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 **November 30, 2020**

or

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

For the transition period from [ ] to [ ]

Commission file number

LEXARIA BIOSCIENCE CORP.

(Exact name of registrant as specified in its charter)

Nevada	**20-2000871**
State or other jurisdiction of incorporation or organization	(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: **250-765-6424**

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

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

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

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

5,104,332 common shares as of January 14, 2021

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)

	November 30 2020 (Unaudited)	August 31 2020 (Audited)
ASSETS		
Current		
Cash and cash equivalents	**$ 525,341**	**$ 1,293,749**
Marketable securities (Note 20)	**43,731**	**19,321**
Accounts receivable (Note 7)	**427,330**	**208,925**
Inventory (Note 8)	**125,963**	**116,871**
Prepaid expenses and deposit (Note 18)	**136,016**	**182,095**
Current assets from discontinued operations (Note 21)	**49,333**	**105,250**
Total Current Assets	**1,307,714**	**1,926,211**
Non-current assets, net		
Lease right of use	**118,193**	**126,920**
Intellectual Property (Note 9)	**296,058**	**292,000**
Property & equipment (Note 10)	**452,355**	**483,357**
Total Non-current Assets	**866,606**	**902,277**
TOTAL ASSETS	**$ 2,174,320**	**$ 2,828,488**
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 11)	**$ 83,095**	**$ 86,920**
Deferred revenue	**35,500**	**44,255**
Due to a related party (Note 15)	**87,185**	**58,704**
Lease current (Note 17)	**36,695**	**36,038**
Current liabilities from discontinued operations (Note 21)	**-**	**250**
Total Current Liabilities	**242,475**	**226,167**
Long Term		
Lease long term (Note 17)	**79,969**	**89,393**
Loan payable (Note 19)	**30,852**	**30,670**
Total Long Term Liabilities	**110,821**	**120,063**
TOTAL LIABILITIES	**353,296**	**346,230**
STOCKHOLDERS' EQUITY		
Share Capital		
Authorized:		
220,000,000 common voting shares with a par value of $0.001 per share		
Issued and outstanding: 3,001,476 common shares at November 30, 2020		
and 3,001,476 common shares at August 31, 2020	**3,001**	**3,001**
Additional paid-in capital	**30,373,285**	**30,324,398**
Deficit	**(28,498,226)**	**(27,802,198)**
Equity attributable to shareholders of the Company	**1,878,060**	**2,525,201**
Non-Controlling Interest	**(57,036)**	**(42,943)**
Total Stockholders' Equity	**1,821,024**	**2,482,258**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 2,174,320**	**$ 2,828,488**

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

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

	THREE MONTHS ENDED	
	November 30 2020	November 30 2019
	(Unaudited)	(Unaudited)
Revenue (Note 14)	**$ 295,656**	**$ 10,332**
Cost of goods sold	**64,478**	**7,853**
Gross profit	**231,178**	**2,479**
Expenses		
Accounting and audit	**15,628**	**19,036**
Depreciation and amortization (Note 9, 10)	**27,929**	**27,512**
Advertising and promotions	**27,906**	**45,861**
Bad debt	**12,000**	**-**
Consulting (Notes 13, 15, 17)	**256,014**	**483,796**
Investor relations	**33,964**	**17,515**
Legal and professional	**248,695**	**52,355**
Office and miscellaneous	**76,517**	**74,027**
Research and development	**192,261**	**107,463**
Travel	**532**	**21,853**
Wages & salaries	**75,498**	**87,593**
Unrealized (gain) loss on marketable securities (Note 19)	**(24,410)**	**41,574**
Inventory writeoff (Note 8)	**1,765**	**-**
	944,299	**978,585**
Net loss from continuing operations	**(713,121)**	**(976,106)**
Discontinued operations		
Income from discontinued operations (Note 21)	**3,000**	**51,344**
Net (loss) and comprehensive loss for the year	**$ (710,121)**	**$ (924,762)**
Net (loss) and comprehensive loss attributable to:		
Common shareholders	**$ (696,028)**	**$ (907,312)**
Non-controlling interest	**$ (14,093)**	**$ (17,450)**
Basic and diluted (loss) per share		
Continuing operations	**$ (0.24)**	**$ (0.35)**
Discontinued operations	**0.00**	**0.02**
	$ (0.24)	**$ (0.33)**
Weighted average number of common shares outstanding - Basic and diluted	**3,001,476**	**2,636,578**

