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

(Mark One)

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

For the quarterly period ended **February 29, 2020**

or

☐ **RANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from [ ] to [ ]

Commission file number

# LEXARIA BIOSCIENCE CORP.

(Exact name of registrant as specified in its charter)

| **Nevada** | **20-2000871** |
|---|---|
| State or other jurisdiction of incorporation or organization | (I.R.S. Employer Identification No.) |
| **#100 – 740 McCurdy Road, Kelowna BC Canada** | **V1X 2P7** |
| (Address of principal executive offices) | (Zip Code) |

Registrant's Telephone number, including area code: **1-250-765-6424**

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

| Title of Each Class | Name of Each Exchange On Which Registered |
|---|---|
| N/A | N/A |

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

| **Title of Class** | **Trading Symbol(s)** | **Name of each exchange on which registered** |
|---|---|---|
| Common Stock, Par Value $0.001 | LXRP<br>LXX | OTCQX<br>CSE |

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

Yes ☒ No ☐

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

Yes ☒ No ☐

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☒ |
| Non-accelerated filer | ☐ | Smaller reporting company | ☒ |
| | | Emerging growth company | ☐ |

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

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

Yes ☐ No ☒

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

80,720,879 common shares as of April 2, 2020

DOCUMENTS INCORPORATED BY REFERENCE
None.

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**PART I—FINANCIAL INFORMATION**

**Item 1. Financial Statements**

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

| | February 29 2020 (Unaudited) | August 31 2019 (Audited) |
|---|---|---|
| **ASSETS** | | |
| **Current** | | |
| Cash and cash equivalents | $ 739,985 | $ 1,285,147 |
| Marketable securities (Note 19) | 23,623 | 64,214 |
| Accounts receivable (Note 7) | 227,266 | 273,145 |
| Inventory (Note 8) | 124,412 | 127,396 |
| Prepaid expenses and deposit (Note 18) | 64,757 | 68,927 |
| **Total Current Assets** | 1,180,043 | 1,818,829 |
| | | |
| **Capital assets, net** | | |
| Intellectual property (Note 9) | 267,995 | 265,127 |
| Property & equipment (Note 10) | 538,188 | 591,263 |
| | 806,183 | 856,390 |
| **TOTAL ASSETS** | $ 1,986,226 | $ 2,675,219 |
| | | |
| **LIABILITIES** | | |
| **Current** | | |
| Accounts payable and accrued liabilities (Note 11) | $ 61,690 | $ 136,411 |
| Due to a related party (Note 15) | 1,600 | 48,096 |
| | 63,290 | 184,507 |
| **TOTAL LIABILITIES** | 63,290 | 184,507 |
| | | |
| **STOCKHOLDERS' EQUITY** | | |
| **Share Capital (Note 12)** | | |
| Authorized: | | |
| 220,000,000 common voting shares with a par value of $0.001 per share | | |
| Issued and outstanding: 80,720,879 common shares at February 29, 2020 and 78,787,134 common shares at August 31, 2019 | 80,721 | 78,787 |
| **Additional paid-in capital (Note 12, 13)** | 27,524,998 | 26,172,453 |
| **Deficit** | (25,725,859) | (23,868,202) |
| **Equity attributable to shareholders of the Company** | 1,879,860 | 2,383,038 |
| **Non-Controlling Interest** | 43,076 | 107,674 |
| **Total Stockholders' Equity** | 1,922,936 | 2,490,712 |
| **TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY** | $ 1,986,226 | $ 2,675,219 |

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

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

| | THREE MONTHS ENDED | | SIX MONTHS ENDED | |
|---|---|---|---|---|
| | February 29 2020 | February 28 2019 | February 29 2020 | February 28 2019 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| **Revenue (Note 14)** | $ 107,299 | $ 15,349 | $ 169,381 | $ 37,558 |
| **Cost of Goods Sold** | 58,106 | 2,690 | 65,959 | 4,848 |
| **Gross profit** | 49,193 | 12,659 | 103,422 | 32,710 |
| | | | | |
| **Expenses** | | | | |
| Accounting and audit | 7,493 | 17,495 | 26,529 | 27,067 |
| Depreciation and amortization (Note 9, 10) | 28,282 | 10,086 | 55,794 | 11,689 |
| Advertising and promotions | 34,717 | 113,229 | 80,985 | 285,142 |
| Consulting (Notes 12, 13, 15) | 521,228 | 603,427 | 1,005,024 | 846,418 |
| Investor relation | 3,762 | - | 21,277 | - |
| Legal and professional | 88,002 | 257,381 | 140,357 | 354,033 |
| Office and miscellaneous | 65,100 | 52,258 | 139,127 | 125,160 |
| Research and development | 186,557 | 66,083 | 294,020 | 163,056 |
| Travel | 21,759 | 20,293 | 43,612 | 39,499 |
| Wages and salaries | 90,768 | 25,627 | 178,361 | 25,627 |
| Unrealized loss on marketable securities (Note 19) | (983) | (109) | 40,591 | 9,521 |
| | 1,046,685 | 1,165,770 | 2,025,677 | 1,887,212 |
| | | | | |
| **Net loss and comprehensive loss for the period** | $ (997,492) | $ (1,153,111) | $ (1,922,255) | $ (1,854,502) |
| **Net loss and comprehensive loss attributable to:** | | | | |
| **Common shareholders** | $ (950,344) | $ (1,147,976) | $ (1,857,657) | $ (1,849,367) |
| **Non-controlling interest** | $ (47,148) | $ (5,135) | $ (64,598) | $ (5,135) |
| | | | | |
| **Basic and diluted loss per share** | $ (0.01) | $ (0.01) | $ (0.02) | $ (0.02) |
| | | | | |
| **Weighted average number of common shares outstanding - Basic and diluted** | 79,890,378 | 77,101,038 | 79,890,378 | 76,079,651 |

