

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **November 30, 2021**

or

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

For the transition period from [] to []

Commission file number

LEXARIA BIOSCIENCE CORP.

(Exact name of registrant as specified in its charter)

Nevada

State or other jurisdiction of incorporation or organization

20-2000871

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

#100 – 740 McCurdy Road, Kelowna BC Canada

(Address of principal executive offices)

V1X 2P7

(Zip Code)

Registrant's Telephone number, including area code: **1.250.765.6424**

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 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.

5,950,998 common shares as of January 13, 2022

DOCUMENTS INCORPORATED BY REFERENCE
None.

TABLE OF CONTENTS

PART I—FINANCIAL INFORMATION	3
Item 1. Financial Statements	3
Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations	19
Item 3. Controls and Procedures	27
PART II—OTHER INFORMATION	29
Item 1. Legal Proceedings	29
Item 1A. Risk Factors	29
Item 2. Exhibits	30



PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

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

	November 30, 2021 (Unaudited)	August 31, 2021 (Audited)
ASSETS		
Current		
Cash	\$ 9,682,271	\$ 10,917,797
Marketable securities	493,424	833,841
Accounts receivable	461,512	342,401
Inventory	26,966	29,648
Prepaid expenses and deposit	237,223	319,253
Total Current Assets	10,901,396	12,442,940
Non-current assets, net		
Lease right of use	81,656	91,041
Intellectual property	378,746	364,623
Property & equipment	384,144	368,213
Total Non-current Assets	844,546	823,877
TOTAL ASSETS	\$ 11,745,942	\$ 13,266,817
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 189,542	\$ 100,723
Due to a related party	-	5,223
Loan payable	7,817	7,926
Lease payable	40,340	39,404
Total Current Liabilities	237,699	153,276
Long Term		
Lease payable	39,629	49,989
Total Long Term Liabilities	39,629	49,989
TOTAL LIABILITIES	277,328	203,265
STOCKHOLDERS' EQUITY		
Share Capital		
Authorized: 220,000,000 common voting shares with a par value of \$0.001 per share Issued and outstanding: 5,726,699 common shares at November 30, 2021 and at August 31, 2021	5,727	5,727
Additional paid-in capital	45,497,658	45,089,114
Deficit	(33,822,361)	(31,829,204)
Equity attributable to shareholders of the Company	11,681,024	13,265,637
Non-controlling Interest	(212,410)	(202,085)
Total Stockholders' Equity	11,468,614	13,063,552
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 11,745,942	\$ 13,266,817

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,	
	2021	2020
	(Unaudited)	
Revenue	\$ 13,880	\$ 295,656
Cost of Goods Sold	5,570	64,478
Gross profit	8,310	231,178
Expenses		
Research and development	458,709	192,261
Office and administration	1,553,083	752,038
Gross loss	2,011,792	944,299
Net loss from continuing operations	(2,003,482)	(713,121)
Discontinued operations		
Income (loss) from discontinued operations	-	3,000
Net loss and comprehensive loss for the period	\$ (2,003,482)	\$ (710,121)
Net loss and comprehensive loss attributable to:		
Common shareholders	\$ (1,993,157)	\$ (696,028)
Non-controlling interest	\$ (10,325)	\$ (14,093)
Basic and diluted income (loss) per share		
Continuing operations	\$ (0.35)	\$ (0.24)
Discontinued operations	-	0.00
Total	\$ (0.35)	\$ (0.24)
Weighted average number of common shares outstanding		
Basic and diluted	5,726,699	3,001,476

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



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

	THREE MONTHS ENDED	
	November 30,	
	2021	2020
	<u>(Unaudited)</u>	
Cash flows used in operating activities		
Net loss and comprehensive loss	\$ (2,003,482)	\$ (710,121)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock based compensation	408,544	48,887
Depreciation and amortization	27,930	27,929
Inventory write-off	-	1,765
Bad debt expense	-	12,000
Noncash right-of-use lease expense	9,385	8,727
Unrealized (gain) loss on marketable securities	340,417	(24,410)
Unrealized foreign exchange	(109)	182
Lease accretion	1,562	-
Change in working capital		
Accounts receivable	(119,111)	(230,405)
Inventory	2,914	(6,067)
Prepaid expenses and deposits	82,030	46,079
Accounts payable and accrued liabilities	88,819	(3,825)
Due to related parties	(5,223)	28,481
Deferred revenue	-	(8,755)
Net cash used in by operating activities	<u>\$ (1,166,324)</u>	<u>\$ (809,533)</u>
Cash flows used in investing activities		
Purchase of equipment	(42,375)	-
Intellectual property	(15,840)	(5,775)
Net cash (used in) provided by investing activities	<u>\$ (58,215)</u>	<u>\$ (5,775)</u>
Cash flows from financing activities		
Lease Payments	(10,987)	(8,767)
Net cash provided by financing Activities	<u>\$ (10,987)</u>	<u>\$ (8,767)</u>
Net cash provided by discontinued operations	<u>\$ -</u>	<u>\$ 55,667</u>
Net change in cash for the period	<u>(1,235,526)</u>	<u>(768,408)</u>
Cash at beginning of period	<u>10,917,797</u>	<u>1,293,749</u>
Cash at end of period	<u>\$ 9,682,271</u>	<u>\$ 525,341</u>
Supplemental information of cash flows:		
Income taxes paid in cash	\$ -	\$ 3,450

