of Lexaria Corp.

The Joint Participation Agreement and Joint Lands Agreements are between Lexaria Corp. and Griffin & Griffin Exploration LLC (G&G) of Jackson, Mississippi.

On June 21, 2007, the Company acquired an additional 10% from a third party for all rights, title and benefits excluding the seven wells drilled under the AMI Agreement between August 3, 2006 and June 19, 2007, specifically wells CMR-USA-39-14, Dixon #1, Faust #1 TEC F-1, CMR/BR F-14, RB F-1 Red Bug #2, BR F-33, and Randall #1 F-4, and any offset wells that could be drilled to any of these specified wells.

On July 26, 2007, the Company acquired 5% from a third party for all rights, title and benefits in the seven wells drilled under the AMI Agreement between August 3, 2006 and June 19, 2007, specifically wells CMR-USA-39-14, Dixon #1, Faust #1 TEC F-1, CMR/BR F-14, RB F-1 Red Bug #2, BR F-33, and Randall #1 F-4, and any offset wells that could be drilled to any of these specified wells.

On April 3, 2009, the Company entered into an Asset Purchase Agreement to acquire additional interests in its existing core producing Mississippi oil and gas properties. The Company paid \$40,073 to acquire an additional 2% working interest in the proven Belmont Lake oil and gas field, and an additional 10% working interest in potential nearby exploration wells. Further, the Company is required to pay \$100 per month for a period of 4 years from the closing. Total working interest for Belmont Lake as of October 31, 2010 is 32%; and total working interest in the exploration wells on approximately 140,000 acres surrounding Belmont Lake in all directions as of October 31, 2010, is 60%.

On December 16, 2010, the Company entered into an assignment agreement with Emerald Atlantic LLC, solely owned by a Director of the Company (the "Assignee"), whereby the Assignee has paid a fee of \$30,076 to earn 18% of a 4.423% share of the Company's net revenue interest after field operating expenses for a well USA 1-27 that was subsequently drilled in Wilkinson County and found to have no economic oil or gas reserves.

#### **6. Loan Payable**

| <b>Notes</b> | <b>Nature</b> | <b>Original amounts</b> | <b>Carrying amounts</b> |                         |
|--------------|---------------|-------------------------|-------------------------|-------------------------|
|              |               |                         | <b>October 31, 2012</b> | <b>October 31, 2011</b> |
|              |               | \$                      | \$                      | \$                      |

|                                 |                        |                  |                  |                  |
|---------------------------------|------------------------|------------------|------------------|------------------|
| a)                              | Promissory Note        | 75,000           | 75,000           | 75,000           |
| b)                              | Convertible debentures | 620,000          | 610,073          | 599,438          |
| c)                              | Convertible debentures | 200,000          | 200,000          | -                |
| d)                              | Promissory Note        | 50,000           | 50,000           | -                |
| e)                              | Promissory Note        | 50,000           | 50,000           | -                |
| f)                              | Promissory Note        | 657,447          | 657,447          | 679,501          |
| <b>Total Outstanding</b>        |                        | <b>1,652,447</b> | <b>1,642,520</b> | <b>1,353,942</b> |
| <b>Loan payable - current</b>   |                        | <b>1,652,447</b> | <b>1,642,520</b> | <b>754,501</b>   |
| <b>Loan payable - long term</b> |                        | -                | -                | <b>599,438</b>   |

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

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

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

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

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

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

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

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

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

- d) On March 30, 2012, the Company entered into a loan agreement with Christopher Bunka, our President, Chief Executive Officer and Director, ("Lender") for a non-secured promissory note in the amount of \$50,000 (the "Promissory Note"). The Lender agreed to purchase a non-secured 12% interest bearing Promissory Note of our company subject to and upon the terms and conditions of the agreement. The Promissory Note has a month to month term.
- e) On July 20, 2012, the Company entered into a loan agreement with Christopher Bunka, our President, Chief Executive Officer and Director, ("Lender") for a non-secured promissory note in the amount of \$50,000 (the "Promissory Note"). The Company promises to pay to Lender at the end of every month \$4,166 to be applied against the principal amount outstanding from the date of the Loan Agreement for twelve months, plus interest at the rate of 12% per annum on the outstanding balance.
- f) On October 27, 2008 the Company entered into a Purchase Agreement in the amount of CAD\$900,000 of Notes being purchased by the President (CAD\$400,000), the President's wholly-owned company (CAD\$300,000) and a shareholder (CAD\$200,000) of the Company ("Purchasers"). The Purchasers agreed to purchase an 18% interest bearing Promissory Note of the Company subject to and upon the terms and conditions of the Purchase Agreement. The Company's obligations to repay the Promissory Note will be secured by certain specified assets of the Company pursuant to a Security Agreement. As long as the Promissory Note is outstanding, the Purchasers may voluntarily convert the Promissory Note to Common Shares at the conversion price of \$0.45 per share of Common Stock. The Promissory Note matures on October 27, 2010 or by mutual agreement by all parties on October 27, 2009.

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

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

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

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

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

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

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

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

During the fiscal year of October 31, 2011, the Company has paid down the debt by CAD\$185,000 and the carrying amount of the secured loan is \$657,447 as of October 31, 2012.

## 7. Asset retirement obligations

Remediation, reclamation and mine closure costs are based principally on legal and regulatory requirements. Management estimates costs associated with reclamation of mining properties as well as remediation costs for inactive properties. The Company uses assumptions about future costs, capital costs and reclamation costs. Such assumptions are based on the Company's current mining plan and the best available information for making such estimates. In calculating the present value of the asset retirement obligation the Company used a credit-adjusted risk free interest rate of 10% and a projected mine life of 12 years. On an ongoing basis, management reevaluates its estimates and assumptions; however, actual amounts could differ from those based on such estimates and assumptions.

Changes to the Company's asset retirement obligation on its Palmetto Point project are as follows:

|  | October 31,<br>2012 | October 31,<br>2011 |
|--|---------------------|---------------------|
| <b>Asset retirement obligation – beginning balance</b> | \$ -                | -                   |
| <b>Incurred</b>  | <b>59,245</b>       | -                   |
| <b>Asset retirement obligation – ending balance</b>    | <b>59,245</b>       | -                   |

## 8. Related Party Transactions

- (a) For the year ended October 31, 2012, the Company paid / accrued \$96,000 to CAB (2011: \$96,000), Tom Ihrke, the VP of business development, \$7,908 (2011: \$34,375), and BKB Management Ltd. ("BKB") CAD\$66,000 (2011: CAD\$64,000) for management, consulting and accounting services. CAB is owned by the president of the Company and BKB is owned by the CFO of the Company.
-

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

- (b) On October 27, 2008 the Company entered a secured loan agreement in the amount of CAD\$300,000 with CAB (See Note 7f). On July 10, 2009 \$40,000 of the debt was converted to equity. On October 21, 2010, the Company settled a portion of the debt, namely US\$1,625 with CAB by converting 65,000 warrants into 32,500 common shares of the Company as per Purchase Agreement dated October 27, 2008 at a price of \$0.05 per share. On June 28, 2011, the Company paid down CAD \$100,000 of the debt. For the year ended October 31, 2012, the Company paid interest expenses of CAD \$27,275 (2011: CAD\$41,509).
  - (c) On October 27, 2008 the Company entered a secured loan agreement in the amount of CAD\$400,000 with Christopher Bunka (See Note 7f). On October 21, 2010, the Company settled a portion of the debt, namely \$2,167 with Christopher Bunka by converting 86,667 warrants into 43,333 common shares of the Company as per Purchase Agreement dated October 27, 2008 at a price of \$0.05 per share. For the year ended October 31, 2012, the Company paid interest expenses of CAD \$71,610 (2011: CAD\$71,610).
  - (d) On April 1, 2010, the Company entered a non-secured loan agreement in the amount of US\$75,000 with CAB (See Note 7a). For the year ended October 31, 2012, the Company paid interest expenses of \$13,500 (2011: \$13,500).
  - (e) On March 30, 2012, the Company entered a non-secured loan agreement in the amount of US\$50,000 with Chris Bunka. For the year ended October 31, 2012, the Company incurred interest expenses of \$3,500 (2011: \$nil).
  - (f) On July 20, 2012, the Company entered a non-secured loan agreement in the amount of US\$50,000 with Chris Bunka. For the year ended October 31, 2012, the Company incurred interest expenses of \$1,556 (2011: \$nil) and paid back principal of \$12,498 (2011: \$nil).
  - (g) On December 1, 2011, the Company entered into a secured loan agreement in the amount of \$200,000 with two directors of the Company (see Note 7c). For the year ended October 31, 2012, the Company paid interest expense of \$22,000 (2011: \$Nil).
  - (h) Included in accounts payable, \$55,011 (2011: \$94,696) was payable to companies controlled by the president, key management personnel and directors of the Company.
  - (i) For the year ended October 31, 2012, the Company has paid/accrued \$67,377 (2011: \$153,563) to Kelowna Resources Group formerly known as 0743608 BC Ltd.; \$28,323 (2011:\$64,553) to Emerald Atlantic LLC; and, \$6,796 to Tom Ihreke (2011: \$18,196) for their respective Non-consent Interests in Belmont Lake. Kelowna Resources Group, formerly known as 0743608 BC Ltd., is owned by the president of the Company, and Emerald Atlantic LLC is owned by a Director of the Company.
  - (j) See Note 5, 6, and 7.
-

## 9. Stock Options

On July 11, 2011, the Company granted 700,000 stock options to directors and officers of the Company with an exercise price of \$0.35 per share, vested immediately and expiring on July 11, 2016.

On November 15, 2011, the Company granted 40,000 stock options to consultants of the Company with an exercise price of \$0.30 per share, vested immediately and expiring on November 15, 2016. The options have been cancelled as of October 31, 2012.

On September 28, 2012, the Company granted 25,000 stock options to Directors and Officers of the Company with an exercise price of \$0.20 per share, vested immediately and expiring on September 28, 2017.

For the stock options granted during the year, the exercise price is greater than the market price at grant date and the weighted average exercise price \$0.26 (2011: \$0.35) and the weighted average fair value is \$0.17 (2011:\$0.26) .

For the year ended October 31, 2012, the Company recorded a total of \$11,336 (2011: \$179,789) for stock based compensation expenses.

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

|                         | Year ended October 31, 2012 | Year ended October 31, 2011 |
|-------------------------|-----------------------------|-----------------------------|
| Expected volatility     | 129.14%-152.92%             | 131.14%                     |
| Risk-free interest rate | 2.75%                       | 2.75%                       |
| Expected life           | 5 years                     | 5 years                     |
| Dividend yield          | 0.0%                        | 0.0%                        |

A summary of the stock options for the year ended October 31, 2012 is presented below:

|                           | Options Outstanding |                                 |
|---------------------------|---------------------|---------------------------------|
|                           | Number of Shares    | Weighted Average Exercise Price |
| Balance, October 31, 2010 | 1,525,000           | \$ 0.20                         |
| Granted                   | 700,000             | 0.35                            |
| Exercised                 | (225,000)           | 0.20                            |
| Expired                   | (300,000)           | 0.20                            |
| Balance, October 31, 2011 | <u>1,700,000</u>    | <u>\$ 0.26</u>                  |
| Granted                   | 65,000              | 0.25                            |
| Exercised                 | (40,000)            | 0.30                            |
| Balance, October 31, 2012 | <u>1,725,000</u>    | <u>\$ 0.26</u>                  |

The Company has the following options outstanding and exercisable:

| Range of<br>Exercise prices | Number<br>of shares | Options outstanding                                  |  |                     | Options exercisable                      |  |  |
|-----------------------------|---------------------|--|--|---------------------|--|--|--|
|                             |                     | Weighted<br>average<br>remaining<br>contractual life | Weighted<br>Average<br>Exercise<br>Price | Number<br>of shares | Weighted<br>Average<br>Exercise<br>Price |  |  |
| \$0.20                      | 150,000             | 2.80 years   | \$ 0.20                                  | 150,000             | \$ 0.20                                  |  |  |
| \$0.20                      | 850,000             | 2.23 years   | \$ 0.20                                  | 850,000             | \$ 0.20                                  |  |  |
| \$0.35                      | 700,000             | 3.70 years   | \$ 0.35                                  | 700,000             | \$ 0.35                                  |  |  |
| \$0.20                      | 25,000              | 4.91 years   | \$ 0.20                                  | 25,000              | \$ 0.25                                  |  |  |
| Total                       | 1,725,000           | 2.91 years   | \$ 0.26                                  | 1,725,000           | \$ 0.26                                  |  |  |

#### 10. Commitments, Significant Contracts and Contingencies

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

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

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

During the year ended October 31, 2012, one pending lawsuit against the Company was settled, which has no material effect on the Company.

See also Note 6 and 7.

#### 11. Income Tax

The Company is subject US tax laws. The following table reconciles the expected income taxes expense (recovery) at the US statutory income tax rates to the amounts recognized in the consolidated statements of operations for the years ended October 31, 2012 and 2011:

|                                | 2012         | 2011         |
|--------------------------------|--------------|--------------|
| Income (loss) before taxes     | \$ (251,510) | \$ (538,226) |
| Statutory tax rate             | 35%          | 35%          |
| Expected income tax (recovery) | \$ (88,028)  | \$ (188,379) |
| Non-deductible items           | \$ 7,080     | \$ 62,926    |
| Change in estimates            | \$ (58,748)  | \$ Nil       |
| Change in valuation allowance  | \$ 139,696   | \$ 125,453   |
| Total income taxes (recovery)  | \$ Nil       | \$ Nil       |

Deferred income taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax assets (liabilities) at October 31, 2012 and 2011 are comprised of the following:

|                                       | <u>2012</u>    | <u>2011</u>    |
|---------------------------------------|----------------|----------------|
| Net capital loss carryforwards        | \$ 1,548,213   | \$ 1,408,175   |
| Financial instrument                  | \$ (341)       | \$ -           |
| Valuation allowance                   | \$ 1,547,871   | \$ 1,408,175   |
| Net deferred tax assets (liabilities) | \$ (1,547,871) | \$ (1,408,175) |
|                                       | Nil            | Nil            |

The Company has net operating loss carryforwards of approximately \$4,423,000 which may be carried forward to apply against future year income tax for US tax purposes.

| <b>Year</b>  | <b>Amount</b>       |
|--------------|---------------------|
| 2025         | \$ 76,000           |
| 2026         | 508,000             |
| 2027         | 1,056,000           |
| 2028         | 720,000             |
| 2029         | 753,000             |
| 2030         | 552,000             |
| 2031         | 538,000             |
| 2032         | 220,000             |
| <hr/>        |                     |
| <b>Total</b> | <b>\$ 4,423,000</b> |

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

## 12. Segmented Information

The Company's business is considered as operating in one segment (Oil and gas in the United States) based upon the Company's organizational structure, the way in which the operation is managed and evaluated, the availability of separate financial results and materiality considerations.

## 13. Subsequent Events

- (a) On November 22, 2012 the Company entered into an Amendment to existing debt agreements of total carrying amount of \$720,073 as at October 31, 2012, with maturity dates of month to month and December 1, 2012 with CAB Financial Services Ltd., David DeMartini, Emerald Atlantic LLC, and other debt holders of the Company, whereby the various lenders have agreed to modify various terms of the earlier agreements and provide for a final debt repayment schedule ending in December 2013. The Company will repay the debt in twelve equal monthly principal payment, plus interest on the monthly declining balances. The interest rates of the amendment debt are the same as the existing debt agreement.
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**14. Supplemental Information On Natural Gas and Oil Exploration, Development and Production Activities (Unaudited):**

*Standardized measure of discounted future net cash flows relating to proved oil and gas reserve quantities:*

The following summarizes the policies we used in the preparation of the accompanying natural gas and oil reserve disclosures, standardized measures of discounted future net cash flows from proved natural gas and oil reserves and the reconciliations of standardized measures from year to year. The information disclosed, as prescribed by the Statement of Financial Accounting Standards No. 69 (ASC 932), is an attempt to present the information in a manner comparable with industry peers.

The information is based on estimates of proved reserves attributable to our interest in natural gas and oil properties as of October 31, 2012. These estimates were prepared by independent petroleum consultants. Proved reserves are estimated quantities of natural gas and crude oil which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions.

The standardized measure of discounted future net cash flows from production of proved reserves was developed as follows:

1. Estimates are made of quantities of proved reserves and future periods during which they are expected to be produced based on year-end economic conditions.
2. The estimated future cash flows are compiled by applying year-end prices of natural gas and oil relating to our proved reserves to the year-end quantities of those reserves.
3. The future cash flows are reduced by estimated production costs, costs to develop and produce the proved reserves and abandonment costs, all based on year-end economic conditions.
4. Future net cash flows are discounted to present value by applying a discount rate of 10%.

The standardized measure of discounted future net cash flows does not purport, nor should it be interpreted, to present the fair value of our natural gas and oil reserves. An estimate of fair value would also take into account, among other things, the recovery of reserves not presently classified as proved, anticipated future changes in prices and costs, and a discount factor more representative of the time value of money and the risks inherent in reserve estimates.

The standardized measure of discounted future net cash flows relating to proved natural gas and oil reserves is as follows:

USDS

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|  |                  |
|--|------------------|
| Future cash inflows                                      | 15,518,360       |
| Future production costs                                  | (3,883,845)      |
| Future development costs                                 | (1,103,551)      |
| Future net cash flows - undiscounted                     | 10,530,964       |
| 10% annual discount for estimated timing of cash flows   | (2,435,351)      |
| Standardized measure of discounted future net cash flows | <u>8,095,613</u> |

Year-end price per Bbl of oil used in making standardized measure determinations as of October 31, 2012 was \$111.61.

*Estimated Net quantities of Natural Gas and Oil Reserves:*

The following table sets forth our proved reserves, including changes, and proved developed reserves at the end of October 31, 2012.

|                                   | Crude Oil<br>(MBbls) | Natural<br>Gas<br>(MMcf) | Crude Oil<br>Equivalents<br>(MBbls) |
|-----------------------------------|----------------------|--------------------------|-------------------------------------|
| <b>Proved reserves:</b>           |                      |                          |                                     |
| Beginning of the year reserve     | 155.79               | -                        | 155.79                              |
| Adjustments of reserves in place  | 5.78                 | -                        | 5.78                                |
| Productions                       | (22.53)              | -                        | (22.53)                             |
| End of year reserves              | <u>139.04</u>        | -                        | <u>139.04</u>                       |
| <b>Proved developed reserves:</b> |                      |                          |                                     |
| Beginning of the year reserve     | 68.07                | -                        | 68.07                               |
| End of year reserves              | <u>56.14</u>         | -                        | <u>56.14</u>                        |

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

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

#### **Item 9A. Controls and Procedures**

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

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

As of October 31, 2012, the end of our fiscal year covered by this report, we carried out an evaluation, under the supervision and with the participation of our president and chief executive officer (also our principal executive officer) and our chief financial officer (also our principal financial and accounting officer), of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our president and chief executive officer (also our principal executive officer) and our chief financial officer (also our principal financial and accounting officer) concluded that our disclosure controls and procedures were effective as of the end of the period covered by this annual report.

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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control include providing management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States. Our management assessed the effectiveness of our internal control over financial reporting as of October 31, 2012. 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 October 31, 2012, our internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US generally accepted accounting principles. Our management reviewed the results of their assessment with our Board of Directors.

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

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

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

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

There have been no changes in our internal controls over financial reporting that occurred during the year ended October 31, 2012 that have materially or are reasonably likely to materially affect, our internal controls over financial reporting.

#### **Item 9B. Other Information**

None.

### **PART III**

#### **Item 10. Directors, Executive Officers and Corporate Governance**

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

| Name              | Position Held with our Company                 | Age | Date First Elected Or Appointed       |
|-------------------|--|-----|---------------------------------------|
| Christopher Bunka | Chairman, Director and Chief Executive Officer | 51  | October 26, 2006<br>February 14, 2007 |
| Bal Bhullar       | Chief Financial Officer and Director           | 43  | May 12, 2009                          |
| David DeMartini   | Director                                       | 70  | September 8, 2009                     |
| Dustin Elford     | Director                                       | 66  | July 8, 2011                          |
| Nicholas Baxter   | Director                                       | 59  | July 8, 2011                          |
| Tom Ihrke         | Vice President, Business Development           | 46  | August 5, 2011                        |

#### *Business Experience*

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

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

Mr. Bunka has served as our director, chairman, president and chief executive officer since October 26, 2006. From February 14, 2007 until May 12, 2009 he was the chief financial officer of our company. Since October 26, 2006 Mr. Bunka has successfully completed both equity and debt financings for our company, completed the acquisition of additional oil & gas assets, disposed of other oil & gas assets, and restructured our company. He has refocused our company from one of natural gas exploration to that of development of existing oil reserves, and has engaged additional geophysical expertise in an attempt to better understand its exploration and development opportunities. Mr. Bunka has privately evaluated numerous oil and gas properties and investment opportunities for his private investments during the past 10 years.

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

Mr Bunka is Chairman/CEO of Enertopia Corp, (symbol ENRT-OTC) a clean energy company. Mr. Bunka is a director of Defiance Capital Corp., (symbol DEF-TSXV) a Canadian resource company.

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

Ms. Bhullar brings over 18 years of diversified financial and risk management experience in both private and public companies, in the industries of high-tech, film, mining, marine, oil & gas, energy, transport, and spa industries.

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

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

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

***Mr. David DeMartini - Director***

Dr. DeMartini received a B.S. Physics cum laude at the University of Notre Dame in 1963; and a PhD Physics at Ohio State University in 1969. He is the author of 19 public technical publications and 78 publications that are proprietary to Shell Oil Company. He has served as a Research Advisor at Shell Development Company at the Bellaire Research Center in Houston; a Senior Staff Supervisor; and a Senior Staff Geophysicist. He has belonged to the Society of Exploration Geophysicists from 1970 to present and was inducted to the Offshore Energy Center Hall of Fame as a Technology Pioneer on September 30, 2006. He has made significant contributions in the fields of rock physics theory and applications; seismic amplitude interpretation, borehole geophysics, and more. Dr. DeMartini was professionally engaged by the Company in 2007 as a consulting geophysicist to assist in interpretations of seismic data at its Mississippi properties, and has been a director of the Company since September 9, 2009.

***Mr. Dustin Elford - Director***

Mr. Elford has been in the oil & gas and mineral exploration businesses for 30 years. He has extensive experience in the development and financing of projects in many areas of North America, South America and Africa. Mr. Elford is currently President of AMI Resources Inc; President of Midasco Capital Corp; and a former President of Dejour Enterprises Ltd.

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

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

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**Mr. Tom Ihrke – Vice President, Business Development**

Tom Ihrke recently sold his General Partner interest in Commissum Capital Management, a capital management and advisory firm which he co-founded in 2001. During his tenure at Commissum, Tom served as portfolio manager and trader of the firm's investment fund, while also being retained as a consultant by several companies, including Lexaria, to advise on such matters as capital structure, accessing the capital markets, and mergers and acquisitions. Between 1993 and 2001 Tom worked for Morgan Keegan and Company as Senior Investment Banker in the firm's Financial Institution's Group, and prior to that as Senior Trader and Market Maker, overseeing the firm's proprietary trading of financial and energy shares. From 1990 to 1991 Tom traded commodities for his own account as a floor trader on the Chicago Board of Trade, owning a seat on the Mid-America Commodities Exchange. Tom earned his Bachelor of Science at Texas Christian University in 1989, and received his Masters of Business Administration at the University of Tennessee in 1993.

**Family Relationships**

There are no family relationships between any of our directors, executive officers and proposed directors or executive officers.

**Involved in Certain Legal Proceedings**

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

1. A petition under the Federal bankruptcy laws or any state insolvency law was filed by or against, or a receiver, fiscal agent or similar officer was appointed by a court for the business or property of such person, or any partnership in which he was a general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing;
  2. Such person was convicted in a criminal proceeding or is a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);
  3. Such person was the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from, or otherwise limiting, the following activities:
    - i. Acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity
    - ii. Engaging in any type of business practice; or
    - iii. Engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of Federal or State securities laws or Federal commodities laws;
  4. Such person was the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any Federal or State authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described in paragraph (f)(3)(i) of this section, or to be associated with persons engaged in any such activity;
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5. Such person was found by a court of competent jurisdiction in a civil action or by the Commission to have violated any Federal or State securities law, and the judgment in such civil action or finding by the Commission has not been subsequently reversed, suspended, or vacated;

6. Such person was found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any Federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated;

7. Such person was the subject of, or a party to, any Federal or State judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of:

- i. Any Federal or State securities or commodities law or regulation; or
- ii. Any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or
- iii. Any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

8. Such person was the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

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

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

Based solely on our review of the copies of such forms received by us, or written representations from certain reporting persons, we believe that during fiscal year ended October 31, 2010, all filing requirements applicable to our officers, directors and greater than 10% percent beneficial owners were complied with.

#### **Code of Ethics**

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

#### **Board and Committee Meetings**

Our board of directors held no formal meetings during the year ended October 31, 2012. All proceedings of the board of directors were conducted by resolutions consented to in writing by all the directors and filed with the minutes of the proceedings of the directors. Such resolutions consented to in writing by the directors entitled to vote on that resolution at a meeting of the directors are, according to the Nevada General Corporate Law and our Bylaws, as valid and effective as if they had been passed at a meeting of the directors duly called and held.

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## **Nomination Process**

As of October 31, 2012, we did not effect any material changes to the procedures by which our shareholders may recommend nominees to our board of directors. Our board of directors does not have a policy with regards to the consideration of any director candidates recommended by our shareholders. Our board of directors has determined that it is in the best position to evaluate our company's requirements as well as the qualifications of each candidate when the board considers a nominee for a position on our board of directors. If shareholders wish to recommend candidates directly to our board, they may do so by sending communications to the president of our Company at the address on the cover of this annual report.

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

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

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

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

## **Item 11. Executive Compensation**

The particulars of the compensation paid to the following persons:

- our principal executive officer;
- each of our two most highly compensated executive officers who were serving as executive officers at the end of the years ended October 31, 2012 and 2011; and
- up to two additional individuals for whom disclosure would have been provided under (b) but for the fact that the individual was not serving as our executive officer at the end of the years ended October 31, 2012 and 2012,

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

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SUMMARY COMPENSATION TABLE

| Name and Principal Position  | Year         | Salary (\$)      | Bonus (\$) | Stock Awards (\$) | Option Awards (\$) <sup>(4)</sup> | Non-Equity Incentive Plan Compensation (\$) | Nonqualified Deferred Compensation Earnings (\$) | All Other Compensation (\$) | Total (\$)        |
|--|--------------|------------------|------------|-------------------|-----------------------------------|---|--|-----------------------------|-------------------|
| Christopher Bunka <sup>(1)</sup> , President, Chief Executive Officer, & | 2012<br>2011 | 96,000<br>96,000 | Nil<br>Nil | Nil<br>Nil        | Nil<br>51,360                     | Nil<br>Nil                                  | Nil<br>Nil                                       | Nil<br>Nil                  | 96,000<br>147,360 |
| Bal Bhullar <sup>(2)</sup> , Chief Financial Officer                     | 2012<br>2011 | 66,000<br>64,890 | Nil<br>Nil | Nil<br>Nil        | Nil<br>25,680                     | Nil<br>Nil                                  | Nil<br>Nil                                       | Nil<br>Nil                  | 66,000<br>90,570  |
| Tom Ihrke <sup>(3)</sup><br>Sr. Vice President, Business Development     | 2012<br>2011 | 7,908<br>34,375  | Nil<br>Nil | Nil<br>Nil        | Nil<br>Nil                        | Nil<br>Nil                                  | Nil<br>Nil                                       | Nil<br>Nil                  | 7,908<br>34,375   |

- (1) Mr. Bunka was appointed president and chief executive officer on October 26, 2006, and was chief financial officer of our company from February 14, 2007 until May 12, 2009.
- (2) Ms. Bhullar was appointed Chief Financial Officer on May 12, 2009
- (3) Mr. Ihrke was appointed Senior Vice President, Business Development on August 5, 2010.
- (4) The fair value of the option award was estimated using the Black-Scholes pricing model with the following assumptions: expected volatility of 145.85%, risk-free interest rate of 2.46%, expected life of 5 years, and dividend yield of 0.0%.

Our company is currently paying our resident \$8,000 per month as consulting fees and is paying our Chief Financial Officer CAD\$5,500 per month in consulting fees.

#### *Employment/Consulting Agreements*

On May 12, 2009, we entered into a consulting agreement with BKB Management Ltd, a corporation organized under the laws of the Province of British Columbia and controlled by our chief financial officer. A consulting fee of CAD\$4,675 including applicable taxes is paid per month. We may terminate this agreement without prior notice based on a number of conditions. BKB Management Ltd. may terminate the agreement at any time by giving 30 days written notice of his intention to do so. On January 1, 2011, the compensation was increased to CAD\$5,500 per month plus applicable taxes.

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

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

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

We did not grant any awards to our named executive officers in the during our fiscal year ended October 31, 2011.

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

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

| OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END |  |  |   |  |                                     |   |  |   |   |  |
|--|--|--|---|--|-------------------------------------|---|--|---|---|--|
|  |  | OPTION AWARDS  |   |  |                                     | STOCK AWARDS  |  |   |   |  |
| Name<br>(a)                                  | Number of<br>Securities<br>Underlying<br>Unexercised<br>Options<br>(#)<br>Exercisable<br>(b) | Number of<br>Securities<br>Underlying<br>Unexercised<br>Options<br>(#)<br>Unexercisable<br>(c) | Equity<br>Incentive<br>Plan<br>Awards:<br>Number of<br>Securities<br>Underlying<br>Unexercised<br>Unearned<br>Options<br>(#)<br>(d) | Option<br>Exercise<br>Price<br>(\$)<br>(e) | Option<br>Expiration<br>Date<br>(f) | Number<br>of<br>Shares<br>or Units<br>of Stock<br>That<br>Have<br>Not<br>Vested<br>(#)<br>(g) | Market<br>Value of<br>Shares<br>or Units<br>of Stock<br>That<br>Have<br>Not<br>Vested<br>(\$)<br>(h) | Equity<br>Incentive<br>Plan<br>Awards:<br>Number of<br>Unearned<br>Shares,<br>Units or<br>Other<br>Rights<br>That<br>Have Not<br>Vested<br>(#)<br>(i) | Equity<br>Incentive<br>Plan<br>Awards:<br>Market or<br>Payout<br>Value of<br>Unearned<br>Shares,<br>Units or<br>Other<br>Rights<br>That<br>Have Not<br>Vested<br>(#)<br>(j) |  |
| Christopher Bunka                            | 500,000<br>200,000   | -<br>-   | -<br>-  | \$0.20<br>\$0.35                           | 2015/01/20<br>2016/07/11            | -<br>-  | -<br>-   | -<br>-  | -<br>-  |  |
| Bal Bhullar                                  | 300,000<br>100,000   | -<br>-   | -<br>-  | \$0.20<br>\$0.35                           | 2015/01/20<br>2016/07/11            | -<br>-  | -<br>-   | -<br>-  | -<br>-  |  |
| David DeMartini                              | 100,000  | -<br>-   | -<br>-  | \$0.35                                     | 2016/07/11                          | -<br>-  | -<br>-   | -<br>-  | -<br>-  |  |
| Tom Ihrke                                    | 25,000<br>150,000  | -<br>-   | -<br>-  | \$0.20<br>\$0.20                           | 2015/01/20<br>2015/08/16            | -<br>-  | -<br>-   | -<br>-  | -<br>-  |  |

#### **Option Exercises**

During our fiscal year ended October 31, 2012, no options were exercised by our named officers.

#### **Compensation of Directors**

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

#### **Pension, Retirement or Similar Benefit Plans**

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

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

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

#### **Compensation Committee Interlocks and Insider Participation**

During 2011, we did not have a compensation committee or another committee of the board of directors performing equivalent functions. Instead the entire board of directors performed the function of compensation committee. Our board of directors approved the executive compensation, however, there were no deliberations relating to executive officer compensation during 2011.

#### **Compensation Committee Report**

None.

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

The following table sets forth, as of January 7, 2013, certain information with respect to the beneficial ownership of our common shares by each shareholder known by us to be the beneficial owner of more than 5% of our common shares, as well as by each of our current directors and executive officers as a group. Each person has sole voting and investment power with respect to the shares of common stock, except as otherwise indicated. Beneficial ownership consists of a direct interest in the shares of common stock, except as otherwise indicated.

| Name and Address of Beneficial Owner                        | Amount and Nature of Beneficial Ownership | Percentage of Class |
|---|---|---------------------|
| Christopher Bunka<br>Kelowna BC Canada                      | 5,693,611 (1)                             | 32.69%              |
| Bal Bhullar<br>Vancouver, BC                                | 441,250 (2)                               | 2.62%               |
| David DeMartini,<br>Texas, Houston                          | 4,152,679(3)                              | 24.14%              |
| Tom Ihrke<br>South Carolina                                 | 425,385(4)                                | 2.56%               |
| Dustin Elford<br>Vancouver, BC                              | 150,000(5)                                | .9%                 |
| Nicholas Baxter<br>Aberdeenshire, UK                        | 150,000(6)                                | .9%                 |
| Directors and Executive Officers as a Group (6 persons) (4) | 10,712,925                                | 63.82%              |

\* Less than 1%.

(1) Includes 3,219,336 shares held in the name of C.A.B. Financial Services and 1,488,561 shares held directly by Chris Bunka. Includes 285,714 convertible debt warrants held in the name of C.A.B. Financial Services. Includes 700,000 options which are exercisable at \$0.20 and \$0.35 within 60 days of January 7, 2013.

(2) Includes 400,000 options which are exercisable at \$0.20 and \$0.35 within 60 days January 7, 2013.

(3) Includes 771,429 in convertible debt warrants and 100,000 options which are exercisable at \$0.20 and \$0.35 within 60 days of January 7, 2013.

(4) Includes 175,000 options which are exercisable at \$0.20 within 60 days of January 7, 2013.

(5) Includes 150,000 options which are exercisable at \$0.35 within 60 days of January 7, 2013.

(6) Includes 150,000 options which are exercisable at \$0.35 within 60 days of January 7, 2013.

(7) Under Rule 13d-3, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares: (i) voting power, which includes the power to vote, or to direct the voting of shares; and (ii) investment power, which includes the power to dispose or direct the disposition of shares. Certain shares may be deemed to be beneficially owned by more than one person (if, for example, persons share the power to vote or the power to dispose of the shares). In addition, shares are deemed to be beneficially owned by a person if the person has the right to acquire the shares (for example, upon exercise of an option) within 60 days of the date as of which the information is provided. In computing the percentage ownership of any person, the amount of shares outstanding is deemed to include the amount of shares beneficially owned by such person (and only such person) by reason of these acquisition rights. As a result, the percentage of outstanding shares of any person as shown in this table does not necessarily reflect the person's actual ownership or voting power with respect to the number of shares of common stock actually outstanding on January 12, 2013. As of January 12, 2013, there were 16,431,452 shares of our common stock issued and outstanding.