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

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

| | SIX MONTHS ENDED | |
|---|---|---|
| | **February 29 2020** | **February 28 2019** |
| | **(Unaudited)** | **(Unaudited)** |
| **Cash flows used in operating activities** | | |
| Net loss and comprehensive loss | **$ (1,922,255 )** | **$ (1,854,502 )** |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Stock based compensation | 456,707 | 64,044 |
| Depreciation and amortization | 55,794 | 11,689 |
| Unrealized loss on marketable securities | 40,591 | 9,521 |
| Common shares issued for services | - | 131,000 |
| Warrants issued for services | 70,752 | - |
| Change in working capital | | |
| Accounts receivable | 45,879 | (9,604 ) |
| Inventory | 3,108 | (20,785 ) |
| Prepaid expenses and deposits | 4,170 | 44,629 |
| Accounts payable and accrued liabilities | (74,721 ) | 458,673 |
| Due to related parties | (46,496 ) | (2,234 ) |
| **Net cash used in operating activities** | **$ (1,366,471 )** | **$ (1,167,569 )** |
| | | |
| **Cash flows used in investing activities** | | |
| Investment from Altria | - | 1,000,000 |
| Intellectual property | (5,711 ) | (55,743 ) |
| Property & equipment | - | (441,150 ) |
| **Net cash used in investing activities** | **$ (5,711 )** | **$ 503,107** |
| | | |
| **Cash flows from financing activities** | | |
| Proceeds from issuance of equity | 827,020 | 2,030,489 |
| **Net cash from financing Activities** | **$ 827,020** | **$ 2,030,489** |
| | | |
| **Increase(Decrease) in cash and cash equivalents** | (545,162 ) | 1,366,027 |
| **Cash and cash equivalents at beginning of period** | 1,285,147 | 1,727,184 |
| **Cash and cash equivalents at end of period** | **$ 739,985** | **$ 3,093,211** |
| | | |
| **Supplemental information of cash flows:** | | |
| Income taxes paid in cash | **$ 957** | **$ 13,869** |
| Subscription funds payable | **$ -** | **$ 31,500** |

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

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

| | COMMON STOCK | | | | | | |
|---|---|---|---|---|---|---|---|
| | SHARES | AMOUNT $ | ADDITIONAL PAID-IN CAPITAL $ | DEFICIT $ | NCI $ | AOCI $ | TOTAL STOCKHOLDERS' EQUITY $ |
| **Balance, August 31, 2018** | **75,533,471** | **75,533** | **22,095,682** | **(19,768,782)** | **-** | **(14,247)** | **2,388,186** |
| Stock based compensation | - | - | 64,044 | - | - | - | 64,044 |
| Private placement of shares, net of issuance cost | 947,150 | 947 | 1,469,363 | - | - | - | 1,470,310 |
| Exercise of stock options | 330,000 | 330 | 32,670 | - | - | - | 33,000 |
| Exercise of warrants | 309,800 | 310 | 145,570 | - | - | - | 145,880 |
| Net loss | - | - | - | (701,391) | - | - | (701,391) |
| AOCI | - | - | - | - | - | 14,247 | 14,247 |
| **Balance November 30, 2018** | **77,120,421** | **77,120** | **23,807,329** | **(20,470,173)** | **-** | **-** | **3,414,276** |
| Shares issued for services | 100,000 | 100 | 130,900 | - | - | - | 131,000 |
| Exercise of stock options | 50,000 | 50 | 18,450 | - | - | - | 18,500 |
| Exercise of warrants | 731,665 | 732 | 362,067 | - | - | - | 362,799 |
| Net loss | - | - | - | (1,147,976) | - | - | (1,147,976) |
| Net loss non-controlling interest | - | - | - | - | (5,135) | - | (5,135) |
| Non-controlling Interest (Note 3) | - | - | - | - | 1,000,000 | - | 1,000,000 |
| **Balance February 28, 2019** | **78,002,086** | **78,002** | **24,318,746** | **(21,618,149)** | **994,865** | **-** | **3,773,464** |
| Exercise of stock options | 50,000 | 50 | 14,700 | - | - | - | 14,750 |
| Exercise of warrants | 385,048 | 385 | 228,058 | - | - | - | 228,444 |
| Warrants Issued for Service | - | - | 52,817 | - | - | - | 52,817 |
| Stock based compensation | - | - | 443,266 | - | - | - | 443,266 |
| Net loss | - | - | - | (1,171,805) | - | - | (1,171,805) |
| Net loss non-controlling interest | - | - | - | - | (16,131) | - | (16,131) |
| Non-controlling Interest (Note 3) | - | - | 833,333 | - | (833,333) | - | - |
| **Balance May 31, 2019** | **78,437,134** | **78,437** | **25,890,921** | **(22,789,954)** | **145,401** | **-** | **3,324,805** |
| Shares issued for services | 150,000 | 150 | 103,350 | - | - | - | 103,500 |
| Exercise of warrants | 200,000 | 200 | 58,800 | - | - | - | 59,000 |
| Stock based compensation | - | - | 119,382 | - | - | - | 119,382 |
| Net loss | - | - | - | (1,078,248) | - | - | (1,078,248) |
| Net loss non-controlling interest | - | - | - | - | (37,727) | - | (37,727) |
| **Balance August 31, 2019** | **78,787,134** | **78,787** | **26,172,453** | **(23,868,202)** | **107,674** | **-** | **2,490,712** |
| Stock based compensation | - | - | 162,414 | - | - | - | 162,414 |
| Warrants issued for services | - | - | 70,752 | - | - | - | 70,752 |
| Private placement | 1,823,745 | 1,824 | 814,196 | - | - | - | 816,020 |
| Net loss | - | - | - | (907,313) | - | - | (907,313) |
| Non-controlling interest | - | - | - | - | (17,450) | - | (17,450) |
| **Balance November 30, 2019** | **80,610,879** | **80,611** | **27,219,815** | **(24,775,515)** | **90,224** | **-** | **2,615,135** |
| Stock based compensation | - | - | 294,293 | - | - | - | 294,293 |
| Exercise of stock options | 110,000 | 110 | 10,890 | - | - | - | 11,000 |
| Net loss | - | - | - | (950,344) | - | - | (950,344) |
| Non-controlling interest | - | - | - | - | (47,148) | - | (47,148) |
| **Balance February 29, 2020** | **80,720,879** | **80,721** | **27,524,998** | **(25,725,859)** | **43,076** | **-** | **1,922,936** |

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

**LEXARIA BIOSCIENCE CORP.**
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**
FEBRUARY 29, 2020
(Expressed in U.S. Dollars)

## 1. Organization, Business and Going Concern

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

The Company's unaudited interim consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with United States generally accepted accounting principles (US GAAP) have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Interim results are not necessarily indicative of results for a full year.