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

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

	THREE MONTHS ENDED	
	November 30 2020 (Unaudited)	November 30 2019 (Unaudited)
Cash flows used in operating activities		
Net loss and comprehensive loss	$ (710,121)	$ (924,763)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock based compensation	48,887	162,414
Depreciation and amortization (Note 8, 9, 10)	27,929	27,512
Inventory write-off (Note 8)	1,765	-
Bad debt expense	12,000	-
Noncash right of use lease expense	8,727	-
Unrealized loss on marketable securities	(24,410)	41,574
Unrealized foreign exchange	182	-
Warrants issued for services	-	70,752
Change in working capital		
Accounts receivable	(230,405)	155,010
Inventory	(6,067)	(6,160)
Prepaid expenses and deposits	46,079	(27,140)
Accounts payable and accrued liabilities	(3,825)	(43,382)
Due to related parties	28,481	(10,896)
Operating lease liability	(8,767)	-
Deferred revenue	(8,755)	-
Net cash used in operating activities	$ (818,300)	$ (555,079)
Cash flows used in investing activities		
Intellectual property	(5,775)	(5,710)
Property & equipment	-	-
Net cash used in investing activities	$ (5,775)	$ (5,710)
Cash flows from financing activities		
Proceeds from issuance of equity	-	706,704
Net cash from financing Activities	$ -	$ 706,704
Net cash from discontinued operations	$ 55,667	$ (97,742)
Net Change in cash and cash equivalents for the period	(768,408)	48,174
Cash and cash equivalents at beginning of period	1,293,749	1,285,147
Cash and cash equivalents at end of period	$ 525,341	$ 1,333,321
Supplemental information of cash flows:		
Income taxes paid in cash	$ 3,540	$ 957
Subscription Receivable	$ -	$ 110,025

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

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

	COMMON STOCK		ADDITIONAL PAID-IN			TOTAL
	SHARES	AMOUNT $	CAPITAL $	DEFICIT $	NCI $	STOCKHOLDERS' EQUITY
Balance August 31, 2019	**2,626,236**	**2,626**	**26,248,614**	**(23,868,202)**	**107,674**	**2,490,712**
Stock based compensation	-	-	162,414	-	-	162,414
Warrants issued for services	-	-	70,752	-	-	70,752
Private placement	60,792	61	815,959			816,020
Net loss	-	-	-	(907,313)	-	(907,313)
Non-controlling interest	-	-	-	-	(17,450)	(17,450)
Balance November 30, 2019	**2,687,028**	**2,687**	**27,297,739**	**(24,775,515)**	**90,224**	**2,615,135**
Stock based compensation	-	-	294,293	-	-	294,293
Exercise of stock options	3,667	4	10,996	-	-	11,000
Net loss	-	-	-	(950,344)	-	(950,344)
Non-controlling interest	-	-	-	-	(47,148)	(47,148)
Balance February 29, 2020	**2,690,695**	**2,691**	**27,603,028**	**(25,725,859)**	**43,076**	**1,922,936**
Stock based compensation	-	-	682,563	-	-	682,563
Warrants issued for services	-	-	98,081	-	-	98,081
Private placement	295,540	296	1,887,310	-	-	1,887,606
Net loss	-	-	-	(1,361,381)	-	(1,361,381)
Non-controlling interest	-	-	-	-	(29,272)	(29,272)
Balance May 31, 2020	**2,986,235**	**2,986**	**30,270,983**	**(27,087,240)**	**13,804**	**3,200,533**
Exercise of stock options	3,667	4	19,026	-	-	19,030
Shares issued for service	11,574	12	99,988	-	-	1,00,000
Private placement	-	-	(65,600)	-	-	(65,600)
Net loss	-	-	-	(714,958)	-	(714,958)
Non-controlling interest	-	-	-	-	(56,747)	(56,747)
Balance August 31, 2020	**3,001,476**	**3,001**	**30,324,398**	**(27,802,198)**	**(42,943)**	**2,482,258**
Stock based compensation	-	-	48,887	-	-	48,887
Warrants issued for services	-	-	-	-	-	-
Private placement	-	-	-	-	-	-
Net loss	-	-	-	(696,028)	-	(696,028)
Non-controlling interest	-	-	-	-	(14,093)	(14,093)
Balance November 30, 2020	**3,001,476**	**3,001**	**30,373,285**	**(28,498,226)**	**(57,036)**	**1,821,024**

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

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 work in the fields of enhanced delivery of active ingredients and drugs. In May 2016, the Company commenced out-licensing its patented DehydraTECH™ technology (the "Technology") for improved delivery of bioactive compounds that promotes healthy ingestion methods, lower overall dosing and higher effectiveness in active molecule delivery. The Company 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, 2020.

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.

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments may adversely affect workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

During November of 2020, our Board of Directors ("Board") approved a plan to sell the businesses assets underlying our Canpharm THC related segment. As a result, the related financial results were reflected in our consolidated statement of income, retrospectively, as discontinued operations beginning in the first quarter of fiscal 2021. On November 18, 2020, we signed a definitive agreement to sell the assets. As at November 30, 2020, the transaction was pending final approval from the TSX Venture Exchange. As a result, the related assets and liabilities associated with the discontinued operations in the prior year consolidated balance sheet are classified as discontinued operations. See "Note 21 - Discontinued Operations" for additional information.

Subsequent to November 30, 2020, the Company approved a 1:30 reverse stock split with no fractional shares issued. All share and per share information within these condensed interim consolidated financial statements have been retroactively restated to reflect the effects of the approved reversed stock split.

2. Business Risk and Liquidity

The Company is subject to several categories of risk associated with its operating activities. 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. Lexaria does have an ancillary involvement risk via out-licensing of its patented technology to licensees that choose to utilize DehydraTECH 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 DehydraTECH to the US consumer market, which could therefore introduce third-party risks to Lexaria.

Lexaria and its subsidiaries are not involved directly or indirectly in the production or sale of any pharmaceutical or antiviral products. Licensees may enhance their product's delivery using our Technology, 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, 2020.