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	DEFICIT	NCI	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT	PAID-IN CAPITAL			
			\$ \$		\$ \$	
Balance August 2020	3,001,476	3,001	30,324,398	(27,802,198)	(42,943)	2,482,258
Stock based compensation	-	-	48,887	-	-	48,887
Net loss	-	-	-	(696,028)	-	(696,028)
Non-controlling interest	-	-	-	-	(14,093)	(14,093)
Balance November 30, 2020	3,001,476	3,001	30,373,285	(28,498,226)	(57,036)	1,821,024
Stock based compensation	-	-	17,154	-	-	17,154
Brokered placement	2,102,856	2,104	9,469,393	-	-	9,471,497
Net Income	-	-	-	404,111	-	404,111
Non-controlling interest	-	-	-	-	(10,921)	(10,921)
Balance February 28, 2021	5,104,332	5,105	39,859,832	(28,094,115)	(67,957)	11,702,865
Stock based compensation	-	-	343,966	-	-	343,966
Warrants issued for services	-	-	785,895	-	-	785,895
Net loss	-	-	-	(2,556,997)	-	(2,556,997)
Non-controlling interest	-	-	-	-	(9,555)	(9,555)
Balance May 31, 2021	5,104,332	5,105	40,989,693	(30,651,112)	(77,512)	10,266,174
Exercise of warrants	610,189	610	4,014,433	-	-	4,015,043
Shares issued for services	12,178	12	84,988	-	-	85,000
Net loss	-	-	-	(1,178,092)	-	(1,178,092)
Non-controlling interest	-	-	-	-	(124,573)	(124,573)
Balance August 31, 2021	5,726,699	5,727	45,089,114	(31,829,204)	(202,085)	13,063,552
Stock based compensation	-	-	408,544	-	-	408,544
Net loss	-	-	-	(1,993,157)	-	(1,993,157)
Non-controlling interest	-	-	-	-	(10,325)	(10,325)
Balance November 30, 2021	5,726,699	5,727	45,497,658	(33,822,361)	(212,410)	11,468,614

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



LEXARIA BIOSCIENCE CORP.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
November 30, 2021

(Expressed in U.S. Dollars)

1. Nature of Business

Lexaria Bioscience Corp. (“Lexaria”, “we”, “our” or the “Company”) is a research and development focused biotechnology company pursuing the enhancement of the bioavailability of a diverse and broad range of active pharmaceutical ingredients (“API”) using our proprietary DehydraTECH drug delivery technology.

Revenues are received from licensing the Company’s patented technology to partners who pay either a license fee to use DehydraTECH in the manufacturing of their own products or purchase DehydraTECH manufactured products made to their specifications by Lexaria. The Company has relationships with several consumer products companies in the CBD and nutraceuticals spaces that use Lexaria’s technology in consumer goods being sold online and at retailers in the US and Canada.

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

Going Concern Analysis

The Company’s consolidated financial statements included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) and in accordance with accounting principles generally accepted in the United States (“US GAAP”) applicable to a going concern which assumes the Company will have sufficient funds to pay its operational, research and development and capital expenditures for a period of at least 12 months from the date this financial report.

Since inception, the Company has incurred significant operating and net losses. The losses attributable to common shareholders were \$2.2m, \$4.1m and \$4.2m for the years ended August 31, 2021, 2020 and 2019, respectively. As of November 30, 2021, we had an accumulated deficit of \$33.8m. We expect to continue to incur significant operational expenses and net losses in the upcoming 12 months. Our net losses may fluctuate significantly from quarter to quarter and year to year, depending on the stage and complexity of our R&D studies and related expenditures, the receipt of additional payments on the licensing of our technology, if any, and the receipt of payments under any current or future collaborations we may enter into.

On January 12, 2021, the Company closed an underwritten public offering for net proceeds of \$9,471,497. In the fourth quarter of the year ended August 31, 2021, the Company received \$4,015,043 from the exercise of warrants. We may offer additional securities for sale during our fiscal year 2022 or thereafter in response to market conditions or other circumstances if we believe such a plan of financing is required to advance the Company’s business plans and is in the best interests of our stockholders.

The Company has evaluated whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern. As of November 30, 2021, the Company had cash of approximately \$9.7m. We believe this is sufficient to enable the Company to fund its operating and R&D expenses and any capital expenditure requirements through one year from the issuance date of these unaudited consolidated financial statements.



COVID-19

Impacts of COVID-19 Pandemic

The emergence of the COVID-19 pandemic in 2020 continues to present uncertainty and unforecastable new risks to the Company and its business plans. As of November 30, 2021, there has been no material impact on the Company's financial position as a direct result of the pandemic. However, the Company has experienced some supply chain disruptions and shortages in the timely procurement of ingredients and supplies used in both our R&D activities and production. Management views this situation as transitory but cannot predict the length of time it may take for these disruptions to dissipate or if there will be a significant economic effect on the Company's operations. In the interim, it may cause delays in carrying out our research studies and in our production schedules.

Restrictions on international travel presents a challenge in carrying out normal business activities related to corporate finance efforts and the pursuit of new customers throughout North America who might otherwise access to our licensees' retail products. As a result, the pandemic has increased the risk of lower revenues and higher losses.

During the year ended August 31, 2020, we were in receipt of C\$30,732 in COVID relief under the Canada Emergency Wage Subsidy programs for employees which reduced our employment costs in that year. During fiscal 2020 we also received C\$40,000 from the Canadian Government sponsored Emergency Business Account loan program. As specified by the terms of this program, we have repaid C\$30,000 of the loan in fiscal 2021. The remaining \$7,926 (C\$10,000) of the loan payable is anticipated to be forgiven as directed under this program in the year ended August 31, 2022.

We continue to actively monitor the evolving effects of COVID-19 and may take further actions that alter our operations, including those that may be required by federal, state, provincial, or local authorities, or that we determine are in the best interests of our employees and third parties with which we do business. We do not know when it will become practical to relax or eliminate some or all these measures entirely. The economic effect of a prolonged pandemic is difficult to predict and could result in material financial impact in the Company's future reporting periods.