These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated annual financial statements and notes thereto included in our annual report filed on Form 10-K for the year ended August 31, 2019.

The Company's unaudited interim consolidated financial statements have been prepared in accordance with US GAAP applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The recurring losses from operations and net capital deficiency raise substantial doubt about the Company's ability to continue as a going concern.

The Company requires additional funds or revenues to maintain its operations and developments. Management's plans in this regard are to raise equity and debt financing as required, but there is no certainty that such financing will be available or that it will be available at acceptable terms. The outcome of these matters cannot be predicted at this time.

## 2. Business Risk and Liquidity

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

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

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

Lexaria and its subsidiaries are not involved directly or indirectly in the production or sale of any products containing nicotine. Products containing nicotine have historically been involved in litigation in the USA. Lexaria's corporate licensee may introduce products containing nicotine that utilize Lexaria's Technology to the US consumer market, which could therefore introduce third-party risks to Lexaria.

## 3. Significant Accounting Policies

The significant accounting policies of the Company are consistent with those of our audited financial statements on Form 10-K for the year ended August 31, 2019.

## 4. Basis of Consolidation

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

## 5. Estimates and Judgments

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

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

In preparing these unaudited interim consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements for the year ended August 31, 2019.

## 6. Recent Accounting Guidance

In February 2016 FASB issued ASU No. 201602, Leases (Topic 842) which supersedes FASB ASC Topic 840, Leases (Topic 840) and provides principles for the recognition, measurement, presentation, and disclosure of leases for both lessees and the lessors. The new standard requires the lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. The classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than twelve months regardless of classification. Leases with a term of twelve months or less will be accounted for similar to existing guidance for operating leases. In November 2019 FASB issued ASU No 201910 revised the effective date based on updated criteria with the effective date for fiscal years beginning after December 15, 2020. The Company is assessing the impact on its consolidated financial statements.

In June 2016, the FASB issued a new standard to replace the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For trade and other receivables, loans and other financial instruments, the Company will be required to use a forward-looking expected loss model rather than the incurred loss model for recognizing credit losses which reflects losses that are probable. Credit losses relating to available for sale debt securities will also be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. In November 2019 FASB issued ASU No 201910 revised the effective date based on updated criteria with the effective date for fiscal years beginning after December 15, 2022. Application of the amendments is through a cumulative effect adjustment to deficit as of the effective date. The Company is currently assessing the impact of the standard on its consolidated financial statements.

In February 2018, the FASB issued ASU No. 201802, Income Statement–Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act enacted by the U.S. federal government on December 22, 2017 (the "2017 Tax Act"). Consequently, the amendments eliminate the stranded tax effects resulting from the 2017 Tax Act and will improve the usefulness of information reported to financial statement users. The amendments in this ASU are effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period, (1) for public business entities for reporting periods for which financial statements have not yet been issued and (2) for all other entities for reporting periods for which financial statements have not yet been made available for issuance. The Company adopted the ASU on September 1, 2019 for a $NIL effect.

In June 2018, the FASB issued ASU No. 201807, Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share Based Payment Accounting. This is a simplification that involves several aspects of accounting for nonemployee share-based payments resulting from expanding the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The Company adopted the ASU on September 1, 2019 for a $NIL effect.

## 7. Accounts and Other Receivables

| | February 29 2020 $ | August 31 2019 $ |
|---|---|---|
| Trade and deposits receivable | 6,558 | 5,727 |
| Territory license fee receivable | 142,000 | 106,000 |
| Sales tax receivable | 78,708 | 161,418 |
| | **227,266** | **273,145** |

## 8. Inventory

| | February 29 2020 $ | August 31 2019 $ |
|---|---|---|
| Raw materials | 55,743 | 45,068 |
| Finished goods | 68,669 | 82,328 |
| | **124,412** | **127,396** |

During the period ended February 29, 2020, the Company wrote down $NIL (2019 - $NIL) of inventory to reflect its net realisable value.

## 9. Intellectual Property

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

| Issued Patent # | Patent Issuance Date | Patent Family |
|---|---|---|
| US 9,474,725 B1 | 10/25/2016 | Food and Beverage Compositions Infused With Lipophilic Active Agents and Methods of Use Thereof |
| US 9,839,612 B2 | 12/12/2017 | |
| US 9,972,680 B2 | 05/15/2018 | |
| US 9,974,739 B2 | 05/22/2018 | |
| US 10,084,044 B2 | 09/25/2018 | |
| US 10,103,225 B2 | 10/16/2018 | |
| US 10,381,440 | 08/13/2019 | |
| US 10,374,036 | 08/06/2019 | |

The Company also holds non-capitalized patents outside the US. A continuity schedule for capitalized patents is presented below:

| | February 29 2020 $ | August 31 2019 $ |
|---|---|---|
| Balance – beginning | 265,127 | 146,538 |
| Addition | 5,711 | 122,982 |
| Amortization* | (2,843) | (4,393) |
| **Balance – ending** | **267,995** | **265,127** |