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, 2020.

6. Recent Accounting Guidance

In June 2016, the FASB issued a new standard to replace the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For trade and other receivables, loans and other financial instruments, the Company will be required to use a forward-looking expected loss model rather than the incurred loss model for recognizing credit losses which reflects 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.

7. Accounts and Other Receivables

	November 30 2020 $	August 31 2020 $
Trade and deposits receivable	3,792	82,492
Intellectual Property Fees	325,304	38,250
Sales tax receivable	98,234	88,183
	427,330	**208,925**

8. Inventory

	November 30 2020 $	August 31 2020 $
Raw materials	53,676	51,404
Work in progress	11,557	15,705
Finished goods	60,730	49,762
	125,963	**116,871**

During the period ended November 30, 2020, the Company wrote down $1,765 (2020 - $8,240 full year) 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	
US 10,756,180	08/25/2020	

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

	November 30 2020 $	August 31 2020 $
Balance – beginning	292,000	265,127
Addition	5,775	33,645
Amortization*	(1,717)	(6,772)
Balance – ending	**296,058**	**292,000**

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

10. Property & Equipment

Quarter Ended November 30, 2020	Cost $	Period Amortization $	Disposal $	Accumulated Amortization $	Net Balance November 30, 2020 $
Leasehold improvements	259,981	(13,509)	-	(100,120)	159,861
Computers	63,964	(4,920)	-	(36,789)	27,175
Furniture fixtures equipment	34,220	(1,604)	(3,094)	(11,608)	19,518
Lab equipment	291,235	(10,967)	-	(45,434)	245,801
	649,400	**(31,001)**	**(3,094)**	**(193,951)**	**452,355**

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

During the three month period ended November 30, 2020, $4,790 of amortization was included in the cost of inventory.

11. Accounts Payable and Accrued Liabilities

	November 30 2020 $	August 31 2020 $
Accounts Payable		
Trades payable	12,659	45,080
Accrued Liabilities		
Corporate tax payable	1,785	3,834
Trades payable	68,651	38,006
Balance – ending	**83,095**	**86,920**

12. Common Shares and Warrants

During the quarter ended November 30, 2020 the Company did not issue any shares or warrants.

A continuity schedule for warrants is presented below:

	Number of Warrants	Weighted Average Exercise Price $
Balance August 31, 2019	**94,177**	**41.40**
Cancelled/expired	(25,000)	44.90
Issued	402,431	12.74
Balance August 31, 2020	**471,608**	**16.77**
Cancelled/expired	(32,510)	67.50
Balance November 30, 2020	**439,098**	**14.68**

A summary of warrants outstanding as of November 30, 2020 is presented below:

# of Warrants	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price $
3,333	0.47 years	28.80
8,333	0.48 years	46.50
25,000	0.86 years	4.20
291	0.95 years	36.00
7,500	1.93 years	24.00
51,808	3.96 years	36.00
8,983	4.00 years	36.00
16,666	4.29 years	9.00
267,616	4.43 years	10.50
49,568	4.45 years	10.50
439,098	**4.01 years**	**14.68**

13. Stock Options

The Company has established the 2014 Stock Option Plan whereby the board of directors may, from time to time, grant up to 62,917 stock options to directors, officers, employees, and consultants; and the 2019 Equity Incentive Plan whereby the board of directors may, from time to time, grant up to 261,290 stock options to directors, officers, employees, and consultants. Stock options granted must be exercised 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 did not grant options during the quarter ended November 30, 2020.

A continuity schedule for stock options is presented below:

	Options	Weighted Average Exercise Price $	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value $
Balance August 31, 2019	**166,767**	**21.30**		
Cancelled/expired	(149,437)	29.51		
Exercised	(7,333)	4.09		
Granted	161,600	11.66		
Balance August 31, 2020	**171,596**	**11.17**		
Cancelled	(1,333)	12.90		
Balance November 30, 2020 (Outstanding)	**170,263**	**11.16**	**4.05**	**30,000**
Balance November 30, 2020 (Exercisable)	**146,231**	**10.51**	**4.05**	**30,000**

14. Revenues

	November 30 2020 $	November 30 2019 $
Product sales	164,990	10,015
Licensing revenue	130,584	-
Freight revenue	82	317
Income from ongoing operations	295,656	10,332
Income from discontinued operations	3,000	51,750
	298,656	**62,082**

During the three months ended November 30, 2020, the Company recognized $3,138 of Intellectual Property Licensing fees and $127,446 of usage fees from ongoing operations and $3,000 of income from discontinued operations (November 2019 - $33,750 licensing and $18,000 usage fees all relating to discontinued operations). Revenues are significantly concentrated on one customer.

There was an increase in our intermediate product sales and licensing revenues in the current year compared to the prior year, which began in the second quarter of fiscal 2020, with increasing volume to customers. Intermediate products are typically a DehydraTECH enabled powder that companies can purchase to include in their products. Intermediate product sales and licensing revenue constituted the majority of our revenue. The licensing fees consist of intellectual property licensing fees for transfer of the Technology with the signing of definitive agreements for the DehydraTECH technology and usage fees.