*Changes in Control*

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

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

Except as disclosed herein, no director, executive officer, shareholder holding at least 5% of shares of our common stock, or any family member thereof, had any material interest, direct or indirect, in any transaction, or proposed transaction since the year ended October 31, 2012, in which the amount involved in the transaction exceeded or exceeds the lesser of \$120,000 or one percent of the average of our total assets at the year end for the last three completed fiscal years.

*Director Independence*

We currently act with five (5) directors, consisting of Christopher Bunka, Bal Bhullar, David DeMartini, Dustin Elford and Nicholas Baxter. We have determined that Dustin Elford and Nicholas Baxter are each an "independent director" as defined in NASDAQ Marketplace Rule 4200(a)(15).

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

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

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

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

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

The aggregate fees billed for the most recently completed fiscal year ended October 31, 2012 and for fiscal year ended October 31, 2011 for professional services rendered by the principal accountant for the audit of our annual financial statements and review of the financial statements included in our quarterly reports on Form 10-Q and services that are normally provided by the accountant in connection with statutory and regulatory filings or engagements for these fiscal periods were as follows:

|                    | Year Ended       |                  |
|--------------------|------------------|------------------|
|                    | October 31, 2012 | October 31, 2011 |
| Audit Fees         | 22,268           | 17,941           |
| Audit Related Fees | 16,386           | 14,492           |
| Tax Fees           | Nil              | Nil              |
| All Other Fees     | Nil              | Nil              |
| Total              | 38,654           | 32,433           |

*Audit Fees.* Audit fees consist of fees billed for professional services rendered for the audits of our financial statements, reviews of our interim financial statements included in quarterly reports, services performed in connection with filings with the Securities and Exchange Commission and related comfort letters and other services that are normally provided by MNP LLP for the fiscal years ended October 31, 2012 and October 31, 2011 in connection with statutory and regulatory filings or engagements.

*Audit related Fees.* There were \$16,386 audit related fees paid to MNP LLP for the fiscal year ended October 31, 2012 and \$14,492 for the fiscal year ended October 31, 2011.

*Tax Fees.* Tax fees consist of fees billed for professional services for tax compliance, tax advice and tax planning. These services include assistance regarding federal, state and local tax compliance and consultation in connection with various transactions and acquisitions. For the fiscal years ended October 31, 2012 and October 31, 2011, we did not use MNP LLP for non-audit professional services or preparation of corporate tax returns.

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

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

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

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

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

## PART IV

### Item 15. Exhibits, Financial Statement Schedules

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

- (b) Exhibits

#### Exhibit No. Document Description

##### (3) Articles of Incorporation and By-laws

- 3.1(1) Articles of Incorporation (Incorporated by reference from Form SB-2 Registration Statement filed on March 1, 2006)
- 3.2(1) Bylaws (Incorporated by reference from Form SB-2 Registration Statement filed on March 1, 2006)
- 3.3(9) Amendments to Articles of Incorporation (Incorporated by reference from our current report on Form 8-K filed on June 23, 2009)
- 3.4(10) Amended and restated Bylaws (Incorporated by reference from our current report on Form 8-K filed on December 22, 2009)

##### (10) Material Contracts

- 10.2(1) Griffin Model Form Operating Agreement (Incorporated by reference from Form SB-2 Registration Statement filed on March 1, 2006)
- 10.3(1) Griffin Drilling Program Agreement (Incorporated by reference from Form SB-2 Registration Statement filed on March 1, 2006)
- 10.5(3) Consulting Agreement with CAB Financial Services Ltd. (Incorporated by reference from our current report on Form 8-K filed)
- 10.6(4) Agreement with Brink Resources (Incorporated by reference from our current report on Form 8-K filed on June 21, 2007)
- 10.7(4) Agreement with 0743608 BC Ltd.
- 10.8(5) Amended Agreement and Promissory Notes (Incorporated by reference from our current report on Form 8-K filed on October 22, 2010)
- 10.9(6) Consulting Agreement with CAB Financial Services Ltd. (Incorporated by reference from our current report on Form 8-K filed on December 1, 2008)

|              |  |
|--------------|--|
| 10.10(7)     | Agreement with Delta Oil & Gas, Inc. and The Stallion Group (Incorporated by reference from our current report on Form 8-K filed on April 7, 2009) |
| 10.11(8)     | Agreement with BKB Management Ltd. (Incorporated by reference from our current report on Form 8-K filed on May 19, 2009)                           |
| 10.12(11)    | Equity Compensation Plan 2007 (Incorporated by reference from our current report on Form S8 filed on May 7, 2007)                                  |
| 10.17(17)    | Assignment Agreements and Loan Agreement (Incorporated by reference from our current report on Form 8-K filed on September 13, 2010)               |
| 10.18(18)    | Consulting Agreement with Tom Ihrke (Incorporated by reference from our current report on Form 8-K filed on August 6, 2010)                        |
| 10.19(19)    | Equity Compensation Plan 2010 (Incorporated by reference from our current report on Form 8-K filed on January 21, 2010)                            |
| 10.20(20)    | Form of Convertible Debenture (Incorporated by reference from our current report on Form 8-K filed on November December 1, 2010)                   |
| 10.21*       | Consulting Agreement with Tom Ihrke  |
| 14.1(14)     | Code of Business Conduct and Ethics (Incorporated by reference from Form SB-2 Registration Statement filed on September 20, 2007)                  |
| <b>(23)</b>  | <b>Consents of experts and Counsel</b>   |
| <u>23.1</u>  | <u>Consent of MNP LLP Chartered Accountants</u>  |
| <u>(31)</u>  | <u>Rule 13a-14(a)/15d-14(a)</u>  |
| <u>31.1*</u> | <u>Section 302 Certifications under Sarbanes-Oxley Act of 2002 of Principal Executive Officer</u>  |
| <u>31.2*</u> | <u>Section 302 Certifications under Sarbanes-Oxley Act of 2002 of Principal Financial Officer</u>  |
| <b>(32)</b>  | <b>Section 1350 Certifications</b>   |
| <u>32.1*</u> | <u>Section 906 Certification under Sarbanes Oxley Act of 2002 of Principal Executive Officer</u>   |
| <u>32.2*</u> | <u>Section 906 Certification under Sarbanes Oxley Act of 2002 of Principal Financial Officer</u>   |
| <b>(99)</b>  | <b>Exhibit No.</b>   |
| 99.1(15)     | Haas Reserve Reports (Incorporated by reference from our current report on Form 8-K filed on July 17, 2007)  |
| <u>99.2</u>  | <u>Reserve Report</u>  |
| 101.INS      | XBRL Instance Document (Incorporated by reference from our annual report on Form 10-K filed on January 26, 2012)                                   |
| 101.SCH      | XBRL Taxonomy Extension Schema Document (Incorporated by reference from our annual report on Form 10-K filed on January 26, 2012)                  |
| 101. CAL     | XBRL Taxonomy Extension Calculation Linkbase Document (Incorporated by reference from our annual report on Form 10-K filed on January 26, 2012)    |

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101.DEF XBRL Taxonomy Extension Definition Linkbase Document (Incorporated by reference from our annual report on Form 10-K filed on January 26, 2012)

101.LAB XBRL Taxonomy Extension Label Linkbase Document (Incorporated by reference from our annual report on Form 10-K filed on January 26, 2012)

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document (Incorporated by reference from our annual report on Form 10-K filed on January 26, 2012)

\* Filed herewith.

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## SIGNATURES

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

### LEXARIA CORP.

By: /s/ Christopher Bunka

Christopher Bunka

President, Chief Executive Officer, Chairman and Director  
(Principal Executive Officer)

Date: January 29, 2013

By: /s/ Bal Bhullar

Bal Bhullar

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

Date: January 29, 2013

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

President, Chief Executive Officer, Chairman and Director  
(Principal Executive Officer)

Date: January 29, 2013

By: /s/ Bal Bhullar

Bal Bhullar

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

Date: January 29, 2013

By: /s/ David DeMartini

David DeMartini

Director

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**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to incorporate by reference in Registration Statement No. 333-175385 on Form S-8 of our report dated January 29, 2013, relating to the financial statements of Lexaria Corp. appearing in this Annual Report on Form 10-K of Lexaria Corp. for the year ended October 31, 2012.

Vancouver, Canada  
January 29, 2013

*MNP LLP*

Chartered Accountants



ACCOUNTING > CONSULTING > TAX  
2300, 1055 DUNSMUIR STREET, BOX 49148, VANCOUVER, BC V7X 1J1  
1.877.688.8408 P: 604.685.8408 F: 604.685.8594 [mnp.ca](http://mnp.ca)

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**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 Annual Report on Form 10-K of Lexaria 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 fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 28, 2013

*"Chris Bunka"*

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Chris Bunka  
President, Chief Executive Officer and Director  
(Principal Executive Officer)

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

I, Bal Bhullar, certify that:

1. I have reviewed this Annual Report on Form 10-K of Lexaria 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 fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 28, 2013

"Bal Bhullar"

Bal Bhullar  
Chief Financial Officer, Treasurer and Director  
(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 Annual Report on Form 10-K of Lexaria Corp. for the year ended October 31, 2012 (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 Corp.

Dated: January 28, 2013

*"Chris Bunka"*

Chris Bunka  
President, Chief Executive Officer and Director  
(Principal Executive Officer)  
Lexaria 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 Corp. and will be retained by Lexaria Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

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

I, Bal Bhullar, 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 Annual Report on Form 10-K of Lexaria Corp. for the year ended October 31, 2012 (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 Corp.

Dated: January 28, 2013

*"Bal Bhullar"*

Bal Bhullar  
Chief Financial Officer, Treasurer and Director  
(Principal Financial Officer and Principal  
Accounting Officer)  
Lexaria 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 Corp. and will be retained by Lexaria Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

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**EST. OF FUTURE RESERVES AND REVENUES  
U. S. SEC REPORT  
WILKINSON COUNTY, MISSISSIPPI  
TO LEXARIA CORPORATION  
AS OF OCTOBER 31, 2012**

January 18, 2013

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*Petroleum Consultants*

6161 Perkins Road, Ste. 2C  
Baton Rouge, La. 70808

Phone (225) 765-1914  
FAX: (225) 765-1917

January 18, 2013

Lexaria Corporation  
Attn: Mr. Chris Bunka, President  
700 West Pender, Suite 604  
Vancouver, BC V6C 1G8

Re: Estimate of Future Reserves and Revenues  
U. S. Securities and Exchange Commission (SEC) Report  
Wilkinson County, Mississippi  
As of October 31, 2012

Dear Mr. Bunka,

Following your request, we have estimated the future net reserves and revenues for Lexaria Corporation (Lexaria) located in Wilkinson County, Mississippi. The proved developed reserves are located in Belmont Lake field and consist of four (4) producing wells in an oil zone called the Frio Sand. These wells are gas lifted by gas supplied from the F-29. Lexaria owns the same interest in the F-29 as in the other producing wells. The proved un-developed properties consist of four (4) Frio oil locations which off-set the four existing wells and are located within an area of geological well control. Since last year's report, no wells were drilled.

The report filed last year carried two Probable objectives in the PP F-39. However, reserves from this well were dropped because the lease expired and this well was plugged. The following are our conclusions for the estimates of future reserves and revenues for Lexaria Corporation, as of October 31, 2012.

Page 1 of 69

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**Lexaria Corporation**  
**Phase I Drilling Program**  
**Wilkinson County, MS**  
**As of October 31, 2012**

**SEC Pricing**  
**1<sup>st</sup> of the Month Average Spot Prices**

| Category                 | NET OIL,<br>MBBLs | NET GAS,<br>MMCF | CASH FLOW,<br>UNDISC    |           | CASH FLOW,<br>DISC @ 10% |
|--------------------------|-------------------|------------------|-------------------------|-----------|--------------------------|
| Proved Developed         | 56.14             | 0.00             | \$ 3,869,983.60         | \$        | 3,072,722.71             |
| Prove Undeveloped        | 82.90             | 0.00             | \$ 6,661,981.02         | \$        | 5,022,890.70             |
| <b>Total Proved (1P)</b> | <b>139.04</b>     | <b>0.00</b>      | <b>\$ 10,530,964.62</b> | <b>\$</b> | <b>8,095,613.41</b>      |

The working interests and net revenue interests used to calculate these net reserves and revenues were supplied by Lexaria Corporation<sup>1</sup>. The following is a summary of these interests.

**Lexaria Corporation**  
**Working Interest & Net Revenue Interest**  
**As of October 31, 2012**

| Well              | W.I. Before<br>Completion | W.I. After<br>Completion | Net Revenue<br>Interest |
|-------------------|---------------------------|--------------------------|-------------------------|
| F-12-1            | 42%                       | 35.7%                    | 27.3036947%             |
| F-12-3            | 42%                       | 35.7%                    | 27.3036947%             |
| F-12-4            | 42%                       | 35.7%                    | 27.3036947%             |
| F-12-4 Nonconsent | 8%                        | 6.8%                     | 5.2007038%              |
| F-12-5            | 42%                       | 35.7%                    | 27.3036947%             |
| F-12-5 Nonconsent | 8%                        | 6.8%                     | 5.2007038%              |
| F-12-6            | 42%                       | 35.7%                    | 27.3036947%             |
| F-12-7            | 42%                       | 35.7%                    | 27.3036947%             |
| F-12-8            | 42%                       | 35.7%                    | 27.3036947%             |
| F-12-9            | 42%                       | 35.7%                    | 27.3036947%             |

<sup>1</sup> Statement dated December 10, 2012 attached herein. Interests on statement may not be consistent due to farm-outs.

## **CLASSIFICATIONS AND DEFINITIONS**

The classifications and definitions for proved reserves are consistent with those of the SEC<sup>2</sup>.

The reserves presented herein are un-risked and because of this, prudence should be exercised in interpreting the revenues generated from present and future potential production. Because of the distinct category (Developed and Undeveloped) of reserves, likely differences in uncertainty arise and caution should be used when combining reserves of different categories.

## **RESERVE ESTIMATES**

Total ultimate reserves were estimated by a combination of the volumetric method and an analogy of the Frio oil sand in Stamps field located approximately two miles to the northwest of Belmont Lake field. Remaining Proved Developed Producing Reserves were then estimated by decline curve analysis. The PDP reserves were subtracted from the ultimate total reserves and the balance assigned to remaining Proved Undeveloped Reserves, which were allocated among four locations evenly.

We calculated the recovery factor for the Stamps field to be 995 Bbls/AF by estimating the ultimate recovery and constructing an isopach map of the Frio reservoir in that field (892,680 BO / 897.5 AF). This recovery factor was applied to the calculated volume of Belmont Lake of 682 AF from the isopach map provided by geologist Mr. Ray Lewand. By applying the recovery factor of Stamps field to the estimated volume of Belmont Lake, our estimated ultimate recovery is 678,590 Bbls. As of October 31, 2012 cumulative oil production from the four producing wells in this reservoir is 177,060 Bbls leaving 501,530 Bbls of total Proved remaining recoverable oil in the Belmont Lake Frio reservoir.

The analogy of Stamps is important because of its close proximity to Belmont Lake and the fact that it is also a Frio oil reservoir. Among other reasons we used the analogy of Stamps field are because of the similar values of oil gravity, porosity, permeability and comparable reservoir energy (water drive mechanism). In addition, both reservoirs are formed by a channel sand.

As stated previously, decline curve analysis was used to estimate remaining reserves from the producing wells. Production from all producing wells was terminated by the economic limit. Production is updated through October 31, 2012.

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<sup>2</sup> A summary of the SEC oil and gas reserve definitions are attached herein and a more complete explanation of these guidelines can be found at:  
[http://www.spee.org/images/PDFs/ReferencesResources/SEC\\_RevisedRules.pdf](http://www.spee.org/images/PDFs/ReferencesResources/SEC_RevisedRules.pdf)

## PRODUCT PRICES

The oil prices used in this report are the 12-month average St. James Sweet crude calculated as the un-weighted arithmetic average of the first-day-of-the-month price for each month within the 12-month period prior to the end of the reporting period. The oil price of \$111.61/Bbl is held constant throughout the life of the forecast.

## COSTS AND EXPENSES

Costs used to forecast the drilling and completing of the 12-6, 12-7, 12-8 and 12-9 were taken directly from the signed November 12, 2010 AFE Election<sup>3</sup> and are in the amount of \$568,478. However, this estimate was adjusted by \$59,250/well for pipeline installation and the fact that part of the AFE for the 12-7 and 12-6 has been paid. The following table shows the drilling and completion costs used in the forecast.

| 8/8ths Drilling & Completion Costs<br>Belmont Lake Field |               |               |          |              |
|--|---------------|---------------|----------|--------------|
| Well   | AFE<br>Budget | AFE<br>Actual | Pipeline | AFE<br>Total |
| 12-6   | 568,478       | (2,793)       | 59,250   | 624,935      |
| 12-7   | 568,478       | (97,894)      | 59,250   | 529,834      |
| 12-8   | 568,478       | (0)           | 59,250   | 627,728      |
| 12-9   | 568,478       | (0)           | 59,250   | 627,728      |

## PLUGGING AND ABANDONMENT / RECLAMATION COSTS

Abandonment and reclamation costs were supplied by the operator and are estimated to be \$30,500 per well (8/8ths) and were applied at the end of the life for each well separately.

## PROJECTIONS

The attached reserve and revenue projections are on a calendar year basis.

## REPORT QUALIFICATIONS

The estimated revenues, both discounted and undiscounted, are not represented as constituting the fair market value of the properties. Rather, these projections are intended to provide investors with an indication of the relative quantity of reserves that is likely to be extracted in the future based on the assigned classification and categorization.

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<sup>3</sup> Attached is the AFE Election for drilling the F-12-6 & F-12-7.

Veazey & Associates, LLC has made no independent examination of titles to the appraised properties, nor has the actual degree or type of interest owned been independently confirmed. The data used in our evaluation were supplied by Lexaria, operator Griffin & Griffin or obtained from public records of the Mississippi State Oil and Gas Board and/or published industry sources and were considered accurate. A field inspection of the properties was not made nor considered necessary for the purpose of this report.

We did not inspect the properties nor conduct independent well tests. Environmental studies were not conducted and are beyond the scope of this investigation. This study is based on the assumption that these properties are not negatively affected by the existence of hazardous substances, non-hazardous substances, naturally occurring radioactive material ("NORM") or other detrimental environmental conditions or the possibility of restoration obligations or responsibilities that may be imposed by relevant federal, state or local regulatory agencies. The appraiser is not an expert in the identification of hazardous substances, non-hazardous substances, or detrimental environmental conditions. It is possible that tests and inspections made by a qualified environmental expert could reveal the existence of hazardous or non-hazardous material and environmental conditions in, on, under or around these properties or other properties or facilities held in connection therewith that could negatively affect their value.

Ownership, product prices and other factual data have been accepted as represented by Lexaria and the operator. We have generally tested the validity of these data and believe the information is correct.

The quality of available information and the application of engineering interpretation and judgment affect the reliability of any reserve estimate. In our opinion, the reserve estimates presented herein are reasonable. These reserves should be accepted with the understanding that drilling activity or additional information subsequent to the date of this report might require their revision.

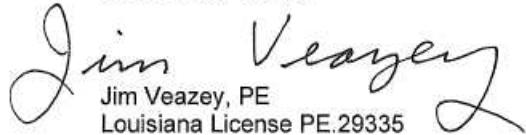
In performing this study, we have not considered matters in which legal or accounting, rather than engineering interpretation may be controlling. Finally, it must be realized that forecasting, by its nature, is subject to uncertainty, and the conclusions expressed herein are based on interpretation of engineering data and such conclusions necessarily represent only informed professional judgments.

Neither Veazey & Associates, LLC nor any of its employees has any interest in the subject properties and neither the employment to make this study nor the compensation is contingent on our estimates of reserves and future income for the subject properties.

Included herein is our firm resume'. The appraiser graduated from Louisiana State University in Petroleum Engineering and has been a registered professional engineer since 2001. He has seventeen years of petroleum engineering experience and is a member of the Society of Petroleum Engineers and Society of Petroleum Evaluation Engineers.

If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to review this matter. As always, I remain

Respectfully Yours,

  
Jim Veazey  
Louisiana License PE.29335

## **SEC Proved Oil and Gas Reserve Definitions**

- Proved Reserves
- Proved Developed Reserves
- Proved Undeveloped Reserves
- Reserve Status Categories - (producing, non-producing, etc)

### **INTRODUCTION**

Financial Accounting and Reporting for Oil and Gas Producing Activities Pursuant to the Federal Securities Laws and the Energy Policy and Conservation Act of 1975

Reg. § 210.4 -10.

This section prescribes financial accounting and reporting standards for registrants with the Commission engaged in oil and gas producing activities in filings under the federal securities laws and for the preparation of accounts by persons engaged, in whole or in part, in the production of crude oil or natural gas in the United States, pursuant to Section 503 of the Energy Policy and Conservation Act of 1975 [42 U.S.C. 6383] ("EPCA") and section 11(c) of the Energy Supply and Environmental Coordination Act of 1974 [16 U.S.C. 796] ("ESECA"), as amended by section 505 of EPCA. The application of this section to those oil and gas producing operations of companies regulated for rate-making purposes on an individual-company-cost-of-service basis may, however, give appropriate recognition to differences arising because of the effect of the rate-making process.

Exemption. Any person exempted by the Department of Energy from any record-keeping or reporting requirements pursuant to Section 11(c) of ESECA, as amended, is similarly exempted from the related provisions of this section in the preparation of accounts pursuant to EPCA. This exemption does not affect the applicability of this section to filings pursuant to the federal securities laws.

#### **Definitions**

(a) Definitions. The following definitions apply to the terms listed below as they are used in this section:

(1) Oil and gas producing activities.

(i) Such activities include:

(A) The search for crude oil, including condensate and natural gas liquids, or natural gas ("oil and gas") in their natural states and original locations.

(B) The acquisition of property rights or properties for the purpose of further exploration and/or for the purpose of removing the oil or gas from existing reservoirs on those properties.

(C) The construction, drilling and production activities necessary to retrieve oil and gas from its natural reservoirs, and the acquisition, construction, installation, and maintenance of field gathering and storage systems -including lifting the oil and gas to the surface and gathering, treating, field processing (as in the case of processing gas to extract liquid hydrocarbons) and field storage. For purposes of this section, the oil and gas production function shall normally be regarded as terminating at the outlet valve on the lease or field storage tank; if unusual physical or operational circumstances exist, it may be appropriate to regard the production functions as terminating at the first point at which oil, gas, or gas liquids are delivered to a main pipeline, a common carrier, a refinery, or a marine terminal.

(ii) Oil and gas producing activities do not include:

(A) The transporting, refining and marketing of oil and gas.

(B) Activities relating to the production of natural resources other than oil and gas.

(C) The production of geothermal steam or the extraction of hydrocarbons as a byproduct of the production of geothermal steam or associated geothermal resources as defined in the Geothermal Steam Act of 1970.

(D) The extraction of hydrocarbons from shale, tar sands, or coal.

(2) Proved oil and gas reserves. Proved oil and gas reserves are the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

(i) Reservoirs are considered proved if economic producibility is supported by either actual production or conclusive formation test. The area of a reservoir considered proved includes (A) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any; and (B) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.

(ii) Reserves which can be produced economically through application of improved recovery techniques (such as fluid injection) are included in the "proved" classification when successful testing by a pilot project, or the operation of an installed program in the reservoir, provides support for the engineering analysis on which the project or program was based.

(iii) Estimates of proved reserves do not include the following:

- (A) oil that may become available from known reservoirs but is classified separately as "indicated additional reserves";
- (B) crude oil, natural gas, and natural gas liquids, the recovery of which is subject to reasonable doubt because of uncertainty as to geology, reservoir characteristics, or economic factors;
- (C) crude oil, natural gas, and natural gas liquids, that may occur in undrilled prospects; and
- (D) crude oil, natural gas, and natural gas liquids, that may be recovered from oil shales, coal, gilsonite and other such sources.

#### **RESERVE STATUS CATEGORIES**

(3) **Proved developed oil and gas reserves.** Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery should be included as "proved developed reserves" only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.

(4) **Proved undeveloped reserves.** Proved undeveloped oil and gas reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage shall be limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Under no circumstances should estimates, for proved undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir.

(5) *Proved properties.* Properties with proved reserves.

#### **UNPROVED RESERVES**

(6) *Unproved properties.* Properties with no proved reserves.

(7) *Proved area.* The part of a property to which proved reserves have been specifically attributed.

(8) *Field.* An area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition.

There may be two or more reservoirs in a field which are separated vertically by intervening impervious strata, or laterally by local geologic barriers, or by both. Reservoirs that are associated by being in overlapping or adjacent fields may be treated as a single or common operational field. The geological terms "structural feature" and "stratigraphic condition" are intended to identify localized geological features as opposed to the broader terms of basins, trends, provinces, plays, areas-of-interest, etc.

(9) *Reservoir*. A porous and permeable underground formation containing a natural accumulation of producible oil and/or gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

(10) *Exploratory well*. A well drilled to find and produce oil or gas in an unproved area, to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir, or to extend a known reservoir. Generally, an exploratory well is any well that is not a development well, a service well, or a stratigraphic test well as those items are defined below.

(11) *Development well*. A well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known-to be productive.

(12) *Service well*. A well drilled or completed for the purpose of supporting production in an existing field. Specific purposes of service wells include gas injection, water injection, steam injection, air injection, salt-water disposal, water supply for injection, observation, or injection for in-situ combustion.

(13) *Stratigraphic test well*. A drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Such wells customarily are drilled without the intention of being completed for hydrocarbon production. This classification also includes tests identified as core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic test wells are classified as (i) "exploratory type," if not drilled in a proved area, or (ii) "development type," if drilled in a proved area.

(14) *Acquisition of properties*. Costs incurred to purchase, lease or otherwise acquire a property, including costs of lease bonuses and options to purchase or lease properties, the portion of costs applicable to minerals when land including mineral rights is purchased in fee, brokers' fees, recording fees, legal costs, and other costs incurred in acquiring properties.

(15) *Exploration costs*. Costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects of containing oil and gas reserves, including costs of drilling exploratory wells and exploratory-type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to in part as prospecting costs) and after acquiring the property. Principal types of exploration costs, which include depreciation and applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

- (i) Costs of topographical, geographical and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews, and others conducting those studies. Collectively, these are sometimes referred to as geological and geophysical or "G&G" costs.
- (ii) Costs of carrying and retaining undeveloped properties, such as delay rentals, ad valorem taxes on properties, legal costs for title defense, and the maintenance of land and lease records.
- (iii) Dry hole contributions and bottom hole contributions.
- (iv) Costs of drilling and equipping exploratory wells.
- (v) Costs of drilling exploratory-type stratigraphic test wells.

(16) *Development costs.* Costs incurred to obtain access to proved reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas. More specifically, development costs, including depreciation and applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

- (i) Gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines, and power lines, to the extent necessary in developing the proved reserves.
- (ii) Drill and equip development wells, development-type stratigraphic test wells, and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment, and the wellhead assembly.
- (iii) Acquire, construct, and install production facilities such as lease flow lines, separators, treaters, heaters, manifolds, measuring devices, and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems.
- (iv) Provide improved recovery systems.

(17) *Production costs.*

(i) Costs incurred to operate and maintain wells and related equipment and facilities, including depreciation and applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities. They become part of the cost of oil and gas produced. Examples of production costs (sometimes called lifting costs) are:

- (A) Costs of labor to operate the wells and related equipment and facilities.
- (B) Repairs and maintenance.

(C) Materials, supplies, and fuel consumed and supplies utilized in operating the wells and related equipment and facilities.

(D) Property taxes and insurance applicable to proved properties and wells and related equipment and facilities.

(E) Severance taxes.

(ii) Some support equipment or facilities may serve two or more oil and gas producing activities and may also serve transportation, refining, and marketing activities. To the extent that the support equipment and facilities are used in oil and gas producing activities, their depreciation and applicable operating costs become exploration, development or production costs, as appropriate. Depreciation, depletion, and amortization of capitalized acquisition, exploration, and development costs are not production costs but also become part of the cost of oil and gas produced along with production (lifting) costs identified above.

#### Successful Efforts Method

(b) A reporting entity that follows the successful efforts method shall comply with the accounting and financial reporting disclosure requirements of Statement of Financial Accounting Standards No. 19, as amended.

#### Full Cost Method

(c) Application of the full cost method of accounting. A reporting entity that follows the full cost method shall apply that method to all of its operations and to the operations of its subsidiaries, as follows:

(1) Determination of cost centers. Cost centers shall be established-on a country-by-country basis.

(2) Costs to be capitalized. All costs associated with property acquisition, exploration, and development activities (as defined in paragraph (a) of this section) shall be capitalized within the appropriate cost center. Any internal costs that are capitalized shall be limited to those costs that can be directly identified with acquisition, exploration, and development activities undertaken by the reporting entity for its own account, and shall not include any costs related to production, general corporate overhead, or similar activities.

(3) Amortization of capitalized costs. Capitalized costs within a cost center shall be amortized on the unit-of-production basis using proved oil and gas reserves, as follows:

(i) Costs to be amortized shall include (A) all capitalized costs, less accumulated amortization, other than the cost of properties described in paragraph (ii) below; (B) the estimated future expenditures (based on current costs) to be incurred in developing proved reserves; and (C) estimated dismantlement and abandonment costs, net of estimated salvage values.

(ii) The cost of investments in unproved properties and major development projects may be excluded from capitalized costs to be amortized, subject to the following:

(A) All costs directly associated with the acquisition and evaluation of unproved properties may be excluded from the amortization computation until it is determined whether or not proved reserves can be assigned to the properties, subject to the following conditions: (1) Until such a determination is made, the properties shall be assessed at least annually to ascertain whether impairment has occurred. Unevaluated properties whose costs are individually significant shall be assessed individually. Where it is not practicable to individually assess the amount of impairment of properties for which costs are not individually significant, such properties may be grouped for purposes of assessing impairment. Impairment may be estimated by applying factors based on historical experience and other data such as primary Lease terms of the properties, average holding periods of unproved properties, and geographic and geologic data to groupings of individually insignificant properties and projects. The amount of impairment assessed under either of these methods shall be added to the costs to be amortized. (2) The costs of drilling exploratory dry holes shall be included in the amortization base immediately upon determination that the well is dry. (3) If geological and geophysical costs cannot be directly associated with specific unevaluated properties, they shall be included in the amortization base as incurred. Upon complete evaluation of a property, the total remaining excluded cost (net of any impairment) shall be included in the full cost amortization base.

(B) Certain costs may be excluded from amortization when incurred in connection with major development projects expected to entail significant costs to ascertain the quantities of proved reserves attributable to the properties under development (e.g., the installation of an offshore drilling platform from which development wells are to be drilled, the installation of improved recovery programs, and similar major projects undertaken in the expectation of Significant additions to proved reserves). The amounts which may be excluded are applicable portions of (1) the costs that relate to the major development project and have not previously been included in the amortization base, and (2) the estimated future expenditures associated with the development project. The excluded portion of any common costs associated with the development project should be based, as is most appropriate in the circumstances, on a comparison of either (i) existing proved reserves to total proved reserves expected to be established upon completion of the project, or (ii) the number of wells to which proved reserves have been assigned and total number of wells expected to be drilled. Such costs may be excluded from costs to be amortized until the earlier determination of whether additional reserves are proved or impairment occurs.

(C) Excluded costs and the proved reserves related to such costs shall be transferred into the amortization base on an ongoing (well-by-well or property-by-property) basis as the project is evaluated and proved reserves established or impairment determined. Once proved reserves are established, there is no further justification for continued exclusion from the full cost amortization base even if other factors prevent immediate production or marketing.

(iii) Amortization shall be computed on the basis of physical units, with oil and gas converted to a common unit of measure on the basis of their approximate relative energy content, unless economic circumstances (related to the effects of regulated prices) indicate that use of units of revenue is a more appropriate basis of computing amortization. In the latter case, amortization shall be computed on the basis of current gross revenues (excluding royalty payments and net profits disbursements) from production in relation to future gross revenues, based on current prices (including consideration of changes in existing prices provided only by contractual arrangements), from estimated production of proved oil and gas reserves. The effect of a significant price increase during the year on estimated future gross revenues shall be reflected in the amortization provision only for the period after the price increase occurs.

(iv) In some cases it may be more appropriate to depreciate natural gas cycling and processing plants by a method other than the unit-of-production method.

(v) Amortization computations shall be made on a consolidated basis, including investees accounted for on a proportionate consolidation basis. Investees accounted for on the equity method shall be treated separately.

(4) Limitation on capitalized costs:

(i) For each cost center, capitalized costs, less accumulated amortization and related deferred income taxes, shall not exceed an amount (the cost center ceiling) equal to the sum of:

(A) the present value of estimated future net revenues computed by applying current prices of oil and gas reserves (with consideration of price changes only to the extent provided by contractual arrangements) to estimated future production of proved oil and gas reserves as of the date of the latest balance sheet presented, less estimated future expenditures (based on current costs) to be incurred in developing and producing the proved reserves computed using a discount factor of ten percent and assuming continuation of existing economic conditions; plus

(B) the cost of properties not being amortized pursuant to paragraph (i)(3)(ii) of this section; plus

(C) the lower of cost or estimated fair value of unproven properties included in the costs being amortized; less

(D) income tax effects related to differences between the book and tax basis of the properties referred to in paragraphs (i)(4)(i)(B) and (C) of this section.

(ii) If unamortized costs capitalized within a cost center, less related deferred income taxes, exceed the cost center ceiling, the excess shall be charged to expense and separately disclosed during the period in which the excess occurs. Amounts thus required to be written off shall not be reinstated for any subsequent increase in the cost center ceiling.

(5) Production costs. All costs relating to production activities, including workover costs incurred solely to maintain or increase levels of production from an existing completion interval, shall be charged to expense as incurred.

(6) Other transactions. The provisions of paragraph (h) of this section, "Mineral property conveyances and related transactions if the successful efforts method of accounting is followed," shall apply also to those reporting entities following the full cost method except as follows:

(i) Sales and abandonments of oil and gas properties. Sales of oil and gas properties, whether or not being amortized currently, shall be accounted for as adjustments of capitalized costs, with no gain or loss recognized, unless such adjustments would significantly alter the relationship between capitalized costs and proved reserves of oil and gas attributable to a cost center. For instance, a significant alteration would not ordinarily be expected to occur for sales involving less than 25 percent of the reserve quantities of a given cost center. If gain or loss is recognized on such a sale, total capitalization costs within the cost center shall be allocated between the reserves sold and reserves retained on the same basis used to compute amortization, unless there are substantial economic differences between the properties sold and those retained, in which case capitalized costs shall be allocated on the basis of the relative fair values of the properties. Abandonments of oil and gas properties shall be accounted for as adjustments of capitalized costs; that is, the cost of abandoned properties shall be charged to the full cost center and amortized (subject to the limitation on capitalized costs in paragraph (b) of this section).

(ii) Purchases of reserves. Purchases of oil and gas reserves in place ordinarily shall be accounted for as additional capitalized costs within the applicable cost center; however, significant purchases of production payments or properties with lives substantially shorter than the composite productive life of the cost center shall be accounted for separately.

(iii) Partnerships, joint ventures and drilling arrangements.