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

## 10. Property & Equipment

| Quarter Ended February 29, 2020 | Cost $ | Period Amortization $ | Accumulated Amortization $ | Net Balance February 29 2020 $ |
|---|---|---|---|---|
| Leasehold improvements | 259,981 | (26,249) | (59,592) | 200,389 |
| Computers | 63,964 | (9,841) | (22,028) | 41,936 |
| Furniture fixtures equipment | 34,220 | (3,518) | (9,580) | 24,640 |
| Lab equipment | 291,235 | (13,467) | (20,013) | 271,223 |
| | **649,400** | **(53,075)** | **(111,213)** | **538,188** |

| Year Ended August 31, 2019 | Cost $ | Period Amortization $ | Accumulated Amortization $ | Net Balance August 31, 2019 $ |
|---|---|---|---|---|
| Leasehold improvements | 259,981 | (33,342) | (33,342) | 226,639 |
| Computers | 63,964 | (12,187) | (12,187) | 51,777 |
| Furniture fixtures equipment | 34,220 | (4,205) | (6,062) | 28,158 |
| Lab equipment | 291,235 | (6,546) | (6,546) | 284,689 |
| | **649,400** | **(56,281)** | **(58,137)** | **591,263** |

## 11. Accounts Payable and Accrued Liabilities

| | February 29 2020 $ | August 31 2019 $ |
|---|---|---|
| **Accounts Payable** | | |
| Trades payable | 55,593 | 31,463 |
| Sales tax payable | - | 63,616 |
| **Accrued Liabilities** | | |
| Trades payable | 6,097 | 41,332 |
| **Balance – ending** | **61,690** | **136,411** |

## 12. Common Shares and Warrants

During the quarter ended February 29, 2020 the Company issued 110,000 shares on the exercise of previously granted stock options for a total value of $11,000.

A year to date summary of share issuances is presented below:

| Type of Issuance | Number of Shares | Total Value $ |
|---|---|---|
| **Option exercise** | 110,000 | 11,000 |
| **Private placement**[(1)] | 1,823,745 | 820,685 |
| | **1,933,745** | **831,685** |

(1) Fees of $4,665 were paid for net receipt of $816,020

A continuity schedule for warrants is presented below:

| | Number of Warrants | Weighted Average Exercise Price $ |
|---|---|---|
| **Balance August 31, 2018** | 3,286,274 | 0.72 |
| Cancelled/expired | (17,498 ) | 0.59 |
| Exercised | (1,626,513 ) | 0.49 |
| Issued | 1,183,062 | 1.99 |
| **Balance August 31, 2019** | **2,825,325** | **1.38** |
| Cancelled/expired | (750,000 ) | 1.50 |
| Issued | 2,057,495 | 0.80 |
| **Balance February 29, 2020** | **4,132,820** | **1.07** |

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

| | February 29 2020 |
|---|---|
| **Expected volatility** | 91% |
| **Risk-free interest rate** | 2.87% |
| **Expected life** | 2 years |
| **Dividend yield** | 0.00% |
| **Estimated fair value per warrant** | $0.28-$0.43 |

A summary of warrants outstanding as of February 29, 2020 is presented below:

| # of Warrants | Weighted Average Remaining Contractual Life | Weighted Average Exercise Price $ |
|---|---|---|
| 975,325 | 0.67 years | 2.25 |
| 100,000 | 1.23 years | 0.96 |
| 250,000 | 1. 24 years | 1.55 |
| 750,000 | 1.60 years | 0.14 |
| 225,000 | 2.68 years | 0.80 |
| 1,562,995 | 1.71 years | 0.80 |
| 269,500 | 1.75 years | 0.80 |
| **4,132,820** | **1.46 years** | **1.07** |

**13. Stock Options**

The Company has established its 2007 Equity Incentive Plan, whereby the board of directors may grant up to 412,500 stock options to eligible employees and directors, the 2010 Stock Option Plan whereby the board of directors may, from time to time, grant up to 1,512,500 stock options to officers and employees; the 2014 Stock Option Plan whereby the board of directors may, from time to time, grant up to 1,997,500 stock options to directors, officers, employees, and consultants; and the 2019 Equity Incentive Plan whereby the board of directors may, from time to time, grant up to 7,838,713 stock options to directors, officers, employees, and consultants. Stock options granted must be exercised no later than five years from the date of grant or such lesser period as determined by the Company's board of directors. The exercise price of an option is equal to or greater than the closing market price of the Company's common shares on the day preceding the date of grant. The vesting terms of each grant are set by the board of directors.

The Company granted the following options during the quarter ended February 29, 2020:

| Quantity | Exercise Price $ | Life (Years) |
|---|---|---|
| 550,000 | 0.47 | 5 |
| 60,000 (1) | 0.43 | 5 |
| **610,000** | **0.47** | |

(1) Options granted vest 20,000 on grant and 20,000 annually thereafter until fully vested.

A continuity schedule for stock options is presented below:

| | Options | Weighted Average Exercise Price $ | Weighted Average Remaining Contractual Term (Years) | Aggregate Intrinsic Value $ |
|---|---|---|---|---|
| **Balance August 31, 2018** | **4,800,000** | **0.71** | | |
| Cancelled/expired | (1,415,000) | 0.66 | | |
| Exercised | (430,000) | 0.15 | | |
| Granted | 2,048,000 | 1.00 | | |
| **Balance August 31, 2019** | **5,003,000** | **0.89** | | |
| Cancelled/expired | (550,000) | 0.09 | | |
| Exercised | (110,000) | 0.10 | | |
| Granted | 1,610,000 | 0.54 | | |
| **Balance February 29, 2020 (Outstanding)** | **5,953,000** | **0.88** | **3.69** | **94,510** |
| **Balance February 29, 2020 (Exercisable)** | **4,397,341** | **0.94** | **3.46** | **90,910** |

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

| | February 29 2020 |
|---|---|
| **Expected volatility** | 95%-96% |
| **Risk-free interest rate** | 1.45%-1.68% |
| **Expected life** | 5 years |
| **Dividend yield** | 0.00% |
| **Estimated fair value per option** | $0.30-$0.39 |

## 14. Revenues

| | February 29 2020 $ | February 28 2019 $ |
|---|---|---|
| Product sales | 99,191 | 5,436 |
| Licensing revenue | 69,750 | 32,000 |
| Freight revenue | 440 | 122 |
| | **169,381** | **37,558** |

During the six months ended February 29, 2020, the Company recognized $37,750 of Intellectual Property Licensing fees and $36,000 of Usage Fees (February 2019 - $Nil and $32,000). Licensing revenues are significantly concentrated on a single customer.