2. 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, 2021.

3. Basis of Consolidation

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



4. Basis of Presentation

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

These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated annual financial statements and notes thereto included in our annual report filed on Form 10-K for the year ended August 31, 2021.

5. Estimates and Judgements

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

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

In preparing these unaudited interim consolidated financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements for the year ended August 31, 2021.

6. Recent Accounting Guidance

Pronouncements Issued but Not Yet Adopted

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The FASB subsequently issued amendments to ASU 2016-13, which have the same effective date and transition date of January 1, 2023. These standards require that credit losses be reported using an expected losses model rather than the incurred losses model that is currently used, and establishes additional disclosures related to credit risks. For available-for-sale debt securities with unrealized losses, these standards now require allowances to be recorded instead of reducing the amortized cost of the investment. These standards limit the amount of credit losses to be recognized for available-for-sale debt securities to the amount by which carrying value exceeds fair value and requires the reversal of previously recognized credit losses if fair value increases. The Company does not currently expect the adoption of these standards to have a material impact on its consolidated financial statements.



7. **Accounts and Other Receivables**

	November 30, 2021	August 31,
	\$	\$
Trade and deposits receivable	7,292	16,553
Sale of assets - shares receivable	278,107	287,107
Sales tax receivable	176,113	47,741
	<u>461,512</u>	<u>342,401</u>

8. **Inventory**

	November 30, 2021	August 31,
	\$	\$
Raw materials	26,516	29,648
Work in progress	450	-
	<u>26,966</u>	<u>29,648</u>

During the period ended November 30, 2021, the Company wrote down \$Nil (November 30, 2020 -\$1,765) in finished goods.

9. **Intellectual Property**

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

Issued Patent #	Patent Certificate Grant Date	Patent Family
US 9,474,725 B1	10/25/2016	Food and Beverage Compositions Infused With Lipophilic Active Agents and Methods of Use Thereof
US 9,839,612 B2	12/12/2017	
US 9,972,680 B2	05/15/2018	
US 9,974,739 B2	05/22/2018	
US 10,084,044 B2	09/25/2018	
US 10,103,225 B2	10/16/2018	
US 10,381,440	08/13/2019	
US 10,374,036	08/06/2019	
US 10,756,180	08/25/2020	



A continuity schedule for capitalized patents is presented below:

	November 31, 2021	August 31,
	\$	\$
Balance – beginning	364,623	292,000
Addition	15,840	79,493
Amortization	(1,717)	(6,870)
Balance – ending	378,746	364,623
Patents are amortized over their 20 year legal life.		

10. Property & Equipment

Three Months Ended November 30, 2021	Cost	Period Amortization	Additions	Accumulated Amortization	Net Balance November 30, 2021
	\$	\$	\$	\$	\$
Leasehold improvements	259,981	(13,509)	-	(154,157)	105,824
Computers	63,964	(4,921)	-	(56,471)	7,493
Furniture fixtures & equipment	31,126	(1,604)	-	(18,024)	13,102
Lab equipment	291,235	(6,410)	42,375	(75,885)	257,725
	646,306	(26,444)	42,375	(304,537)	384,144

Year Ended August 31, 2021	Cost	Period Amortization	Disposal	Accumulated Amortization	Net Balance August 31, 2021
	\$	\$	\$	\$	\$
Leasehold improvements	259,981	(54,038)	-	(140,648)	119,333
Computers	63,964	(19,681)	-	(51,550)	12,414
Furniture fixtures & equipment	34,220	(6,417)	(3,094)	(16,420)	14,706
Lab equipment	291,235	(35,008)	-	(69,475)	221,760
	649,400	(115,144)	(3,094)	(279,093)	368,213

During the three-month period ended November 30, 2021, \$231 of amortization was included in the cost of goods sold.



11. Accounts Payable and Accrued Liabilities

	November 30, 2021	August 31,
	\$	\$
Accounts Payable		
Trades payable	172,881	54,668
Sales tax payable	6,556	-
Accrued Liabilities		
Corporate tax payable	1,055	1,055
Trades payable	9,050	45,000
Balance	189,542	100,723

12. Common Shares and Warrants

The fair value of share purchase warrants granted was estimated as of the date of the grant by using the Black-Scholes option pricing model. During the quarter ended November 30, 2021, the Company issued no warrants.

A continuity schedule for warrants is presented below:

	Number of Warrants	Weighted Average Exercise Price \$
Balance August 31, 2020	471,608	16.77
Cancelled/expired	(44,161)	67.50
Exercised	(610,189)	6.58
Issued	2,630,017	6.58
Balance August 31, 2021	2,447,275	8.00
Cancelled/expired	(25,292)	4.57
Balance November 30, 2021	2,421,983	8.04

A summary of warrants outstanding as of November 30, 2021, is presented below:

	# of Warrants	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price \$
	7,500	0.96 years	24.00
	100,000	2.38 years	9.00
	200,000	2.38 years	7.00
	51,814	2.96 years	36.00
	8,984	3.00 years	36.00
	16,667	3.29 years	9.00
	317,190	3.43 years	10.50
	1,719,828	4.13 years	6.58
	2,421,983	3.86 years	8.04



15. Stock Options

The Company has established the Equity Incentive Plan whereby the board of directors may, from time to time, grant up to 510,433 stock options to directors, officers, employees, and consultants. Stock options granted must be exercised within five years from the date of grant or such lesser period as determined by the Company's board of directors. The exercise price of an option is equal to or greater than the closing market price of the Company's common shares on the day preceding the date of grant. The vesting terms of each grant are set by the board of directors.