(A) Except as provided in subparagraph (i)(6)(i) of this section, all consideration received from sales or transfers of properties in connection with partnerships, joint venture operations, or various other forms of drilling arrangements involving oil and gas exploration and development activities (e.g., carried interest, turnkey wells, management fees, etc.) shall be credited to the full cost account, except to the extent of amounts that represent reimbursement of organization, offering, general and administrative expenses, etc., that are identifiable with the transaction, if such amounts are currently incurred and charged to expense.

(B) Where a registrant organizes and manages a limited partnership involved only in the purchase of proved developed properties and subsequent distribution of income from such properties, management fee income may be recognized provided the properties involved do not require aggregate development expenditures in connection with production of existing proved reserves in excess of 10% of the partnership's recorded cost of such properties. Any income not recognized as a result of this limitation would be credited to the full cost account and recognized through a lower amortization provision as reserves are produced.

(iv) Other services. No income shall be recognized in connection with contractual services performed (e.g. drilling, well service, or equipment supply services, etc.) in connection with properties in which the registrant or an affiliate (as defined in § 210.1 -02(b)) holds an ownership or other economic interest, except as follows:

(A) Where the registrant acquires an interest in the properties in connection with the service contract, income may be recognized to the extent the cash consideration received exceeds the related contract costs plus the registrant's share of costs incurred and estimated to be incurred in connection with the properties. Ownership interests acquired within one year of the date of such a contract are considered to be acquired in connection with the service for purposes of applying this rule. The amount of any guarantees or similar arrangements undertaken as part of this contract should be considered as part of the costs related to the properties for purposes of applying this rule.

(B) Where the registrant acquired an interest in the properties at least one year before the date of the service contract through transactions unrelated to the service contract, and that interest is unaffected by the service contract, income from such contract may be recognized subject to the general provisions for elimination of intercompany profit under generally accepted accounting principles.

(C) Notwithstanding the provisions of (A) and (B) above, no income may be recognized for contractual services performed on behalf of investors in oil and gas producing activities managed by the registrant or an affiliate. Furthermore, no income may be recognized for contractual services to the extent that the consideration received for such services represents an interest in the underlying property.

(D) Any income not recognized as a result of these rules would be credited to the full cost account and recognized through a lower amortization provision as reserves are produced.

(7) Disclosures. Reporting entities that follow the full cost method of accounting shall disclose all of the information required by paragraph (k) of this section, with each cost center considered as a separate geographic area, except that reasonable groupings may be made of cost centers that are not significant in the aggregate. In addition:

(i) For each cost center for each year that an income statement is required, disclose the total amount of amortization expense (per equivalent physical unit of production if amortization is computed on the basis of physical units or per dollar of gross revenue from production if amortization is computed on the basis of gross revenue).

(ii) State separately on the face of the balance sheet the aggregate of the capitalized costs of unproved properties and major development projects that are excluded, in accordance with paragraph (i)(3) of this section, from the capitalized costs being amortized. Provide a description in the notes to the financial statements of the current status of the significant properties or projects involved, including the anticipated timing of the inclusion of the costs in the amortization computation. Present a table that shows, by category of cost, (A) the total costs excluded as of the most recent fiscal year; and (B) the amounts of such excluded costs, incurred (1) in each of the three most recent fiscal years and (2) in the aggregate for any earlier fiscal years in which the costs were incurred. Categories of cost to be disclosed include acquisition costs, exploration costs, development costs in the case of significant development projects and capitalized interest.

Income taxes

(d) Income taxes. Comprehensive inter-period income tax allocation by a method which complies with generally accepted accounting principles shall be followed for intangible drilling and development costs and other costs incurred that enter into the determination of taxable income and pretax accounting income in different periods.

## **SEC Proved Oil and Gas Reserve Definitions**

- Proved Reserves
- Proved Developed Reserves
- Proved Undeveloped Reserves
- Reserve Status Categories - (producing, non-producing, etc)

### **INTRODUCTION**

Financial Accounting and Reporting for Oil and Gas Producing Activities Pursuant to the Federal Securities Laws and the Energy Policy and Conservation Act of 1975

Reg. § 210.4 -10.

This section prescribes financial accounting and reporting standards for registrants with the Commission engaged in oil and gas producing activities in filings under the federal securities laws and for the preparation of accounts by persons engaged, in whole or in part, in the production of crude oil or natural gas in the United States, pursuant to Section 503 of the Energy Policy and Conservation Act of 1975 [42 U.S.C. 6383] ("EPCA") and section 11(c) of the Energy Supply and Environmental Coordination Act of 1974 [16 U.S.C. 796] ("ESECA"), as amended by section 505 of EPCA. The application of this section to those oil and gas producing operations of companies regulated for rate-making purposes on an individual-company-cost-of-service basis may, however, give appropriate recognition to differences arising because of the effect of the rate-making process.

Exemption. Any person exempted by the Department of Energy from any record-keeping or reporting requirements pursuant to Section 11(c) of ESECA, as amended, is similarly exempted from the related provisions of this section in the preparation of accounts pursuant to EPCA. This exemption does not affect the applicability of this section to filings pursuant to the federal securities laws.

#### **Definitions**

(a) Definitions. The following definitions apply to the terms listed below as they are used in this section:

(1) Oil and gas producing activities.

(i) Such activities include:

(A) The search for crude oil, including condensate and natural gas liquids, or natural gas ("oil and gas") in their natural states and original locations.

(B) The acquisition of property rights or properties for the purpose of further exploration and/or for the purpose of removing the oil or gas from existing reservoirs on those properties.

(C) The construction, drilling and production activities necessary to retrieve oil and gas from its natural reservoirs, and the acquisition, construction, installation, and maintenance of field gathering and storage systems -including lifting the oil and gas to the surface and gathering, treating, field processing (as in the case of processing gas to extract liquid hydrocarbons) and field storage. For purposes of this section, the oil and gas production function shall normally be regarded as terminating at the outlet valve on the lease or field storage tank; if unusual physical or operational circumstances exist, it may be appropriate to regard the production functions as terminating at the first point at which oil, gas, or gas liquids are delivered to a main pipeline, a common carrier, a refinery, or a marine terminal.

(ii) Oil and gas producing activities do not include:

(A) The transporting, refining and marketing of oil and gas.

(B) Activities relating to the production of natural resources other than oil and gas.

(C) The production of geothermal steam or the extraction of hydrocarbons as a byproduct of the production of geothermal steam or associated geothermal resources as defined in the Geothermal Steam Act of 1970.

(D) The extraction of hydrocarbons from shale, tar sands, or coal.

(2) Proved oil and gas reserves. Proved oil and gas reserves are the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

(i) Reservoirs are considered proved if economic producibility is supported by either actual production or conclusive formation test. The area of a reservoir considered proved includes (A) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any; and (B) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.

(ii) Reserves which can be produced economically through application of improved recovery techniques (such as fluid injection) are included in the "proved" classification when successful testing by a pilot project, or the operation of an installed program in the reservoir, provides support for the engineering analysis on which the project or program was based.

(iii) Estimates of proved reserves do not include the following:

- (A) oil that may become available from known reservoirs but is classified separately as "indicated additional reserves";
- (B) crude oil, natural gas, and natural gas liquids, the recovery of which is subject to reasonable doubt because of uncertainty as to geology, reservoir characteristics, or economic factors;
- (C) crude oil, natural gas, and natural gas liquids, that may occur in undrilled prospects; and
- (D) crude oil, natural gas, and natural gas liquids, that may be recovered from oil shales, coal, gilsonite and other such sources.

#### **RESERVE STATUS CATEGORIES**

(3) **Proved developed oil and gas reserves.** Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery should be included as "proved developed reserves" only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.

(4) **Proved undeveloped reserves.** Proved undeveloped oil and gas reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage shall be limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Under no circumstances should estimates, for proved undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir.

(5) *Proved properties.* Properties with proved reserves.

#### **UNPROVED RESERVES**

(6) *Unproved properties.* Properties with no proved reserves.

(7) *Proved area.* The part of a property to which proved reserves have been specifically attributed.

(8) *Field.* An area consisting of a single reservoir or multiple reservoirs all grouped on or related to the same individual geological structural feature and/or stratigraphic condition.

There may be two or more reservoirs in a field which are separated vertically by intervening impervious strata, or laterally by local geologic barriers, or by both. Reservoirs that are associated by being in overlapping or adjacent fields may be treated as a single or common operational field. The geological terms "structural feature" and "stratigraphic condition" are intended to identify localized geological features as opposed to the broader terms of basins, trends, provinces, plays, areas-of-interest, etc.

(9) *Reservoir*. A porous and permeable underground formation containing a natural accumulation of producible oil and/or gas that is confined by impermeable rock or water barriers and is individual and separate from other reservoirs.

(10) *Exploratory well*. A well drilled to find and produce oil or gas in an unproved area, to find a new reservoir in a field previously found to be productive of oil or gas in another reservoir, or to extend a known reservoir. Generally, an exploratory well is any well that is not a development well, a service well, or a stratigraphic test well as those items are defined below.

(11) *Development well*. A well drilled within the proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known-to be productive.

(12) *Service well*. A well drilled or completed for the purpose of supporting production in an existing field. Specific purposes of service wells include gas injection, water injection, steam injection, air injection, salt-water disposal, water supply for injection, observation, or injection for in-situ combustion.

(13) *Stratigraphic test well*. A drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Such wells customarily are drilled without the intention of being completed for hydrocarbon production. This classification also includes tests identified as core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic test wells are classified as (i) "exploratory type," if not drilled in a proved area, or (ii) "development type," if drilled in a proved area.

(14) *Acquisition of properties*. Costs incurred to purchase, lease or otherwise acquire a property, including costs of lease bonuses and options to purchase or lease properties, the portion of costs applicable to minerals when land including mineral rights is purchased in fee, brokers' fees, recording fees, legal costs, and other costs incurred in acquiring properties.

(15) *Exploration costs*. Costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects of containing oil and gas reserves, including costs of drilling exploratory wells and exploratory-type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property (sometimes referred to in part as prospecting costs) and after acquiring the property. Principal types of exploration costs, which include depreciation and applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

- (i) Costs of topographical, geographical and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews, and others conducting those studies. Collectively, these are sometimes referred to as geological and geophysical or "G&G" costs.
- (ii) Costs of carrying and retaining undeveloped properties, such as delay rentals, ad valorem taxes on properties, legal costs for title defense, and the maintenance of land and lease records.
- (iii) Dry hole contributions and bottom hole contributions.
- (iv) Costs of drilling and equipping exploratory wells.
- (v) Costs of drilling exploratory-type stratigraphic test wells.

(16) *Development costs.* Costs incurred to obtain access to proved reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas. More specifically, development costs, including depreciation and applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

- (i) Gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines, and power lines, to the extent necessary in developing the proved reserves.
- (ii) Drill and equip development wells, development-type stratigraphic test wells, and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment, and the wellhead assembly.
- (iii) Acquire, construct, and install production facilities such as lease flow lines, separators, treaters, heaters, manifolds, measuring devices, and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems.
- (iv) Provide improved recovery systems.

(17) *Production costs.*

(i) Costs incurred to operate and maintain wells and related equipment and facilities, including depreciation and applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities. They become part of the cost of oil and gas produced. Examples of production costs (sometimes called lifting costs) are:

- (A) Costs of labor to operate the wells and related equipment and facilities.
- (B) Repairs and maintenance.

(C) Materials, supplies, and fuel consumed and supplies utilized in operating the wells and related equipment and facilities.

(D) Property taxes and insurance applicable to proved properties and wells and related equipment and facilities.

(E) Severance taxes.

(ii) Some support equipment or facilities may serve two or more oil and gas producing activities and may also serve transportation, refining, and marketing activities. To the extent that the support equipment and facilities are used in oil and gas producing activities, their depreciation and applicable operating costs become exploration, development or production costs, as appropriate. Depreciation, depletion, and amortization of capitalized acquisition, exploration, and development costs are not production costs but also become part of the cost of oil and gas produced along with production (lifting) costs identified above.

#### Successful Efforts Method

(b) A reporting entity that follows the successful efforts method shall comply with the accounting and financial reporting disclosure requirements of Statement of Financial Accounting Standards No. 19, as amended.

#### Full Cost Method

(c) Application of the full cost method of accounting. A reporting entity that follows the full cost method shall apply that method to all of its operations and to the operations of its subsidiaries, as follows:

(1) Determination of cost centers. Cost centers shall be established-on a country-by-country basis.

(2) Costs to be capitalized. All costs associated with property acquisition, exploration, and development activities (as defined in paragraph (a) of this section) shall be capitalized within the appropriate cost center. Any internal costs that are capitalized shall be limited to those costs that can be directly identified with acquisition, exploration, and development activities undertaken by the reporting entity for its own account, and shall not include any costs related to production, general corporate overhead, or similar activities.

(3) Amortization of capitalized costs. Capitalized costs within a cost center shall be amortized on the unit-of-production basis using proved oil and gas reserves, as follows:

(i) Costs to be amortized shall include (A) all capitalized costs, less accumulated amortization, other than the cost of properties described in paragraph (ii) below; (B) the estimated future expenditures (based on current costs) to be incurred in developing proved reserves; and (C) estimated dismantlement and abandonment costs, net of estimated salvage values.

(ii) The cost of investments in unproved properties and major development projects may be excluded from capitalized costs to be amortized, subject to the following:

(A) All costs directly associated with the acquisition and evaluation of unproved properties may be excluded from the amortization computation until it is determined whether or not proved reserves can be assigned to the properties, subject to the following conditions: (1) Until such a determination is made, the properties shall be assessed at least annually to ascertain whether impairment has occurred. Unevaluated properties whose costs are individually significant shall be assessed individually. Where it is not practicable to individually assess the amount of impairment of properties for which costs are not individually significant, such properties may be grouped for purposes of assessing impairment. Impairment may be estimated by applying factors based on historical experience and other data such as primary Lease terms of the properties, average holding periods of unproved properties, and geographic and geologic data to groupings of individually insignificant properties and projects. The amount of impairment assessed under either of these methods shall be added to the costs to be amortized. (2) The costs of drilling exploratory dry holes shall be included in the amortization base immediately upon determination that the well is dry. (3) If geological and geophysical costs cannot be directly associated with specific unevaluated properties, they shall be included in the amortization base as incurred. Upon complete evaluation of a property, the total remaining excluded cost (net of any impairment) shall be included in the full cost amortization base.

(B) Certain costs may be excluded from amortization when incurred in connection with major development projects expected to entail significant costs to ascertain the quantities of proved reserves attributable to the properties under development (e.g., the installation of an offshore drilling platform from which development wells are to be drilled, the installation of improved recovery programs, and similar major projects undertaken in the expectation of significant additions to proved reserves). The amounts which may be excluded are applicable portions of (1) the costs that relate to the major development project and have not previously been included in the amortization base, and (2) the estimated future expenditures associated with the development project. The excluded portion of any common costs associated with the development project should be based, as is most appropriate in the circumstances, on a comparison of either (i) existing proved reserves to total proved reserves expected to be established upon completion of the project, or (ii) the number of wells to which proved reserves have been assigned and total number of wells expected to be drilled. Such costs may be excluded from costs to be amortized until the earlier determination of whether additional reserves are proved or impairment occurs.

(C) Excluded costs and the proved reserves related to such costs shall be transferred into the amortization base on an ongoing (well-by-well or property-by-property) basis as the project is evaluated and proved reserves established or impairment determined. Once proved reserves are established, there is no further justification for continued exclusion from the full cost amortization base even if other factors prevent immediate production or marketing.

(iii) Amortization shall be computed on the basis of physical units, with oil and gas converted to a common unit of measure on the basis of their approximate relative energy content, unless economic circumstances (related to the effects of regulated prices) indicate that use of units of revenue is a more appropriate basis of computing amortization. In the latter case, amortization shall be computed on the basis of current gross revenues (excluding royalty payments and net profits disbursements) from production in relation to future gross revenues, based on current prices (including consideration of changes in existing prices provided only by contractual arrangements), from estimated production of proved oil and gas reserves. The effect of a significant price increase during the year on estimated future gross revenues shall be reflected in the amortization provision only for the period after the price increase occurs.

(iv) In some cases it may be more appropriate to depreciate natural gas cycling and processing plants by a method other than the unit-of-production method.

(v) Amortization computations shall be made on a consolidated basis, including investees accounted for on a proportionate consolidation basis. Investees accounted for on the equity method shall be treated separately.

(4) Limitation on capitalized costs:

(i) For each cost center, capitalized costs, less accumulated amortization and related deferred income taxes, shall not exceed an amount (the cost center ceiling) equal to the sum of:

(A) the present value of estimated future net revenues computed by applying current prices of oil and gas reserves (with consideration of price changes only to the extent provided by contractual arrangements) to estimated future production of proved oil and gas reserves as of the date of the latest balance sheet presented, less estimated future expenditures (based on current costs) to be incurred in developing and producing the proved reserves computed using a discount factor of ten percent and assuming continuation of existing economic conditions; plus

(B) the cost of properties not being amortized pursuant to paragraph (i)(3)(ii) of this section; plus

(C) the lower of cost or estimated fair value of unproven properties included in the costs being amortized; less

(D) income tax effects related to differences between the book and tax basis of the properties referred to in paragraphs (i)(4)(i)(B) and (C) of this section.

(ii) If unamortized costs capitalized within a cost center, less related deferred income taxes, exceed the cost center ceiling, the excess shall be charged to expense and separately disclosed during the period in which the excess occurs. Amounts thus required to be written off shall not be reinstated for any subsequent increase in the cost center ceiling.

(5) Production costs. All costs relating to production activities, including workover costs incurred solely to maintain or increase levels of production from an existing completion interval, shall be charged to expense as incurred.

(6) Other transactions. The provisions of paragraph (h) of this section, "Mineral property conveyances and related transactions if the successful efforts method of accounting is followed," shall apply also to those reporting entities following the full cost method except as follows:

(i) Sales and abandonments of oil and gas properties. Sales of oil and gas properties, whether or not being amortized currently, shall be accounted for as adjustments of capitalized costs, with no gain or loss recognized, unless such adjustments would significantly alter the relationship between capitalized costs and proved reserves of oil and gas attributable to a cost center. For instance, a significant alteration would not ordinarily be expected to occur for sales involving less than 25 percent of the reserve quantities of a given cost center. If gain or loss is recognized on such a sale, total capitalization costs within the cost center shall be allocated between the reserves sold and reserves retained on the same basis used to compute amortization, unless there are substantial economic differences between the properties sold and those retained, in which case capitalized costs shall be allocated on the basis of the relative fair values of the properties. Abandonments of oil and gas properties shall be accounted for as adjustments of capitalized costs; that is, the cost of abandoned properties shall be charged to the full cost center and amortized (subject to the limitation on capitalized costs in paragraph (b) of this section).

(ii) Purchases of reserves. Purchases of oil and gas reserves in place ordinarily shall be accounted for as additional capitalized costs within the applicable cost center; however, significant purchases of production payments or properties with lives substantially shorter than the composite productive life of the cost center shall be accounted for separately.

(iii) Partnerships, joint ventures and drilling arrangements.

(A) Except as provided in subparagraph (i)(6)(i) of this section, all consideration received from sales or transfers of properties in connection with partnerships, joint venture operations, or various other forms of drilling arrangements involving oil and gas exploration and development activities (e.g., carried interest, turnkey wells, management fees, etc.) shall be credited to the full cost account, except to the extent of amounts that represent reimbursement of organization, offering, general and administrative expenses, etc., that are identifiable with the transaction, if such amounts are currently incurred and charged to expense.

(B) Where a registrant organizes and manages a limited partnership involved only in the purchase of proved developed properties and subsequent distribution of income from such properties, management fee income may be recognized provided the properties involved do not require aggregate development expenditures in connection with production of existing proved reserves in excess of 10% of the partnership's recorded cost of such properties. Any income not recognized as a result of this limitation would be credited to the full cost account and recognized through a lower amortization provision as reserves are produced.

(iv) Other services. No income shall be recognized in connection with contractual services performed (e.g. drilling, well service, or equipment supply services, etc.) in connection with properties in which the registrant or an affiliate (as defined in § 210.1 -02(b)) holds an ownership or other economic interest, except as follows:

(A) Where the registrant acquires an interest in the properties in connection with the service contract, income may be recognized to the extent the cash consideration received exceeds the related contract costs plus the registrant's share of costs incurred and estimated to be incurred in connection with the properties. Ownership interests acquired within one year of the date of such a contract are considered to be acquired in connection with the service for purposes of applying this rule. The amount of any guarantees or similar arrangements undertaken as part of this contract should be considered as part of the costs related to the properties for purposes of applying this rule.

(B) Where the registrant acquired an interest in the properties at least one year before the date of the service contract through transactions unrelated to the service contract, and that interest is unaffected by the service contract, income from such contract may be recognized subject to the general provisions for elimination of intercompany profit under generally accepted accounting principles.

(C) Notwithstanding the provisions of (A) and (B) above, no income may be recognized for contractual services performed on behalf of investors in oil and gas producing activities managed by the registrant or an affiliate. Furthermore, no income may be recognized for contractual services to the extent that the consideration received for such services represents an interest in the underlying property.

(D) Any income not recognized as a result of these rules would be credited to the full cost account and recognized through a lower amortization provision as reserves are produced.

(7) Disclosures. Reporting entities that follow the full cost method of accounting shall disclose all of the information required by paragraph (k) of this section, with each cost center considered as a separate geographic area, except that reasonable groupings may be made of cost centers that are not significant in the aggregate. In addition:

(i) For each cost center for each year that an income statement is required, disclose the total amount of amortization expense (per equivalent physical unit of production if amortization is computed on the basis of physical units or per dollar of gross revenue from production if amortization is computed on the basis of gross revenue).

(ii) State separately on the face of the balance sheet the aggregate of the capitalized costs of unproved properties and major development projects that are excluded, in accordance with paragraph (i)(3) of this section, from the capitalized costs being amortized. Provide a description in the notes to the financial statements of the current status of the significant properties or projects involved, including the anticipated timing of the inclusion of the costs in the amortization computation. Present a table that shows, by category of cost, (A) the total costs excluded as of the most recent fiscal year; and (B) the amounts of such excluded costs, incurred (1) in each of the three most recent fiscal years and (2) in the aggregate for any earlier fiscal years in which the costs were incurred. Categories of cost to be disclosed include acquisition costs, exploration costs, development costs in the case of significant development projects and capitalized interest.

Income taxes

(d) Income taxes. Comprehensive inter-period income tax allocation by a method which complies with generally accepted accounting principles shall be followed for intangible drilling and development costs and other costs incurred that enter into the determination of taxable income and pretax accounting income in different periods.

## Report Definitions

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|---|--|
| Authority for Expenditure                       | (AFE) A document prepared by the operator that lists the estimated costs of drilling, completing, working over or plugging a well or some other major cost associated with the well or lease. The document is provided to partners for approval. Failure to approve an AFE may result in a penalty or loss of interest depending on contractual agreements.  |
| Barrels of Oil Equivalent                       | (BOE) Barrels of Oil Equivalent is a unit of energy based on the approximate energy released from burning one barrel of oil roughly equal to 6,000 cubic feet of natural gas.  |
| Behind Pipe                                     | A term referring to up-hole potential in another sand encountered in the same well.  |
| BOPD  | Acronym for "Barrels of Oil per Day" and refers to the volume of oil in barrels that are produced in a 24 hour day.  |
| BWPD  | Acronym for "Barrels of Water per Day" and refers to the volume of water in barrels that are produced in a 24 hour day.  |
| Cash Flow                                       | Cash flow is the profit the interest owner receives from its share of revenue after taxes, expenses and costs are paid.  |
| Completion                                      | A generic term used to describe the down hole assembly and equipment required to enable production of oil and/or gas from a well.  |
| Cum Cut Plot                                    | A graph of water cut or oil cut on the ordinate (y-axis) and cumulative oil production on the abscissa (x-axis) used to predict ultimate cumulative oil production at some limit of water or oil cut.  |
| Decline Curve                                   | A method of estimating petroleum reserves by determining the natural production decline of a well and extrapolating to predict future production.  |
| Depletion Drive                                 | The reservoir drive mechanism in which oil is produced by the expansion of the volume of the gas in solution.  |
| Fair Market Value                               | (FMV) The Fair Market Value is defined as the amount at which property would transfer between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of the relevant facts.  |
| Farmout   | A contractual agreement with an owner who holds a working interest in an oil and gas lease to assign all or part of that interest to another party in exchange for fulfilling contractually specified conditions such as drilling a well or installing equipment.  |
| Gas Lift  | A method of raising oil in the wellbore from a lower depth to the surface by injecting gas in the well from the casing through the tubing via gas lift valves installed in the tubing.   |
| Gross Reserves (Oil or Gas)                     | The volume of reserves attributed to the whole (100%).   |
| Internal Rate of Return                         | (IROR) The interest rate which makes the present value of the revenues equal to the present value of the expenditures. In other words, the discounting rate which makes the net present value equal to zero.   |
| Lease Operating Expense                         | (LOE) The Lease Operating Expenses include such things as direct operating costs, overhead, production (severance) taxes and ad valorem (property) taxes attributed to the lease (or well) and paid in the year which they are incurred . In the detailed economic projection(s), Net Lease Cost or Net Well Cost may be synonymous with the LOEs paid by the working interest ownership being evaluated.                      |
| MCFD  | Acronym for "Mcf of Gas per Day" and refers to the volume of gas in thousand cubic feet that are produced in a 24 hour day.  |
| Naturally Occurring Radioactive Material (NORM) | (NORM) Naturally Occurring Radioactive Material is radio active deposits such as scale found in tubulars.  |
| Net Ad Valorem Tax                              | The property tax paid by the interest owner on drilling rigs, production equipment, etc.   |
| Net Investment                                  | As related to the economic forecast(s) attached herein, it is either the drilling, completion or plugging costs to the working interest being evaluated.   |
| Net Lease Cost                                  | See Lease Operating Expense.   |
| Net Production Tax                              | The state severance tax that the interest owner pays on oil and/or gas levied when removed from the ground. The tax can be levied as a percent of the mineral value or in cents per barrel of oil/mcf of gas.  |
| Net Reserves (Oil or Gas)                       | The volume of reserves attributed to a certain interest.   |
| Net Revenue                                     | Net revenue is the inflow of money as a result of oil and gas sales that the interest owner receives from its share of production. This income is before paying taxes, expenses and costs.   |
| Net Revenue Interest                            | (NRI) The fractional share (usually between 3/4 and 7/8) of all oil and gas production revenue from the leased premises that goes to the working interest.   |
| Net Well Cost                                   | See Lease Operating Expense.   |
| On-line   | Refers to the status of a well that is producing.  |
| Overriding Royalty Interest                     | Ownership in a percentage of production revenues, free of the cost of production.  |
| Payout  | (PO) Payout is the length of time after initial investment until accumulated net revenues from production equal all costs of leasing, exploring, drilling and operating.   |
| Permeability                                    | A measure of the ability of a rock to conduct a fluid through its interconnected pore space when that fluid is at 100% saturation.   |
| Plug and Abandonment                            | (P&A) A term referring to when a well is shut-in permanently and closed off from the surface by placing cement plugs (among other techniques) in the wellbore to isolate the higher pressured formation sands from the surface. Many times the well casing is cut below the plow depth and a steel plate welded on top, but in some states the casing is extended above ground and flagged.                                    |
| Porosity  | The ratio of volume of the pore spaces in rock grains compared to the total rock volume.   |
| Reserves  | The unproduced but recoverable oil and/or gas in place in a formation (reservoir). There are four basic criteria which must be satisfied for petroleum deposits to be considered reserves: they must be discovered, recoverable, commercial and remaining as of the effective date of the evaluation. Please refer to the Petroleum Resources Management System definitions for classification and categorization of reserves. |
| Reservoir                                       | A subsurface porous, permeable rock body in which oil or gas or both can be stored.  |
| Return on Investment                            | (ROI) The ratio of profit to investment (also called "profit to investment ratio").  |
| Royalty Interest                                | (RI) The fractional share (usually between 1/8 and 1/4) of the total oil and gas production revenue from the leased premises free of all costs and expenses (except taxes).  |
| Sand (Formation)                                | A general term applied in the oil and gas industry to refer to the strata of interest.   |
| Shut-in   | Refers to the status of a well that is not producing.  |
| SWD   | Acronym for Saltwater Disposal Well  |
| Sweep Efficiency                                | A measure of the effectiveness in the water displacing the oil as the water sweeps through the reservoir.  |
| Thickness                                       | Usually refers to bed or sand thickness.   |
| Viscosity                                       | One of the physical properties of a liquid which is a direct measurement of its ability to flow.   |
| Volumetric Calculation                          | A method of estimating petroleum reserves by determining the net thickness, porosity, water saturation and other properties of the oil and/or gas and reservoir.   |
| Water Drive                                     | The reservoir drive mechanism in which oil is produced by the expansion of the volume of the underlying water, which forces the oil into the wellbore.   |
| Water Saturation                                | The percentage of the pore volume of a rock occupied by water.   |
| Working Interest                                | (WI) The operating interest under an oil and gas lease which bears the full cost and expense of the lease including drilling, development and operating expenses.  |

## Economic One-Liners

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 Project Name : Lexaria Corporation  
 Ownership Group : Lexaria Corporation  
 As of Date: 10/31/2012

| Lease Name<br>Risked / UnRisked                    | Gross Reserves |               | Net Reserves  |                     | Net Revenue          |             |                     | Cash Flow             |                     |                      |                     |
|--|----------------|---------------|---------------|---------------------|----------------------|-------------|---------------------|-----------------------|---------------------|----------------------|---------------------|
|  | Oil<br>(Mbbi)  | Gas<br>(MMcf) | Oil<br>(Mbbi) | Gas<br>(MMcf)       | Oil<br>(\$)          | Gas<br>(\$) | Other<br>(\$)       | Expense & Tax<br>(\$) | Invest.<br>(\$)     | Non-Disc.<br>(\$)    | Disc. 10%<br>(\$)   |
| <b>Proved Producing Rsv Class &amp; Category</b>   |                |               |               |                     |                      |             |                     |                       |                     |                      |                     |
| PP F 12-1  | 77.78          | 0.00          | 21.24         | 0.00                | 2,370,165.31         | 0.00        | 0.00                | 633,890.49            | 10,888.50           | 1,725,386.32         | 1,390,464.61        |
| PP F 12-3A   | 79.65          | 0.00          | 21.75         | 0.00                | 2,427,226.52         | 0.00        | 0.00                | 731,518.88            | 10,888.50           | 1,684,819.14         | 1,283,999.17        |
| PP F 12-4  | 18.52          | 0.00          | 5.06          | 0.00                | 564,331.00           | 0.00        | 0.00                | 380,857.44            | 10,888.50           | 172,585.06           | 153,034.20          |
| PP F 12-4 Non-consent                              | 0.00           | 0.96          | 0.00          | 107,491.62          | 0.00                 | 0.00        | 72,544.27           | 2,074.00              | 32,873.35           | 29,149.38            |                     |
| PP F 12-5  | 21.97          | 0.00          | 6.00          | 0.00                | 669,461.48           | 0.00        | 0.00                | 445,784.42            | 10,888.50           | 212,788.56           | 181,503.30          |
| PP F 12-5 Non-consent                              | 0.00           | 1.14          | 0.00          | 127,516.48          | 0.00                 | 0.00        | 84,911.32           | 2,074.00              | 40,531.16           | 34,572.06            |                     |
| <b>197.91</b>                                      | <b>0.00</b>    | <b>56.14</b>  | <b>0.00</b>   | <b>6,266,192.42</b> | <b>0.00</b>          | <b>0.00</b> | <b>2,349,506.82</b> | <b>47,702.00</b>      | <b>3,888,983.60</b> | <b>3,072,722.71</b>  |                     |
| <b>Proved Undeveloped Rsv Class &amp; Category</b> |                |               |               |                     |                      |             |                     |                       |                     |                      |                     |
| PP F 12-6  | 75.90          | 0.00          | 20.72         | 0.00                | 2,313,041.76         | 0.00        | 0.00                | 383,577.40            | 273,361.20          | 1,666,103.16         | 1,303,631.98        |
| PP F 12-7  | 75.90          | 0.00          | 20.72         | 0.00                | 2,313,042.01         | 0.00        | 0.00                | 383,591.49            | 233,418.78          | 1,666,031.74         | 1,352,294.34        |
| PP F 12-8  | 75.90          | 0.00          | 20.72         | 0.00                | 2,313,041.76         | 0.00        | 0.00                | 383,591.47            | 274,534.26          | 1,654,916.03         | 1,188,301.62        |
| PP F 12-9  | 75.90          | 0.00          | 20.72         | 0.00                | 2,313,041.76         | 0.00        | 0.00                | 383,577.40            | 274,534.26          | 1,654,930.10         | 1,178,662.76        |
| <b>303.61</b>                                      | <b>0.00</b>    | <b>82.90</b>  | <b>0.00</b>   | <b>9,252,167.28</b> | <b>0.00</b>          | <b>0.00</b> | <b>1,634,337.77</b> | <b>1,065,848.50</b>   | <b>6,661,981.02</b> | <b>5,022,890.70</b>  |                     |
| <b>Grand Total</b>                                 | <b>601.53</b>  | <b>0.00</b>   | <b>139.04</b> | <b>0.00</b>         | <b>15,518,359.71</b> | <b>0.00</b> | <b>0.00</b>         | <b>3,883,844.89</b>   | <b>1,103,550.50</b> | <b>10,530,964.62</b> | <b>8,095,613.41</b> |

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## ECONOMIC PROJECTION

Project Name : Lexaria Corporation  
Partner : Lexaria Corporation  
Case Type : LEASE CASE  
Archive Set : default

As Of Date : 10/31/2012  
Discount Rate (%) : 10.00  
Custom Selection

Case : PPF 12-1  
Reserve Cat. : Proved Producing  
Field : Belmont Lake Field  
Operator : Griffin & Griffin Expl, LLC  
Reservoir : 1,800 Ft. Sand  
Co., State : Wilkinson, MS

Cum Oil (Mbbbl) : 87.61  
Cum Gas (MMcf) : 0.00

|              |               |             |              |             |               |             |                     |             |             |
|--------------|---------------|-------------|--------------|-------------|---------------|-------------|---------------------|-------------|-------------|
| <b>Rem</b>   | 0.00          | 0.00        | 0.00         | 0.00        | 0.00          | 0.00        | 0.00                | 0.00        | 0.00        |
| <b>Total</b> | <b>77.78</b>  | <b>0.00</b> | <b>21.24</b> | <b>0.00</b> | <b>111.61</b> | <b>0.00</b> | <b>2,370,165.31</b> | <b>0.00</b> | <b>0.00</b> |
| <b>Ult</b>   | <b>165.20</b> | <b>0.00</b> |              |             |               |             |                     |             |             |