There was an increase in product sales in the current year compared to the previous years as the Company was able to solve some payment processing issues late in fiscal 2019, allowing for improved ability to conduct online retail transactions. Intermediate products sales began during the second quarter, which typically is a DehydraTECH enabled powder that companies can purchase to include in their products. Intermediate product sales constituted the majority of our product sales segment revenue and is a new form of revenue for the current fiscal year. The Licensing fees consist of IP licensing fees for transfer of the Technology with the signing of definitive agreements for the DehydraTECH technology and usage fees. The Licensing fees include payments due upon transfer of the Technology and installment payments that are receivable within 12 months (Note 7).

## 15. Related Party Transactions

| Management, consulting and director services | Contract $ | % | Non Cash $ | % | February 29 2020 Total $ | February 28 2019 Total $ |
|---|---|---|---|---|---|---|
| CAB Financial Services[(1)] | 131,557 | 100 | - | - | 131,557 | 92,319 |
| M&E Services Ltd.[(1)] | 58,785 | 100 | - | - | 58,785 | 56,238 |
| Docherty Management Limited[(1)] | 113,569 | 38 | 187,069 | 62 | 300,638 | 83,263 |
| Directors | 35,214 | 100 | - | - | 35,214 | 225,588 |
| | **339,125** | | **187,069** | | **526,194** | **457,408** |

[(1)]C.A.B. Financial Services is owned by the CEO of the Company, M&E Services Ltd. is owned by the CFO of the Company, and Docherty Management Limited is owned by the President of the Company.

**Due to related parties:**

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

As at February 29, 2020, $1,600 (August 31, 2019 - $48,096) was payable to related parties and included in due to related parties.

## 16. Segment Information

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

| | IP Licensing $ | Consumer Products $ | Corporate $ | Consolidated Total $ |
|---|---|---|---|---|
| External revenue | 69,750 | 99,631 | - | 169,381 |
| CoGS | - | (65,959) | - | (65,959) |
| Operating expenses | (300,034) | (293,487) | (1,432,156) | (2,025,677) |
| Segment loss | (230,284) | (259,815) | (1,432,156) | (1,922,255) |
| Total assets | 694,684 | 124,412 | 1,167,130 | 1,986,226 |

## 17. Commitments, Significant Contracts and Contingencies

**Management and Service Agreements:**

As at February 29, 2020, the Company is party to the following contractual commitments:

| Party | Monthly Commitment | Expiry Date |
|---|---|---|
| C.A.B Financial Services | CAD $29,167 | January 1, 2022 |
| Docherty Management Ltd. | CAD $25,000 | January 1, 2022 |
| M&E Services Ltd. | CAD $12,960 | June 1, 2021 |
| Corporate development | CAD $1,000 | Month to Month |
| Office management | CAD $10,000 | August 15, 2022 |
| Research & development | CAD $3,854 | Month to Month |
| Office rent[(1)] | CAD $4,823 | November 15, 2023 |

**Corporate Offices:**

(1) Corporate office and R&D lab space leased in Kelowna, British Columbia, Canada until November 15, 2023 with an option to extend an additional five years.

## 18. Prepaid Expenses

Prepaid expenses consist of the following at February 29, 2020 and August 31, 2019:

| | February 29 2020 $ | August 31 2019 $ |
|---|---|---|
| Advertising & Conferences | 37,955 | 39,143 |
| Office & Insurance | 9,042 | 29,784 |
| Licence, Filing Fees, Dues | 17,760 | - |
| | **64,757** | **68,927** |

**19. Marketable Securities**

The components of Marketable Securities were as follows:

| | Cost Basis $ | Unrealized Gains $ | Unrealized Losses $ | Total $ |
|---|---|---|---|---|
| August 31, 2019 | | | | |
| Common stock | 81,250 | 9,335 | (12,124) | |
| Total | **81,250** | **9,335** | **(26,973)** | **63,612** |
| February 29, 2020 | | | | |
| Common stock | 81,250 | 1,782 | (41,771) | |
| **Total** | **81,250** | **11,117** | **(68,744)** | **23,623** |

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

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

***Cautionary Note Regarding Forward-Looking Statements***

This quarterly report contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Any statements contained herein that are not statements of historical fact may be forward-looking statements. These statements relate to future events or our future financial performance. Any forward-looking statements are based on our present beliefs and assumptions as well as the information currently available to us. In some cases, forward-looking statements are identified by terminology such as "may", "will", "should", "could", "targets", "goal", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors" set forth in Item 1(A) in our annual report on Form 10-K, as filed with the Securities and Exchange Commission on November 14, 2019, that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We caution you not to place undue reliance on any forward-looking statements as they speak only as of the date on which such statements were made, and we undertake no obligation to update any forward-looking statement or to reflect the occurrence of an unanticipated event. New factors may emerge and it is not possible to predict all factors that may affect our business and prospects. Further, management cannot assess the impact of each factor on the business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

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

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

**Company and Business Overview**

We are a bioscience intellectual property ("IP") research, development and licensing company for our patented lipid nutrient infusion DehydraTECH™ technology (the "Technology") and were incorporated in 2004 in Nevada. Our Technology improves delivery of bioactive compounds that promotes healthy ingestion methods, lower overall dosing and higher effectiveness in active molecule delivery.