The Company granted the following options during the quarter ended November 30, 2021:

Quantity	Exercise Price \$	Life (Years)
81,800	6.23	5
81,800	6.23	

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, 2020	171,604	11.17		
Cancelled/expired	(50,334)	10.76		
Granted	84,900	5.41		
Balance August 31, 2021	206,170	8.90		
Cancelled	(3,334)	9.60		
Granted	81,800	6.23		
Balance November 30, 2021 (Outstanding)	284,636	8.12	3.86	4,820
Balance November 30, 2021 (Exercisable)	270,803	8.22	3.84	2,740

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

	November 30, 2021
Expected volatility	119%
Risk-free interest rate	0.85%
Expected life	5 years
Dividend yield	0%
Estimated fair value per option	\$ 5.10



16. Revenues

	November 30, 2021	November 30, 2020
	\$	\$
Product sales	7,000	164,990
Licensing revenue	-	130,584
Other revenue	6,880	82
Income from ongoing operations	-	295,656
Income from discontinued operations	-	3,000
	13,880	298,656

Product revenues of \$7k and licensing usage fees of \$Nil represent significant declines in intermediate product sales and related licensing usage fees during the period ended November 30, 2021.

17. Related Party Transactions

Due to related parties:

Related party transactions are recorded at the exchange amount established and agreed to between the related parties. As at November 30, 2021, \$Nil (August 31, 2021 - \$5,233) was payable to and included in due to related parties.

18. Segment Information

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

	IP Licensing	Products	Corporate	Consolidated Total
	\$	\$	\$	\$
Three Months Ended November 30, 2021				
Revenue	-	7,000	6,880	13,880
Cost of goods sold	-	(5,572)	-	(5,572)
Operating expenses	(837,750)	(77,002)	(1,097,040)	(2,011,792)
Segment loss	(837,750)	(75,574)	(1,090,160)	(2,003,484)
Total assets	724,665	116,060	10,905,217	11,745,942

	IP Licensing	Products	Corporate	Consolidated Total
	\$	\$	\$	\$
Three Months Ended November 30, 2020				
External revenue	130,584	165,072	-	295,656
Cost of goods sold	-	(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	Cost	Addition	Net	Cost	Net	Total Net
Three Months Ended November 30, 2021	US	US	Balance	Canada	Balance	Balance
	\$	\$	US	\$	Canada	\$
Leasehold Improvements	-	-	-	259,981	105,824	105,824
Computers	-	-	-	63,964	7,493	7,493
Furniture Fixtures Equipment	-	-	-	31,126	13,102	13,102
Lab Equipment	98,050	42,375	110,377	193,185	147,348	257,725
	101,144	42,375	110,377	548,256	273,767	384,144

Capital Asset by Region	Cost	Disposal	Net	Cost	Net	Total Net
Year Ended August 31, 2021	US	US	Balance	Canada	Balance	Balance
	\$	\$	US	\$	Canada	\$
Leasehold Improvements	-	-	-	259,981	119,333	119,333
Computers	-	-	-	63,964	12,414	12,414
Furniture Fixtures Equipment	3,094	(3,094)	-	31,126	14,706	14,706
Lab Equipment	98,050	-	69,580	193,185	152,180	221,760
	101,144	(3,094)	69,580	548,256	298,633	368,213

19. Commitments, Significant Contracts and Contingencies

Right of Use Assets - Operating Lease

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

	November 30,	August 31,
	2021	2021
	\$	\$
Right of use assets - operating leases	126,920	126,920
Amortization	(45,264)	(35,879)
Total lease assets	81,656	91,041
Liabilities:	89,393	125,431
Lease payments	(10,987)	43,950
Interest accretion	1,563	7,912
Total lease liabilities	79,969	89,393
Operating lease cost	81,657	91,041
Operating cash flows for lease	10,987	43,950
Remaining lease term	1.9 Years	2.1 Years
Discount rate	7.50%	7.50%



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:

2022	33,611
2023	44,816
2024	7,469
Thereafter	-
Total lease payments	85,896
Less: imputed interest	(5,927)
Present value of operating lease liabilities	79,969
Less: current obligations under leases	(40,340)
Total	39,629

20. Prepaid Expenses and Deposits

Prepaid expenses consist of the following at November 30, 2021, and August 31, 2021:

	November 30, 2021	August 31, 2021
	\$	\$
Advertising & conferences	142,787	168,760
Consulting	-	18,750
Legal fees	25,000	31,380
Licence, filing fees, dues	8,500	19,500
Office & insurance	60,936	80,863
	<u>237,223</u>	<u>319,253</u>

21. Marketable Securities

The components of Marketable Securities were as follows:

	Cost Basis \$	Unrealized Gains \$	Unrealized Losses \$	Total \$
August 31, 2021				
Common stock	1,037,025	16,243	(219,427)	
Total	<u>1,037,025</u>	<u>16,243</u>	<u>(219,427)</u>	<u>833,841</u>
November 30, 2021				
Common stock	-	-	(340,417)	
Total	<u>1,037,025</u>	<u>16,243</u>	<u>(559,844)</u>	<u>493,424</u>

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



22. Discontinued Operations

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

With the closing of the sale on December 10, 2020, the Company received C\$350,000 in cash, 6,031,363 restricted common shares at a fair value at C\$500,000 as the first required equity-based payment, and a C\$2,000,000 promissory note bearing interest at 10% per annum. The promissory note was included at its nominal value of \$NIL. Pursuant to the terms of the transaction, the Company will receive an additional C\$1,000,000 worth of common shares of Hill Street of which C\$643,939 worth of Hill Street shares were issued to the Company on August 9, 2021, and the remaining C\$356,061 worth of Hill Street shares are to be issued on April 9, 2022.