Ult 168.39 0.0

| Year | Well Count | Net Tax Production (\$) | Net Tax AdValorem (\$) | Net Investment (\$) | Net Lease Costs (\$) | Net Well Costs (\$) | Other Costs (\$) | Net Profits (\$) | Annual Cash Flow (\$) | Cum Disc. Cash Flow (\$) |
|------|------------|-------------------------|------------------------|---------------------|----------------------|---------------------|------------------|------------------|-----------------------|--------------------------|
| 2012 | 1.00       | 6,107.92                | 2,022.68               | 0.00                | 0.00                 | 8,050.33            | 0.00             | 0.00             | 84,953.26             | 84,924.96                |
| 2013 | 1.00       | 36,570.16               | 12,110.48              | 0.00                | 0.00                 | 47,535.26           | 0.00             | 0.00             | 509,308.13            | 561,925.41               |
| 2014 | 1.00       | 27,535.38               | 9,118.55               | 0.00                | 0.00                 | 47,535.26           | 0.00             | 0.00             | 371,738.08            | 877,457.96               |
| 2015 | 1.00       | 20,732.67               | 6,865.78               | 0.00                | 0.00                 | 47,535.26           | 0.00             | 0.00             | 268,155.19            | 1,083,444.60             |
| 2016 | 1.00       | 15,647.57               | 5,181.81               | 0.00                | 0.00                 | 47,535.26           | 0.00             | 0.00             | 190,725.77            | 1,216,026.14             |
| 2017 | 1.00       | 11,744.81               | 3,889.38               | 0.00                | 0.00                 | 47,535.26           | 0.00             | 0.00             | 131,299.60            | 1,298,623.83             |
| 2018 | 1.00       | 8,843.21                | 1,928.50               | 0.00                | 0.00                 | 47,535.26           | 0.00             | 0.00             | 87,117.84             | 1,348,235.15             |
| 2019 | 1.00       | 6,658.47                | 2,205.00               | 0.00                | 0.00                 | 47,535.26           | 0.00             | 0.00             | 53,851.34             | 1,376,005.43             |
| 2020 | 1.00       | 5,025.35                | 1,664.18               | 0.00                | 0.00                 | 47,535.26           | 0.00             | 0.00             | 28,984.24             | 1,389,553.13             |
| 2021 | 1.00       | 3,771.94                | 1,249.11               | 0.00                | 0.00                 | 47,535.26           | 0.00             | 0.00             | 9,899.03              | 1,393,766.65             |
| 2022 | 1.00       | 506.84                  | 167.84                 | 0.00                | 0.00                 | 7,475.17            | 0.00             | 0.00             | 242.35                | 1,393,862.99             |
| 2023 | 0.00       | 0.00                    | 0.00                   | 0.00                | 0.00                 | 0.00                | 0.00             | 0.00             | 0.00                  | 1,393,862.99             |
| 2024 | 0.00       | 0.00                    | 0.00                   | 10,888.50           | 0.00                 | 0.00                | 0.00             | 0.00             | -10,888.50            | 1,390,464.61             |

|              |                   |                  |                  |             |                   |             |             |                     |                     |
|--------------|-------------------|------------------|------------------|-------------|-------------------|-------------|-------------|---------------------|---------------------|
| <b>Rem.</b>  | 0.00              | 0.00             | 0.00             | 0.00        | 0.00              | 0.00        | 0.00        | 0.00                | 0.00                |
| <b>Total</b> | <b>143,144.31</b> | <b>47,403.31</b> | <b>10,889.50</b> | <b>0.00</b> | <b>443,342.88</b> | <b>0.00</b> | <b>0.00</b> | <b>1,725,386.32</b> | <b>1,390,464.61</b> |

| Major Phase     | Oil      | Abandonment Date | 2/27/2022                 | Present Worth Profile (\$)  |                 |              |              |              |
|-----------------|----------|------------------|---------------------------|-----------------------------|-----------------|--------------|--------------|--------------|
| Perfs           | 0 - 0    | Working Int      | 0.35700000                | PW                          | 5.00%           | 1,543,112.79 |              |              |
| Initial Rate    | 1,976.00 | bbl/month        | Revenue Int:              | 0.27303695                  | PW              | 7.00%        | 1,478,848.48 |              |
| Abandonment     | 141.29   | bbl/month        | Disc. Initial Invest (\$) | 3,398.38                    | PW              | 10.00%       | 1,390,464.61 |              |
| Initial Decline | 24.72    | % year           | b = 0.000                 | ROIInvestment (disc/undisc) | 410.27 / 159.46 | PW           | 15.00%       | 1,261,710.26 |
| Beg Ratio       | 0.000    |                  | Years to Payout           | 0.02                        | PW              | 20.00%       | 1,152,389.87 |              |
| End Ratio       | 0.000    |                  | Internal ROR (%)          | >1000                       | PW              | 25.00%       | 1,058,550.32 |              |

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**ECONOMIC PROJECTION**

Project Name : Lexaria Corporation  
 Partner : Lexaria Corporation  
 Case Type : LEASE CASE  
 Archive Set : default

As Of Date : 10/31/2012  
 Discount Rate (%) : 10.00  
 Custom Selection

Case : PP F 12-3A  
 Reserve Cat. : Proved Producing  
 Field : Belmont Lake Field  
 Operator : Griffin & Griffin Expl. LLC  
 Reservoir : 2,800 Ft. Sand  
 Co., State : Wilkinson, MS

Cum Oil (Mbbbl) : 57.29  
 Cum Gas (MMcf) : 0.00

| Year  | Gross Oil (Mbbbl) | Gross Gas (MMcf) | Net Oil (Mbbbl) | Net Gas (MMcf) | Oil Price (\$/bbl) | Gas Price (\$/Mcf) | Oil Revenue (\$) | Gas Revenue (\$) | Misc. Revenue (\$) |
|-------|-------------------|------------------|-----------------|----------------|--------------------|--------------------|------------------|------------------|--------------------|
| 2012  | 2.89              | 0.00             | 0.79            | 0.00           | 111.61             | 0.00               | 88,195.67        | 0.00             | 0.00               |
| 2013  | 15.75             | 0.00             | 4.30            | 0.00           | 111.61             | 0.00               | 479,903.80       | 0.00             | 0.00               |
| 2014  | 12.83             | 0.00             | 3.50            | 0.00           | 111.61             | 0.00               | 380,901.70       | 0.00             | 0.00               |
| 2015  | 10.45             | 0.00             | 2.85            | 0.00           | 111.61             | 0.00               | 318,405.77       | 0.00             | 0.00               |
| 2016  | 8.53              | 0.00             | 2.33            | 0.00           | 111.61             | 0.00               | 259,994.80       | 0.00             | 0.00               |
| 2017  | 6.93              | 0.00             | 1.89            | 0.00           | 111.61             | 0.00               | 211,136.64       | 0.00             | 0.00               |
| 2018  | 5.64              | 0.00             | 1.54            | 0.00           | 111.61             | 0.00               | 171,979.63       | 0.00             | 0.00               |
| 2019  | 4.60              | 0.00             | 1.26            | 0.00           | 111.61             | 0.00               | 140,084.58       | 0.00             | 0.00               |
| 2020  | 3.75              | 0.00             | 1.02            | 0.00           | 111.61             | 0.00               | 114,386.32       | 0.00             | 0.00               |
| 2021  | 3.05              | 0.00             | 0.83            | 0.00           | 111.61             | 0.00               | 92,890.87        | 0.00             | 0.00               |
| 2022  | 2.48              | 0.00             | 0.68            | 0.00           | 111.61             | 0.00               | 75,663.49        | 0.00             | 0.00               |
| 2023  | 2.02              | 0.00             | 0.55            | 0.00           | 111.61             | 0.00               | 61,631.08        | 0.00             | 0.00               |
| 2024  | 0.72              | 0.00             | 0.20            | 0.00           | 111.61             | 0.00               | 22,052.17        | 0.00             | 0.00               |
| Rem.  | 0.00              | 0.00             | 0.00            | 0.00           | 0.00               | 0.00               | 0.00             | 0.00             | 0.00               |
| Total | 79.65             | 0.00             | 21.75           | 0.00           | 111.61             | 0.00               | 2,427,226.52     | 0.00             | 0.00               |
| Ult   | 136.94            | 0.00             |                 |                |                    |                    |                  |                  |                    |

| Year | Well Count | Net Tax Production (\$) | Net Tax AdValorem (\$) | Net Investment (\$) | Net Lease Costs (\$) | Net Well Costs (\$) | Other Costs (\$) | Net Profits (\$) | Annual Cash Flow (\$) | Cum Disc. Cash Flow (\$) |
|------|------------|-------------------------|------------------------|---------------------|----------------------|---------------------|------------------|------------------|-----------------------|--------------------------|
| 2012 | 1.00       | 5,326.51                | 1,763.91               | 0.00                | 0.00                 | 7,847.18            | 0.00             | 0.00             | 73,258.06             | 72,694.48                |
| 2013 | 1.00       | 28,983.42               | 9,598.08               | 0.00                | 0.00                 | 46,335.74           | 0.00             | 0.00             | 394,985.56            | 442,919.15               |
| 2014 | 1.00       | 23,608.21               | 7,818.03               | 0.00                | 0.00                 | 46,335.74           | 0.00             | 0.00             | 313,139.72            | 708,527.11               |
| 2015 | 1.00       | 19,229.87               | 6,368.12               | 0.00                | 0.00                 | 46,335.74           | 0.00             | 0.00             | 246,472.04            | 897,716.37               |
| 2016 | 1.00       | 15,702.19               | 5,199.90               | 0.00                | 0.00                 | 46,335.74           | 0.00             | 0.00             | 192,756.98            | 1,031,599.19             |
| 2017 | 1.00       | 12,751.43               | 4,222.73               | 0.00                | 0.00                 | 46,335.74           | 0.00             | 0.00             | 147,826.73            | 1,124,505.18             |
| 2018 | 1.00       | 10,386.58               | 3,439.59               | 0.00                | 0.00                 | 46,335.74           | 0.00             | 0.00             | 111,817.70            | 1,188,106.50             |
| 2019 | 1.00       | 8,460.30                | 2,801.69               | 0.00                | 0.00                 | 46,335.74           | 0.00             | 0.00             | 82,486.85             | 1,230,571.86             |
| 2020 | 1.00       | 6,908.27                | 2,287.73               | 0.00                | 0.00                 | 46,335.74           | 0.00             | 0.00             | 58,854.57             | 1,257,997.30             |
| 2021 | 1.00       | 5,610.07                | 1,857.82               | 0.00                | 0.00                 | 46,335.74           | 0.00             | 0.00             | 39,087.23             | 1,274,485.21             |
| 2022 | 1.00       | 4,569.64                | 1,513.27               | 0.00                | 0.00                 | 46,335.74           | 0.00             | 0.00             | 23,244.84             | 1,283,368.48             |
| 2023 | 1.00       | 3,722.16                | 1,232.62               | 0.00                | 0.00                 | 46,335.74           | 0.00             | 0.00             | 10,340.55             | 1,286,957.50             |
| 2024 | 0.00       | 1,331.82                | 441.04                 | 10,888.50           | 0.00                 | 18,843.50           | 0.00             | 0.00             | -9,452.70             | 1,283,999.17             |

|                   |            |           |           |      |                                |                 |             |              |              |      |
|-------------------|------------|-----------|-----------|------|--------------------------------|-----------------|-------------|--------------|--------------|------|
| Rem.              | 0.00       | 0.00      | 0.00      | 0.00 | 0.00                           | 0.00            | 0.00        | 0.00         | 0.00         | 0.00 |
| Total             | 146,590.48 | 48,544.53 | 10,888.50 | 0.00 | 536,383.87                     | 0.00            | 0.00        | 1,684,819.14 | 1,283,999.17 |      |
| Major Phase :     | Oil        |           |           |      | Abandonment Date :             | 5/30/2024       |             |              |              |      |
| Perfs :           | 0 - 0      |           |           |      | Working Int :                  | 0.35700000      |             |              |              |      |
| Initial Rate :    | 1,865.00   | bbl/month |           |      | Revenue Int :                  | 0.27303695      |             |              |              |      |
| Abandonment :     | 139.57     | bbl/month |           |      | Disc. Initial Invest. (\$)     | 3,419.85        | PW 5.00% :  | 1,461,662.41 |              |      |
| Initial Decline : | 18.56      | % year    | b = 0.000 |      | ROI/Investment (disc/undisc) : | 376.56 / 155.73 | PW 7.00% :  | 1,385,848.76 |              |      |
| Beg Ratio :       | 0.000      |           |           |      | Years to Payout :              | 0.02            | PW 10.00% : | 1,283,999.17 |              |      |
| End Ratio :       | 0.000      |           |           |      | Internal ROR (%) :             | >1000           | PW 15.00% : | 1,140,598.67 |              |      |
|                   |            |           |           |      |                                |                 | PW 20.00% : | 1,023,311.60 |              |      |
|                   |            |           |           |      |                                |                 | PW 25.00% : | 916,168.84   |              |      |

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## ECONOMIC PROJECTION

Project Name : Lexaria Corporation  
 Partner : Lexaria Corporation  
 Case Type : LEASE CASE  
 Archive Set : default

As Of Date : 10/31/2012  
 Discount Rate (%) : 10.00  
 Custom Selection

Case : PPF 12-4  
 Reserve Cat. : Proved Producing  
 Field : Belmont Lake Field  
 Operator : Griffin & Griffin Expl. LLC  
 Reservoir : 2,800 Ft. Sand  
 Co., State : Wilkinson, MS

Cum Oil (Mbbl) : 21.47  
 Cum Gas (MMcf) : 0.00

| Year | Gross Oil (Mbbl) | Gross Gas (MMcf) | Net Oil (Mbbl) | Net Gas (MMcf) | Oil Price (\$/bbl) | Gas Price (\$/Mcf) | Oil Revenue (\$) | Gas Revenue (\$) | Misc. Revenue (\$) |
|------|------------------|------------------|----------------|----------------|--------------------|--------------------|------------------|------------------|--------------------|
| 2012 | 0.86             | 0.00             | 0.24           | 0.00           | 111.61             | 0.00               | 26,292.86        | 0.00             | 0.00               |
| 2013 | 4.65             | 0.00             | 1.27           | 0.00           | 111.61             | 0.00               | 141,773.76       | 0.00             | 0.00               |
| 2014 | 3.69             | 0.00             | 1.01           | 0.00           | 111.61             | 0.00               | 112,547.83       | 0.00             | 0.00               |
| 2015 | 3.08             | 0.00             | 0.84           | 0.00           | 111.61             | 0.00               | 93,988.09        | 0.00             | 0.00               |
| 2016 | 2.67             | 0.00             | 0.73           | 0.00           | 111.61             | 0.00               | 81,271.95        | 0.00             | 0.00               |
| 2017 | 2.35             | 0.00             | 0.64           | 0.00           | 111.61             | 0.00               | 71,479.90        | 0.00             | 0.00               |
| 2018 | 1.21             | 0.00             | 0.33           | 0.00           | 111.61             | 0.00               | 36,976.60        | 0.00             | 0.00               |
| 2019 | 0.00             | 0.00             | 0.00           | 0.00           | 0.00               | 0.00               | 0.00             | 0.00             | 0.00               |
| 2020 | 0.00             | 0.00             | 0.00           | 0.00           | 0.00               | 0.00               | 0.00             | 0.00             | 0.00               |
| 2021 | 0.00             | 0.00             | 0.00           | 0.00           | 0.00               | 0.00               | 0.00             | 0.00             | 0.00               |

|       |       |      |      |      |        |      |            |      |      |
|-------|-------|------|------|------|--------|------|------------|------|------|
| Rem.  | 0.00  | 0.00 | 0.00 | 0.00 | 0.00   | 0.00 | 0.00       | 0.00 | 0.00 |
| Total | 18.52 | 0.00 | 5.06 | 0.00 | 111.61 | 0.00 | 564,331.00 | 0.00 | 0.00 |

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| Year | Well Count | Net Tax Production (\$) | Net Tax AdValorem (\$) | Net Investment (\$) | Net Lease Costs (\$) | Net Well Costs (\$) | Other Costs (\$) | Net Profits (\$) | Annual Cash Flow (\$) | Cum Disc. Cash Flow (\$) |
|------|------------|-------------------------|------------------------|---------------------|----------------------|---------------------|------------------|------------------|-----------------------|--------------------------|
| 2012 | 1.00       | 1,587.94                | 525.86                 | 0.00                | 0.00                 | 9,919.98            | 0.00             | 0.00             | 14,259.09             | 14,133.83                |
| 2013 | 1.00       | 8,562.32                | 2,835.48               | 0.00                | 0.00                 | 58,575.13           | 0.00             | 0.00             | 71,800.83             | 81,562.57                |
| 2014 | 1.00       | 6,797.24                | 2,250.96               | 0.00                | 0.00                 | 58,575.13           | 0.00             | 0.00             | 44,924.50             | 119,729.52               |
| 2015 | 1.00       | 5,676.34                | 1,879.76               | 0.00                | 0.00                 | 58,575.13           | 0.00             | 0.00             | 27,856.86             | 141,148.63               |
| 2016 | 1.00       | 4,908.36                | 1,625.44               | 0.00                | 0.00                 | 58,575.13           | 0.00             | 0.00             | 16,163.03             | 152,405.12               |
| 2017 | 1.00       | 4,316.97                | 1,429.60               | 0.00                | 0.00                 | 58,575.13           | 0.00             | 0.00             | 7,158.20              | 156,925.79               |
| 2018 | 1.00       | 2,233.17                | 739.53                 | 0.00                | 0.00                 | 32,692.84           | 0.00             | 0.00             | 1,311.05              | 157,691.46               |
| 2019 | 0.00       | 0.00                    | 0.00                   | 0.00                | 0.00                 | 0.00                | 0.00             | 0.00             | 0.00                  | 157,691.46               |
| 2020 | 0.00       | 0.00                    | 0.00                   | 0.00                | 0.00                 | 0.00                | 0.00             | 0.00             | 0.00                  | 157,691.46               |
| 2021 | 0.00       | 0.00                    | 0.00                   | 10,888.50           | 0.00                 | 0.00                | 0.00             | 0.00             | -10,888.50            | 153,034.20               |

|       |           |           |           |      |            |      |      |            |            |      |
|-------|-----------|-----------|-----------|------|------------|------|------|------------|------------|------|
| Rem.  | 0.00      | 0.00      | 0.00      | 0.00 | 0.00       | 0.00 | 0.00 | 0.00       | 0.00       | 0.00 |
| Total | 34,082.34 | 11,286.62 | 10,385.50 | 0.00 | 335,468.48 | 0.00 | 0.00 | 172,585.06 | 153,034.20 |      |

|                   |                        |                               |               |                            |
|-------------------|------------------------|-------------------------------|---------------|----------------------------|
| Major Phase :     | Oil                    | Abandonment Date :            | 7/25/2018     | Present Worth Profile (\$) |
| Perf:             | 0 - 0                  | Working Int:                  | 0.35700000    |                            |
| Initial Rate :    | 552.00 bbl/month       | Revenue Int:                  | 0.27303695    | PW 5.00% : 162,653.76      |
| Abandonment :     | 174.10 bbl/month       | Disc. Initial Invest. (\$):   | 4,657.25      | PW 7.00% : 158,753.09      |
| Initial Decline : | 28.31 %/year b = 1.200 | ROI/Investment (disc/undisc): | 33.87 / 16.85 | PW 10.00% : 153,034.20     |
| Beg Ratio :       | 0.000                  | Years to Payout:              | 0.13          | PW 15.00% : 143,942.48     |
| End Ratio :       | 0.000                  | Internal ROR (%):             | >1000         | PW 20.00% : 135,477.17     |
|                   |                        |                               |               | PW 25.00% : 127,666.48     |

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**ECONOMIC PROJECTION**

Project Name : Lexaria Corporation  
 Partner : Lexaria Corporation  
 Case Type : LEASE CASE  
 Archive Set : default

As Of Date : 10/31/2012  
 Discount Rate (%) : 10.00  
 Custom Selection

Case : PP F 12-4 Non-consent  
 Reserve Cat. : Proved Producing  
 Field : Belmont Lake Field  
 Operator : Griffin & Griffin Expl, LLC  
 Reservoir : 2,300 Ft. Sand  
 Co., State : Wilkinson, MS

Cum Oil (Mbbl) : 21.47  
 Cum Gas (MMcf) : 0.00

| Year | Gross Oil (Mbbl) | Gross Gas (MMcf) | Net Oil (Mbbl) | Net Gas (MMcf) | Oil Price (\$/bbl) | Gas Price (\$/Mcf) | Oil Revenue (\$) | Gas Revenue (\$) | Misc. Revenue (\$) |
|------|------------------|------------------|----------------|----------------|--------------------|--------------------|------------------|------------------|--------------------|
| 2012 | 0.86             | 0.00             | 0.04           | 0.00           | 111.61             | 0.00               | 5,008.16         | 0.00             | 0.00               |
| 2013 | 4.65             | 0.00             | 0.24           | 0.00           | 111.61             | 0.00               | 27,004.53        | 0.00             | 0.00               |
| 2014 | 3.69             | 0.00             | 0.19           | 0.00           | 111.61             | 0.00               | 21,437.68        | 0.00             | 0.00               |
| 2015 | 3.08             | 0.00             | 0.16           | 0.00           | 111.61             | 0.00               | 17,902.50        | 0.00             | 0.00               |
| 2016 | 2.87             | 0.00             | 0.14           | 0.00           | 111.61             | 0.00               | 15,480.37        | 0.00             | 0.00               |
| 2017 | 2.35             | 0.00             | 0.12           | 0.00           | 111.61             | 0.00               | 13,615.22        | 0.00             | 0.00               |
| 2018 | 1.21             | 0.00             | 0.06           | 0.00           | 111.61             | 0.00               | 7,043.16         | 0.00             | 0.00               |
| 2019 | 0.00             | 0.00             | 0.00           | 0.00           | 0.00               | 0.00               | 0.00             | 0.00             | 0.00               |
| 2020 | 0.00             | 0.00             | 0.00           | 0.00           | 0.00               | 0.00               | 0.00             | 0.00             | 0.00               |
| 2021 | 0.00             | 0.00             | 0.00           | 0.00           | 0.00               | 0.00               | 0.00             | 0.00             | 0.00               |

|       |       |      |      |      |        |      |            |      |      |
|-------|-------|------|------|------|--------|------|------------|------|------|
| Rem.  | 0.00  | 0.00 | 0.00 | 0.00 | 0.00   | 0.00 | 0.00       | 0.00 | 0.00 |
| Total | 18.52 | 0.00 | 0.96 | 0.00 | 111.61 | 0.00 | 107,491.62 | 0.00 | 0.00 |

Ult 39.98 0.00

| Year | Well Count | Net Tax Production (\$) | Net Tax AdValorem (\$) | Net Investment (\$) | Net Lease Costs (\$) | Net Well Costs (\$) | Other Costs (\$) | Net Profits (\$) | Annual Cash Flow (\$) | Cum Disc. Cash Flow (\$) |
|------|------------|-------------------------|------------------------|---------------------|----------------------|---------------------|------------------|------------------|-----------------------|--------------------------|
| 2012 | 1.00       | 302.46                  | 100.16                 | 0.00                | 0.00                 | 1,889.52            | 0.00             | 0.00             | 2,716.02              | 2,692.16                 |
| 2013 | 1.00       | 1,630.92                | 540.09                 | 0.00                | 0.00                 | 11,157.17           | 0.00             | 0.00             | 13,676.35             | 15,535.73                |
| 2014 | 1.00       | 1,294.71                | 428.75                 | 0.00                | 0.00                 | 11,157.17           | 0.00             | 0.00             | 8,557.05              | 22,805.63                |
| 2015 | 1.00       | 1,081.21                | 358.05                 | 0.00                | 0.00                 | 11,157.17           | 0.00             | 0.00             | 5,306.07              | 26,885.46                |
| 2016 | 1.00       | 934.93                  | 309.61                 | 0.00                | 0.00                 | 11,157.17           | 0.00             | 0.00             | 3,078.87              | 29,019.55                |
| 2017 | 1.00       | 822.28                  | 272.30                 | 0.00                | 0.00                 | 11,157.17           | 0.00             | 0.00             | 1,363.47              | 29,890.63                |
| 2018 | 1.00       | 425.37                  | 140.86                 | 0.00                | 0.00                 | 6,227.21            | 0.00             | 0.00             | 249.72                | 30,036.47                |
| 2019 | 0.00       | 0.00                    | 0.00                   | 0.00                | 0.00                 | 0.00                | 0.00             | 0.00             | 0.00                  | 30,036.47                |
| 2020 | 0.00       | 0.00                    | 0.00                   | 0.00                | 0.00                 | 0.00                | 0.00             | 0.00             | 0.00                  | 30,036.47                |
| 2021 | 0.00       | 0.00                    | 0.00                   | 2,074.00            | 0.00                 | 0.00                | 0.00             | 0.00             | -2,074.00             | 29,149.38                |

|       |          |          |          |      |           |      |      |           |           |      |
|-------|----------|----------|----------|------|-----------|------|------|-----------|-----------|------|
| Rem.  | 0.00     | 0.00     | 0.00     | 0.00 | 0.00      | 0.00 | 0.00 | 0.00      | 0.00      | 0.00 |
| Total | 6,491.87 | 2,149.83 | 2,074.00 | 0.00 | 63,902.57 | 0.00 | 0.00 | 32,873.35 | 29,149.38 |      |

|                   |                  |                                |               |                                   |
|-------------------|------------------|--------------------------------|---------------|-----------------------------------|
| Major Phase :     | Oil              | Abandonment Date :             | 7/25/2018     | <b>Present Worth Profile (\$)</b> |
| Perfs :           | 0 - 0            | Working Int. :                 | 0.06800000    |                                   |
| Initial Rate :    | 552.00 bbl/month | Revenue Int. :                 | 0.05200704    |                                   |
| Abandonment :     | 174.10 bbl/month | Disc. Initial Invest. (\$):    | 887.10        |                                   |
| Initial Decline : | 28.31 % year     | ROI/Investment (disc/undisc) : | 33.87 / 16.85 |                                   |
| Beg Ratio :       | 0.000            | Years to Payout :              | 0.13          | PW 5.00% : 30,981.67              |
| End Ratio :       | 0.000            | Internal ROR (%) :             | >1000         | PW 7.00% : 30,238.69              |
|                   |                  |                                |               | PW 10.00% : 29,149.38             |
|                   |                  |                                |               | PW 15.00% : 27,417.62             |
|                   |                  |                                |               | PW 20.00% : 25,805.18             |
|                   |                  |                                |               | PW 25.00% : 24,317.43             |

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**ECONOMIC PROJECTION**

**Project Name:** Lexaria Corporation  
**Partner:** Lexaria Corporation  
**Case Type:** LEASE CASE  
**Archive Set:** default

As Of Date: 10/31/2012  
 Discount Rate (%): 10.00  
 Custom Selection

Case: PPF 12-5  
 Reserve Cat.: Proved Producing  
 Field: Belmont Lake Field  
 Operator: Griffin & Griffin Expl. LLC  
 Reservoir: 2,800 Ft. Sand  
 Co., State: Wilkinson, MS

Cum Oil (Mbbbl): 10.53  
 Cum Gas (MMcf): 0.00

| Year | Gross Oil (Mbbbl) | Gross Gas (MMcf) | Net Oil (Mbbbl) | Net Gas (MMcf) | Oil Price (\$/bbl) | Gas Price (\$/Mcf) | Oil Revenue (\$) | Gas Revenue (\$) | Misc. Revenue (\$) |
|------|-------------------|------------------|-----------------|----------------|--------------------|--------------------|------------------|------------------|--------------------|
| 2012 | 0.85              | 0.00             | 0.23            | 0.00           | 111.61             | 0.00               | 26,016.64        | 0.00             | 0.00               |
| 2013 | 4.73              | 0.00             | 1.29            | 0.00           | 111.61             | 0.00               | 144,235.17       | 0.00             | 0.00               |
| 2014 | 3.84              | 0.00             | 1.05            | 0.00           | 111.61             | 0.00               | 116,913.89       | 0.00             | 0.00               |
| 2015 | 3.25              | 0.00             | 0.89            | 0.00           | 111.61             | 0.00               | 98,900.17        | 0.00             | 0.00               |
| 2016 | 2.83              | 0.00             | 0.77            | 0.00           | 111.61             | 0.00               | 86,273.22        | 0.00             | 0.00               |
| 2017 | 2.51              | 0.00             | 0.68            | 0.00           | 111.61             | 0.00               | 76,362.85        | 0.00             | 0.00               |
| 2018 | 2.26              | 0.00             | 0.62            | 0.00           | 111.61             | 0.00               | 68,809.53        | 0.00             | 0.00               |
| 2019 | 1.70              | 0.00             | 0.47            | 0.00           | 111.61             | 0.00               | 51,950.02        | 0.00             | 0.00               |
| 2020 | 0.00              | 0.00             | 0.00            | 0.00           | 0.00               | 0.00               | 0.00             | 0.00             | 0.00               |

|       |              |             |             |             |               |             |                   |             |             |
|-------|--------------|-------------|-------------|-------------|---------------|-------------|-------------------|-------------|-------------|
| Rem.  | 0.00         | 0.00        | 0.00        | 0.00        | 0.00          | 0.00        | 0.00              | 0.00        | 0.00        |
| Total | <b>21.97</b> | <b>0.00</b> | <b>6.00</b> | <b>0.00</b> | <b>111.61</b> | <b>0.00</b> | <b>669,461.48</b> | <b>0.00</b> | <b>0.00</b> |
| Ult   | <b>32.50</b> | <b>0.00</b> |             |             |               |             |                   |             |             |

| Year | Well Count | Net Tax Production (\$) | Net Tax AdValorem (\$) | Net Investment (\$) | Net Lease Costs (\$) | Net Well Costs (\$) | Other Costs (\$) | Net Profit (\$) | Annual Cash Flow (\$) | Cum Disc. Cash Flow (\$) |
|------|------------|-------------------------|------------------------|---------------------|----------------------|---------------------|------------------|-----------------|-----------------------|--------------------------|
| 2012 | 1.00       | 1,571.25                | 520.33                 | 0.00                | 0.00                 | 9,507.89            | 0.00             | 0.00            | 14,417.16             | 14,291.30                |
| 2013 | 1.00       | 8,710.97                | 2,884.70               | 0.00                | 0.00                 | 56,141.82           | 0.00             | 0.00            | 76,497.67             | 86,091.92                |
| 2014 | 1.00       | 7,060.92                | 2,338.28               | 0.00                | 0.00                 | 56,141.82           | 0.00             | 0.00            | 51,372.87             | 129,712.24               |
| 2015 | 1.00       | 5,973.00                | 1,978.00               | 0.00                | 0.00                 | 56,141.82           | 0.00             | 0.00            | 34,807.35             | 156,455.03               |
| 2016 | 1.00       | 5,210.40                | 1,725.46               | 0.00                | 0.00                 | 56,141.82           | 0.00             | 0.00            | 23,195.53             | 172,586.33               |
| 2017 | 1.00       | 4,611.88                | 1,527.26               | 0.00                | 0.00                 | 56,141.82           | 0.00             | 0.00            | 14,081.89             | 181,450.08               |
| 2018 | 1.00       | 4,155.70                | 1,376.19               | 0.00                | 0.00                 | 56,141.82           | 0.00             | 0.00            | 7,135.82              | 185,521.61               |
| 2019 | 1.00       | 3,137.48                | 1,039.00               | 0.00                | 0.00                 | 45,604.77           | 0.00             | 0.00            | 2,168.77              | 186,657.05               |
| 2020 | 0.00       | 0.00                    | 0.00                   | 10,888.50           | 0.00                 | 0.00                | 0.00             | 0.00            | -10,888.50            | 181,503.30               |

|       |                  |                  |                  |             |                   |             |             |                   |                   |      |
|-------|------------------|------------------|------------------|-------------|-------------------|-------------|-------------|-------------------|-------------------|------|
| Rem.  | 0.00             | 0.00             | 0.00             | 0.00        | 0.00              | 0.00        | 0.00        | 0.00              | 0.00              | 0.00 |
| Total | <b>40,431.61</b> | <b>13,389.23</b> | <b>10,888.50</b> | <b>0.00</b> | <b>391,963.58</b> | <b>0.00</b> | <b>0.00</b> | <b>212,788.56</b> | <b>181,503.30</b> |      |

|                  |                        |                             |               |                            |
|------------------|------------------------|-----------------------------|---------------|----------------------------|
| Major Phase:     | Oil                    | Abandonment Date:           | 10/27/2019    | Present Worth Profile (\$) |
| Perfs:           | 0 - 0                  | Working Int:                | 0.35700000    |                            |
| Initial Rate:    | 519.00 bbl/month       | Revenue Int:                | 0.27303695    |                            |
| Abandonment:     | 166.85 bbl/month       | Disc. Initial Invest. (\$): | 5,153.76      | PW 5.00%: 196,278.74       |
| Initial Decline: | 25.31 % year b = 1.200 | ROIInvestment(disc/undisc): | 36.23 / 20.54 | PW 7.00%: 190,168.57       |
| Beg Ratio:       | 0.000                  | Years to Payout:            | 0.13          | PW 10.00%: 181,503.30      |
| End Ratio:       | 0.000                  | Internal ROR. (%):          | >1000         | PW 15.00%: 168,309.85      |
|                  |                        |                             |               | PW 20.00%: 156,536.88      |
|                  |                        |                             |               | PW 25.00%: 146,026.20      |

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## ECONOMIC PROJECTION

Project Name : Lexaria Corporation  
 Partner : Lexaria Corporation  
 Case Type : LEASE CASE  
 Archive Set : default

As Of Date : 10/31/2012  
 Discount Rate (%) : 10.00  
 Custom Selection

Case : PP F 12-5 Non-consent  
 Reserve Cat. : Proved Producing  
 Field : Belmont Lake Field  
 Operator : Griffin & Griffin Expl. LLC  
 Reservoir : 2,300 Ft. Sand  
 Co., State : Wilkinson, MS