The Company's food sciences activities include the development of our proprietary nutrient infusion technologies for the production of functional foods, and the production of enhanced food products under our consumer product brands, ViPova™, Lexaria Energy™, TurboCBD™ and ChrgD+™. The Company's Technology is believed to improve taste, rapidity and delivery of bioactive compounds that include cannabinoids, vitamins, Non-Steroidal Anti-Inflammatory Drugs ("NSAIDs"), nicotine and other molecules compared to what is possible without lipophilic enhancement technology. All of Lexaria's consumer product goods are made with commonly available food grade ingredients and are sold in the US through e-commerce platforms and fulfillment centers.

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

As at February 29, 2020, we have identified two reportable operating segments: Intellectual Property Licensing and Consumer Products.

The following discussion should be read in conjunction with our condensed financial statements and accompanying notes in this quarterly report on Form 10-Q and our audited financial statements with notes in our annual report on Form 10-K for the year ended August 31, 2019.

**Our Current Business**

Our Company's business plan is currently focused on the development of strategic partnerships with licensees for our patented Technology in exchange for up front and/or staged licensing fees over time. Secondarily and more generally, we continue to investigate national and international opportunities for development and distribution of the Company's enhanced functional food and supplement product offerings; to investigate expansions and additions to our intellectual property portfolio; and to search for additional opportunities in alternative health sectors. This includes the acquisition and development of intellectual property to support and expand our patents as funding and opportunity allow.

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

To date, the following patents have been awarded in the United States and Australia:

| Issued Patent # | Patent Issuance Date | Patent Family |
|---|---|---|
| US 9,474,725 B1 | 10/25/2016 | Food and Beverage Compositions Infused With Lipophilic Active Agents and Methods of Use Thereof |
| US 9,839,612 B2 | 12/12/2017 | |
| US 9,972,680 B2 | 5/15/2018 | |
| US 9,974,739 B2 | 5/22/2018 | |
| US 10,084,044 B2 | 9/25/2018 | |
| US 10,103,225 B2 | 10/16/2017 | |
| US 10,381,440 | 8/13/19 | |
| US 10,374,036 | 8/06/19 | |
| AUS 2015274698 | 6/15/2017 | |
| AUS 2017203054 | 8/30/2018 | |
| AUS 2018202562 | 8/30/2018 | |
| AUS 2018202583 | 8/30/2018 | |
| AUS 2018202584 | 1/10/2019 | |
| AUS 2018220067 | 7/30/2019 | |
| AUS 2016367036 | 7/30/2019 | Methods for Formulating Orally Ingestible Compositions Comprising Lipophilic Active Agents |
| AUS 2016367037 | 8/15/2019 | Stable Ready-to-Drink Beverage Compositions Comprising Lipophilic Active Agents |

We are seeking additional patent protection for what we believe to be a unique process for the nutritional delivery of certain molecules such as Cannabinoids, Nicotine, NSAIDs, and Vitamins. To achieve sustainable and profitable growth, our Company intends to control the timing and costs of our projects wherever possible. We have filed for patent protection of our Technology for additional compounds such as phosphodiesterase inhibitors, human hormones such as estrogen and testosterone and more. We are investigating other compounds and molecules for potential patent protection pursuit.

During the quarter ended February 29, 2020, and up to the date of this report, we experienced the following significant corporate developments:

The Company entered into license agreements in connection with oral pouches and oral mulch products: (i) the first license agreement (the "Hemp Agreement") has been entered into with Boldt Runners Corporation ("BRC") via its subsidiary, Lexaria Hemp Corp.; and (ii) the second license agreement (the "THC Agreement") has been entered into with Trinidad Consulting LLC ("TCL") via its subsidiary Lexaria CanPharm ULC. BRC and TCL are collectively referred to herein as "Cannadips".

The Hemp Agreement provides that: (i) Cannadips shall have the exclusive right in the USA to use Lexaria's patented DehydraTECH™ Technology with nicotine and tobacco free, cannabinoid pouches and oral mulch products (the "CBD Pouches") which contain less than 0.29% tetrahydrocannabinol ("THC") for a period of ten (10) years; (ii) the Hemp Agreement may be renewed for an additional five (5) year term upon mutual agreement of any adjustments to usage fees and/or minimum performance fees; (iii) Cannadips shall be subject to certain minimum performance fees starting March 1, 2020; and (iv) Cannadips shall maintain the right to have an option to sell CBD Pouches in the territories of Canada, Mexico or the European Union provided that a fee is paid.

**Subsequent to February 29, 2020,**

The emergence of the Coronavirus (COVID-19") in over 140 countries around the world in the two months ending mid-March 2020, presents significant and unforecastable new risks to the Company and its business plan. Restrictions on national and international travel have made it increasingly difficult to carry out normal business activities related to corporate finance efforts, to the pursuit of new customers for the Company's products and services, and to retail customers throughout North America who might otherwise access the products of the Company's B2B business partners. As a result, the COVID-19 pandemic will almost certainly increase risks of lower revenues and higher losses for the products and services currently offered by the Company.

The Company is encountering significant challenges in executing its business plan and normal business operations as a result of COVID-19 and does not have sufficient resources to withstand a protracted term during which most business activities are curtailed. The Company has not at this time dismissed any employees as a result of the CoVID-19 pandemic, but may need to do so at any time to preserve resources.

The Company is simultaneously investigating whether there may be any new emerging opportunities related to the COVID-19 crisis related to its patented DehydraTECH technology that has been thoroughly tested for its superior delivery of other compounds and drugs, and whether any of these characteristics might be applicable to the Coronavirus. It is unknown at this time whether there is any such applicability.

On March 19, 2020, the Company announced that it intends to conduct a pilot human pharmacokinetic exploratory study in healthy volunteers of three antiviral drugs that have previously been studied against other coronavirus strains, comparing DehydraTECH formulations to controls without Lexaria's technology. It intends to conduct the study at a leading Canadian University where a study design and plan have been submitted for ethics board approval. Pending the successful execution and outcome of this study, additional research may include expanded pharmacokinetic and pharmacodynamic screening, including studies in appropriate coronavirus animal models for efficacy evaluation. If Lexaria's technology is proven to increase delivery effectiveness of antiretroviral drugs, the Company intends to make its technology available to researchers throughout the world looking to maximize the effectiveness of their own drug investigations.