15. Related Party Transactions

Management, consulting and director services	Contract $	Non Cash $	November 30 2020 Total $	Contract $	Non Cash $	November 30 2019 Total $
CAB Financial Services[(1)]	67,537	-	67,537	65,757	-	65,757
M&E Services Ltd.[(1)]	31,822	-	31,822	29,382	-	29,382
Docherty Management Limited[(1)]	52,579	-	52,579	56,730	-	56,730
Directors	17,076	-	17,076	16,717	-	16,717
	169,014	-	**169,014**	**168,586**	-	**168,586**

[(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.

All related party transactions pertain to management and director agreements entered into in the normal course of business (Note 17).

Due to related parties:

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

As at November 30, 2020, $87,185 (August 31, 2020 - $58,704) 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 DehydraTECH Technology. Lexaria is centrally managed and its chief operating decision makers, being the president and the CEO, use the consolidated and other financial information supplemented by revenue information by category of alternative health consumer products and technology licensing to make operational decisions and to assess the performance of the Company. The Company has identified two reportable segments: Intellectual Property and Products. Licensing revenues are significantly concentrated on one licensee.

	IP Licensing $	Products $	Corporate $	Consolidated Total $
External revenue	130,584	165,072	-	295,656
CoGS	-	(64,478)	-	(64,478)
Operating expenses	(127,868)	(92,038)	(724,393)	(944,299)
Discontinued operations	3,000	-	-	3,000
Segment income(loss)	5,716	8,556	(724,393)	(710,121)
Total assets	817,830	125,963	1,230,527	2,174,320

Capital Asset by Region Three Months Ended November 30, 2020	Cost US $	Disposal US $	Net Balance US $	Cost Canada $	Net Balance Canada $	Total Net Balance $
Leasehold Improvements	-	-	-	259,981	159,861	159,861
Computers	-	-	-	63,964	27,175	27,175
Furniture Fixtures Equipment	3,094	(3,094)	-	31,126	19,518	19,518
Lab Equipment	98,050	-	79,128	193,185	166,673	245,801
	101,144	**(3,094)**	**79,128**	**548,256**	**373,227**	**452,355**

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

17. Commitments, Significant Contracts and Contingencies Management and Service Agreements:

As at November 30, 2020, the Company is party to the following contractual commitments:

Party	Monthly Commitment	Expiry Date
C.A.B Financial Services	CAD $29,706	January 1, 2022
Docherty Management Ltd.	CAD $25,609	January 1, 2022
M&E Services Ltd.	CAD $13,997	June 1, 2021
Corporate Development	CAD $1,500	Month to Month
Office Management	CAD $10,800	August 15, 2022
Research & Development	CAD $3,854	Month to Month
Office operating lease[(1)]	CAD $4,823	November 15, 2023

Right of Use Assets - Operating Lease

(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. In addition to minimum lease payments, the lease requires us to pay property taxes and operating costs which are subject to annual adjustments.

Right of use assets - operating leases:	**$**
November 30, 2020	126,920
Amortization	(8,727)
Total right of use assets	**118,193**
Liabilities:	
November 30, 2020	125,431
Lease payments	(10,987)
Interest accretion	2,220
Total lease liabilities	**116,664**
Operating lease cost as at November 30, 2020	$ 118,193
Operating cash flows for lease	10,948
Remaining lease term	2.8 Years
Discount rate	7.25%

Pursuant to the terms of the Company's lease agreements in effect, the following table summarizes the Company's maturities of operating lease liabilities as of November 30, 2020:

2021	32,746
2022	44,815
2023	44,815
2024	7,469
Thereafter	-
Total lease payments	129,845
Less: imputed interest	(13,181)
Present value of operating lease liabilities	116,664
Less: current obligations under leases	(36,695)
Total	79,969

18. Prepaid Expenses

Prepaid expenses consist of the following at November 30, 2020 and August 31, 2020:

	November 30 2020 $	August 31 2020 $
Advertising & conferences	21,539	21,878
Legal fees	130	47,498
Licence, filing fees, dues	30,138	8,541
Office & insurance	58,823	78,792
Research & development	25,386	25,386
	136,016	**182,095**

19. Loan Payable

We have applied for, and received, governmental assistance related to the COVID-19 pandemic. As of November 30, 2020 there is one Canadian governmental programs that currently provides:

A Canadian dollar loan of C$40,000 under the Canada Emergency Business Account (CEBA) program. The loan is a 0% interest bearing loan with no principle payments and if repaid before December 31, 2022 will result in a loan forgiveness of 25% (up to C$10,000). The loan can be converted into a 3-year term loan at 5% annual interest paid monthly effective January 1, 2023.

20. Marketable Securities

The components of Marketable Securities were as follows:

	Cost Basis $	Unrealized Gains $	Unrealized Losses $	Total $
August 31, 2020				
Common stock	56,250	9,997	(38,584)	
Total	**56,250**	**9,997**	**(46,926)**	**19,321**
November 30, 2020				
Common stock	56,250	24,410	-	
Total	**56,250**	**34,407**	**(46,926)**	**43,731**

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. The COVID-19 pandemic has caused significant market turbulence and it is possible that our evaluation will change dependant upon new information as it arises.