Cum Oil (Mbbl) : 10.53  
 Cum Gas (MMcf) : 0.00

| Year | Gross Oil (Mbbl) | Gross Gas (MMcf) | Net Oil (Mbbl) | Net Gas (MMcf) | Oil Price (\$/bbl) | Gas Price (\$/Mcf) | Oil Revenue (\$) | Gas Revenue (\$) | Misc. Revenue (\$) |
|------|------------------|------------------|----------------|----------------|--------------------|--------------------|------------------|------------------|--------------------|
| 2012 | 0.85             | 0.00             | 0.04           | 0.00           | 111.61             | 0.00               | 4,955.55         | 0.00             | 0.00               |
| 2013 | 4.73             | 0.00             | 0.25           | 0.00           | 111.61             | 0.00               | 27,473.37        | 0.00             | 0.00               |
| 2014 | 3.84             | 0.00             | 0.20           | 0.00           | 111.61             | 0.00               | 22,269.31        | 0.00             | 0.00               |
| 2015 | 3.25             | 0.00             | 0.17           | 0.00           | 111.61             | 0.00               | 18,838.13        | 0.00             | 0.00               |
| 2016 | 2.83             | 0.00             | 0.15           | 0.00           | 111.61             | 0.00               | 16,432.99        | 0.00             | 0.00               |
| 2017 | 2.51             | 0.00             | 0.13           | 0.00           | 111.61             | 0.00               | 14,545.30        | 0.00             | 0.00               |
| 2018 | 2.26             | 0.00             | 0.12           | 0.00           | 111.61             | 0.00               | 13,106.58        | 0.00             | 0.00               |
| 2019 | 1.70             | 0.00             | 0.09           | 0.00           | 111.61             | 0.00               | 9,895.24         | 0.00             | 0.00               |
| 2020 | 0.00             | 0.00             | 0.00           | 0.00           | 0.00               | 0.00               | 0.00             | 0.00             | 0.00               |

|       |       |      |      |      |        |      |            |      |      |
|-------|-------|------|------|------|--------|------|------------|------|------|
| Rem   | 0.00  | 0.00 | 0.00 | 0.00 | 0.00   | 0.00 | 0.00       | 0.00 | 0.00 |
| Total | 21.97 | 0.00 | 1.14 | 0.00 | 111.61 | 0.00 | 127,516.48 | 0.00 | 0.00 |
| Ult   | 32.50 | 0.00 |      |      |        |      |            |      |      |

| Year | Well Count | Net Tax Production (\$) | Net Tax AdValorem (\$) | Net Investment (\$) | Net Lease Costs (\$) | Net Well Costs (\$) | Other Costs (\$) | Net Profits (\$) | Annual Cash Flow (\$) | Cum Disc. Cash Flow (\$) |
|------|------------|-------------------------|------------------------|---------------------|----------------------|---------------------|------------------|------------------|-----------------------|--------------------------|
| 2012 | 1.00       | 299.29                  | 99.11                  | 0.00                | 0.00                 | 1,811.03            | 0.00             | 0.00             | 2,746.13              | 2,722.15                 |
| 2013 | 1.00       | 1,659.23                | 549.47                 | 0.00                | 0.00                 | 10,693.68           | 0.00             | 0.00             | 14,570.99             | 16,398.46                |
| 2014 | 1.00       | 1,344.94                | 445.39                 | 0.00                | 0.00                 | 10,693.68           | 0.00             | 0.00             | 9,785.31              | 24,707.10                |
| 2015 | 1.00       | 1,137.71                | 376.76                 | 0.00                | 0.00                 | 10,693.68           | 0.00             | 0.00             | 6,629.97              | 29,800.96                |
| 2016 | 1.00       | 992.46                  | 328.66                 | 0.00                | 0.00                 | 10,693.68           | 0.00             | 0.00             | 4,418.20              | 32,873.59                |
| 2017 | 1.00       | 878.45                  | 290.91                 | 0.00                | 0.00                 | 10,693.68           | 0.00             | 0.00             | 3,682.27              | 34,561.92                |
| 2018 | 1.00       | 791.56                  | 262.13                 | 0.00                | 0.00                 | 10,693.68           | 0.00             | 0.00             | 1,359.20              | 35,337.45                |
| 2019 | 1.00       | 597.62                  | 197.90                 | 0.00                | 0.00                 | 8,686.62            | 0.00             | 0.00             | 413.10                | 35,553.73                |
| 2020 | 0.00       | 0.00                    | 0.00                   | 2,074.00            | 0.00                 | 0.00                | 0.00             | 0.00             | -2,074.00             | 34,572.06                |

|                   |          |           |           |      |                                 |               |      |           |           |      |
|-------------------|----------|-----------|-----------|------|---------------------------------|---------------|------|-----------|-----------|------|
| Rem.              | 0.00     | 0.00      | 0.00      | 0.00 | 0.00                            | 0.00          | 0.00 | 0.00      | 0.00      | 0.00 |
| Total             | 7,701.26 | 2,550.33  | 2,074.00  | 0.00 | 74,659.73                       | 0.00          | 0.00 | 40,531.16 | 34,572.06 |      |
| Major Phase :     | Oil      |           |           |      | Abandonment Date :              | 10/27/2019    |      |           |           |      |
| Perfs :           | 0 - 0    |           |           |      | Working Int. :                  | 0.06800000    |      |           |           |      |
| Initial Rate :    | 519.00   | bbl/month |           |      | Revenue Int. :                  | 0.05200704    |      |           |           |      |
| Abandonment :     | 166.85   | bbl/month |           |      | Disc. Initial Invest. (\$):     | 981.67        |      |           |           |      |
| Initial Decline : | 25.31    | % year    | b = 1.200 |      | ROI/Investment (disc undisc.) : | 36.23 / 20.54 |      |           |           |      |
| Beg Ratio :       | 0.000    |           |           |      | Years to Payout :               | 0.13          |      |           |           |      |
| End Ratio :       | 0.000    |           |           |      | Internal ROR (%) :              | >1000         |      |           |           |      |
|                   |          |           |           |      |                                 |               | PW   | 5.00% :   | 37,386.43 |      |
|                   |          |           |           |      |                                 |               | PW   | 7.00% :   | 36,222.59 |      |
|                   |          |           |           |      |                                 |               | PW   | 10.00% :  | 34,572.06 |      |
|                   |          |           |           |      |                                 |               | PW   | 15.00% :  | 32,059.02 |      |
|                   |          |           |           |      |                                 |               | PW   | 20.00% :  | 29,816.55 |      |
|                   |          |           |           |      |                                 |               | PW   | 25.00% :  | 27,814.52 |      |

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**ECONOMIC SUMMARY PROJECTION**

Proved Producing Rsv Class &amp; Category

Project Name : Levaria Corporation  
 Partner : Levaria Corporation  
 Case Type : REPORT BREAK TOTAL CASE

As Of Date : 10/31/2012  
 Discount Rate (%) : 10.00  
 Custom Selection

Cum Oil (Mbbl) : 208.90  
 Cum Gas (MMcf) : 0.00

| Year | Gross Oil (Mbbl) | Gross Gas (MMcf) | Net Oil (Mbbl) | Net Gas (MMcf) | Oil Price (\$/bbl) | Gas Price (\$/Mcf) | Oil Revenue (\$) | Gas Revenue (\$) | Misc. Revenue (\$) |
|------|------------------|------------------|----------------|----------------|--------------------|--------------------|------------------|------------------|--------------------|
| 2012 | 9.65             | 0.00             | 2.25           | 0.00           | 111.61             | 0.00               | 251,603.08       | 0.00             | 0.00               |
| 2013 | 54.39            | 0.00             | 12.78          | 0.00           | 111.61             | 0.00               | 1,425,914.65     | 0.00             | 0.00               |
| 2014 | 42.85            | 0.00             | 10.03          | 0.00           | 111.61             | 0.00               | 1,119,997.68     | 0.00             | 0.00               |
| 2015 | 34.37            | 0.00             | 7.99           | 0.00           | 111.61             | 0.00               | 891,323.56       | 0.00             | 0.00               |
| 2016 | 28.03            | 0.00             | 6.44           | 0.00           | 111.61             | 0.00               | 718,543.75       | 0.00             | 0.00               |
| 2017 | 23.01            | 0.00             | 5.21           | 0.00           | 111.61             | 0.00               | 581,608.97       | 0.00             | 0.00               |
| 2018 | 17.39            | 0.00             | 3.98           | 0.00           | 111.61             | 0.00               | 444,340.30       | 0.00             | 0.00               |
| 2019 | 11.62            | 0.00             | 2.80           | 0.00           | 111.61             | 0.00               | 312,179.91       | 0.00             | 0.00               |
| 2020 | 6.48             | 0.00             | 1.77           | 0.00           | 111.61             | 0.00               | 197,595.35       | 0.00             | 0.00               |
| 2021 | 5.10             | 0.00             | 1.39           | 0.00           | 111.61             | 0.00               | 155,346.21       | 0.00             | 0.00               |
| 2022 | 2.76             | 0.00             | 0.75           | 0.00           | 111.61             | 0.00               | 84,055.70        | 0.00             | 0.00               |
| 2023 | 2.02             | 0.00             | 0.55           | 0.00           | 111.61             | 0.00               | 61,631.08        | 0.00             | 0.00               |
| 2024 | 0.72             | 0.00             | 0.20           | 0.00           | 111.61             | 0.00               | 22,052.17        | 0.00             | 0.00               |

|       |        |      |       |      |        |      |              |      |      |
|-------|--------|------|-------|------|--------|------|--------------|------|------|
| Rem.  | 0.00   | 0.00 | 0.00  | 0.00 | 0.00   | 0.00 | 0.00         | 0.00 | 0.00 |
| Total | 238.40 | 0.00 | 56.14 | 0.00 | 111.61 | 0.00 | 6,266,192.42 | 0.00 | 0.00 |
| Ult.  | 447.30 | 0.00 |       |      |        |      |              |      |      |

| Year | Well Count | Net Tax Production (\$) | Net Tax AdValorem (\$) | Net Investment (\$) | Net Lease Costs (\$) | Net Well Costs (\$) | Other Costs (\$) | Net Profits (\$) | Annual Cash Flow (\$) | Cum Disc. Cash Flow (\$) |
|------|------------|-------------------------|------------------------|---------------------|----------------------|---------------------|------------------|------------------|-----------------------|--------------------------|
| 2012 | 6.00       | 15,195.37               | 5,032.06               | 0.00                | 0.00                 | 39,025.93           | 0.00             | 0.00             | 192,349.72            | 190,758.88               |
| 2013 | 6.00       | 86,117.02               | 28,518.29              | 0.00                | 0.00                 | 230,438.81          | 0.00             | 0.00             | 1,080,840.53          | 1,204,433.23             |
| 2014 | 6.00       | 67,641.40               | 22,399.95              | 0.00                | 0.00                 | 230,438.81          | 0.00             | 0.00             | 799,517.52            | 1,882,939.55             |
| 2015 | 6.00       | 53,830.80               | 17,826.47              | 0.00                | 0.00                 | 230,438.81          | 0.00             | 0.00             | 589,227.48            | 2,335,451.04             |
| 2016 | 6.00       | 43,395.90               | 14,370.87              | 0.00                | 0.00                 | 230,438.81          | 0.00             | 0.00             | 430,338.17            | 2,634,519.92             |
| 2017 | 6.00       | 35,125.83               | 11,632.18              | 0.00                | 0.00                 | 230,438.81          | 0.00             | 0.00             | 304,412.15            | 2,825,957.44             |
| 2018 | 6.00       | 26,835.59               | 8,886.81               | 0.00                | 0.00                 | 199,626.56          | 0.00             | 0.00             | 208,991.35            | 2,944,928.65             |
| 2019 | 4.00       | 18,853.87               | 6,243.60               | 0.00                | 0.00                 | 148,162.40          | 0.00             | 0.00             | 138,920.05            | 3,016,516.01             |
| 2020 | 2.00       | 11,933.62               | 3,951.91               | 12,962.50           | 0.00                 | 93,871.01           | 0.00             | 0.00             | 74,876.31             | 3,051,353.72             |
| 2021 | 2.00       | 9,382.01                | 3,106.92               | 12,962.50           | 0.00                 | 93,871.01           | 0.00             | 0.00             | 36,023.77             | 3,066,510.79             |
| 2022 | 1.00       | 5,076.48                | 1,681.11               | 0.00                | 0.00                 | 53,810.92           | 0.00             | 0.00             | 23,487.19             | 3,075,490.41             |
| 2023 | 1.00       | 3,722.16                | 1,232.62               | 0.00                | 0.00                 | 46,335.74           | 0.00             | 0.00             | 10,340.55             | 3,079,079.42             |
| 2024 | 0.00       | 1,331.82                | 441.04                 | 21,777.00           | 0.00                 | 18,843.50           | 0.00             | 0.00             | -20,341.20            | 3,072,722.71             |

|       |            |            |           |      |              |      |      |              |              |
|-------|------------|------------|-----------|------|--------------|------|------|--------------|--------------|
| Rem.  | 0.00       | 0.00       | 0.00      | 0.00 | 0.00         | 0.00 | 0.00 | 0.00         | 0.00         |
| Total | 378,441.87 | 125,323.85 | 47,702.00 | 0.00 | 1,845,741.11 | 0.00 | 0.00 | 3,868,983.60 | 3,072,722.71 |

**Present Worth Profile (\$)**

|                               |                |                         |
|-------------------------------|----------------|-------------------------|
| Disc. Initial Invest. (\$):   | 18,498.01      | PW 5.00%: 3,432,075.80  |
| ROI Investment (disc/undisc): | 167.11 / 82.11 | PW 7.00%: 3,280,080.16  |
| Years to Payout:              | 0.04           | PW 10.00%: 3,072,722.71 |
| Internal ROR (%):             | >1000          | PW 15.00%: 2,774,037.90 |
|                               |                | PW 20.00%: 2,523,237.26 |
|                               |                | PW 25.00%: 2,310,582.70 |

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**ECONOMIC PROJECTION**

Project Name : Lexaria Corporation  
 Partner : Lexaria Corporation  
 Case Type : LEASE CASE  
 Archive Set : default

As Of Date : 10/31/2012  
 Discount Rate (%) : 10.00  
 Custom Selection

Case : PPF 12-6  
 Reserve Cat. : Proved Undeveloped  
 Field : Belmont Lake Field  
 Operator : Griffin & Griffin Expl. LLC  
 Reservoir : 2,800 Ft. Sand  
 Co., State : Wilkinson, MS

Cum Oil (Mbbbl) : 0.00  
 Cum Gas (MMcf) : 0.00

| Year | Gross Oil (Mbbbl) | Gross Gas (MMcf) | Net Oil (Mbbbl) | Net Gas (MMcf) | Oil Price (\$/bbl) | Gas Price (\$/Mcf) | Oil Revenue (\$) | Gas Revenue (\$) | Misc. Revenue (\$) |
|------|-------------------|------------------|-----------------|----------------|--------------------|--------------------|------------------|------------------|--------------------|
| 2012 | 0.00              | 0.00             | 0.00            | 0.00           | 0.00               | 0.00               | 0.00             | 0.00             | 0.00               |
| 2013 | 15.41             | 0.00             | 4.21            | 0.00           | 111.61             | 0.00               | 459,458.98       | 0.00             | 0.00               |
| 2014 | 24.68             | 0.00             | 6.74            | 0.00           | 111.61             | 0.00               | 752,126.28       | 0.00             | 0.00               |
| 2015 | 18.51             | 0.00             | 5.06            | 0.00           | 111.61             | 0.00               | 564,205.79       | 0.00             | 0.00               |
| 2016 | 13.92             | 0.00             | 3.80            | 0.00           | 111.61             | 0.00               | 424,238.13       | 0.00             | 0.00               |
| 2017 | 3.38              | 0.00             | 0.92            | 0.00           | 111.61             | 0.00               | 103,012.58       | 0.00             | 0.00               |

|       |              |             |              |             |               |             |                     |             |             |
|-------|--------------|-------------|--------------|-------------|---------------|-------------|---------------------|-------------|-------------|
| Rem.  | 0.00         | 0.00        | 0.00         | 0.00        | 0.00          | 0.00        | 0.00                | 0.00        | 0.00        |
| Total | <b>75.90</b> | <b>0.00</b> | <b>20.72</b> | <b>0.00</b> | <b>111.61</b> | <b>0.00</b> | <b>2,313,041.76</b> | <b>0.00</b> | <b>0.00</b> |

Ult **75.90** **0.00**

| Year | Well Count | Net Tax Production (\$) | Net Tax AdValorem (\$) | Net Investment (\$) | Net Lease Costs (\$) | Net Well Costs (\$) | Other Costs (\$) | Net Profits (\$) | Annual Cash Flow (\$) | Cum Disc. Cash Flow (\$) |
|------|------------|-------------------------|------------------------|---------------------|----------------------|---------------------|------------------|------------------|-----------------------|--------------------------|
| 2012 | 0.00       | 0.00                    | 0.00                   | 0.00                | 0.00                 | 0.00                | 0.00             | 0.00             | 0.00                  | 0.00                     |
| 2013 | 1.00       | 28,352.61               | 9,389.18               | 262,472.70          | 0.00                 | 16,072.42           | 0.00             | 0.00             | 143,172.06            | 122,728.57               |
| 2014 | 1.00       | 45,424.09               | 15,042.53              | 0.00                | 0.00                 | 52,144.85           | 0.00             | 0.00             | 639,514.82            | 665,515.59               |
| 2015 | 1.00       | 34,074.77               | 11,284.12              | 0.00                | 0.00                 | 52,144.85           | 0.00             | 0.00             | 466,702.05            | 1,023,980.82             |
| 2016 | 1.00       | 25,621.54               | 8,484.76               | 0.00                | 0.00                 | 52,144.85           | 0.00             | 0.00             | 337,986.99            | 1,258,888.34             |
| 2017 | 1.00       | 6,221.37                | 1,060.25               | 10,888.50           | 0.00                 | 15,115.21           | 0.00             | 0.00             | 68,727.24             | 1,303,631.98             |

|                   |                   |                  |                                |             |                   |             |             |                     |                     |              |
|-------------------|-------------------|------------------|--------------------------------|-------------|-------------------|-------------|-------------|---------------------|---------------------|--------------|
| Rem.              | 0.00              | 0.00             | 0.00                           | 0.00        | 0.00              | 0.00        | 0.00        | 0.00                | 0.00                | 0.00         |
| Total             | <b>139,694.38</b> | <b>46,260.84</b> | <b>273,361.20</b>              | <b>0.00</b> | <b>197,622.19</b> | <b>0.00</b> | <b>0.00</b> | <b>1,656,103.16</b> | <b>1,303,631.98</b> |              |
| Major Phase :     | Oil               |                  | Abandonment Date :             | 4/17/2017   |                   |             |             |                     |                     |              |
| Perfs :           | 0 - 0             |                  | Working Int. :                 | 0.42000000  |                   |             |             |                     |                     |              |
| Initial Rate :    | 2,737.50          | bbl/month        | Revenue Int. :                 | 0.27303695  |                   |             |             |                     |                     |              |
| Abandonment :     | 917.84            | bbl/month        | Disc. Initial Invest. (\$):    | 254,572.80  |                   |             |             | PW                  | 5.00% :             | 1,467,929.30 |
| Initial Decline : | 25.00             | % year           | R.O/Investment (disc/undisc) : | 6.11 / 7.06 |                   |             |             | PW                  | 7.00% :             | 1,399,545.78 |
| Beg Ratio :       | 0.000             |                  | Years to Payout :              | 1.00        |                   |             |             | PW                  | 10.00% :            | 1,303,631.98 |
| End Ratio :       | 0.000             |                  | Internal ROR (%) :             | 239.87      |                   |             |             | PW                  | 15.00% :            | 1,159,851.88 |
|                   |                   |                  |                                |             |                   |             |             | PW                  | 20.00% :            | 1,033,739.28 |
|                   |                   |                  |                                |             |                   |             |             | PW                  | 25.00% :            | 922,872.62   |

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**ECONOMIC PROJECTION**

Project Name : Lexaria Corporation  
 Partner : Lexaria Corporation  
 Case Type : LEASE CASE  
 Archive Set : default

As Of Date : 10/31/2012  
 Discount Rate (%) : 10.00  
 Custom Selection

Case : PPF 12-7  
 Reserve Cat : Proved Undeveloped  
 Field : Belmont Lake Field  
 Operator : Griffin & Griffin Expl. LLC  
 Reservoir : 2,800 Ft. Sand  
 Co., State : Wilkinson, MS

Cum Oil (Mbbl) : 0.00  
 Cum Gas (MMcf) : 0.00

| Year | Gross Oil (Mbbl) | Gross Gas (MMcf) | Net Oil (Mbbl) | Net Gas (MMcf) | Oil Price (\$/bbl) | Gas Price (\$/Mcf) | Oil Revenue (\$) | Gas Revenue (\$) | Misc. Revenue (\$) |
|------|------------------|------------------|----------------|----------------|--------------------|--------------------|------------------|------------------|--------------------|
| 2012 | 0.00             | 0.00             | 0.00           | 0.00           | 0.00               | 0.00               | 0.00             | 0.00             | 0.00               |
| 2013 | 17.71            | 0.00             | 4.84           | 0.00           | 111.61             | 0.00               | 539,755.00       | 0.00             | 0.00               |
| 2014 | 24.10            | 0.00             | 6.58           | 0.00           | 111.61             | 0.00               | 734,562.75       | 0.00             | 0.00               |
| 2015 | 18.08            | 0.00             | 4.94           | 0.00           | 111.61             | 0.00               | 551,030.55       | 0.00             | 0.00               |
| 2016 | 13.60            | 0.00             | 3.71           | 0.00           | 111.61             | 0.00               | 414,331.40       | 0.00             | 0.00               |
| 2017 | 2.41             | 0.00             | 0.66           | 0.00           | 111.61             | 0.00               | 73,362.32        | 0.00             | 0.00               |

|       |              |             |              |             |               |             |                     |             |             |
|-------|--------------|-------------|--------------|-------------|---------------|-------------|---------------------|-------------|-------------|
| Rem.  | 0.00         | 0.00        | 0.00         | 0.00        | 0.00          | 0.00        | 0.00                | 0.00        | 0.00        |
| Total | <b>75.90</b> | <b>0.00</b> | <b>20.72</b> | <b>0.00</b> | <b>111.61</b> | <b>0.00</b> | <b>2,313,042.01</b> | <b>0.00</b> | <b>0.00</b> |

Ult **75.90** **0.00**

| Year | Well Count | Net Tax Production (\$) | Net Tax AdValorem (\$) | Net Investment (\$) | Net Lease Costs (\$) | Net Well Costs (\$) | Other Costs (\$) | Net Profits (\$) | Annual Cash Flow (\$) | Cum Disc. Cash Flow (\$) |
|------|------------|-------------------------|------------------------|---------------------|----------------------|---------------------|------------------|------------------|-----------------------|--------------------------|
| 2012 | 0.00       | 0.00                    | 0.00                   | 0.00                | 0.00                 | 0.00                | 0.00             | 0.00             | 0.00                  | 0.00                     |
| 2013 | 1.00       | 32,598.09               | 10,795.10              | 222,530.28          | 0.00                 | 30,417.83           | 0.00             | 0.00             | 243,413.70            | 215,537.19               |
| 2014 | 1.00       | 44,363.35               | 14,691.25              | 0.00                | 0.00                 | 52,144.85           | 0.00             | 0.00             | 623,363.29            | 744,618.04               |
| 2015 | 1.00       | 33,279.07               | 11,020.61              | 0.00                | 0.00                 | 52,144.85           | 0.00             | 0.00             | 454,586.03            | 1,093,779.40             |
| 2016 | 1.00       | 25,023.23               | 8,286.63               | 0.00                | 0.00                 | 52,144.85           | 0.00             | 0.00             | 328,876.69            | 1,322,357.30             |
| 2017 | 1.00       | 4,430.66                | 1,467.25               | 10,888.50           | 0.00                 | 10,783.89           | 0.00             | 0.00             | 45,792.02             | 1,352,294.34             |

|       |                   |                  |                   |             |                   |             |             |                     |                     |      |
|-------|-------------------|------------------|-------------------|-------------|-------------------|-------------|-------------|---------------------|---------------------|------|
| Rem.  | 0.00              | 0.00             | 0.00              | 0.00        | 0.00              | 0.00        | 0.00        | 0.00                | 0.00                | 0.00 |
| Total | <b>139,694.39</b> | <b>46,260.84</b> | <b>233,418.78</b> | <b>0.00</b> | <b>197,636.26</b> | <b>0.00</b> | <b>0.00</b> | <b>1,696,031.74</b> | <b>1,352,294.34</b> |      |

| Major Phase       | Oil                | Abandonment Date           | 3/18/2017                    | Present Worth Profile (\$) |
|-------------------|--------------------|----------------------------|------------------------------|----------------------------|
| Perfs :           | 0 - 0              | Working Int :              | 0.42000000                   |                            |
| Initial Rate :    | 2,737.50 bbl/month | Revenue Int :              | 0.27303695                   | PW 5.00% : 1,812,876.13    |
| Abandonment :     | 917.84 bbl/month   | Disc. Initial Invest. (\$) | 218,739.81                   | PW 7.00% : 1,446,120.30    |
| Initial Decline : | 25.00 % year       | b = 0.000                  | R/Investment (disc/undisc) : | PW 10.00% : 1,352,294.34   |
| Beg Ratio :       | 0.000              |                            | Years to Payout :            | PW 15.00% : 1,211,172.17   |
| End Ratio :       | 0.000              |                            | Internal ROR (%) :           | PW 20.00% : 1,096,859.92   |
|                   |                    |                            |                              | PW 25.00% : 977,099.38     |

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## ECONOMIC PROJECTION

Project Name : Lexaria Corporation  
 Partner : Lexaria Corporation  
 Case Type : LEASE CASE  
 Archive Set : default

As Of Date : 10/31/2012  
 Discount Rate (%) : 10.00  
 Custom Selection

Case : PPF 11-8  
 Reserve Cat. : Proved Undeveloped  
 Field : Belmont Lake Field  
 Operator : Griffin & Griffin Expl. LLC  
 Reservoir : 2,800 Ft. Sand  
 Co., State : Wilkinson, MS

Cum Oil (Mbbl) : 0.00  
 Cum Gas (MMcf) : 0.00

| Year | Gross Oil (Mbbl) | Gross Gas (MMcf) | Net Oil (Mbbl) | Net Gas (MMcf) | Oil Price (\$/bbl) | Gas Price (\$/Mcf) | Oil Revenue (\$) | Gas Revenue (\$) | Misc. Revenue (\$) |
|------|------------------|------------------|----------------|----------------|--------------------|--------------------|------------------|------------------|--------------------|
| 2012 | 0.00             | 0.00             | 0.00           | 0.00           | 0.00               | 0.00               | 0.00             | 0.00             | 0.00               |
| 2013 | 0.00             | 0.00             | 0.00           | 0.00           | 0.00               | 0.00               | 0.00             | 0.00             | 0.00               |
| 2014 | 17.71            | 0.00             | 4.84           | 0.00           | 111.61             | 0.00               | 539,754.94       | 0.00             | 0.00               |
| 2015 | 24.10            | 0.00             | 6.58           | 0.00           | 111.61             | 0.00               | 734,562.67       | 0.00             | 0.00               |
| 2016 | 18.12            | 0.00             | 4.95           | 0.00           | 111.61             | 0.00               | 552,333.03       | 0.00             | 0.00               |
| 2017 | 13.55            | 0.00             | 3.70           | 0.00           | 111.61             | 0.00               | 413,028.81       | 0.00             | 0.00               |
| 2018 | 2.41             | 0.00             | 0.66           | 0.00           | 111.61             | 0.00               | 73,362.31        | 0.00             | 0.00               |

|       |       |      |       |      |        |      |              |      |      |
|-------|-------|------|-------|------|--------|------|--------------|------|------|
| Rem.  | 0.00  | 0.00 | 0.00  | 0.00 | 0.00   | 0.00 | 0.00         | 0.00 | 0.00 |
| Total | 75.90 | 0.00 | 20.72 | 0.00 | 111.61 | 0.00 | 2,313,041.76 | 0.00 | 0.00 |
| Ult.  | 75.90 | 0.00 |       |      |        |      |              |      |      |

| Year | Well Count | Net Tax Production (\$) | Net Tax AdValorem (\$) | Net Investment (\$) | Net Lease Costs (\$) | Net Well Costs (\$) | Other Costs (\$) | Net Profits (\$) | Annual Cash Flow (\$) | Cum Disc. Cash Flow (\$) |
|------|------------|-------------------------|------------------------|---------------------|----------------------|---------------------|------------------|------------------|-----------------------|--------------------------|
| 2012 | 0.00       | 0.00                    | 0.00                   | 0.00                | 0.00                 | 0.00                | 0.00             | 0.00             | 0.00                  | 0.00                     |
| 2013 | 0.00       | 0.00                    | 0.00                   | 0.00                | 0.00                 | 0.00                | 0.00             | 0.00             | 0.00                  | 0.00                     |
| 2014 | 1.00       | 32,598.08               | 10,795.10              | 263,645.76          | 0.00                 | 30,417.83           | 0.00             | 0.00             | 202,298.17            | 159,642.51               |
| 2015 | 1.00       | 44,363.35               | 14,691.25              | 0.00                | 0.00                 | 52,144.85           | 0.00             | 0.00             | 623,363.22            | 638,407.38               |
| 2016 | 1.00       | 33,357.73               | 11,046.66              | 0.00                | 0.00                 | 52,144.85           | 0.00             | 0.00             | 455,783.79            | 955,157.35               |
| 2017 | 1.00       | 24,944.56               | 8,260.58               | 0.00                | 0.00                 | 52,144.85           | 0.00             | 0.00             | 327,678.83            | 1,161,211.62             |
| 2018 | 1.00       | 4,430.66                | 1,467.25               | 10,888.50           | 0.00                 | 10,783.89           | 0.00             | 0.00             | 45,792.02             | 1,188,301.62             |

|                   |            |           |            |                                |             |      |      |              |              |      |
|-------------------|------------|-----------|------------|--------------------------------|-------------|------|------|--------------|--------------|------|
| Rem.              | 0.00       | 0.00      | 0.00       | 0.00                           | 0.00        | 0.00 | 0.00 | 0.00         | 0.00         | 0.00 |
| Total             | 139,694.38 | 46,260.84 | 274,534.26 | 0.00                           | 197,636.26  | 0.00 | 0.00 | 1,654,916.03 | 1,188,301.62 |      |
| Major Phase :     | Oil        |           |            | Abandonment Date :             | 3/18/2018   |      |      |              |              |      |
| Perfs :           | 0 - 0      |           |            | Working Int :                  | 0.42000000  |      |      |              |              |      |
| Initial Rate :    | 2,737.50   | bbl/month |            | Revenue Int :                  | 0.27303695  |      |      |              |              |      |
| Abandonment :     | 917.84     | bbl/month |            | Disc. Initial Invest. (\$)     | 233,334.41  |      |      | PW 5.00% :   | 1,400,997.33 |      |
| Initial Decline : | 25.00      | % year    | b = 0.000  | ROI/Investment (disc/undisc) : | 6.09 / 7.03 |      |      | PW 7.00% :   | 1,311,401.24 |      |
| Beg Ratio :       | 0.000      |           |            | Years to Payout :              | 1.92        |      |      | PW 10.00% :  | 1,188,301.62 |      |
| End Ratio :       | 0.000      |           |            | Internal ROR (%) :             | 237.51      |      |      | PW 15.00% :  | 1,009,739.51 |      |
|                   |            |           |            |                                |             |      |      | PW 20.00% :  | 859,504.73   |      |
|                   |            |           |            |                                |             |      |      | PW 25.00% :  | 732,831.97   |      |

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**ECONOMIC PROJECTION**

Project Name : Lexaria Corporation  
 Partner : Lexaria Corporation  
 Case Type : LEASE CASE  
 Archive Set : default

As Of Date : 10/31/2012  
 Discount Rate (%) : 10.00  
 Custom Selection

Case : PPF 11-9  
 Reserve Cat. : Proved Undeveloped  
 Field : Belmont Lake Field  
 Operator : Griffin & Griffin Expl. LLC  
 Reservoir : 2,800 Ft. Sand  
 Co., State : Wilkinson, MS

Cum Oil (Mbbbl) : 0.00  
 Cum Gas (MMcf) : 0.00

| Year | Gross Oil (Mbbbl) | Gross Gas (MMcf) | Net Oil (Mbbbl) | Net Gas (MMcf) | Oil Price (\$/bbl) | Gas Price (\$/Mcf) | Oil Revenue (\$) | Gas Revenue (\$) | Misc. Revenue (\$) |
|------|-------------------|------------------|-----------------|----------------|--------------------|--------------------|------------------|------------------|--------------------|
| 2012 | 0.00              | 0.00             | 0.00            | 0.00           | 0.00               | 0.00               | 0.00             | 0.00             | 0.00               |
| 2013 | 0.00              | 0.00             | 0.00            | 0.00           | 0.00               | 0.00               | 0.00             | 0.00             | 0.00               |
| 2014 | 15.41             | 0.00             | 4.21            | 0.00           | 111.61             | 0.00               | 469,458.98       | 0.00             | 0.00               |
| 2015 | 24.68             | 0.00             | 6.74            | 0.00           | 111.61             | 0.00               | 752,126.28       | 0.00             | 0.00               |
| 2016 | 18.56             | 0.00             | 5.07            | 0.00           | 111.61             | 0.00               | 365,539.48       | 0.00             | 0.00               |
| 2017 | 13.88             | 0.00             | 3.79            | 0.00           | 111.61             | 0.00               | 422,904.45       | 0.00             | 0.00               |
| 2018 | 3.38              | 0.00             | 0.92            | 0.00           | 111.61             | 0.00               | 103,012.58       | 0.00             | 0.00               |

|       |       |      |       |      |        |      |              |      |      |
|-------|-------|------|-------|------|--------|------|--------------|------|------|
| Rem.  | 0.00  | 0.00 | 0.00  | 0.00 | 0.00   | 0.00 | 0.00         | 0.00 | 0.00 |
| Total | 75.90 | 0.00 | 20.72 | 0.00 | 111.61 | 0.00 | 2,313,041.76 | 0.00 | 0.00 |

Ult 75.90 0.00

| Year | Well Count | Net Tax Production (\$) | Net Tax AdValorem (\$) | Net Investment (\$) | Net Lease Costs (\$) | Net Well Costs (\$) | Other Costs (\$) | Net Profits (\$) | Annual Cash Flow (\$) | Cum Disc. Cash Flow (\$) |
|------|------------|-------------------------|------------------------|---------------------|----------------------|---------------------|------------------|------------------|-----------------------|--------------------------|
| 2012 | 0.00       | 0.00                    | 0.00                   | 0.00                | 0.00                 | 0.00                | 0.00             | 0.00             | 0.00                  | 0.00                     |
| 2013 | 0.00       | 0.00                    | 0.00                   | 0.00                | 0.00                 | 0.00                | 0.00             | 0.00             | 0.00                  | 0.00                     |
| 2014 | 1.00       | 28,352.61               | 9,389.18               | 263,645.76          | 0.00                 | 26,072.42           | 0.00             | 0.00             | 141,999.00            | 110,055.64               |
| 2015 | 1.00       | 45,424.09               | 15,042.53              | 0.00                | 0.00                 | 52,144.85           | 0.00             | 0.00             | 639,514.82            | 601,233.26               |
| 2016 | 1.00       | 34,155.32               | 11,310.79              | 0.00                | 0.00                 | 52,144.85           | 0.00             | 0.00             | 467,928.52            | 916,411.11               |
| 2017 | 1.00       | 25,540.99               | 8,458.09               | 0.00                | 0.00                 | 52,144.85           | 0.00             | 0.00             | 336,760.53            | 1,138,174.26             |
| 2018 | 1.00       | 6,221.37                | 2,060.25               | 10,888.50           | 0.00                 | 15,115.22           | 0.00             | 0.00             | 68,727.24             | 1,178,662.76             |

|       |            |           |            |      |            |      |      |              |              |      |
|-------|------------|-----------|------------|------|------------|------|------|--------------|--------------|------|
| Rem.  | 0.00       | 0.00      | 0.00       | 0.00 | 0.00       | 0.00 | 0.00 | 0.00         | 0.00         | 0.00 |
| Total | 139,694.38 | 46,260.84 | 274,534.26 | 0.00 | 197,622.19 | 0.00 | 0.00 | 1,684,930.10 | 1,178,662.76 |      |

|                   |                    |                                |             |                            |
|-------------------|--------------------|--------------------------------|-------------|----------------------------|
| Major Phase       | Oil                | Abandonment Date :             | 4/17/2018   | Present Worth Profile (\$) |
| Perfs :           | 0 - 0              | Working Int :                  | 0.42000000  |                            |
| Initial Rate :    | 2,737.50 bbl/month | Revenue Int :                  | 0.27303695  |                            |
| Abandonment :     | 917.84 bbl/month   | Disc. Initial Invest. (\$)     | 231,364.13  |                            |
| Initial Decline : | 25.00 % year       | ROI/Investment (disc/undisc) : | 6.10 / 7.03 |                            |
| Beg Ratio :       | 0.000              | Years to Payout :              | 2.00        |                            |
| End Ratio :       | 0.000              | Internal ROR (%) :             | 238.88      |                            |
|                   |                    |                                |             |                            |