**Research and Development**

Lexaria incurred $ 294,020 (2019 $163,056) in research and development expenditures during the period ending February 29, 2020. Specific R&D programs are in ongoing development and will be tightly related to our financial ability to undertake each research phase for each API. Due to our expanding portfolio coverage, we are continuing to examine accelerated timetable options for testing, research and development of each API.

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

The Company continually focuses on new R&D programs to investigate the potential of additional commercial applications for its Technology. These include, but are not limited to ongoing programs to explore methods to integrate nanoemulsification chemistry techniques together with its technology and to further enhance intestinal bioabsorption rates with its technology, as well as ongoing programs to expand the types and breadth of product form factors into which its technology can be applied. Depending on how many of these tests are undertaken, R&D budgets are expected to vary significantly. It is in our best interests to remain flexible at this early stage of our R&D efforts in order to capitalize on potential novel findings from early-stage tests and thus re-direct research into specific avenues that offer the most reward.

**Off-Balance Sheet Arrangements**

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

**Critical Accounting Estimates**

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

***Capital Assets***

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

***Patents***

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

***Revenue Recognition***

*Product Revenue*

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

*Licensing Revenue from Intellectual Property*

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

*Usage Fees from Intellectual Property*

We recognize revenue for usage fees when usage of our DehydraTECH intellectual property occurs by licensees infusing an API into one or more of their product lines for sale.

***Going Concern***

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

**Results of Operations for our Period Ended February 29, 2020 and February 28, 2019**

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

| | Six Months Ended February 29 2020 $ | Six Months Ended February 28 2019 $ | Change $ |
|---|---|---|---|
| **Revenue** | 169,381 | 37,558 | 131,823 |
| **General and administrative** | 2,025,677 | 1,887,212 | 138,465 |
| **Consulting fees & Wages** | 1,183,385 | 872,045 | 311,340 |
| **Legal and professional** | 140,357 | 354,033 | (213,676) |
| **Net Loss** | (1,922,255) | (1,854,502) | (67,753) |

**Revenue**

Product revenues of $99,191 represent the majority of revenues during the period ended February 29, 2020 that include intermediate products sales that began during the second quarter. Intermediate products we produce are typically a DehydraTECH enabled powder that companies include in their product's manufacturing process.

Our Licensing revenue of $69,750 continue to reflect delays in usage fee revenues from existing licensees in Canada waiting for product approval from Health Canada on products, and other licensees initiating or ramping up their production. Licensing revenue was primarily based on expanded licence agreements entered into recognising the IP Territory Licensing fee, and existing licenses generating usage fees. Increasing ongoing usage fees are expected as licensees begin or ramp up products or when contracted minimum requirements become due.

Increases in revenues are expected during the 2020 calendar year but the ongoing market instability may delay or prevent licensees from advancing their programs. Our intermediate products, which easily allows consumer product manufacturers to add DehydraTECH enabled powder to their existing products, are expected to simplify and enhance the adoption of our Technology for manufacturers.

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

During the period ended February 29, 2020, our revenues were derived within the following categories: $69,750 (February 2019: $32,000) of intellectual property licensing revenue and $99,631 (2019: $5,558) in product and other revenues.

***General and Administrative***

Our general and administrative expenses increased by $138,465 during the period ended February 29, 2020. The modest increase is comprised of significant reductions in advertising and patent related filings and increases reflected in the additional personnel that started during fiscal 2019, increases to our research, equipment amortization and unrealized losses on investments. We are focusing on cost constraints to preserve cash.

***Interest Expense***

Interest expense for the period ended February 29, 2020 was $Nil (2018: $Nil). The Company has no debt currently other than month-to-month payables.

***Consulting Fees***

Our consulting fees increased by $158,606, which is partly due to the non-cash share-based payments for services ($527,459), director and advisor fees. Reductions include month to month contracts that were not renewed that ended later in the quarter.

***Legal and Professional Fees***

Our professional fees decreased by $213,676 during the period primarily due to reduced patent and trademark filings, and fewer other advisory services utilized during the period. We recognize certain legal fees, tax advice fees, and accounting services all as "Professional Fees."

***Liquidity and Financial Condition***

| Working Capital | February 29 2020 $ | August 31 2019 $ |
|---|---|---|
| **Current assets** | 1,180,043 | 1,818,829 |
| **Current liabilities** | (63,290) | (184,507) |
| **Net Working Capital** | **1,116,753** | **1,634,322** |

The Company's working capital balance decrease during the period was limited due to exercises of outstanding options, warrants and the private placement (Note 12) completed during the period. The Company maintained a positive and relatively strong working capital position throughout the period.

| *Cash Flows* | February 29 2020 $ | February 28 2019 $ |
|---|---|---|
| Cash flows (used in) provided by operating activities | (1,366,471) | (1,167,569) |
| Cash flows (used in) provided by investing activities | (5,711) | 503,107 |
| Cash flows (used in) provided by financing activities | 827,020 | 2,030,489 |
| **Increase (decrease) in cash** | **(545,162)** | **1,366,028** |

***Operating Activities***

Net cash used in operating activities was $1,366,471 for the period compared with cash used in operating activities of $1,167,569 during the same period in 2019. This difference was largely due to the increased costs pertaining to research and development supporting our Technology and personnel wages.

***Investing Activities***

Net cash used in investing activities was $5,711 (2019 ($503,107)) for the period to support patent filings. This includes reductions to patent filings and capital asset purchases.

***Financing Activities***

Net cash provided from financing activities was $827,020 during the period ended February 29, 2020 from a private placement and option exercise compared to net cash provided of $3,030,489 ($2,075,619 from private placements and exercises and $1,000,000 from the 16.67% acquisition of Lexaria Nicotine by Altria) during the same period in 2019.