21. Discontinued Operations

On November 19, 2020 the Company entered a definitive asset sale agreement through its wholly owned subsidiary Lexaria Canpharm ULC to sell certain non-core business assets for gross proceeds of C$3,850,000.

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

	THREE MONTHS ENDED	
	November 30 2020	November 30 2019
Revenue	**$ 3,000**	**$ 51,750**
Operating Expenses	**-**	**406**
Net Income	**$ 3,000**	**$ 51,344**

The following table presents cash flows of discontinued operations:

	THREE MONTHS ENDED	
	November 30 2020	November 30 2019
Cash flows used in discontinued operating activities		
Net income	**$ 3,000**	**$ 51,344**
Change in working capital	**55,667**	**(97,742)**
Net cash used in discontinued operating activities	**$ 58,667**	**$ (46,398)**
Net cash provided by (used in) discontinued operations	**58,667**	**(46,398)**

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

	November 30 2020	August 31 2020
Current Assets		
Accounts receivable	**$ 49,333**	**$ 105,250**
Total assets classified as discontinued operations in the consolidated balance sheet	**49,333**	**105,250**
Current Liabilities		
Accounts payable	**$ -**	**$ 250**
Total liabilities classified as discontinued operations in the consolidated balance sheet	**-**	**250**

22. Subsequent Events

1. On December 9, 2020, the Company announced that it closed the sale of its non-pharmaceutical THC-related assets held within Lexaria Canpharm ULC to Hill Street Beverage Company Inc. Lexaria received C$350,000 in cash, 6,031,363 restricted common shares of Hill Street at a deemed price of C$0.0829 per share, a C$2,000,000 promissory note bearing interest at the rate of 10% per annum, and a limited license to use the DehydraTECH technology outside of Canada and the US for use with certain products that contain 0.3% or greater THC and which are not classified by a national regulator as drug, pharmaceutical or biopharmaceutical product. Pursuant to the terms of the transaction, Lexaria will receive another C$1,000,000 worth of common shares of Hill Street over a period sixteen months in C$500,000 issuances eight months and sixteen months after the closing date.
2. On January 11, 2021, at 4:30 p.m. Eastern time, the Company performed a 1:30 reverse stock split with no fractional shares issued. The issued and outstanding balance of shares at that time changed from 90,044,312 to 3,001,476 as per shareholder approval at the annual general meeting of the company held June 23, 2020. Concurrently, the Company began listing its common shares on the NASDAQ exchange under the symbol LEXX.
3. On January 14, 2021, the Company closed an underwritten public offering for $11,039,994, issuing 2,102,856 units consisting of one common share and one warrant for $5.25. Total fees of $1,410,506 were estimated at time of closing. The warrants issued will trade under the symbol LEXXW.

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

Cautionary Note Regarding Forward-Looking Statements

This quarterly report contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Any statements contained herein that are not statements of historical fact may be forward-looking statements. These statements relate to future events or our future financial performance. Any forward-looking statements are based on our present beliefs and assumptions as well as the information currently available to us. In some cases, forward-looking statements are identified by terminology such as "may", "will", "should", "could", "targets", "goal", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors" set forth in Item 1(A) in our annual report on Form 10-K, as filed with the Securities and Exchange Commission on October 14, 2020, that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

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

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

In this quarterly report, unless otherwise specified, all dollar amounts are expressed in United States dollars. All references to "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 biotechnology R&D company incorporated in 2004 in Nevada and focused on developing and out licensing our patented DehydraTECH™ Technology. DehydraTECH improves delivery orally and topically of active ingredients and drugs. The Company is focusing its capital and management time on its pursuit of intellectual property, technology licensing opportunities, and an expanding portfolio of patent pending applications.

The Company developed a variety of demonstration products throughout 2015 to demonstrate the potential uses for DehydraTECH to both consumers and potential licensees. The Company subsequently developed additional demonstration products including powder filled capsules and mix and serve powders for beverage incorporation also utilizing DehydraTECH for the more palatable and efficient delivery of bioactive molecules. The Company gained extensive experience and knowledge from the formulation and production of these demonstration products that facilitates assisting our licensees with the integration of DehydraTECH in their products.

In the manufacturing of our intermediate ingredients for Consumer Packaged Goods ("CPG") companies to use, each raw material, intermediate stage and completed product is assessed for compliance with all applicable regulations. The inputs and the finished ingredients meet all applicable legal and quality standards including and as it relates to content; molds and mildews; heavy metals; and other additional components.

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

As at November 30, 2020, we have identified two reportable operating segments: Intellectual Property and 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, our audited financial statements with notes in our annual report on Form 10-K for the year ended August 31, 2020.

Our Current Business

Our business plan is currently focused on the development of strategic partnerships with licensees for our patented DehydraTECH technology in exchange for up front and/or staged licensing fees and/or royalty payments over time. We continue to investigate national and international opportunities to investigate expansions and additions to our intellectual property portfolio. We plan to perform additional human clinical investigations in early 2021 related to enhanced DehydraTECH formulations of cannabidiol in pre- and mildly-hypertensive middle-aged subjects to gather additional information on blood pressure reduction potential. Lexaria also plans to conduct during calendar 2021 evaluations of DehydraTECH's ability to improve the oral delivery characteristics and pharmacological performance of certain antiviral drugs. We will continue to seek beneficial acquisitions of intellectual property if and when we believe it is advisable to do so.