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**ECONOMIC SUMMARY PROJECTION**

Proved Undeveloped Rsv Class &amp; Category

Project Name : Lexaria Corporation

As Of Date : 10/31/2012

Partner : Lexaria Corporation

Discount Rate (%) : 10.00

Case Type : REPORT BREAK TOTAL CASE

Custom Selection

Cum Oil (Mbbbl) : 0.00  
 Cum Gas (MMcf) : 0.00

| Year | Gross Oil (Mbbbl) | Gross Gas (MMcf) | Net Oil (Mbbbl) | Net Gas (MMcf) | Oil Price (\$/bbl) | Gas Price (\$/McF) | Oil Revenue (\$) | Gas Revenue (\$) | Misc. Revenue (\$) |
|------|-------------------|------------------|-----------------|----------------|--------------------|--------------------|------------------|------------------|--------------------|
| 2012 | 0.00              | 0.00             | 0.00            | 0.00           | 0.00               | 0.00               | 0.00             | 0.00             | 0.00               |
| 2013 | 33.12             | 0.00             | 9.04            | 0.00           | 111.61             | 0.00               | 1,009,213.97     | 0.00             | 0.00               |
| 2014 | 81.90             | 0.00             | 22.36           | 0.00           | 111.61             | 0.00               | 2,495,902.94     | 0.00             | 0.00               |
| 2015 | 85.38             | 0.00             | 23.31           | 0.00           | 111.61             | 0.00               | 2,601,925.29     | 0.00             | 0.00               |
| 2016 | 64.20             | 0.00             | 17.53           | 0.00           | 111.61             | 0.00               | 1,956,442.04     | 0.00             | 0.00               |
| 2017 | 33.22             | 0.00             | 9.07            | 0.00           | 111.61             | 0.00               | 1,012,308.16     | 0.00             | 0.00               |
| 2018 | 5.79              | 0.00             | 1.58            | 0.00           | 111.61             | 0.00               | 176,374.89       | 0.00             | 0.00               |

|       |               |      |              |      |        |      |                     |      |      |
|-------|---------------|------|--------------|------|--------|------|---------------------|------|------|
| Rem   | 0.00          | 0.00 | 0.00         | 0.00 | 0.00   | 0.00 | 0.00                | 0.00 | 0.00 |
| Total | <u>303.61</u> | 0.00 | <u>82.90</u> | 0.00 | 111.61 | 0.00 | <u>9,252,167.29</u> | 0.00 | 0.00 |

Ult 303.61 0.00

| Year | Well Count | Net Tax Production (\$) | Net Tax AdValorem (\$) | Net Investment (\$) | Net Lease Costs (\$) | Net Well Costs (\$) | Other Costs (\$) | Net Profits (\$) | Annual Cash Flow (\$) | Cum Disc. Cash Flow (\$) |
|------|------------|-------------------------|------------------------|---------------------|----------------------|---------------------|------------------|------------------|-----------------------|--------------------------|
| 2012 | 0.00       | 0.00                    | 0.00                   | 0.00                | 0.00                 | 0.00                | 0.00             | 0.00             | 0.00                  | 0.00                     |
| 2013 | 2.00       | 60,950.70               | 20,184.28              | 485,002.98          | 0.00                 | 56,490.25           | 0.00             | 0.00             | 386,585.76            | 338,265.76               |
| 2014 | 4.00       | 150,738.14              | 49,918.06              | 527,291.52          | 0.00                 | 160,779.95          | 0.00             | 0.00             | 1,607,175.28          | 1,679,831.78             |
| 2015 | 4.00       | 157,141.27              | 52,038.51              | 0.00                | 0.00                 | 208,579.39          | 0.00             | 0.00             | 2,184,166.12          | 3,357,390.85             |
| 2016 | 4.00       | 118,157.81              | 39,128.84              | 0.00                | 0.00                 | 208,579.39          | 0.00             | 0.00             | 1,590,576.00          | 4,462,814.11             |
| 2017 | 4.00       | 61,137.57               | 20,246.16              | 21,777.00           | 0.00                 | 130,188.81          | 0.00             | 0.00             | 778,958.62            | 4,955,312.21             |
| 2018 | 2.00       | 10,652.03               | 3,527.50               | 21,777.00           | 0.00                 | 25,899.11           | 0.00             | 0.00             | 114,519.25            | 5,022,890.70             |

|       |                   |                   |                     |      |                   |      |      |                     |                     |
|-------|-------------------|-------------------|---------------------|------|-------------------|------|------|---------------------|---------------------|
| Rem   | 0.00              | 0.00              | 0.00                | 0.00 | 0.00              | 0.00 | 0.00 | 0.00                | 0.00                |
| Total | <u>558,777.52</u> | <u>185,043.35</u> | <u>1,055,849.50</u> | 0.00 | <u>790,516.91</u> | 0.00 | 0.00 | <u>6,661,981.02</u> | <u>5,022,890.70</u> |

**Present Worth Profile (\$)**

|                            |             |             |              |
|----------------------------|-------------|-------------|--------------|
| Disc. Initial Invest. (\$) | 938,011.16  | PW 5.00% :  | 5,777,109.45 |
| ROIvestment (disc/undisc)  | 6.35 / 7.31 | PW 7.00% :  | 5,461,014.28 |
| Years to Payout            | 1.30        | PW 10.00% : | 5,022,890.70 |
| Internal ROR (%)           | 259.07      | PW 15.00% : | 4,378,244.85 |
|                            |             | PW 20.00% : | 3,825,730.16 |
|                            |             | PW 25.00% : | 3,350,882.29 |

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**ECONOMIC SUMMARY PROJECTION**

Total

Project Name : Lexaria Corporation  
 Partner : Lexaria Corporation  
 Case Type : GRAND TOTAL CASE

As Of Date : 10/31/2012  
 Discount Rate (%) : 10.00  
 Custom Selection

Cum Oil (Mbbl) : 208.90  
 Cum Gas (MMcf) : 0.00

| Year | Gross Oil (Mbbl) | Gross Gas (MMcf) | Net Oil (Mbbl) | Net Gas (MMcf) | Oil Price (\$/bbl) | Gas Price (\$/Mcf) | Oil Revenue (\$) | Gas Revenue (\$) | Misc. Revenue (\$) |
|------|------------------|------------------|----------------|----------------|--------------------|--------------------|------------------|------------------|--------------------|
| 2012 | 9.65             | 0.00             | 2.25           | 0.00           | 111.61             | 0.00               | 251,603.08       | 0.00             | 0.00               |
| 2013 | 87.51            | 0.00             | 21.82          | 0.00           | 111.61             | 0.00               | 2,435,128.63     | 0.00             | 0.00               |
| 2014 | 124.75           | 0.00             | 32.40          | 0.00           | 111.61             | 0.00               | 3,615,900.62     | 0.00             | 0.00               |
| 2015 | 119.76           | 0.00             | 31.30          | 0.00           | 111.61             | 0.00               | 3,493,248.85     | 0.00             | 0.00               |
| 2016 | 92.23            | 0.00             | 23.97          | 0.00           | 111.61             | 0.00               | 2,674,985.79     | 0.00             | 0.00               |
| 2017 | 56.23            | 0.00             | 14.28          | 0.00           | 111.61             | 0.00               | 1,593,917.13     | 0.00             | 0.00               |
| 2018 | 23.18            | 0.00             | 5.56           | 0.00           | 111.61             | 0.00               | 620,715.19       | 0.00             | 0.00               |
| 2019 | 11.62            | 0.00             | 2.80           | 0.00           | 111.61             | 0.00               | 312,179.91       | 0.00             | 0.00               |
| 2020 | 6.48             | 0.00             | 1.77           | 0.00           | 111.61             | 0.00               | 197,595.35       | 0.00             | 0.00               |
| 2021 | 5.10             | 0.00             | 1.39           | 0.00           | 111.61             | 0.00               | 155,346.21       | 0.00             | 0.00               |
| 2022 | 2.76             | 0.00             | 0.75           | 0.00           | 111.61             | 0.00               | 84,055.70        | 0.00             | 0.00               |
| 2023 | 1.02             | 0.00             | 0.55           | 0.00           | 111.61             | 0.00               | 61,631.08        | 0.00             | 0.00               |
| 2024 | 0.72             | 0.00             | 0.20           | 0.00           | 111.61             | 0.00               | 22,052.17        | 0.00             | 0.00               |

|       |        |      |        |      |        |      |               |      |      |
|-------|--------|------|--------|------|--------|------|---------------|------|------|
| Rem.  | 0.00   | 0.00 | 0.00   | 0.00 | 0.00   | 0.00 | 0.00          | 0.00 | 0.00 |
| Total | 542.01 | 0.00 | 139.04 | 0.00 | 111.61 | 0.00 | 15,518,359.71 | 0.00 | 0.00 |

Ult. 750.92 0.00

| Year | Well Count | Net Tax Production (\$) | Net Tax AdValorem (\$) | Net Investment (\$) | Net Lease Costs (\$) | Net Well Costs (\$) | Other Costs (\$) | Net Profits (\$) | Annual Cash Flow (\$) | Cum Disc. Cash Flow (\$) |
|------|------------|-------------------------|------------------------|---------------------|----------------------|---------------------|------------------|------------------|-----------------------|--------------------------|
| 2012 | 6.00       | 15,195.37               | 5,032.06               | 0.00                | 0.00                 | 39,025.93           | 0.00             | 0.00             | 192,349.72            | 190,758.88               |
| 2013 | 8.00       | 147,067.72              | 48,702.57              | 485,002.98          | 0.00                 | 286,929.06          | 0.00             | 0.00             | 1,457,426.29          | 1,542,698.99             |
| 2014 | 10.00      | 218,379.53              | 72,318.01              | 527,291.52          | 0.00                 | 391,218.76          | 0.00             | 0.00             | 2,406,692.80          | 3,562,771.34             |
| 2015 | 10.00      | 210,972.07              | 69,864.98              | 0.00                | 0.00                 | 439,018.20          | 0.00             | 0.00             | 2,773,393.60          | 5,692,841.89             |
| 2016 | 10.00      | 161,553.71              | 53,499.72              | 0.00                | 0.00                 | 439,018.20          | 0.00             | 0.00             | 2,020,914.16          | 7,097,334.02             |
| 2017 | 10.00      | 96,263.40               | 31,878.34              | 21,777.00           | 0.00                 | 360,627.62          | 0.00             | 0.00             | 1,083,370.77          | 7,781,269.65             |
| 2018 | 8.00       | 37,487.62               | 12,414.30              | 21,777.00           | 0.00                 | 225,525.67          | 0.00             | 0.00             | 323,510.60            | 7,967,819.35             |
| 2019 | 4.00       | 18,853.87               | 6,243.60               | 0.00                | 0.00                 | 148,162.40          | 0.00             | 0.00             | 138,920.05            | 8,039,406.71             |
| 2020 | 2.00       | 11,933.62               | 3,951.91               | 12,962.50           | 0.00                 | 93,871.01           | 0.00             | 0.00             | 74,876.31             | 8,074,244.42             |
| 2021 | 2.00       | 9,382.01                | 3,106.92               | 12,962.50           | 0.00                 | 93,871.01           | 0.00             | 0.00             | 36,023.77             | 8,089,401.49             |
| 2022 | 2.00       | 5,076.48                | 1,681.11               | 0.00                | 0.00                 | 53,810.92           | 0.00             | 0.00             | 23,487.19             | 8,098,381.11             |
| 2023 | 1.00       | 3,722.16                | 1,232.62               | 0.00                | 0.00                 | 46,335.74           | 0.00             | 0.00             | 10,340.55             | 8,101,970.12             |
| 2024 | 0.00       | 1,331.82                | 441.04                 | 21,777.00           | 0.00                 | 18,843.50           | 0.00             | 0.00             | -20,341.20            | 8,095,613.41             |

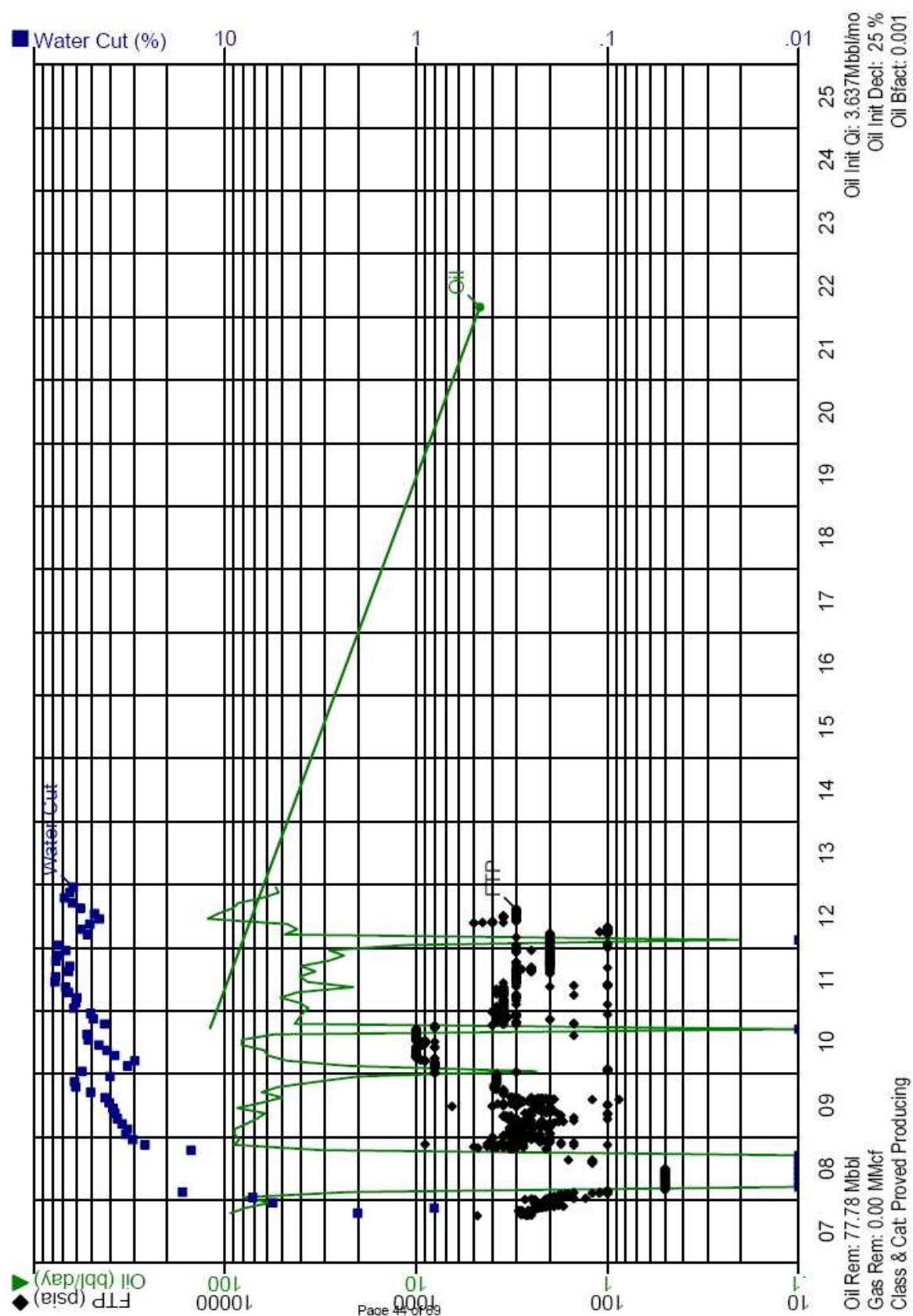
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|-------|------------|------------|--------------|------|--------------|------|------|---------------|--------------|
| Rem.  | 0.00       | 0.00       | 0.00         | 0.00 | 0.00         | 0.00 | 0.00 | 0.00          | 0.00         |
| Total | 937,219.38 | 310,367.19 | 1,103,550.50 | 0.00 | 2,636,258.01 | 0.00 | 0.00 | 10,530,964.62 | 8,095,613.41 |

**Present Worth Profile (\$)**

|                             |              |                          |
|-----------------------------|--------------|--------------------------|
| Disc. Initial Invest. (\$)  | 956,509.16   | PW 5.00% : 9,209,185.24  |
| ROIInvestment (disc/undisc) | 9.46 / 10.54 | PW 7.00% : 8,741,094.45  |
| Years to Payout :           | 0.76         | PW 10.00% : 8,095,613.41 |
| Internal ROR (%) :          | >1000        | PW 15.00% : 7,152,282.75 |
|                             |              | PW 20.00% : 6,348,967.42 |
|                             |              | PW 25.00% : 5,661,464.99 |

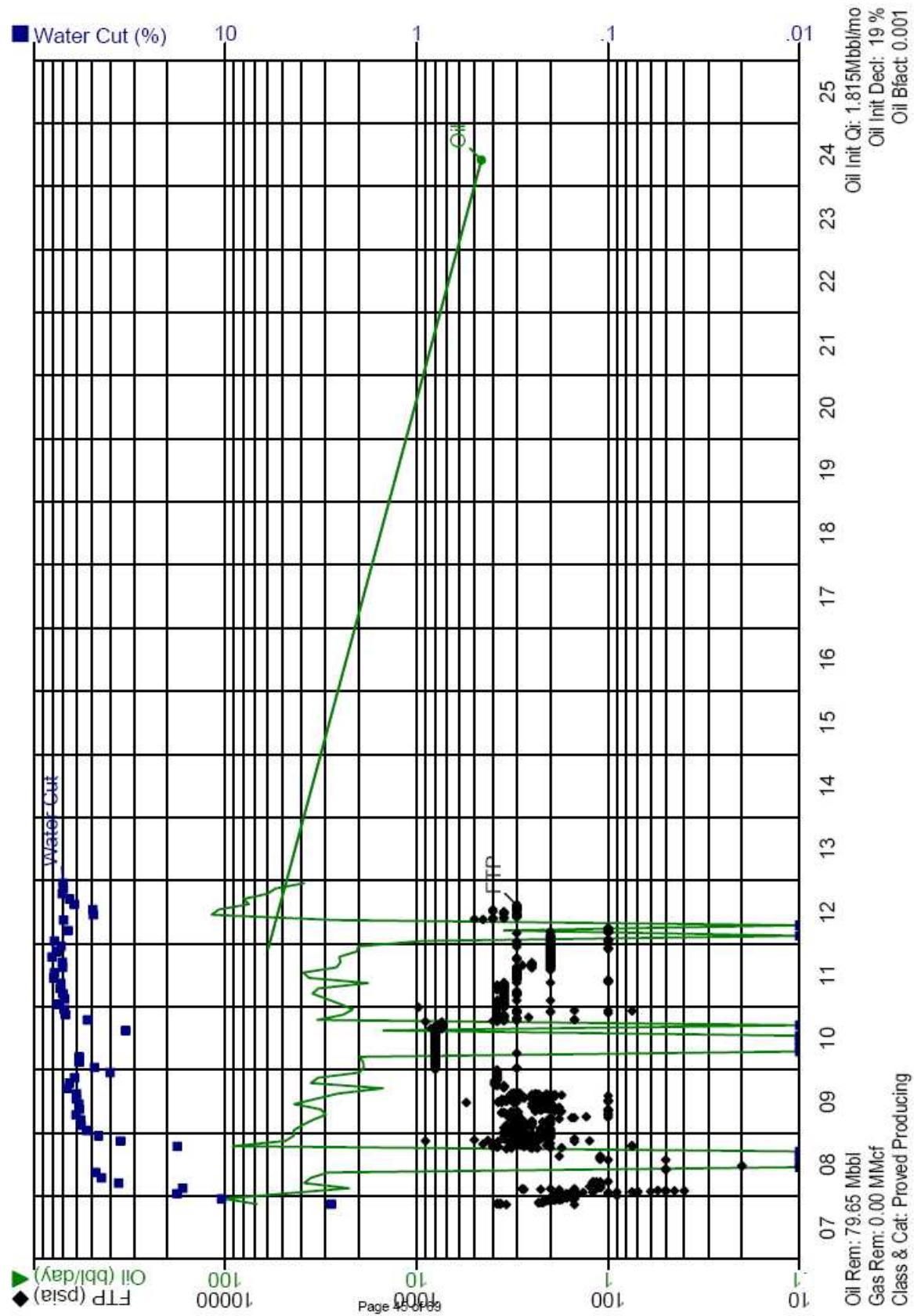
Case Name: PP F 12-1  
Well:  
Reservoir: 2,800 Ft. Sand

Field: Belmont Lake Field  
Oper: Griffin & Griffin Expl, LLC  
Location: Sec. 41, T2N - 4W

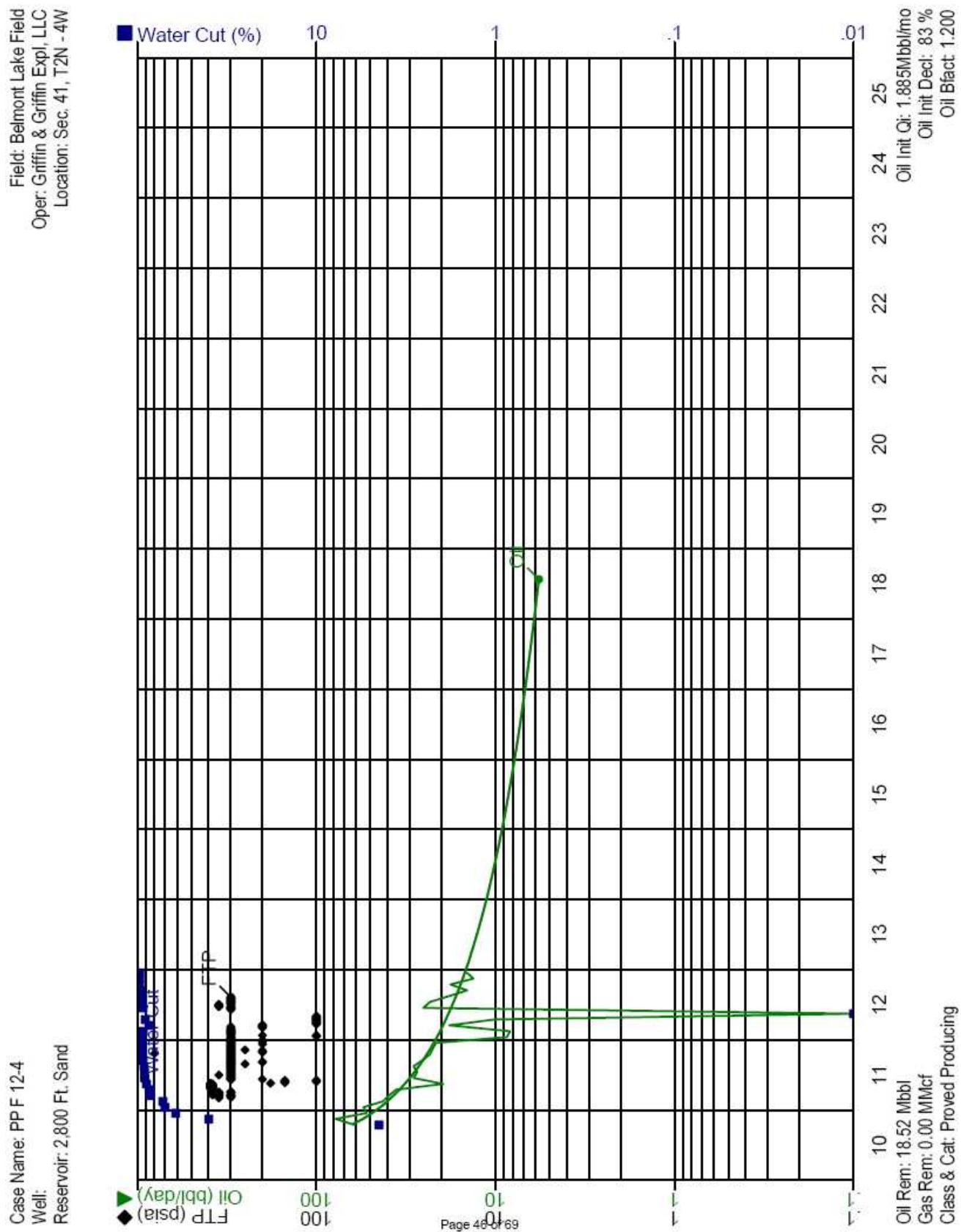


Case Name: PP F 12-3A  
Well:  
Reservoir: 2,800 Ft. Sand

Field: Belmont Lake Field  
Oper: Griffin & Griffin Expl, LLC  
Location: Sec. 41, T2N - 4W

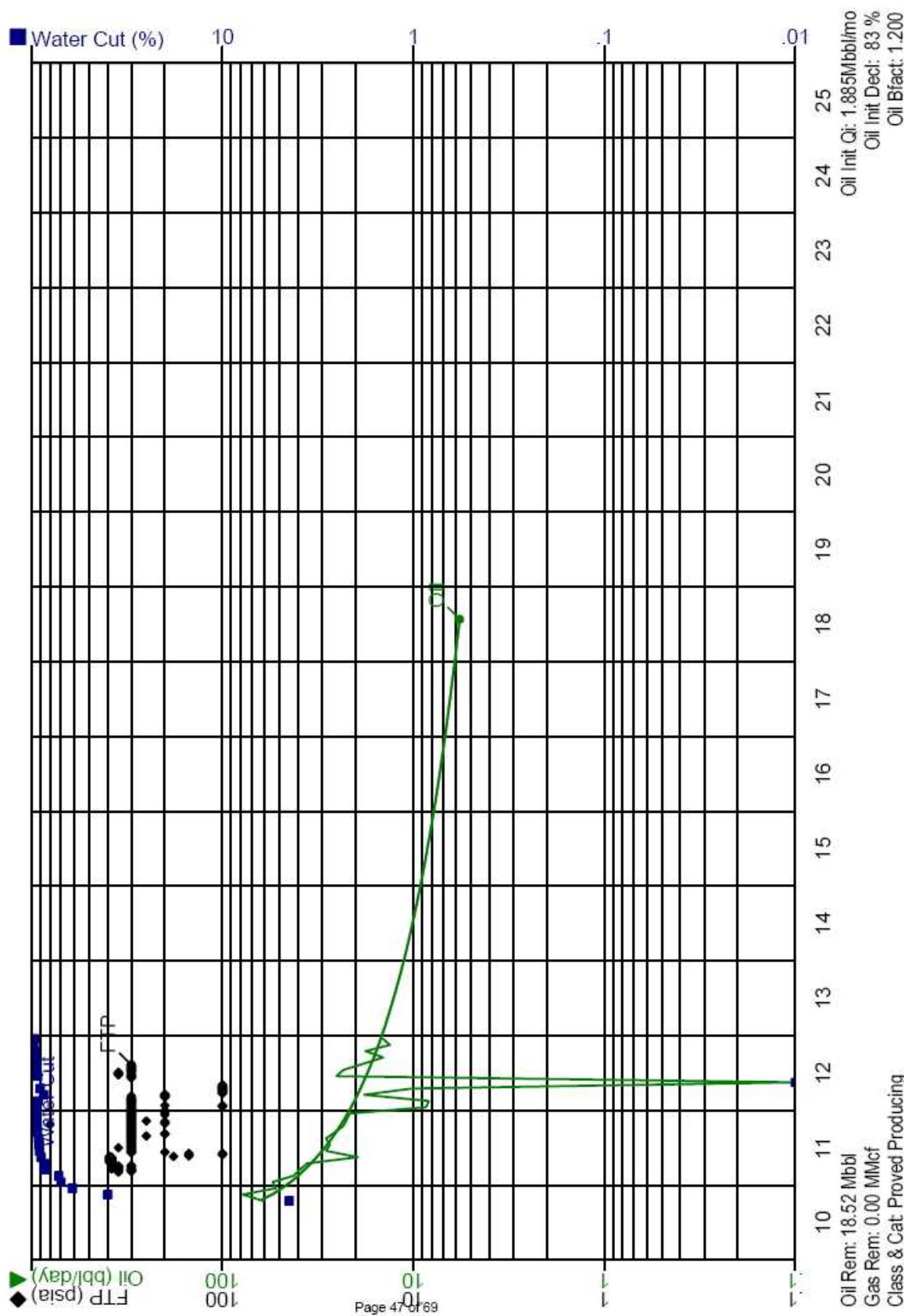


Case Name: PP F 12-4  
Well: Reservoir, 2,800 Ft. Sang



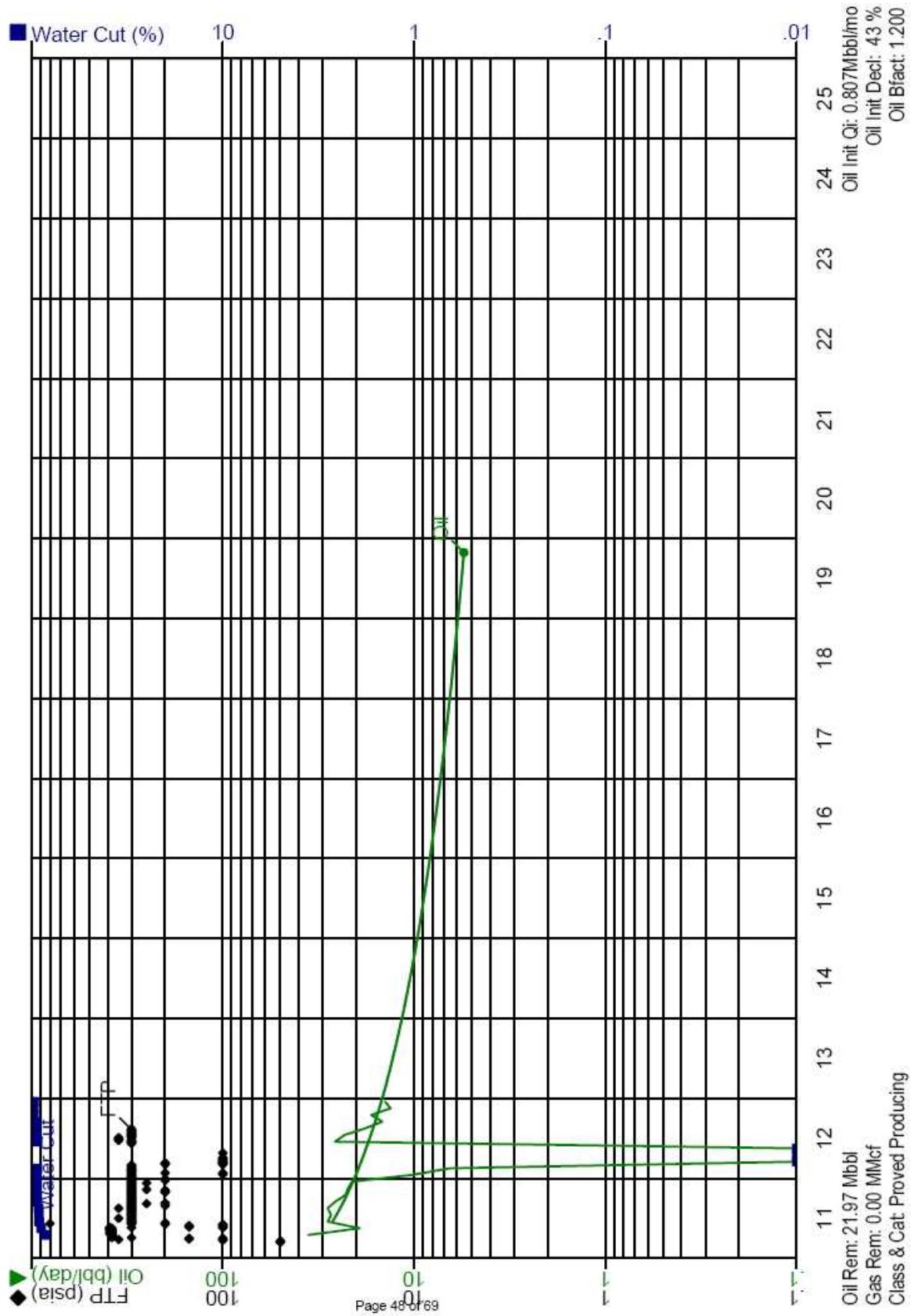
Case Name: PP F 124 Non-consent  
Well:  
Reservoir: 2,800 Ft. Sand

Field: Belmont Lake Field  
Oper: Griffin & Griffin Expl, LLC  
Location: Sec. 41, T2N - 4W



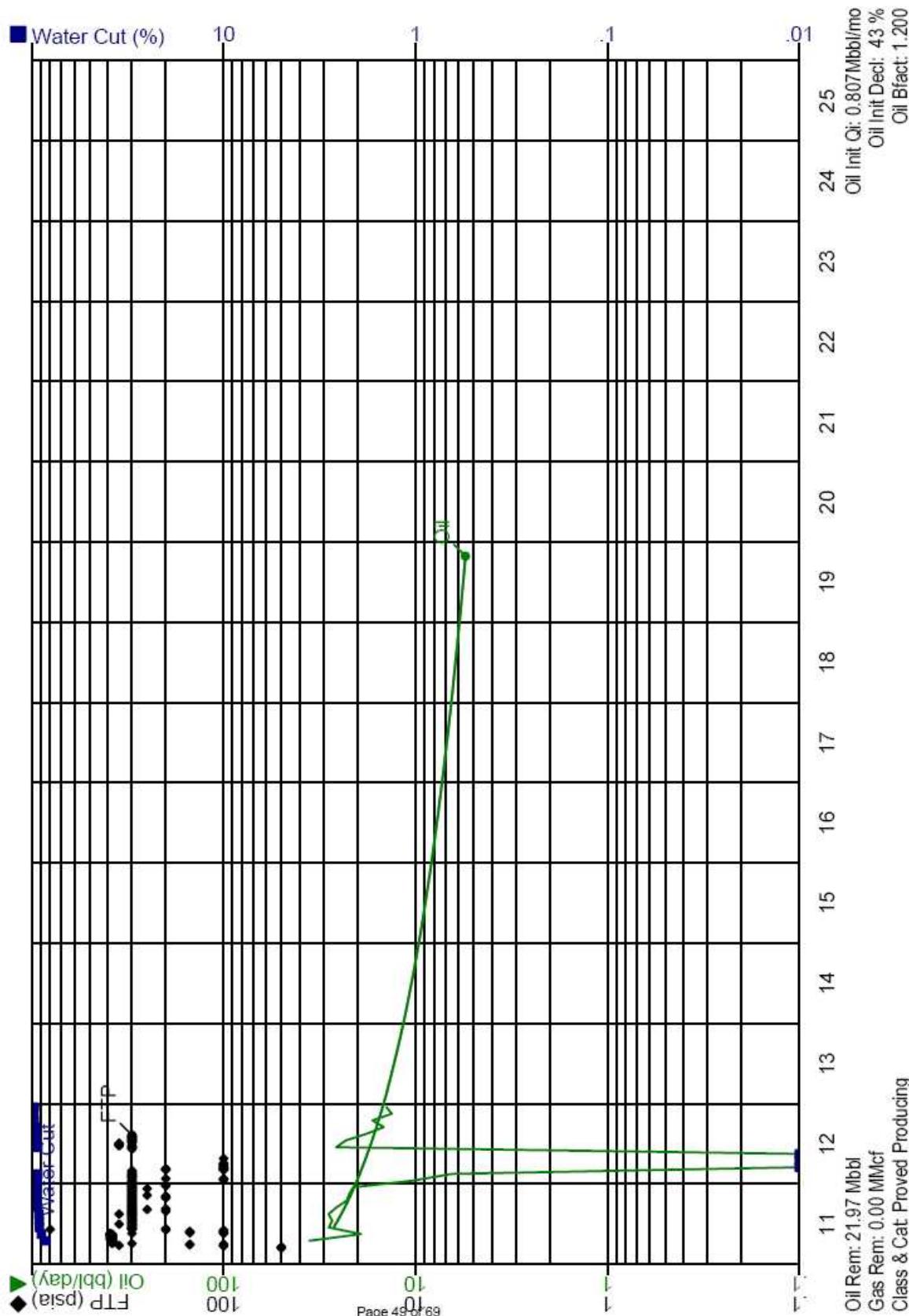
Case Name: PP F 12-5  
Well: Reservoir, 2,800 Ft. Sand