Gain on asset disposal

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

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

	THREE MONTHS ENDED			
	November 30,			
	2021	2020		
Revenue	\$	-	\$	3,000
Operating Expenses		-		-
Net Income (loss)	\$	-	\$	3,000

The following table presents cash flows of discontinued operations:

	THREE MONTHS ENDED			
	November 30,			
	2021	2020		
Cash flows used in discontinued operating activities				
Net income	\$	-	\$	3,000
Change in working capital		-		55,667
Net cash used in discontinued operating activities	\$	-	\$	58,667
Net cash provided by discontinued operations		-	\$	58,667



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

	November 30, 2021	August 31, 2020
Current Assets		
Accounts receivable	\$ -	\$ 49,333
Total assets classified as discontinued operations in the consolidated balance sheet	-	49,333
Current Liabilities		
Accounts payable	-	-
Total liabilities classified as discontinued operations in the consolidated balance sheet	\$ -	\$ -

23. Subsequent Events

The three-year management contracts for our CEO and our President expired on December 31, 2021. On December 31, 2021, the Company entered into new three-year contracts with Mr. Chris Bunka, our CEO and Chairman of the Board and Mr. John Docherty, our President and Board member. These contracts are aligned with the previous contracts in that Mr. Bunka will receive, C\$356k per year and Mr. Docherty C\$310k year, with annual increases based on the annual Canadian inflation rate plus 1.5%. The contracts are attached to this report as exhibits and a summary of the conditions and benefits of these employment contracts were previously disclosed in the Company’s report on Form 8-K, filed on January 4, 2022.

In December of 2021 the Company entered into a one-year media outreach agreement with SRAX Inc. and issued 224,299 shares as consideration for an aggregate value of \$1.2m.



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 29, 2021, that may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

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

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

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

The following discussion should be read in conjunction with our condensed financial statements and accompanying notes in this quarterly report on Form 10-Q, and our audited financial statements with notes in our annual report on Form 10-K for the year ended August 31, 2021.

Overview

Lexaria’s patented technology DehydraTECH improves the delivery of bioactive compounds while promoting healthy ingestion methods, lowers overall dosing, and is highly effective in active molecule delivery available in a range of formats from oral ingestible to oral buccal/sublingual to topical products. DehydraTECH substantially improves the rapidity and quantity of API transport to the blood plasma and brain using the body’s natural process for distributing fatty acids via the oral route. This technology extends across many categories beyond the primary pharmaceutical focus of the Company from foods and beverages to cosmetic products and nutraceuticals.



Research & Development

Lexaria is advancing several R&D activities in both preclinical and clinical programs. Currently, our primary research program is the investigation of cannabidiol (CBD) for the reduction of hypertension with three human clinical trials concluded in calendar 2021 and a human clinical trial planned for Q2, 2022. Other programs include nicotine for oral pouches and nicotine replacement therapy, antivirals and related compounds for COVID-19 and other viral diseases, PDE5 inhibitors, NSAIDs, hormones, and others. From time to time the Company will engage in contract R&D for third parties who are interested in evaluating DehydraTECH in their products.

During the quarter ended November 30, 2021, Lexaria incurred \$458,709 (November 2020 \$192,261) in R&D expenditures. Specific R&D programs are in ongoing development and align to our financial ability to undertake each research phase for each API. Due to our expanding portfolio coverage, we continually examine accelerated timetable options for testing, research, and development of each API. The first quarter of fiscal 2022 continued to highlight the direction of our research and development programs with confirmatory results from our ongoing programs. We are devoting an increasing proportion of our resources and focus towards pharmaceutical applications as launched in 2021 fiscal year.

In September 2021 the Company reported successful results from its HYPER-H21-2 human study of DehydraTECH-CBD in arterial stiffness. On December 29, 2021, we announced the Company received approval of its study protocols submitted for our study HYPER-H21-4 from the Independent Review Board. This study is expected to consist of 60 volunteers between the ages of 45-70 using three 150 mg doses of DehydraTECH-CBD, every day for the 6-week duration of the study. The study will use a double blinded, randomized cross-over design, and a placebo control. Some volunteers will already be using leading standard of care hypertension drugs such as ACE inhibitors with or without diuretics which will help evaluate the efficacy of DehydraTECH-CBD with and without other hypertension treatments. The extended duration of the study will allow Lexaria to gather critical data monitoring of DehydraTECH-CBD over time and will evaluate the potential for longer term health benefits. This study should “de-risk” outcomes prior to Lexaria’s planned entry into regulatory pathways for the use of DehydraTECH-CBD to treat hypertension and perhaps other forms of cardiovascular disease.

In October 2021 the Company reported results from its THC-A-21-1 in vivo study of DehydraTECH-THC showing it successfully elevated THC levels in blood plasma, requiring only 15 minutes at levels comparable to those achieved in 45 minutes with concentration-matched controls.

On October 5, 2021, Lexaria published results of from its NIC-A21-1 in vivo trial of DehydraTECH-NICZ (nicotine benzoate) deliver via oral pouches. Favorable results were all statistically significant, supporting further evaluation of the candidate. Lexaria plans to progress to a larger investigation in human volunteers of DehydraTECH-nicotine versus leading brands. Lexaria is currently in the design phase of this proposed human clinical study, which will be independently funded with existing capital.

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

Patents

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



We will continue to pursue patent protection in more than 40 countries around the world as vigorously as we are able, since the successful granting of more of those applications could lead to material increases in shareholder value. The Company currently has over 50 patent applications pending worldwide and during the quarter ended November 30, 2021, we have been advised that our first patent in Mexico in the Company's second patent family had been allowed.