Our current patent portfolio includes patent family applications or grants pertaining to Lexaria's method of improving bioavailability and taste, and the use of DehydraTECH as a delivery platform for a wide variety of Active Pharmaceutical Ingredients ("APIs") encompassing all cannabinoids including tetrahydrocannabinol ("THC"); fat soluble vitamins; NSAIDs pain medications; and nicotine and its analogs.

Lexaria hopes to reduce common but less healthy administration methods, such as smoking cigarettes as a delivery method for nicotine, by way of enabling development of safe and effective oral nicotine dosage forms through licensing arrangements with major tobacco companies, as it demonstrates the intended benefits of DehydraTECH for public health. The Company is aggressively pursuing patent protection in jurisdictions around the world. The Company currently has more than 50 patent applications pending worldwide, with 18 patents granted to date. 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 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.

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

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	
US 10,756,180	08/25/2020	
AU 2015274698	03/02/2017	
AU 2017203054	05/17/2018	
AU 2018202562	05/17/2018	
AU 2018202583	05/17/2018	
AU 2018202584	09/27/2018	
AU 2018220067	04/18/2019	
EP 3164141	11/11/2020	
AU 2016367036	04/18/2019	Methods for Formulating Orally Ingestible Compositions Comprising Lipophilic Active Agents
AU 2016367037	05/02/2019	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 oral 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 DehydraTECH for use with additional compounds such as phosphodiesterase inhibitors, human hormones such as estrogen and testosterone, antivirals and more. We are investigating other compounds and molecules for potential patent protection.

During the quarter ended November 30, 2020, and up to the date of this report, we experienced the following significant corporate developments:

On September 22, 2020, the Company announced that U.S. Patent No. 10,756,180 was granted; it has claims that protect the use of its DehydraTECH technology together with cannabinoids, nicotine, nonsteroidal anti-inflammatory drugs, or vitamins in mix and serve beverage formats. The patent is entitled “Food and Beverage Compositions Infused With Lipophilic Active Agents and Methods of Use Thereof”.

On November 19, 2020 the Company entered a definitive asset sale agreement through its wholly owned subsidiary Lexaria Canpharm ULC (“CanPharm”), to sell certain non-core, non-pharmaceutical THC-related business assets (the “THC-Related Assets”) for gross proceeds of C$3.85 million.

The buyer of the THC-Related Assets is Lexaria’s long-standing Canadian licensee Hill Street Beverage Company Inc. (“Hill Street”) (TSXV: BEER). Under the terms of the agreement, Hill Street will pay C$350,000 in cash on closing; an additional C$2,000,000 payable over time in the form of a promissory note bearing 10% interest per annum; and C$1,500,000 in common shares of Hill Street equity, issuable in three equal tranches of C$500,000 at closing; C$500,000 eight months after closing; and C$500,000 16 months after closing.

On December 2, 2020, the Company announced that its DehydraTECH technology significantly improved delivery in study animals of representative drugs from two classes of antiviral therapies (a Protease Inhibitor and a Reverse Transcriptase Inhibitor) under investigation against SARS-CoV-2/COVID-19 and already in use against HIV/AIDS. The study animals were not infected with or treated for any diseases. These are the first two of a series of antiviral drugs to be tested using Lexaria’s DehydraTECH technology. The improved delivery of the antivirals along with the animal’s demonstrated safety and tolerability of the DehydraTECH formulations has led the Company to begin preparations for expanded investigations into antiviral drug delivery enhancement and effectiveness and filing additional patent applications.

Drug	Drug Class	AUClast* Delivery & Improvement (hr·ng/mL)	Control (hr·ng/mL)	AUC∞** Delivery & Improvement (hr·ng/mL)	Control (hr·ng/mL)
Darunavir	Protease Inhibitor	721 ± 332 **54%** (p=0.036)	469 ± 252	726 ± 211 **35%** (p=0.062)	536 ± 223
Efavirenz	Non-nucleoside Reverse Transcriptase Inhibitor	752 ± 203 **16%** (p=0.11)	650 ± 148	1072 ±40 **42%** (p=0.028)	757 ±103

The emergence of COVID-19 beginning in January of 2020, now in over 220 countries and territories around the world, presents significant and unforecastable new risks to the Company and its business plan. Restrictions on national and international travel, and required business closures, have made it increasingly difficult to carry out normal business activities related to corporate finance efforts, to the pursuit of new customers, and to retail customers throughout North America who might otherwise access the products of our business partners and licensees. As a result, the COVID-19 pandemic will almost certainly increase risks of lower revenues and higher losses. We are monitoring our licensees and are working with them, where possible, to prevent default and contract terminations. In some cases we have had to issue termination of contract notices in accordance to provisions within our contracts.