Field: Belmont Lake Field  
Oper: Griffin & Griffin Expl, LLC  
Location: Sec. 41, T2N - 4W



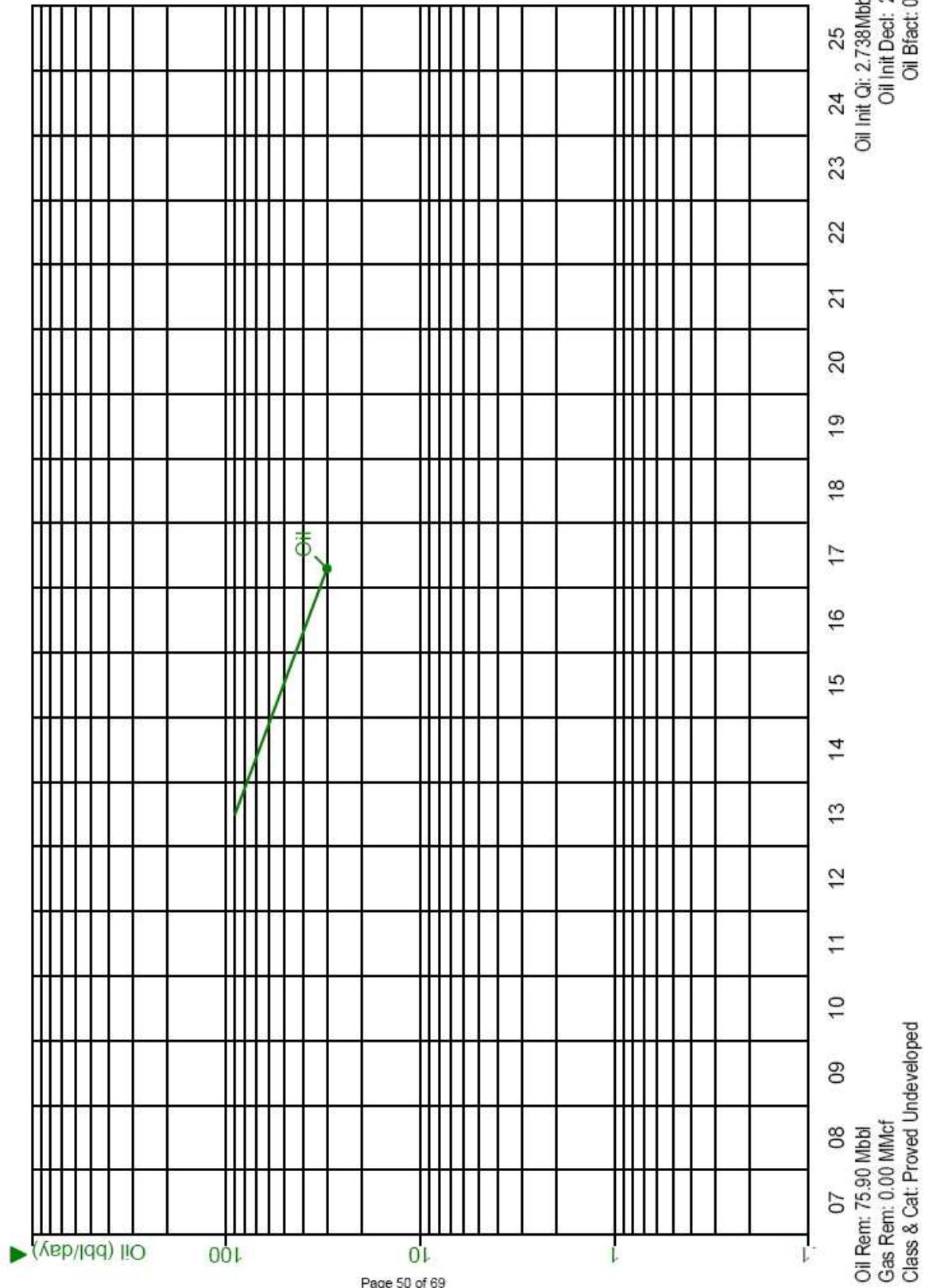
Case Name: PP F 12-5 Non-consent  
Well:  
Reservoir: 2,800 Ft. Sand

Field: Belmont Lake Field  
Oper: Griffin & Griffin Expl, LLC  
Location: Sec. 41, T2N - 4W



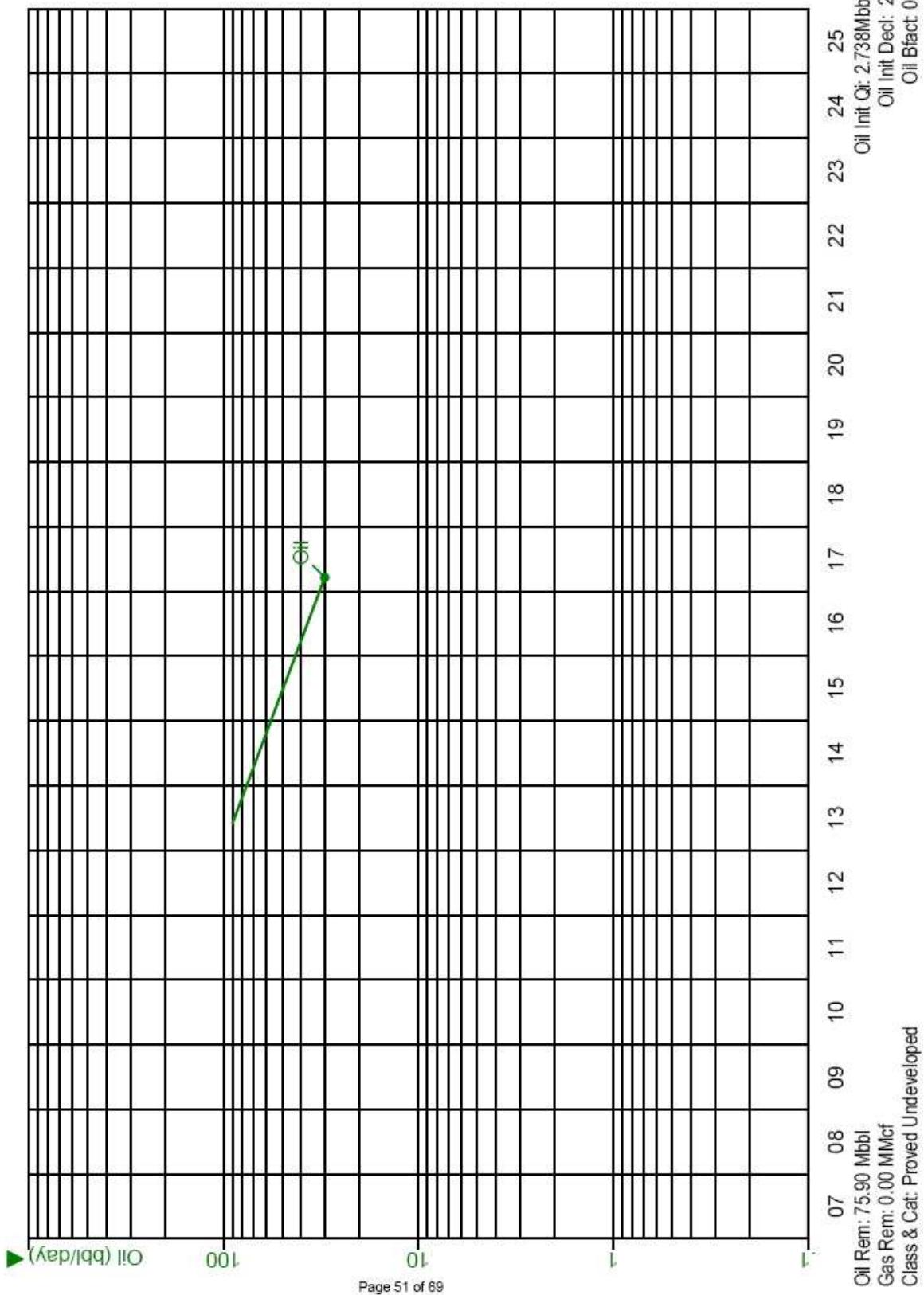
Case Name: PP F 12-6  
Well:  
Reservoir: 2,800 Ft. Sand

Field: Belmont Lake Field  
Oper: Griffin & Griffin Expl, LLC  
Location: Sec. 41, T2N -4W



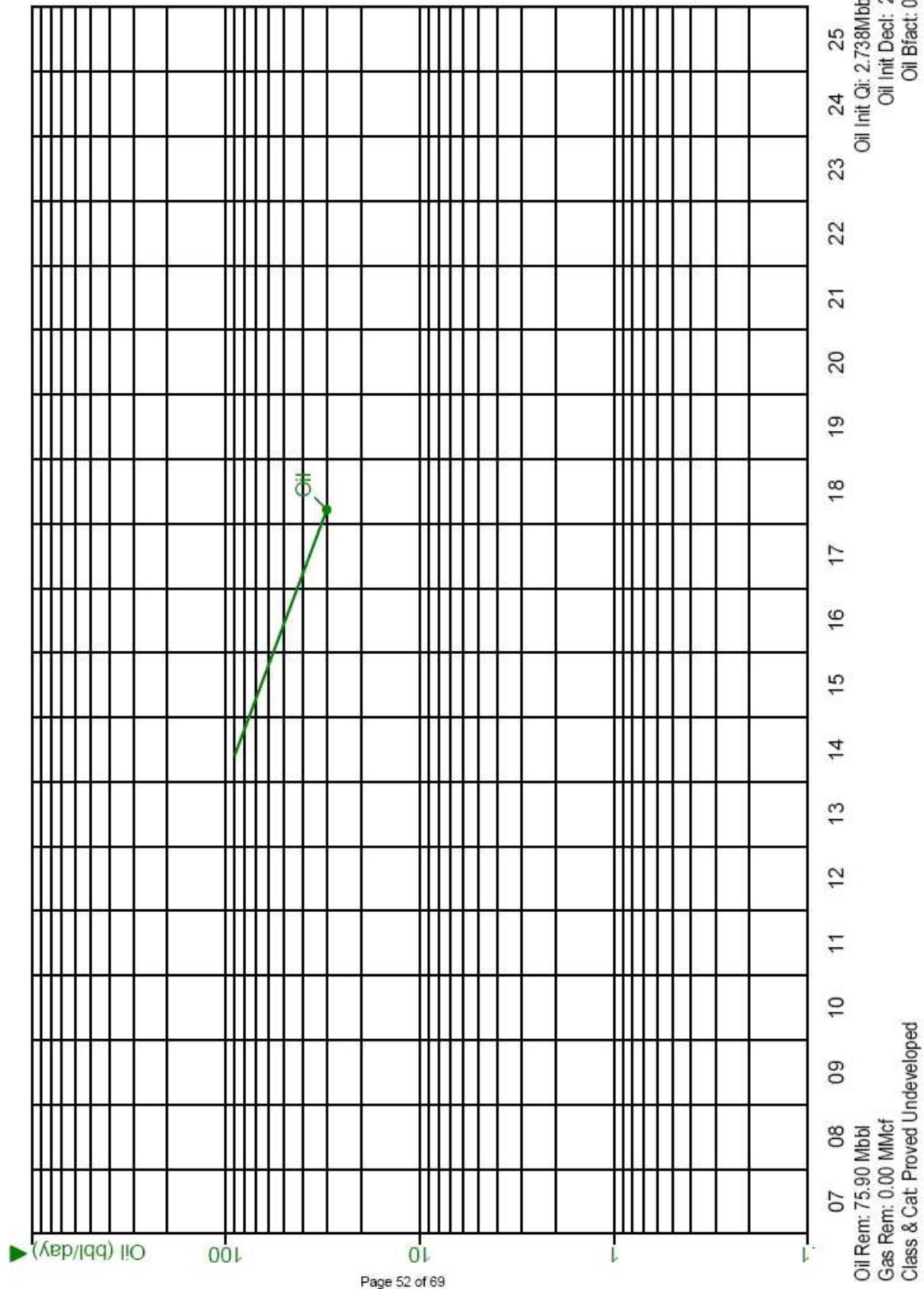
Case Name: PP F 12-7  
Well:  
Reservoir: 2,800 Ft. Sand

Field: Belmont Lake Field  
Oper: Griffin & Griffin Expl, LLC  
Location: Sec. 41, T2N - 4W



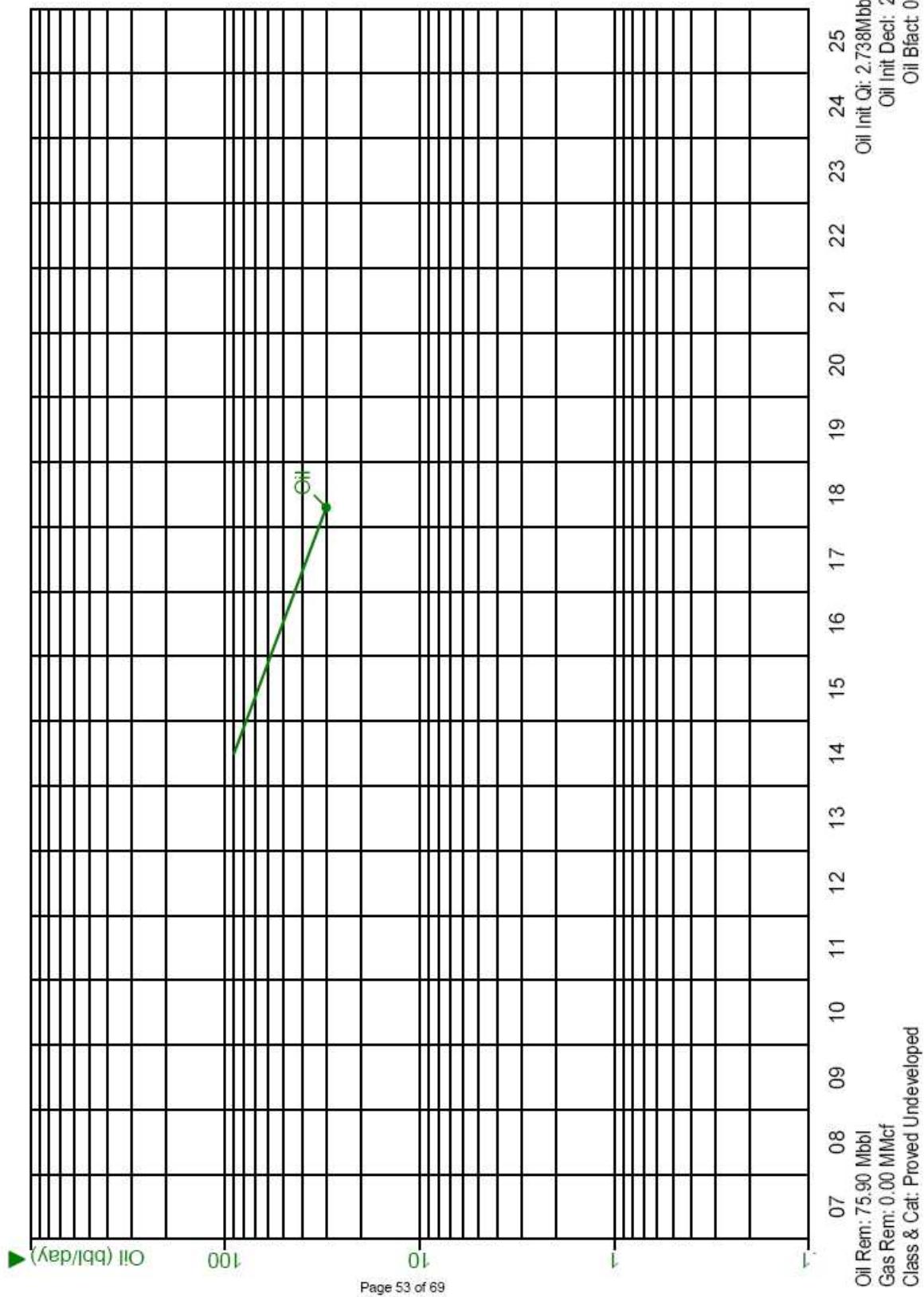
Case Name: PP F 12-8  
Well:  
Reservoir: 2,800 Ft. Sand

Field: Belmont Lake Field  
Oper: Griffin & Griffin Expl, LLC  
Location: Sec. 41, T2N - 4W



Case Name: PP F 12-9  
Well:  
Reservoir: 2,800 Ft. Sand

Field: Belmont Lake Field  
Oper: Griffin & Griffin Expl, LLC  
Location: Sec. 41, T2N - 4W



**G & G Production, LLC**  
 Petit Bois Office Park  
 1904 Lakeland Drive, Ste F  
 Jackson, MS 39216  
 (601)713-1146

## **Settlement Statement**

Lexaria Corporation  
 Attn: Bal Bhullar  
 Suite 950-1130 West Pender Street  
 Vancouver, BC V6E 4A4

Account: L00010

Date: 12/10/2012

| <b>Summary by AFE Project:</b> |      |             | Unpaid<br>Bal Fwd | Expenses | Pre-Pmts<br>Applied | You<br>Owe | Pre-Pmts<br>Bal Remain |
|--------------------------------|------|-------------|-------------------|----------|---------------------|------------|------------------------|
| Property#                      | AFE# | Description |                   |          |                     |            |                        |
| PPF039                         | 510  | PPF-39      |                   |          |                     |            | 11,849.25              |
| PPF042                         | 506  | PPF-42      |                   |          |                     |            | 11,849.25              |
| PPF06B                         | 502  | PPF-6B      |                   |          |                     |            | 11,841.75              |
| PPF118                         | 504  | PPF-118     | 7.50              |          |                     | 7.50       | 0.00                   |
| PPF362                         | 511  | PPF 36-2    |                   |          |                     |            | 11,849.25              |
| PPF52A                         | 514  | PPF - 52A   |                   |          |                     |            | 3,083.37               |
| <b>Project Totals:</b>         |      |             | 7.50              |          |                     | 7.50       | <b>50,472.87</b>       |

**Summary by Property:**

| Property#  | Description             | Net<br>Income     | Expenses         | You<br>Owe  | Ck# 17081<br>Written<br>to YOU for |
|--|-------------------------|-------------------|------------------|-------------|------------------------------------|
| PP1203   | Palmetto Point 12-3     | 46,952.42         | 7,579.54         |             | 39,372.88                          |
| PP1204   | Palmetto Point 12-4     | 24,485.07         | 9,385.49         |             | 15,099.58                          |
| PP1205   | Palmetto Point 12-5     | 23,020.70         | 9,385.47         |             | 13,635.23                          |
| PPF012   | Palmetto Point Frio-12  | 49,747.11         | 5,217.64         |             | 44,529.47                          |
| PPF021   | Palmetto Point Frio-21  |                   | (679.06)         | (679.06)    |                                    |
| PPF029   | PALMETTO POINT FRIOT-29 | 1,729.03          | 1,650.44         |             | 78.59                              |
| Reduce netted expenses by credit                             |                         |                   |                  | 679.06      | 679.06                             |
| <b>Totals:</b>   |                         | <b>145,934.33</b> | <b>32,539.52</b> | <b>0.00</b> | <b>113,394.81</b>                  |
| <b>Total Owed from AFE Projects and Summary by Property:</b> |                         |                   |                  |             | <b>7.50</b>                        |
| <b>PLEASE PAY THIS AMOUNT -----^</b>                         |                         |                   |                  |             |                                    |

*For Inquiries about your account, please call 601-713-1146.*

| Owner# | Check#/Date | Gross Revenue: | Working      | Royalty | Deductions | Withholding | Pmt Amount   |
|--------|-------------|----------------|--------------|---------|------------|-------------|--------------|
| L00010 | 17081       | Check Totals:  | 155,208.99   |         | 41,814.18  |             | 113,394.81   |
|        | 12/10/2012  | 2012 Totals:   | 1,540,358.58 |         | 393,801.17 |             | 1,121,314.95 |

From: G & G Production, LLC  
To: Lexaria Corporation

For Checks Dated 12/10/2012 and For Billing Dated 10/31/2012  
Account: L00010 Page 2

**Property: (PP1203) Palmetto Point 12-3 County: WILKINSON, MS**

**Revenue:**

| Prd Date | Prod                 | Price Per     | Volume/Share     | Description         | Property Amt | Your Share |
|----------|----------------------|---------------|------------------|---------------------|--------------|------------|
| 10/2012  | OIL                  | \$/BBL:102.52 | 1,785.23 /371.38 | Oil Sales:          | 183,023.57   | 38,074.05  |
|          | Wrk NRI:             | 0.20802815    |                  | Oil Production Tax: | 10,981.41-   | 2,284.44-  |
|          |                      |               |                  | Oil Mineral Tax:    | 78.55-       | 16.34-     |
|          |                      |               |                  | Net Income:         | 171,963.61   | 35,773.27  |
| 10/2012  | OIL                  | \$/BBL:102.52 | 1,785.23 /116.06 | Oil Sales:          | 183,023.57   | 11,898.14  |
|          | Wrk-1 NRI:0.06500880 |               |                  | Oil Production Tax: | 10,981.41-   | 713.89-    |
|          |                      |               |                  | Oil Mineral Tax:    | 78.55-       | 5.10-      |
|          |                      |               |                  | Net Income:         | 171,963.61   | 11,179.15  |

**Total Revenue for Property**

**46,952.42**

**Expenses:**

| Reference                       | Description  | Deck/AFE | Invoice Amt | Total    | Your Share |
|---------------------------------|--|----------|-------------|----------|------------|
| <b>Operating Costs</b>          |  |          |             |          |            |
| <i>Pumper / Gauger</i>          |  |          |             |          |            |
| 1361                            | Griffin & Griffin Exploration, LLC                                       | 2,000.90 |             |          |            |
| 10312012                        | Danny Emfinger / relief  | 300.00   |             | 2,300.90 | 821.42     |
| <i>Administrative Overhead</i>  |  |          |             |          |            |
| 1357                            | Griffin & Griffin Exploration, LLC                                       | 802.50   |             | 802.50   | 286.49     |
| <i>Chemical &amp; Solvents</i>  |  |          |             |          |            |
| 299408                          | X-Chem LLC   | 754.19   |             |          |            |
| 295244                          | X-Chem LLC   | 319.14   |             |          |            |
| 295246                          | X-Chem LLC   | 320.00   |             |          |            |
| 295247                          | X-Chem LLC   | 319.14   |             |          |            |
| 295248                          | X-Chem LLC   | 694.31   |             |          |            |
| 296856                          | X-Chem LLC   | 238.95   |             |          |            |
| 296857                          | X-Chem LLC   | 18.93    |             |          |            |
| 296858                          | X-Chem LLC   | 906.05   |             |          |            |
| 298056                          | X-Chem LLC   | 2,677.68 |             |          |            |
| 299406                          | X-Chem LLC   | 695.78   |             | 6,944.17 | 2,479.07   |
| <i>Materials &amp; Supplies</i> |  |          |             |          |            |
| 221835                          | Beacon Supply Company, Inc.  | 27.00    |             |          |            |
| 223367                          | Beacon Supply Company, Inc.  | 113.96   |             |          |            |
| 224696                          | White's "T & J" Oilfield Supply, Inc.                                    | 100.24   |             | 241.20   | 86.12      |
| <i>Rentals</i>                  |  |          |             |          |            |
| ANNUAL SURFACE USE              | Glengola Farms, Inc./ Surface use agreement - annual Rental              | 250.00   |             | 250.00   | 89.25      |
| <i>Salt Water Disposal</i>      |  |          |             |          |            |
| 102184                          | Redco  | 660.73   |             |          |            |
| 101447                          | Redco  | 220.69   |             |          |            |
| 102175                          | Redco  | 139.77   |             |          |            |
| ANNUAL RENTAL                   | Glengola Farms, Inc./ Annual Rental - on PPF 21 - SWD well               | 500.00   |             | 1,521.19 | 543.06     |
| <i>Engineering/Geological</i>   |  |          |             |          |            |
| 11473                           | Charles A. Morrison Consulting/ Payables concerning Sales to Atoka       | PAY3-3   | 262.50      | 262.50   | 87.50      |
| <i>Consulting Services</i>      |  |          |             |          |            |
| 121001-22                       | Neofirma, Inc.   | 157.17   |             |          |            |
| 121101-22                       | Neofirma, Inc.   | 155.50   |             | 312.67   | 111.62     |
| <i>Roads &amp; Location</i>     |  |          |             |          |            |
| 397772                          | Georgia G Hayes  | 25.00    |             |          |            |
| 397778                          | Georgia G Hayes - cleanup 3 miles of right of ways to Belmont Lake Field | 760.00   |             | 785.00   | 280.25     |
| <i>Compression</i>              |  |          |             |          |            |
| 8212                            | COMPRESSOR & ENGINE SERV LLC   | 2,115.75 |             | 2,115.75 | 755.32     |

From: G & G Production, LLC  
 To: Lexaria Corporation

For Checks Dated 12/10/2012 and For Billing Dated 10/31/2012  
 Account: L00010 Page 3

**Property: (PP1203) Palmetto Point 12-3 (Continued)**

**Expenses: (Continued)**

| Reference                    | Description   | Deck/AFE                                 | Invoice Amt                                 | Total                                   | Your Share                               |
|------------------------------|---|--|---|---|--|
| <b>Chart Integration</b>     |   |  |   |   |  |
| 953597                       | Southern Flow Companies, Inc.                           |  | 31.81                                       |   |  |
| 955500                       | Southern Flow Companies, Inc.                           |  | 82.02                                       |   |  |
| 955519                       | Southern Flow Companies, Inc.                           |  | 242.89                                      | 356.72                                  | 127.35                                   |
| <b>Gas Transportation</b>    |   |  |   |   |  |
| 100                          | Tunica Pipeline, LLC                                    |  | 374.00                                      | 374.00                                  | 133.52                                   |
| <b>Roustabout</b>            |   |  |   |   |  |
| 536                          | VPS, LLC  |  | 1,797.60                                    | 1,797.60                                | 641.73                                   |
| <b>Gas Lift Fuel</b>         |   |  |   |   |  |
| LA24657                      | Production Control Services Inc. / Gas Lift Service Fee |  | 1,480.00                                    |   |  |
| CP04000054                   | Fuel use 10-12  |  | 1,704.41                                    | 3,184.41                                | 1,136.84                                 |
| <b>Total Operating Costs</b> |   |  |   |   |  |
|                              |   |  |   | <b>21,248.61</b>                        | <b>7,579.54</b>                          |
| Billing Summary by Deck/AFE  | 1/3 Payables-GGE, Lex & Chee                            | PAY3-3                                   | 0.27200000<br>0.33333333                    | 20,986.11<br>262.50                     | 5,708.22<br>87.50                        |
| <b>Property Summary:</b>     |   |  |   |   |  |
| PP1203                       | <u>Net Rev Int</u><br>0.20802815<br>0.06500880          | <u>Wrk Int</u><br>multiple<br>0.08500000 | <u>WI Revenue</u><br>35,773.27<br>11,179.15 | <u>Expenses</u><br>5,795.72<br>1,783.82 | <u>Net Cash</u><br>29,977.55<br>9,395.33 |
|                              |   |  | 46,952.42                                   | 7,579.54                                | 39,372.88                                |
| <b>Total Cash Flow</b>       |   |  |   |   |  |

**Property: (PP1204) Palmetto Point 12-4 County: WILKINSON, MS**

**Revenue:**

| Prd Date | Prod | Price Per             | Volume/Share   | Description         | Property Amt | Your Share |
|----------|------|-----------------------|----------------|---------------------|--------------|------------|
| 10/2012  | OIL  | \$/BBL:102.52         | 528.39 /219.84 | Oil Sales:          | 54,171.07    | 22,538.22  |
|          |      | Wrk NRI: 0.41605631   |                | Oil Production Tax: | 3,250.26-    | 1,352.30-  |
|          |      |                       |                | Oil Mineral Tax:    | 23.25-       | 9.64-      |
|          |      |                       |                | Net Income:         | 50,897.56    | 21,176.28  |
| 10/2012  | OIL  | \$/BBL:102.52         | 528.39 /34.35  | Oil Sales:          | 54,171.07    | 3,521.60   |
|          |      | Wrk-1 NRI: 0.06500880 |                | Oil Production Tax: | 3,250.26-    | 211.30-    |
|          |      |                       |                | Oil Mineral Tax:    | 23.25-       | 1.51-      |
|          |      |                       |                | Net Income:         | 50,897.56    | 3,308.79   |

**Total Revenue for Property**

**24,485.07**

**Expenses:**

| Reference                       | Description                           | Deck/AFE | Invoice Amt | Total    | Your Share |
|---------------------------------|---------------------------------------|----------|-------------|----------|------------|
| <b>Operating Costs</b>          |                                       |          |             |          |            |
| <b>Pumper / Gauger</b>          |                                       |          |             |          |            |
| 1361                            | Griffin & Griffin Exploration, LLC    |          | 2,000.90    |          |            |
| 10312012                        | Danny Emfinger / relief               |          | 300.00      | 2,300.90 | 1,447.26   |
| <b>Administrative Overhead</b>  |                                       |          |             |          |            |
| 1357                            | Griffin & Griffin Exploration, LLC    |          | 802.50      | 802.50   | 504.80     |
| <b>Chemical &amp; Solvents</b>  |                                       |          |             |          |            |
| 299408                          | X-Chem LLC                            |          | 754.19      |          |            |
| 295244                          | X-Chem LLC                            |          | 319.14      |          |            |
| 295246                          | X-Chem LLC                            |          | 320.00      |          |            |
| 295247                          | X-Chem LLC                            |          | 319.14      |          |            |
| 295248                          | X-Chem LLC                            |          | 694.31      |          |            |
| 296856                          | X-Chem LLC                            |          | 238.95      |          |            |
| 296857                          | X-Chem LLC                            |          | 18.93       |          |            |
| 296858                          | X-Chem LLC                            |          | 906.05      |          |            |
| 299406                          | X-Chem LLC                            |          | 695.78      | 4,266.49 | 2,683.59   |
| <b>Materials &amp; Supplies</b> |                                       |          |             |          |            |
| 221835                          | Beacon Supply Company, Inc.           |          | 26.99       |          |            |
| 223367                          | Beacon Supply Company, Inc.           |          | 113.96      |          |            |
| 224686                          | White's "T & J" Oilfield Supply, Inc. |          | 78.42       | 219.37   | 138.01     |

From: G & G Production, LLC  
 To: Lexaria Corporation

For Checks Dated 12/10/2012 and For Billing Dated 10/31/2012  
 Account: L00010 Page 4

**Property: (PP1204) Palmetto Point 12-4 (Continued)**

**Expenses: (Continued)**

| Reference                    | Description  | Deck/AFE | Invoice Amt | Total            | Your Share      |
|------------------------------|--|----------|-------------|------------------|-----------------|
| <b>Rentals</b>               |  |          |             |                  |                 |
| ANNUAL SURFACE USE           | Glengola Farms, Inc./ Surface use agreement - annual Rental              |          | 250.00      | 250.00           | 157.24          |
| <b>Salt Water Disposal</b>   |  |          |             |                  |                 |
| 101447                       | Redco  |          | 220.68      |                  |                 |
| 102175                       | Redco  |          | 139.77      |                  |                 |
| ANNUAL RENTAL                | Glengola Farms, Inc./ Annual Rental - on PPF 21 - SWD well               |          | 500.00      | 860.45           | 541.21          |
| <b>Service Equipment</b>     |  |          |             |                  |                 |
| 407319                       | Pressure Services, Inc.  |          | 99.08       | 99.08            | 62.32           |
| <b>Consulting Services</b>   |  |          |             |                  |                 |
| 121001-22                    | Neofirma, Inc.   |          | 157.17      |                  |                 |
| 121101-22                    | Neofirma, Inc.   |          | 155.50      | 312.67           | 196.68          |
| <b>Roads &amp; Location</b>  |  |          |             |                  |                 |
| 397772                       | Georgia G Hayes  |          | 25.00       |                  |                 |
| 397778                       | Georgia G Hayes - cleanup 3 miles of right of ways to Belmont Lake Field |          | 760.00      | 785.00           | 493.77          |
| <b>Compression</b>           |  |          |             |                  |                 |
| 8218                         | COMPRESSOR & ENGINE SERV LLC   |          | 2,170.00    | 2,170.00         | 1,364.94        |
| <b>Chart Integration</b>     |  |          |             |                  |                 |
| 953597                       | Southern Flow Companies, Inc.  |          | 31.80       |                  |                 |
| 955500                       | Southern Flow Companies, Inc.  |          | 82.01       | 113.81           | 71.57           |
| <b>Gas Transportation</b>    |  |          |             |                  |                 |
| 100                          | Tunica Pipeline, LLC   |          | 374.00      | 374.00           | 235.24          |
| <b>Roustabout</b>            |  |          |             |                  |                 |
| 475                          | VPS, LLC   |          | 107.00      | 107.00           | 67.32           |
| <b>Gas Lift Fuel</b>         |  |          |             |                  |                 |
| CP04000054                   | Fuel use 10-12   |          | 2,259.99    | 2,259.99         | 1,421.54        |
| <b>Total Operating Costs</b> |  |          |             |                  |                 |
|                              |  |          |             | <b>14,921.26</b> | <b>9,385.49</b> |

| Property Summary: | Net Rev Int | Wrk Int    | WI Revenue | Expenses | Net Cash  |
|-------------------|-------------|------------|------------|----------|-----------|
| PP1204            | 0.41605631  | 0.54400000 | 21,176.28  | 8,117.18 | 13,059.10 |
|                   | 0.06500880  | 0.08500000 | 3,308.79   | 1,268.31 | 2,040.48  |
| Total Cash Flow   |             |            | 24,485.07  | 9,385.49 | 15,099.58 |