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

Issued/Allowed Patent #	Patent Family
US 9,474,725 B1	Food and Beverage Compositions Infused with Lipophilic Active Agents and Methods of Use Thereof
US 9,839,612 B2	
US 9,972,680 B2	
US 9,974,739 B2	
US 10,084,044 B2	
US 10,103,225 B2	
US 10,381,440	
US 10,374,036	
US 10,756,180	
AU 2015274698	
AU 2017203054	
AU 2018202562	
AU 2018202583	
AU 2018202584	
AU 2018220067	
EP 3164141	
JP 6920197	
AU 2016367036	Methods for Formulating Orally Ingestible Compositions Comprising Lipophilic Active Agents
JP 6963507	
MX 388203 B	
AU 2016367037	Stable Ready-to-Drink Beverage Compositions Comprising Lipophilic Active Agents
IN 365864	
JP 6917310	

Due to the complexity of pursuing patent protection, the quantity of patent applications will vary continuously as each application advances or stalls. The Company is also filing new patent applications for new discoveries that arise from the Company's R&D programs and, due to the inherent unpredictability of scientific discovery, it is not possible to predict if or how often such new applications might be filed.

Reverse Stock Split

On January 11, 2021, the Company filed an amendment and restatement of its articles of incorporation to effectuate a 1-for-30 reverse stock split of the issued and outstanding shares of common stock of the Company. The purpose of the reverse stock split was to meet Nasdaq's minimum stock price requirement. The reverse stock split did not change the number of authorized shares of common stock, which remains at 220,000,000 shares. All warrants, options, share and per share information in this Report gives retroactive effect to the 1-for-30 reverse stock split.



Public Offering

On January 14, 2021, the Company closed an underwritten public offering with the issuance of 2,102,856 shares of the Company's common stock price of \$5.25 per share with an equivalent number of five-year warrants at an exercise price of \$6.58. Additionally, 227,161 Representative Warrants were issued as partial consideration to the underwriters of the offering that have a five-year term at an exercise price of \$6.58. Net of fees and disbursements, the Company received net proceeds of \$9,471,497.

LEXX Market Listing

The Company's common stock was uplisted from trading on the OTCQX under "LXRP" to the Nasdaq Capital Market where our common stock and warrants began trading under the symbols "LEXX" and "LEXXW", respectively, effective as of the opening of market trading on January 12, 2021.

The Company, trading under the symbol "LXX", voluntary delisted from the Canadian Securities Exchanges ("CSE") effective after the closing of trading on Wednesday, July 7, 2021. The overwhelming majority of trading has moved to Nasdaq and by delisting from the CSE the Company expects to realize savings in fees and managerial time and effort that had been required to maintain a dual listing.

Asset Sale

On December 9, 2020, Lexaria CanPharm ULC ("CanPharm") completed a disposition (the "Disposition") of its use and licensing rights to use its DehydraTECH technology (the "Assets") specifically in association with non-pharmaceutical products containing cannabis molecules that contain 0.3% or greater THC. The purpose of the Disposition was to remove the Company's association with cannabis as it remains a Schedule 1 Drug and thereby eliminating any such regulatory restrictions cannabis products may create. The Disposition assisted the Company in obtaining a listing on the Nasdaq Capital Market ("Nasdaq") on January 12, 2021. As a result of the Disposition, CanPharm assigned to the purchaser Hill Street license agreements with three existing non-related party licensees.

In consideration for the Assets, Hill Street provided CanPharm with C\$350,000 cash, a promissory note bearing a principal amount of C\$2,000,000 and bearing an interest rate of 10% (the "Note") and C\$1,500,000 in shares of Hill Street, issuable in three tranches by April 9, 2022, of which C\$1,149,939.43 worth of Hill Street stock has been issued to CanPharm to date. The repayment of the Note does not have a fixed maturity date and is based on quarterly installments equal to 5% of the gross sales realized by Hill Street of DehydraTECH enabled products. Due to the uncertainty pertaining to the settlement of the Note, management concluded that the note had \$NIL value at the time of the sale and was recorded as such. Some of the factors considered in the \$Nil valuation of the Note were that the legal sales of THC products in the US and Canada have little or no history which made the expectant quarterly payments very difficult to forecast. Further, Hill Street had no experience selling THC products and at the time of the sale was not licenced to produce and sell such products. Therefore, the Company considered risk of default high and the collectability of the Note as highly doubtful. Since the date of sale Hill Street has repaid \$4,585 in the year-ended August 31, 2021. Subsequent to fiscal 2021, the Company has received a further \$6,880 payment toward the balance of the Note. These amounts are considered other income when received.



Impact of COVID-19

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

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

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

Off-Balance Sheet Arrangements

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

Critical Accounting Estimates

Our consolidated financial statements and accompanying notes are prepared in accordance with US GAAP. These accounting principles require management to make certain estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses during the periods reported. These estimates, judgments and assumptions are reasonable based on information available to management at the time that such estimates, judgments and assumptions are made. We believe that understanding the basis and nature of the estimates, judgments and assumptions involved with the following aspects of our financial statements is critical to an understanding of our financials. For a discussion of our critical accounting estimates, please read Note 3 to our financial statements in our Annual Report on Form 10-K for the year ended August 31, 2021. There have been no material changes to the critical accounting estimates previously disclosed in our Annual Report on Form 10-K for the year ended August 31, 2021.

Capital Assets

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

Patents

Capitalized patent costs represent legal costs incurred to establish patents. When patents reach a mature stage, any associated legal costs are typically maintenance fees and expensed as incurred. Capitalized patent costs are amortized on a straight-line basis over the remaining life of the patent. In the period ended November 30, 2021, the Company recognized \$15,840 attributable to capitalized patents.