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. We have implemented cost containment initiatives to reduce operating expenses and preserve cash that include dismissal of one employee, termination of contracts with two consultants and reduction of compensation payable to certain other consultants as a result of the COVID-19 pandemic. The Company currently has six (6) employees and/or independent contractors who dedicate all or a majority of their time to the business of the Company and eight (8) consultants. We may need to dismiss additional employees or terminate services contracts to preserve resources. We have not had to close operations or locations as our contractors and staff can work remotely and our third-party facilities continue to operate. To the date of this report, we have not directly had to quarantine contractors or staff, however we have implemented additional safety precautions and measures for their protection. Due to our historic and current geographic diversity of our contractors and employees, we have long established and ongoing experience in remote work and collaboration. Our procedures and controls have been built over time to address remote working requirements.

We have not experienced any significant impacts on our material supply chains but have noted increased timelines from some third-party research facilities regarding their ability to conduct research and testing. To date, this has not significantly impacted our R&D programs, but we cannot predict whether our R&D programs will be impacted in the future.

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

On March 19, 2020 the Company announced that it intended to commence a program to conduct tests to research the intended benefits of DehydraTECH in connection with enhancing the delivery of certain antiviral drugs. The tests are intended to include a pilot human pharmacokinetic exploratory study in healthy volunteers of two antiviral drugs that had previously been studied against other coronavirus strains, comparing DehydraTECH formulations to controls without DehydraTECH. The Company intends to conduct the study at a leading Canadian university where a study design and plan was submitted and ethics board approval was received. The study is subject to further government regulatory approval. The Company is currently in the process of pursuing the necessary steps to file for study approval from Canadian federal regulators.

In parallel, the Company launched a separate rodent antiviral study to evaluate pharmacokinetic benefits from the use of DehydraTECH in the delivery of representative drugs from two classes of antiviral drugs under investigation for treatment of COVID-19. The results of that animal study were released on December 1, 2020 whereby the DehydraTECH enhanced antiviral drug formulations demonstrated increased delivery effectiveness of the antiviral drugs into the bloodstream of the animals. The results of this animal study have encouraged the Company to conduct expanded investigations into antiviral drug delivery enhancement, with such investigations including remdesivir (a nucleotide reverse transcriptase inhibitor); as well as three additional drugs known to target the main protease associated with SARS-CoV-2 infection. The Company intends to make its research results available to researchers throughout the world looking to maximize the effectiveness of their own drug investigations. The Company's business model relies on performing early stage studies like these to help support its efforts to form commercial relationships with more established companies.

The Company continues to monitor governmental programs being released to assist with the COVID-19 pandemic.

Subsequent to November 30, 2020

On December 10, 2020 the Company announced that it closed the sale of its non-pharmaceutical THC-related assets ("the Assets") held within Lexaria Canpharm ULC to Hill Street Beverage Company Inc. Lexaria received C$350,000 in cash, 6,031,363 restricted common shares of Hill Street at a deemed price of C$0.0829 per share as the first required equity-based payment, a promissory note having a principal amount of C$2,000,000 and bearing interest at the rate of 10% per annum, and a limited license to use the DehydraTECH technology outside of Canada and the US for certain non-pharmaceutical, therapeutic and medicinal products that contain 0.3% or greater THC and which are not classified by a national regulator as drug, pharmaceutical or biopharmaceutical product. Pursuant to the terms of the transaction, Lexaria will receive another C$1,000,000 worth of common shares of Hill Street over a period sixteen months in C$500,000 issuances eight months and sixteen months after the closing date.

On January 11, 2021, the Company performed a 1:30 reverse stock split with no fractional shares issued. The issued and outstanding balance of shares at that time changed from 90,044,312 to 3,001,476 as per shareholder approval at the annual general meeting of the company held June 23, 2020. On January 12, 2021, the Company began its listing its common shares on the NASDAQ exchange under the symbol LEXX.

On January 14, 2021, the Company closed an underwritten public offering for $11,039,994, issuing 2,102,856 units consisting of one common share and one warrant for $5.25. Total fees of $1,410,506 were estimated at time of closing. The warrants issued will trade under the symbol LEXXW.

Research and Development

During the quarter ended November 30, 2020, Lexaria incurred $192,261 (2019 $107,463) in research and development expenditures during the period ending November 30, 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, and in our first preclinical tests of representative drugs from two classes of antiviral therapies we had 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 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 November 30, 2020 and November 30, 2019

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

	THREE MONTHS ENDED		
	November 30 2020 $	November 30 2019 $	Change $
Revenue	295,656	10,332	285,324
Consulting fees & employees	331,512	571,389	(239,877)
Legal and professional	248,695	52,355	196,340
Other general and administrative	364,092	354,841	9,251
Discontinued operations	3,000	51,344	(48,344)
Net Loss	(710,121)	(924,763)	214,642

Revenue

Product revenues of $164,990 represent more than half of revenues during the period ended November 30, 2020, the majority of which are intermediate product sales to business customers. Intermediate products we produce are typically a DehydraTECH enabled powder that third party companies include in their product's manufacturing process. Our licensing revenue of $130,584 was primarily related to intermediate product sales.

A significant number of our licensees are experiencing suspended business activities in Canada in part from waiting on product approval by Health Canada and the impact of the COVID-19 on markets and consumer spending, however this phenomenon has been mitigated following the sale of our THC-related business division that closed on December 9, 2020. The abilities of other licensees to generate ongoing sales, thereby increasing usage fees are expected to continue to be impacted by the pandemic. We are working with our licensees to assist them and prevent further license terminations. However, we are not able to determine how severe the long-term impact of the pandemic will be and when recovery of the general economy will translate into increasing licensing or usage revenues.