**Property: (PP1205) Palmetto Point 12-5 County: WILKINSON, MS**

**Revenue:**

| Prd Date                          | Prod       | Price Per     | Volume/Share   | Description         | Property Amt | Your Share       |
|-----------------------------------|------------|---------------|----------------|---------------------|--------------|------------------|
| 10/2012                           | OIL        | \$/BBL:102.52 | 496.79 /206.69 | Oil Sales:          | 50,931.41    | 21,190.33        |
|                                   | Wrk NRI:   | 0.41605631    |                | Oil Production Tax: | 3,055.88-    | 1,271.46-        |
|                                   |            |               |                | Oil Mineral Tax:    | 21.86-       | 9.08-            |
|                                   |            |               |                | Net Income:         | 47,853.67    | 19,909.79        |
| 10/2012                           | OIL        | \$/BBL:102.52 | 496.79 /32.30  | Oil Sales:          | 50,931.41    | 3,310.99         |
|                                   | Wrk-1 NRI: | 0.06500880    |                | Oil Production Tax: | 3,055.88-    | 198.66-          |
|                                   |            |               |                | Oil Mineral Tax:    | 21.86-       | 1.42-            |
|                                   |            |               |                | Net Income:         | 47,853.67    | 3,110.91         |
| <b>Total Revenue for Property</b> |            |               |                |                     |              | <b>23,020.70</b> |

From: G & G Production, LLC  
 To: Lexaria Corporation

For Checks Dated 12/10/2012 and For Billing Dated 10/31/2012  
 Account: L00010 Page 5

**Property: (PP1205) Palmetto Point 12-5 (Continued)**

**Expenses:**

| Reference                       | Description  | Deck/AFE | Invoice Amt      | Total            | Your Share      |
|---------------------------------|--|----------|------------------|------------------|-----------------|
| <b>Operating Costs</b>          |  |          |                  |                  |                 |
| <i>Pumper / Gauger</i>          |  |          |                  |                  |                 |
| 1361                            | Griffin & Griffin Exploration, LLC                                       | 2,000.90 |                  |                  |                 |
| 10312012                        | Danny Emfinger / relief  | 300.00   | 2,300.90         | 2,300.90         | 1,447.26        |
| <i>Administrative Overhead</i>  |  |          |                  |                  |                 |
| 1357                            | Griffin & Griffin Exploration, LLC                                       | 802.50   | 802.50           | 802.50           | 504.79          |
| <i>Chemical &amp; Solvents</i>  |  |          |                  |                  |                 |
| 299408                          | X-Chem LLC   | 754.19   |                  |                  |                 |
| 295244                          | X-Chem LLC   | 319.14   |                  |                  |                 |
| 295246                          | X-Chem LLC   | 319.99   |                  |                  |                 |
| 295247                          | X-Chem LLC   | 319.14   |                  |                  |                 |
| 295248                          | X-Chem LLC   | 694.31   |                  |                  |                 |
| 296856                          | X-Chem LLC   | 238.94   |                  |                  |                 |
| 296857                          | X-Chem LLC   | 18.92    |                  |                  |                 |
| 296858                          | X-Chem LLC   | 906.05   |                  |                  |                 |
| 299406                          | X-Chem LLC   | 695.78   | 4,266.46         | 4,266.46         | 2,683.59        |
| <i>Materials &amp; Supplies</i> |  |          |                  |                  |                 |
| 221835                          | Beacon Supply Company, Inc.  | 26.99    |                  |                  |                 |
| 223367                          | Beacon Supply Company, Inc.  | 113.96   |                  |                  |                 |
| 224686                          | White's "T & J" Oilfield Supply, Inc.                                    | 78.43    | 219.38           | 219.38           | 138.00          |
| <i>Rentals</i>                  |  |          |                  |                  |                 |
| ANNUAL SURFACE USE              | Glengola Farms, Inc./ Surface use agreement - annual Rental              | 250.00   | 250.00           | 250.00           | 157.25          |
| <i>Salt Water Disposal</i>      |  |          |                  |                  |                 |
| 101447                          | Redco  | 220.68   |                  |                  |                 |
| 102175                          | Redco  | 139.77   |                  |                  |                 |
| ANNUAL RENTAL                   | Glengola Farms, Inc./ Annual Rental - on PPF 21 - SWD well               | 500.00   | 860.45           | 860.45           | 541.21          |
| <i>Service Equipment</i>        |  |          |                  |                  |                 |
| 407319                          | Pressure Services, Inc.  | 99.09    | 99.09            | 99.09            | 62.34           |
| <i>Consulting Services</i>      |  |          |                  |                  |                 |
| 121001-22                       | Neofirma, Inc.   | 157.17   |                  |                  |                 |
| 121101-22                       | Neofirma, Inc.   | 155.50   | 312.67           | 312.67           | 196.67          |
| <i>Roads &amp; Location</i>     |  |          |                  |                  |                 |
| 397772                          | Georgia G Hayes  | 25.00    |                  |                  |                 |
| 397778                          | Georgia G Hayes - cleanup 3 miles of right of ways to Belmont Lake Field | 760.00   | 785.00           | 785.00           | 493.77          |
| <i>Compression</i>              |  |          |                  |                  |                 |
| 8218                            | COMPRESSOR & ENGINE SERV LLC   | 2,170.00 | 2,170.00         | 2,170.00         | 1,364.92        |
| <i>Chart Integration</i>        |  |          |                  |                  |                 |
| 953597                          | Southern Flow Companies, Inc.  | 31.80    |                  |                  |                 |
| 955500                          | Southern Flow Companies, Inc.  | 82.01    | 113.81           | 113.81           | 71.59           |
| <i>Gas Transportation</i>       |  |          |                  |                  |                 |
| 100                             | Tunica Pipeline, LLC   | 374.00   | 374.00           | 374.00           | 235.25          |
| <i>Roustabout</i>               |  |          |                  |                  |                 |
| 475                             | VPS, LLC   | 107.00   | 107.00           | 107.00           | 67.30           |
| <i>Gas Lift Fuel</i>            |  |          |                  |                  |                 |
| CP04000054                      | Fuel use 10-12   | 2,259.99 | 2,259.99         | 2,259.99         | 1,421.53        |
| <b>Total Operating Costs</b>    |  |          |                  |                  |                 |
|                                 |  |          | <b>14,921.25</b> | <b>14,921.25</b> | <b>9,385.47</b> |

| Property Summary: | Net Rev Int | Wrk Int    | WI Revenue | Expenses | Net Cash  |
|-------------------|-------------|------------|------------|----------|-----------|
| PP1205            | 0.41605631  | 0.54400000 | 19,909.79  | 8,117.16 | 11,792.63 |
|                   | 0.06500880  | 0.08500000 | 3,110.91   | 1,268.31 | 1,842.60  |
| Total Cash Flow   |             |            | 23,020.70  | 9,385.47 | 13,635.23 |

From: G & G Production, LLC  
 To: Lexaria Corporation

For Checks Dated 12/10/2012 and For Billing Dated 10/31/2012  
 Account: L00010 Page 6

**Property: (PPF012) Palmetto Point Frio-12 County: WILKINSON, MS**

**Revenue:**

| Prd Date | Prod                  | Price Per     | Volume/Share     | Description         | Property Amt | Your Share |
|----------|-----------------------|---------------|------------------|---------------------|--------------|------------|
| 10/2012  | OIL                   | \$/BBL:102.52 | 1,891.49 /393.48 | Oil Sales:          | 193,917.45   | 40,340.29  |
|          | Wrk NRI:              | 0.20802815    |                  | Oil Production Tax: | 11,635.05-   | 2,420.42-  |
|          |                       |               |                  | Oil Mineral Tax:    | 83.23-       | 17.31-     |
|          |                       |               |                  | Net Income:         | 182,199.17   | 37,902.56  |
| 10/2012  | OIL                   | \$/BBL:102.52 | 1,891.49 /122.96 | Oil Sales:          | 193,917.45   | 12,606.34  |
|          | Wrk-1 NRI: 0.06500880 |               |                  | Oil Production Tax: | 11,635.05-   | 756.38-    |
|          |                       |               |                  | Oil Mineral Tax:    | 83.23-       | 5.41-      |
|          |                       |               |                  | Net Income:         | 182,199.17   | 11,844.55  |

**Total Revenue for Property**

**49,747.11**

**Expenses:**

| Reference                       | Description  | Deck/AFE | Invoice Amt | Total    | Your Share |
|---------------------------------|--|----------|-------------|----------|------------|
| <b>Operating Costs</b>          |  |          |             |          |            |
| <i>Pumper / Gauger</i>          |  |          |             |          |            |
| 1361                            | Griffin & Griffin Exploration, LLC                                       |          | 2,000.90    |          |            |
| 10312012                        | Danny Emfinger / relief  |          | 300.00      | 2,300.90 | 821.42     |
| <i>Administrative Overhead</i>  |  |          |             |          |            |
| 1357                            | Griffin & Griffin Exploration, LLC                                       |          | 802.50      | 802.50   | 286.49     |
| <i>Chemical &amp; Solvents</i>  |  |          |             |          |            |
| 299408                          | X-Chem LLC   |          | 754.20      |          |            |
| 295244                          | X-Chem LLC   |          | 319.15      |          |            |
| 295246                          | X-Chem LLC   |          | 320.00      |          |            |
| 295247                          | X-Chem LLC   |          | 319.15      |          |            |
| 295248                          | X-Chem LLC   |          | 694.32      |          |            |
| 296856                          | X-Chem LLC   |          | 238.95      |          |            |
| 296857                          | X-Chem LLC   |          | 18.93       |          |            |
| 296858                          | X-Chem LLC   |          | 906.05      |          |            |
| 299406                          | X-Chem LLC   |          | 695.79      | 4,266.54 | 1,523.15   |
| <i>Materials &amp; Supplies</i> |  |          |             |          |            |
| 221835                          | Beacon Supply Company, Inc.  |          | 27.00       |          |            |
| 223367                          | Beacon Supply Company, Inc.  |          | 113.96      |          |            |
| 224696                          | White's "T & J" Oilfield Supply, Inc.                                    |          | 100.24      | 241.20   | 86.12      |
| <i>Rentals</i>                  |  |          |             |          |            |
| ANNUAL SURFACE USE              | Glengola Farms, Inc./ Surface use agreement - annual Rental              |          | 250.00      | 250.00   | 89.25      |
| <i>Salt Water Disposal</i>      |  |          |             |          |            |
| 101447                          | Redco  |          | 220.70      |          |            |
| 102175                          | Redco  |          | 139.77      |          |            |
| ANNUAL RENTAL                   | Glengola Farms, Inc./ Annual Rental - on PPF-21 - SWD well               |          | 500.00      | 860.47   | 307.19     |
| <i>Engineering/Geological</i>   |  |          |             |          |            |
| 11473                           | Charles A. Morrison Consulting/ Payables concerning Sales to Atoka       | PAY3-3   | 262.50      | 262.50   | 87.50      |
| <i>Consulting Services</i>      |  |          |             |          |            |
| 121001-22                       | Neofirma, Inc.   |          | 157.17      |          |            |
| 121101-22                       | Neofirma, Inc.   |          | 155.50      | 312.67   | 111.61     |
| <i>Roads &amp; Location</i>     |  |          |             |          |            |
| 397772                          | Georgia G Hayes  |          | 25.00       |          |            |
| 397778                          | Georgia G Hayes - cleanup 3 miles of right of ways to Belmont Lake Field |          | 760.00      | 785.00   | 280.25     |
| <i>Compression</i>              |  |          |             |          |            |
| 8212                            | COMPRESSOR & ENGINE SERV LLC   |          | 2,115.75    | 2,115.75 | 755.33     |
| <i>Chart Integration</i>        |  |          |             |          |            |
| 953597                          | Southern Flow Companies, Inc.  |          | 31.81       |          |            |
| 955500                          | Southern Flow Companies, Inc.  |          | 82.02       |          |            |
| 955519                          | Southern Flow Companies, Inc.  |          | 242.89      | 356.72   | 127.35     |

From: G & G Production, LLC  
 To: Lexaria Corporation

For Checks Dated 12/10/2012 and For Billing Dated 10/31/2012  
 Account: L00010 Page 7

**Property: (PPF012) Palmetto Point Frio-12 (Continued)**

**Expenses: (Continued)**

| Reference                    | Description                                    | Deck/AFE                                 | Invoice Amt                                 | Total                                   | Your Share                                |
|------------------------------|--|--|---|---|---|
| <b>Gas Transportation</b>    |  |  |   |   |   |
|                              | 100 Tunica Pipeline, LLC                       |  | 374.00                                      | 374.00                                  | 133.51                                    |
| <b>Gas Lift Fuel</b>         |  |  |   |   |   |
| CP04000054                   | Fuel use 10-12                                 |  | 1,704.41                                    | 1,704.41                                | 608.47                                    |
| <b>Total Operating Costs</b> |  |  |   |   |   |
| Billing Summary by Deck/AFE  | Payables-GGE, Lex & Cheetah                    | PAY3-3                                   | 0.27200000<br>0.33333333                    | 14,632.66<br>14,370.16<br>262.50        | 5,217.64<br>3,908.68<br>87.50             |
| <b>Property Summary:</b>     |  |  |   |   |   |
| PPF012                       | <u>Net Rev Int</u><br>0.20802815<br>0.06500880 | <u>Wrk Int</u><br>multiple<br>0.08500000 | <u>WI Revenue</u><br>37,902.56<br>11,844.55 | <u>Expenses</u><br>3,996.18<br>1,221.46 | <u>Net Cash</u><br>33,906.38<br>10,623.09 |
| Total Cash Flow              |  |  |   |   |   |
|                              |  |  | 49,747.11                                   | 5,217.64                                | 44,529.47                                 |

**Property: (PPF021) Palmetto Point Frio-21 County: WILKINSON, MS**

**Expenses:**

| Reference                      | Description  | Deck/AFE | Invoice Amt                           | Total                                | Your Share |
|--------------------------------|--|----------|---------------------------------------|--------------------------------------|------------|
| <b>Operating Costs</b>         |  |          |                                       |                                      |            |
|                                | <b>Pumper / Gauger</b>   |          |                                       |                                      |            |
| 1361                           | Griffin & Griffin Exploration, LLC                                       |          | 665.48                                |                                      |            |
| 10312012                       | Danny Emfinger / relief  |          | 300.00                                | 965.48                               | 405.50     |
| <b>Administrative Overhead</b> |  |          |                                       |                                      |            |
| 1357                           | Griffin & Griffin Exploration, LLC                                       |          | 802.50                                | 802.50                               | 337.05     |
| <b>Salt Water Disposal</b>     |  |          |                                       |                                      |            |
| SWDISPOS                       | Reimbursement to Owners of PPF 21 for SWD on PPF 12-4 - Oct 2012         |          | 2,167.16-                             |                                      |            |
| SWDISPOS                       | Reimbursement to Owners of PPF 21 for SWD on PPF 12-5 - Oct 2012         |          | 2,002.64-                             | 4,169.80-                            | 1,751.31-  |
| <b>Roads &amp; Location</b>    |  |          |                                       |                                      |            |
| 397772                         | Georgia G Hayes  |          | 25.00                                 |                                      |            |
| 397778                         | Georgia G Hayes - cleanup 3 miles of right of ways to Belmont Lake Field |          | 760.00                                | 785.00                               | 329.70     |
| <b>Total Operating Costs</b>   |  |          |                                       |                                      |            |
|                                |  |          |                                       | 1,616.82-                            | 679.06-    |
| <b>Property Summary:</b>       |  |          |                                       |                                      |            |
| PPF021                         | <u>Wrk Int</u><br>0.32000000<br>0.10000000                               |          | <u>Expenses</u><br>517.38-<br>161.68- | <u>You Owe</u><br>517.38-<br>161.68- |            |
|                                |  |          |                                       | 679.06-                              |            |

**Property: (PPF029) PALMETTO POINT FRI-29 County: WILKINSON, MS**

**Revenue:**

| Prd Date | Prod | Price Per             | Volume/Share  | Description           | Property Amt | Your Share |
|----------|------|-----------------------|---------------|-----------------------|--------------|------------|
| 10/2012  | GLF  | \$/MCF:2.65           | 2,992 /460.58 | Gas Lift Fuel Income: | 7,928.80     | 1,220.49   |
|          |      | Wrk NRI: 0.15393134   |               | Net Income:           | 7,928.80     | 1,220.49   |
| 10/2012  | GLF  | \$/MCF:2.65           | 2,992 /191.90 | Gas Lift Fuel Income: | 7,928.80     | 508.54     |
|          |      | Wrk-1 NRI: 0.06413807 |               | Net Income:           | 7,928.80     | 508.54     |

**Total Revenue for Property**

**1,729.03**

**Expenses:**

| Reference                      | Description                        | Deck/AFE | Invoice Amt | Total    | Your Share |
|--------------------------------|------------------------------------|----------|-------------|----------|------------|
| <b>Operating Costs</b>         |                                    |          |             |          |            |
|                                | <b>Pumper / Gauger</b>             |          |             |          |            |
| 1361                           | Griffin & Griffin Exploration, LLC |          | 1,000.45    |          |            |
| 10312012                       | Danny Emfinger / relief            |          | 250.00      | 1,250.45 | 361.38     |
| <b>Administrative Overhead</b> |                                    |          |             |          |            |
| 1357                           | Griffin & Griffin Exploration, LLC |          | 802.50      | 802.50   | 231.92     |

From: G & G Production, LLC  
To: Lexaria Corporation

For Checks Dated 12/10/2012 and For Billing Dated 10/31/2012  
Account: L00010 Page 8

**Property: (PPF029) PALMETTO POINT FRIO-29 (Continued)**

**Expenses: (Continued)**

| Reference                             | Description                   | Deck/AFE | Invoice Amt | Total           | Your Share      |
|---------------------------------------|-------------------------------|----------|-------------|-----------------|-----------------|
| <b><i>Chemical &amp; Solvents</i></b> |                               |          |             |                 |                 |
| 295245                                | X-Chem LLC                    |          | 1,324.13    |                 |                 |
| 299407                                | X-Chem LLC                    |          | 1,959.17    | 3,283.30        | 948.88          |
| <b><i>Roads &amp; Location</i></b>    |                               |          |             |                 |                 |
| 20013                                 | Southern Signs, Inc.          |          | 48.15       | 48.15           | 13.91           |
| <b><i>Chart Integration</i></b>       |                               |          |             |                 |                 |
| 953598                                | Southern Flow Companies, Inc. |          | 16.16       |                 |                 |
| 955520                                | Southern Flow Companies, Inc. |          | 310.30      | 326.46          | 94.35           |
| <b>Total Operating Costs</b>          |                               |          |             | <b>5,710.86</b> | <b>1,650.44</b> |

| Property Summary: | Net Rev Int | Wrk Int    | WI Revenue | Expenses | Net Cash |
|-------------------|-------------|------------|------------|----------|----------|
| PPF029            | 0.15393134  | 0.20400000 | 1,220.49   | 1,165.02 | 55.47    |
|                   | 0.06413807  | 0.08500000 | 508.54     | 485.42   | 23.12    |
| Total Cash Flow   |             |            | 1,729.03   | 1,650.44 | 78.59    |

**Owner AFE Election**

**Owner: Lexaria Corporation**

**AFE: # 222**

**AFE Total: \$568,478**

**Owners Prorated Share: \$181,912.96**

**Date: November 12, 2010**

**Project: PPF # 12-6**

**DESCRIPTION OF OPERATION:**

See Attached

Please indicate your election below:

Dan  I/we due herein elect to participate in the abovementioned project and agree to advance my/our prorated portion of the Authorization For Expenditure (AFE). I/we understand this AFE to be an estimate of the cost of the project and the actual amount of my/our ultimate prorated expenditures may vary.

Dan  I/we due herein elect to participate in my/our prorated portion of any non-consenting interest in this Project.

I/we due herein elect not to participate in the abovementioned project and understand that I/we will be subject to the Penalty as described in Section    of the Joint Operating Agreement.

Dan \_\_\_\_\_

**Lexaria Corporation**

November 15, 2010 \_\_\_\_\_  
Date

**Owner AFE Election**

**Owner: Lexaria Corporation**

**AFE: # 233**

**AFE Total: \$568,478**

**Owners Prorated Share: \$181,912.96**

**Date: November 12, 2010**

**Project: PPF # 12-7**

**DESCRIPTION OF OPERATION:**

See Attached

Please indicate your election below:

Barb \_\_\_\_\_ I/we due herein elect to participate in the abovementioned project and agree to advance my/our prorated portion of the of the Authorization For Expenditure (AFE). I/we understand this AFE to be an estimate of the cost of the project and the actual amount of my/our ultimate prorated expenditures may vary.

Barb \_\_\_\_\_ I/we due herein elect to participate in my/our prorated portion of any non-consenting interest in this Project.

\_\_\_\_\_ I/we due herein elect not to participate in the abovementioned project and understand that I/we will be subject to the Penalty as described in Section \_\_\_\_\_ of the Joint Operating Agreement.

Barb \_\_\_\_\_

**Lexaria Corporation**

\_\_\_\_\_  
November 15, 2010  
Date

Belmont Lake Field  
 Summary of 8/8ths Lease Operating Expenses  
 FY 2011/2012

| PRODUCTION DATE    | PP F-12  | PP F-3   | PP F-4   | PP F-5   | UNDRILLED LOCATIONS |
|--------------------|----------|----------|----------|----------|---------------------|
| 11/1/2011          | \$8,346  | \$9,496  | \$11,271 | \$11,275 |                     |
| 12/1/2011          | \$10,307 | \$10,304 | \$26,191 | \$26,051 |                     |
| 1/1/2012           | \$12,770 | \$12,770 | \$16,233 | \$16,233 |                     |
| 2/1/2012           | \$13,185 | \$13,185 | \$13,525 | \$13,525 |                     |
| 3/1/2012           | \$20,202 | \$10,094 | \$20,355 | \$16,507 |                     |
| 4/1/2012           | \$12,698 | \$8,933  | \$18,817 | \$14,201 |                     |
| 5/1/2012           | \$3,500  | \$7,238  | \$5,282  | \$7,278  |                     |
| 6/1/2012           | \$9,063  | \$9,429  | \$10,298 | \$10,317 |                     |
| 7/1/2012           | \$1,043  | \$1,043  | \$1,383  | \$1,383  |                     |
| 8/1/2012           | \$13,617 | \$13,820 | \$10,809 | \$10,809 |                     |
| 9/1/2012           | \$13,782 | \$12,229 | \$14,993 | \$14,755 |                     |
| 10/1/2012          | \$14,633 | \$21,249 | \$14,921 | \$14,921 |                     |
| Average 8/8ths LOE | \$11,096 | \$10,816 | \$13,673 | \$13,105 | \$12,172 *          |

\*Undrilled Locations are average of four wells. \$12,172 per undrilled well.

## RESUME

**MICHAEL J. VEAZEY**  
**5539 Coldwater Creek**  
**Baton Rouge, La. 70808**

### **PERSONAL DATA**

Born June, 1944: Married, two children

### **EDUCATION**

B.S. in Petroleum Engineering, LSU, 1966  
Elected to Tau Beta Pi (Honorary Engineering Society)  
Elected to Pi Epsilon Tau (Honorary Petroleum Engineering Society)  
M.S. in Petroleum Engineering, LSU, 1968  
Elected to Phi Kappa Phi (National Honorary Society)

### **PROFESSIONAL SOCIETIES AND ACTIVITIES**

Registered Professional Engineer in Louisiana (Petroleum) since 1972  
Registered Professional Engineer in Louisiana (Environmental) since 1994  
Member of Society of Petroleum Engineers of AIME since 1964  
Member of Society of Petroleum Evaluation Engineers  
American Association of Drilling Engineers (Steering Com.)  
Faculty Advisor to Student Section of SPE (1978 - 1983)  
Mineral Consultant to LSU Board of Supervisors (1980 - 1983)  
Phi Kappa Phi honor society  
Tau Beta Pi honor society  
Pi Epsilon Tau honor society

### **EXPERIENCE**

#### **1983-PRESENT**

D-O-R Engineering, Inc. In May 2009, Mr. Veazey acquired an equity position in the established consulting firm, D-O-R Engineering. Mr. Veazey is the President and Chief Executive Officer of the Company. D-O-R is a full service petroleum consulting engineering firm that will complement the firm of Veazey and Associates, LLC.

VEAZEY AND ASSOCIATES, LLC - an oil and gas consulting firm located in Baton Rouge, Louisiana

Mr. Veazey has been the President of Veazey and Associates, LLC (Formerly Veazey & Associates, Inc and MJV, Inc.) since 1978. He has served as an Instructor in the LSU/IADC Well Control School, and he has recently assisted the LSU Department of Petroleum Engineering as an Adjunct Professor of the faculty of the LSU Petroleum Engineering Department.

Mr. Veazey serves as the primary engineering analyst responsible for the estimation of oil and gas reserve volumes for a number of oil and gas companies. In addition to his role as an estimator of oil and gas reserves, he has provided the primary engineering work upon which many oil and gas reserve acquisitions have been based. He has also performed many Estate Appraisals.

Since 1980, Mr. Veazey has assisted the Vermilion Parish School Board with the management of minerals associated with the 22,000 + acres of State Land held in trust for that School Board, and Mr. Veazey has assisted The Terrebonne Parish School Board since 1986 with similar services for the 22,000+ acres of State Land held in trust for that School Board. In 2004, Veazey & Associates, Inc. was selected by the Lafourche Parish School Board to assist in the management of the 9,000+ acres of School Board Section 16 minerals.

Mr. Veazey has provided Expert Testimony and given sworn depositions in both Federal and State Court. He has qualified as an expert in the field of Petroleum Engineering, Petroleum Reservoir Engineering and Oil Field Operations. He has also testified before the Louisiana Office of Conservation in numerous Unitization hearings.

**2003-2007**

LOUISIANA STATE UNIVERSITY - Adjunct Professor of Petroleum Engineering at LSU

Mr. Veazey taught undergraduate courses in phase behavior and production equipment design.

**1978-1983**

LOUISIANA STATE UNIVERSITY - Assistant Professor of Petroleum Engineering at LSU.

Mr. Veazey taught undergraduate courses in petroleum economics, drilling, petrophysics, unitization, and phase behavior. During his tenure, he was the Director of LSU/IADC Well Control School from 1980 through 1983. He was also the Mineral Consultant to the LSU Board of Supervisors from 1980 through 1983.

**1974-1978**

SAMSON RESOURCE COMPANY - A publicly traded, independent oil and gas company specializing in production acquisitions and development drilling, located in Tulsa, Oklahoma.

Mr. Veazey was the Senior Petroleum Engineer responsible for all drilling, production and acquisitions. During the period in which he served as the companies' chief engineering evaluator, Samson was recognized as one of the nation's most successful and fastest growing independent oil and gas companies. During employment with Samson, Mr. Veazey co-author three technical papers, one of which related to the development of a Monte Carlo Simulation model for a programmable calculator, allowing the general engineering population to access and utilize this powerful statistical tool for oil and gas acquisition and development activities in a manner which had previously been reserved for only those with access to powerful main frame computers.

**1972-1974**

PLACID OIL COMPANY - An international oil and gas company headquartered in Dallas, Texas.

Mr. Veazey served as a Staff Petroleum Engineer responsible for oil and gas reserve calculations and development drilling programs which concentrated on large offshore Louisiana oil and gas fields. He was also responsible for representing Placid at numerous technical committee meetings with joint venture partners. Mr. Veazey also performed reservoir engineering and statistical evaluations of major undeveloped tracts of land for the purpose of participation in competitive lease sales. As a result of these efforts, the company invested \$180MM and was rewarded with the discovery of the South Marsh Island 268 Field. He also worked with other engineers to continually evaluate the companies' producing oil and gas fields. These activities were concentrated in the gulf coast area of Louisiana, but also extended to other geographic areas such as Alabama, Mississippi, the Florida Gulf Coast and the North Sea.

**1968-1972**

CHEVRON -

Mr. Veazey worked as a Reservoir Engineer and Drilling Engineer in the New Orleans office. He worked on secondary recovery projects and prepared reserve calculations for large oil and gas fields in south Louisiana and offshore Louisiana. He also worked as a field drilling engineer on offshore and inland water rigs for two years.

**Summers**

- 1967 Drilling Engineer, Chevron Oil Co.
- 1966 Reservoir Engineer, Chevron Oil Co.
- 1965 Lease Pumper, Gulf Oil Co.
- 1964 Roustabout, Pan American Petroleum Corp. (Amoco).

#### **SELECTED PUBLICATIONS**

1. Veazey, M.J. and Carlton, A.: RECORD OKLAHOMA WELL DRILLED THROUGH TROUBLESOME ATOKA SHALE, Oil and Gas Journal, August 23, 1976.
2. Veazey, M.J. and Carlton, A.: NEW LOGGING APPROACH TO OLD WELLS, Petroleum Engineer, July, 1976.
3. Veazey, M.J. and Smith, P.: SIMPLE EQUATION, CALCULATOR SPEED LEASE EVALUATION, Oil and Gas Journal, May 22, 1978.
4. Veazey, M.J. and Bassiouni, Z.: THE EVALUATION OF WATER CYCLING AS A TECHNIQUE FOR RECOVERING THE DISSOLVED GAS IN A GEOPRESSURED AQUIFER, LSU Dept. of Petroleum Engineering Report to DOE, August, 1978.
5. Veazey, M.J., Hawkins, M.F., et. al.: METHODS FOR DETERMINING VENTED VOLUMES DURING GAS WELL BLOWOUTS, DOE Publication, October, 1980.
6. Veazey, M.J., Hawkins, M.F., et. al.: METHODS FOR DETERMINING VENTED VOLUMES DURING GAS-CONDENSATE BLOWOUTS, DOE Publication , November, 1981.
7. Veazey, M.J., Alexander, W.H., and Corty, F.L.: OIL AND GAS LEASING: A MYSTERY IN LOUISIANA, Louisiana Rural Economist, Vol. 44 No. 4, November, 1982.

**Jim Veazey, P. E.**  
6161 Perkins Rd., Ste. 2C  
Baton Rouge, LA 70808  
(225) 765-1914

## Experience

### **D-O-R Engineering, Inc. 5/09 to Present**

#### **Part Owner/Secretary/Engineering Manager**

D-O-R offers a diverse range of consulting petroleum engineering and management services to major and independent oil companies, financial institutions, legal firms, investment companies, private estates and mineral owners along the Gulf Coast. The firm also provides general consulting services in the areas of petroleum engineering and property management and has particular expertise in the areas of 1) expert witness testimony as related to reservoir engineering or general practices in the oil and gas industry and 2) reserve determination for the purposes of oil and gas property sales and/or acquisitions, investment in oil and gas properties, appraisals for year-end-reports, S. E. C. filings, Canadian filings, F. D. I. C. reports, bank loans and estate successions.

### **Veazey & Associates, LLC 8/01 to Present**

#### **Part Owner/Senior Petroleum Engineer**

Veazey & Associates provides services related to reservoir engineering including fair market value appraisals and various aspects of mineral management. All engineers on staff are knowledgeable in the calculation of reserves by a multitude of methods and implementing economic software (PHD Win) to relate a present value forecast for said reserves so the client can make informed budget decisions regarding financing, investments, private acquisitions or acquisition by state imminent domain. Our firm manages the minerals of over 50,000 acres for public lands. This includes all aspects of permitting, leasing, scouting oil and gas activity, as well as providing a complete inventory of past and present surface and mineral activity. We conduct site visits to monitor oil and gas surface activities which may have a direct impact on our client's land. We conduct regulatory filings at the Office of Conservation and are capable of extensive due diligence research as related to that Office, as well as interfacing with Conservation staff regarding regulatory compliance issues and other special situations involving this state agency.

### **Office of Conservation/Inspection & Enforcement Section 4/98 to 8/01**

#### **Advanced Petroleum Engineer**

Jim's main function in this position was to manage complaints from land owners or concerned citizens regarding oil and gas operations in Louisiana. Further, if any violations were discovered, to initiate corrective action and keep complainant informed of all actions taken by Conservation. He reviewed passive closure data for oil field pits to ensure conformance with the applicable rules and regulations. Jim was responsible for monitoring inactive oil and gas wells in the state to ensure that the sites, which are deemed as having no future utility, were plugged and abandoned in accordance with the requirements of Statewide Order No. 29-B. This involved requesting and evaluating engineering and geological data from operators of inactive wells to justify the classification of the well(s) as having future utility. On many occasions, Jim accompanied enforcement agents on field inspections to insure compliance with rules and regulations of the Office of Conservation. He coordinated and supervised the compilation of statistics relating to oil and gas activities such as unitization hearings or meetings with industry representatives.

### **Office of Conservation/Orphan Well Section 9/96 to 4/98**

#### **Petroleum Engineer**

Jim reviewed and audited well records in order to prepare bid packages for orphan well projects. This included down-hole plugging procedures, pit closure and facility removal. He oversaw obtaining soil analyses on all oil field pits or tank bottoms associated with the orphaned site. Jim directed site visits for plugging and restoration contractors so bids could be prepared for future restoration operations. He prepared data relative to Act 404 (Oilfield Site Restoration Law) for dissemination to the respective legislative oversight committees, the Oilfield Site Restoration Commission, the Secretary of the Department of Natural Resources and the Assistant Secretary. Also, Jim assisted in the establishment of Site Specific Trust Accounts.

**Veazey & Associates, Inc. 9/95 to 9/96****Petroleum Engineer**

Jim performed reserve forecasts for annual reports and estate appraisals and assisted in the preparation of unitization hearings for industry and land owner clients. He managed the minerals for two state agencies (over 50,000 acres under management).

**Union Oil Company of California 5/94 to 8/94****Summer Intern**

Jim helped to design well workovers and wrote associated AFEs and was involved in decision making of workover and recompletion procedures in the office and in the field. He assisted the Senior Production Engineer with daily field activity.

**Veazey & Associates, Inc. 5/91 to 5/94****Technical Assistant**

Jim performed extensive research collection at the Office of Conservation and Mineral Resources. Jim also plotted decline curves, planimetered isopach maps for volumetric reserve calculations, maintained company well history and engineering files and assisted in the management and company finances.

**L. S. U. Petroleum Engineering Department 9/89 to 5/95****Student Worker**

Responsible for maintenance of laboratories, maintenance of supplies and general office work.

**Conoco, Inc. 6/88 to 8/88****Summer Intern**

Observed secondary and tertiary recovery methods and performed lease maintenance work in the field.

**Professional Organizations**

Society of Petroleum Evaluation Engineers  
Society of Petroleum Engineers

**Certifications and Short Courses**

Registered Professional Engineer in Louisiana and Texas

Applied Subsurface Geological Mapping, 2008

Mineral Law Institute – Multiple Years

NORM Surveying and Control Certification, 1998

Soil Remediation for Petroleum Extraction Industry, 1997 and 1998

Mineral Management Service Well Control and Under Balanced Drilling, 1997 and 1998

Introduction to Arc View GIS, 1998

**Education**

Louisiana State University - 1995 Graduate in Petroleum Engineering

Louisiana State University - 1991 Graduate in General Studies with a business emphasis

Catholic High School, Baton Rouge - 1986 Graduate

**Personal**

Married with two children

**References**

Available Upon Request