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 actual sales returns.

Licensing Revenue from Intellectual Property

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

Usage Fees from Intellectual Property

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

Funding Requirements

We anticipate that our expenditures will increase in connection with our ongoing R&D program, specifically with respect to our animal and human clinical trials of our DehydraTECH formulations for the purposes of treating hypertension and infectious diseases. As we move forward with our Investigational New Drug application with the FDA, we anticipate that our expenditures will further increase and accordingly, we expect to incur increased operating losses and negative cash flows for the foreseeable future.

Through November 30, 2021, we have funded our operations primarily with proceeds from the sale of our common stock. The Company has consistently incurred recurring losses and negative cash flows from operations, including net losses of \$2,003,482 and \$710,121 for the three months ended November 30, 2021 and 2020, respectively.

The continuation of our Company as a going concern is dependent upon our Company raising additional capital and/or attaining and maintaining profitable operations. The accompanying financial statements do not include any adjustment relating to the recovery and classification of recorded asset amounts or the amount and classification of liabilities that might be necessary should our Company discontinue operations. The recurring losses from operations and net capital deficiency do raise doubt about the Company's ability to continue as a going concern within one year following the date that these consolidated financial statements are issued. As of the issuance date of these consolidated interim financial statements, we expect our cash and cash equivalents of approximately \$9.7m as at November 30, 2021 will be sufficient to fund our operating expenses and capital expenditure requirements through the forthcoming 12 months from the issuance date of this report.



Results of Operations for our Period Ended November 30, 2021, and 2020

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

	THREE MONTHS ENDED		
	November 30,		Change
	2021	2020	
	\$	\$	\$
Revenue	13,880	295,656	(281,776)
Research and development	458,709	192,261	266,448
Consulting fees & salaries	738,111	331,512	406,599
Legal and professional	141,607	248,695	(107,088)
Other general and administrative	673,365	171,831	501,534
Discontinued operations	-	3,000	(3,000)
Net Loss	(2,003,482)	(710,121)	(1,293,361)

Revenue

Product revenues of \$7k and licensing usage fees of \$Nil during period ended November 30, 2021, constitute a significant decline in intermediate product sales and related licensing usage fees. Our primary customer in the B2B product revenue stream has been delayed in chain-store rollouts due resulting in overstocked inventory and as such there was no manufacturing & sales of new inventory for this licensee for the quarter ended November 30, 2021. A number of our other licensees are experiencing suspended or curtailed business activities due to the impact of COVID-19 on markets and consumer spending. The abilities of other licensees to generate ongoing sales, thereby increasing usage fees are expected to increase as the effects of the pandemic are eventually diminished. We have continued strong interest in our intermediate products but cannot predict how long the pandemic will affect purchasing decisions of retail customers that ultimately affect the consumer product manufacturers that utilize our intermediate products. Nor can we predict when recovery of the general economy will translate into increasing licensing or usage revenues.

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

Research and Development

Expenditures on R&D increased by \$266k for the period ended November 30, 2021, as the company undertook several studies within its 2022 applied research and development program focusing on DehydraTECH-CBD to treat hypertension.

General and Administrative

Our other general and administrative expenses increased by \$502k during the period ended November 30, 2021, over the same period last year. The increase is primarily comprised of an unrealized loss on marketable securities (\$340k) and non-cashed stock-based compensation on options granted and vested (\$121k).



Consulting Fees and Salaries

Our consulting fees increased by \$407k primarily due to non-cash stock-based compensation on options granted and vested (\$409k) in the quarter.

Legal and Professional Fees

Our professional fees decreased by \$107k during the period compared to the same period in the prior year. Prior year expenditures were higher due to increased patent and trademark filings, the up list to the Nasdaq Capital Markets, and additional advisory services utilized. We recognize certain legal fees, tax advice fees, and accounting services all as "Professional Fees."

Liquidity and Financial Condition

Working Capital	November 30, 2021	August 31, 2021
	\$	\$
Current assets	10,901,396	12,442,940
Current liabilities	(237,699)	(153,276)
Net Working Capital	10,663,697	12,289,664

Cash Flows	November 30, 2021	2020
	\$	\$
Cash flows (used in) provided by operating activities	(1,166,324)	(809,533)
Cash flows (used in) provided by investing activities	(58,215)	(5,775)
Cash flows (used in) provided by financing activities	(10,987)	(8,767)
Net cash flows (used in) discontinued operations	-	55,667
Increase (decrease) in cash	(1,235,526)	(768,408)

Operating Activities

Net cash used in operating activities increased by \$356,791 for the period compared with cash used in operating during the same period in 2020. This difference was largely due to the increased expenditures pertaining to R&D, professional fees, and investor outreach programs.

Investing Activities

Net cash from investing activities increased by \$52,440 over 2021 due to increased spending on capitalized US patents filings and the purchase of equipment.

Financing Activities

Net cash provided from financing activities decreased \$2,220 during the period ended November 30, 2021 due to right-of-use lease payments.



Liquidity and Capital Resources

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

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

Short Term Liquidity

On November 30, 2021, we had \$9.7m in cash and \$10.7m of working capital. Based on our current and upcoming research and development programs and our projected general and administration expenditures, we have determined that our cash resources are sufficient to allow us to continue operations through at least the next twelve months from the issuance date of this Quarterly Report.

Long Term Liquidity

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

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

Item 3. Controls and Procedures

Management's Report on Disclosure Controls and Procedures

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



As of November 30, 2021, the quarter covered by this report, we carried out an evaluation, under the supervision and with the participation of our CEO, President and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our President, CEO and CFO concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of November 30, 2021.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Responsibility estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control include providing management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of consolidated financial statements in conformity with US GAAP. Our management assessed the effectiveness of our internal control over financial reporting as of November 30, 2021. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in Internal Control-Integrated Framework. Our management has concluded that, as of November 30, 2021, our internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP. Our management reviewed the results of their assessment with our Board.