***Liquidity and Capital Resources***

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

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

Short Term Liquidity

At February 29, 2020 we had $739,985 in cash and cash equivalents. We believe our cash resources are sufficient to allow us to continue operations for at least the next five months from the date of this Quarterly Report.

Long Term Liquidity

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

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

**Item 3. Controls and Procedures**

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

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our President and Chief Executive Officer (Principal Executive Officer) and our Chief Financial Officer (Principal Financial and Accounting Officer) to allow for timely decisions regarding required disclosure.

As of February 29, 2020, the quarter covered by this report, we carried out an evaluation, under the supervision and with the participation of our CEO, President and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our President, CEO and the CFO concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of February 29, 2020.

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

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control include providing management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of consolidated financial statements in conformity with US GAAP. Our management assessed the effectiveness of our internal control over financial reporting as of February 29, 2020. 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 February 29, 2020, our internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP. Our management reviewed the results of their assessment with our Board of Directors.

***Inherent limitations on Effectiveness of Controls***

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

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

During the quarter ended February 29, 2020 our controls and controls processes remained consistent with August 31, 2019. There have been no changes in our internal controls over financial reporting that occurred during the quarter ended February 29, 2020 that have materially or are reasonably likely to materially affect, our internal controls over financial reporting.

**PART II—OTHER INFORMATION**

**Item 1. Legal Proceedings**

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

**Item 1A. Risk Factors**

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

The risks associated with our business, common stock and other factors were the same as those described in the consolidated financial statements for the year ended August 31, 2019.

**Item 2. Exhibits, Financial Statement Schedules**

a) Financial Statements

1) Financial statements for our Company are listed in the index under Item 1 of this document

2) All financial statement schedules are omitted because they are not applicable, not material or the required information is shown in the financial statements or notes thereto.

b) Exhibits

| Exhibit Number | Description |
|---|---|
| **(3)** | **Articles of Incorporation and Bylaws** |
| 3.1* | Articles of Incorporation |
| 3.2* | Bylaws |
| 3.3 | Amendment to Articles of Incorporation – Share Consolidation (Filed on Form 8-K May 29th, 2009 Exh 3.1) |
| 3.4 | Amendment to Articles of Incorporation – Share Expansion (Filed on Form 8-K March 10th, 2010) |
| 3.5 | Amendment to Articles of Incorporation –Share Forward Split (Filed on Form 8-K December 16th, 2015 Exh 3-1) |
| 3.6 | Amendment to Articles of Incorporation – Name Change (Filed on Form 8-K May 11th, 2016 Exh 99.1) |
| | |
| **(21)** | **Subsidiaries** |
| 21.1 | Lexaria Canpharm ULC, a British Columbia Canada corporation |
| 21.2 | Poviva Corp, a Nevada corporation |
| 21.3 | Lexaria Hemp Corp., a Delaware corporation |
| 21.4 | Lexaria Nicotine LLC, a Delaware corporation |
| 21.5 | Lexaria Canpharm Holding Corp., a Nevada corporation |
| 21.6 | Lexaria Pharma Corp., a Delaware corporation |
| | |
| **(31)** | **Rule 13(a) - 14 (a)/15(d) - 14(a)** |
| 31.1 | Section 302 Certifications under Sarbanes-Oxley Act of 2002 of Principal Executive Officer |
| 31.2 | Section 302 Certifications under Sarbanes-Oxley Act of 2002 of Principal Financial Officer and Principal Accounting Officer |
| **(32)** | Section 1350 Certifications |
| 32.1 | Section 906 Certification under Sarbanes Oxley Act of 2002 of Principal Executive Officer |
| 32.2 | Section 906 Certification under Sarbanes Oxley Act of 2002 of Principal Financial Officer and Principal Accounting Officer |
| | |
| **(101)**** | **Interactive Data Files** |
| **101.INS** | **XBRL Instance Document** |
| **101.SCH** | **XBRL Taxonomy Extension Schema Document** |
| **101.CAL** | **XBRL Taxonomy Extension Calculation Linkbase Document** |
| **101.DEF** | **XBRL Taxonomy Extension Definition Linkbase Document** |
| **101.LAB** | **XBRL Taxonomy Extension Label Linkbase Document** |
| **101.PRE** | **XBRL Taxonomy Extension Presentation Linkbase Document** |

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

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

SIGNATURES

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

LEXARIA BIOSCIENCE CORP.

By: /s/ Christopher Bunka
Christopher Bunka
Chief Executive Officer, Chairman and Director
(Principal Executive Officer)
Date: April 2, 2020

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

By: /s/ Christopher Bunka
Christopher Bunka
Chief Executive Officer, Chairman and Director
(Principal Executive Officer)
Date: April 2, 2020

By: /s/ John Docherty
John Docherty
President and Director
Date: April 2, 2020

By: /s/ Allan Spissinger
Allan Spissinger CPA, CA
Chief Financial Officer
(Principal Financial and Accounting Officer)
Date: April 2, 2020

**EXHIBIT 31.1**

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

I, Chris Bunka, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: April 2, 2020

*/s/ " Chris Bunka "*

Chris Bunka
CEO and Director
(Principal Executive Officer)

**EXHIBIT 31.2**

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

I, Allan Spissinger, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: April 2, 2020

*/s/ "Allan Spissinger"*

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

**EXHIBIT 32.1**

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

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

(1) the Quarterly Report on Form 10-Q of Lexaria Bioscience Corp. for the quarter ended February 29, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Dated: April 2, 2020

*/s/ " Chris Bunka "*

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

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

**EXHIBIT 32.2**

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

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

(1) the Quarterly Report on Form 10-Q of Lexaria Bioscience Corp. for the quarter ended February 29, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Dated: April 2, 2020

*/s/ " Allan Spissinger "*

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

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