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

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. We have continued interest in our intermediate products but cannot predict how long the pandemic will affect purchasing decisions of retail customers that will affect the consumer product manufacturers that utilize our intermediate products.

The majority of our revenue was primarily based on one licensee of our intermediate products ramping up their production and product distribution. From the initial introduction of our intermediate products in the second quarter of our fiscal 2020 year, we have experienced substantial growth in intermediate product sales.

During the period ended November 30, 2020, our revenues were derived within the following categories: $130,584 (2020: $51,344 in discontinued operations) of intellectual property licensing revenue and $164,990 (2020: $10,015) in product revenues (Note 14, 16).

General and Administrative

Our total general and administrative expenses (consisting of consulting & wages, legal & professions, and all other) decreased by $34,286 during the period ended November 30, 2020. The decrease is comprised of reductions in consulting expense, travel and wages due to staffing decreases, offset by increases legal filing for patents and research programs being initiated. We are continuing to focus on cost constraints to preserve cash where possible while executing portions of our business plan.

Interest Expense

Interest expense for the period ended November 30, 2020 was $Nil (2019: $Nil). The Company has a C$40,000 noninterest-bearing loan until January 2023 (Note 19).

Consulting Fees

Our consulting fees decreased by $227,782, which is primarily due to non-cash stock-based compensation included in 2020 of $233,166 that was not incurred in the current period.

Legal and Professional Fees

Our professional fees increased by $196,340 during the period primarily due to increased patent and trademark filings and additional 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	November 30 2020 $	August 31 2020 $
Current assets	1,307,714	1,925,961
Current liabilities	(242,475)	(225,917)
Net Working Capital	**1,065,239**	**1,700,044**

The Company's working capital balance decreased during the period due to normal execution of our business plan. The Company maintained a positive and relatively strong working capital position throughout the period.

Cash Flows	**November 30 2020 $**	**November 30 2019 $**
Cash flows (used in) provided by operating activities	(818,300)	(555,078)
Cash flows (used in) provided by investing activities	(5,775)	(5,710)
Cash flows (used in) provided by financing activities	-	706,704
Net cash flows (used in) discontinued operations	55,667	(97,742)
Increase (decrease) in cash	**(768,408)**	**48,174**

Operating Activities

Net cash used in operating activities was $818,300 for the period compared with cash used in operating activities of $555,078 during the same period in 2020. This difference was largely due to the increased costs pertaining to professional fees and research and development.

Investing Activities

Net cash used in investing activities was $5,775 (2020 $5,710) for the period to support capitalized patent filings.

Financing Activities

Net cash provided from financing activities was $NIL during the period ended November 30, 2020.

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 November 30, 2020 we had $525,341 in cash and cash equivalents. On January 14, 2021 we closed an underwritten public offering for $11,039,994, issuing 2,102,856 units consisting of one common share and one warrant for $5.25. Total fees of $1,410,506 were estimated at time of closing. We believe our cash resources are sufficient to allow us to continue operations for at least the next twelve months from the date of this Quarterly Report.

Long Term Liquidity

It will require substantial cash to achieve our objectives for developing and patenting our intellectual property across all applicable market and industry segments. This process typically takes many years and potentially millions of dollars for each segment. 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 4. Controls and Procedures

Management's Report on Disclosure Controls and Procedures

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

As of November 30, 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 November 30, 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 November 30, 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 November 30, 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 November 30, 2020 our controls and controls processes remained consistent with August 31, 2020. There have been no changes in our internal controls over financial reporting that occurred during the quarter ended November 30, 2020 that have materially or are reasonably likely to materially affect, our internal controls over financial reporting.

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

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

We know of no material, existing or pending legal proceedings against our Company, nor are we involved as a plaintiff in any other material proceeding or pending litigation. There are no 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 with those described in the consolidated financial statements for the year ended August 31, 2020.

Item 6. Exhibits, Financial Statement Schedules

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
32.1	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

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LEXARIA BIOSCIENCE CORP.

By: /s/ Christopher Bunka
Christopher Bunka
Chief Executive Officer, Chairman and Director
(Principal Executive Officer)
Date: January 14, 2021

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

By: /s/ Christopher Bunka
Christopher Bunka
Chief Executive Officer, Chairman and Director
(Principal Executive Officer)
Date: January 14, 2021

By: /s/ John Docherty
John Docherty
President and Director
Date: January 14, 2021

By: /s/ Allan Spissinger
Allan Spissinger CPA, CA
Chief Financial Officer
(Principal Financial and Accounting Officer)
Date: January 14, 2021

EXHIBIT 31.1

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

I, Chris Bunka, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: January 14, 2021

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

EXHIBIT 31.2

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

I, Allan Spissinger, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: January 14, 2021

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

EXHIBIT 32.1

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

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

(1) the Quarterly Report on Form 10-Q of Lexaria Bioscience Corp. for the quarter ended November 30, 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: January 14, 2021

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

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

EXHIBIT 32.2

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

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

(1) the Quarterly Report on Form 10-Q of Lexaria Bioscience Corp. for the quarter ended November 30, 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: January 14, 2021

/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.