Inherent limitations on Effectiveness of Controls

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

Changes in Internal Control over Financial Reporting

During the quarter ended November 30, 2021, our controls and controls processes remained consistent with August 31, 2021. There have been no changes in our internal controls over financial reporting that occurred during the quarter ended November 30, 2021, that have materially or are reasonably likely to materially affect our internal controls over financial reporting.

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



PART II—OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

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

The risks associated with our business, common stock and other factors were with those described in the consolidated financial statements for the year ended August 31, 2021.



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 (incorporated by reference as Exhibit 3.1 to our Registration Statement on Form S-1 filed June 3, 2020)
3.2	Bylaws (incorporated by reference as Exhibit 3.2 to our Registration Statement on Form S-1 filed June 3, 2020)
3.3	Amended and Restated Articles of Incorporation (Filed on Form 8-K January 14, 2021 Exh. 3.1)
3.4	Second Amended and Restated Bylaws (incorporated by reference as Exhibit 3.2 to our Current Report on Form 8-K filed January 14, 2021)
3.5	Amended and Restated Bylaws (Filed on Form S-1 June 3, 2020 Exh 3.4)
3.6	Amendment to Articles of Incorporation – Share Consolidation (Filed on Form 8-K June 23, 2009 Exh 3.1)
3.7	Amendment to Articles of Incorporation – Share Expansion (incorporated by reference as Exhibit 3.5 to our Registration Statement on Form S-1 filed June 3, 2020)
3.8	Amendment to Articles of Incorporation – Share Forward Split (Filed on Form 8-K December 16th, 2015 Exh 3.1)
3.9	Amendment to Articles of Incorporation – Name Change (Filed on Form 8-K May 11th, 2016 Exh 99.1)
(10)	Material Contracts
10.1	Executive Employment Agreement dated Dec. 31, 2021 with John Docherty
10.2	Management Services Agreement dated Dec. 31, 2021 with C.A.B. Financial Services Ltd. (Chris Bunka)
(21)	Subsidiaries
21.1	List of Subsidiaries of the Registrant (Filed on Form 10-K November 29, 2021 Exh 21.1)
(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

** 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: January 14, 2022

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, 2022

By: /s/ John Docherty
John Docherty
President and Director
Date: January 14, 2022

By: /s/ Greg Downey
Greg Downey CPA, CMA
Chief Financial Officer
(Principal Financial and Accounting Officer)
Date: January 14, 2022



EXECUTIVE EMPLOYMENT AGREEMENT

THIS EXECUTIVE EMPLOYMENT AGREEMENT (this “**Agreement**”) dated as of the 31st day of December, 2021.

BETWEEN:

Kelowna Management Services Corp. having an address at: 100 – 740 McCurdy Road, Kelowna, BC V1X 2P7

(“**KMSC**”)

AND:

John Docherty, residing at: [xx]¹

(the “**Executive**”)

WHEREAS KMSC serves as the Canadian corporation which operates and manages the real property and employees of its parent company Lexaria Bioscience Corp. (“**Lexaria**”) and is also a sister company to Lexaria’s other subsidiary companies, namely Poviva Corp. (“**Poviva**”), Lexaria CanPharm ULC (“**CanPharm**”), Lexaria Nicotine LLC (“**Nicotine**”), Lexaria Pharmaceutical Corp. (“**Pharma**”), Lexaria Hemp Corp. (“**Hemp**”), Lexaria CanPharm Holding Corp. (“**Holding**”) and such future subsidiary companies of Lexaria (“**FutureCos**”). Collectively Lexaria, KMSC, Poviva, CanPharm, Nicotine, Pharma, Hemp, Holding and FutureCos are referred to herein as the “**Company**”.

WHEREAS, the Executive currently provides services under an Employment Agreement dated January 1, 2019 with KMSC which will expire on January 1, 2022 (the “**Current Agreement**”) and was further engaged through his company as an independent contractor by Nicotine pursuant to an agreement effective January 1, 2019 and renewing annually (the “**Nicotine Agreement**”);

AND WHEREAS KMSC wishes to replace the Current Agreement and the Nicotine Agreement with this Agreement and retain the Executive as an employee, and the Executive wishes to be employed as President, or such other title mutually agreeable to the Company and the Executive, on the terms set out in this Agreement;

AND WHEREAS the Executive agrees that all previous contracts entered into with the Company, including the Current Agreement and the Nicotine Agreement will complete on December 31, 2021 and shall be of no further force or effect as at January 1, 2022 and that the ongoing employment of the Executive shall be solely pursuant to this Agreement;

¹ Address of Mr. Docherty has been redacted.

NOW THEREFORE, conditional upon the covenants and agreements set out in this Agreement; and other good and valuable consideration given by each party to the other, the receipt and sufficiency of which are hereby acknowledged by each of the parties, the parties hereby agree as follows:

1. **EMPLOYMENT**

1.1. **Position** – KMSC will continue to employ the Executive in the position of President of the Company, or such other title mutually agreeable to the Company and the Executive, and as its Responsible Person for the purposes of CanPharm’s Health Canada authorized research laboratory. The Executive will report to the Chief Executive Officer or the Board of Directors of Lexaria (the “**Board**”) or to a committee or person designated thereby. The Executive will be responsible for and will perform the duties as set out in **Schedule “A”** to this Agreement, as well as any other duties as may be assigned to the Executive by KMSC from time to time, which may include duties in relation to affiliates or subsidiaries of KMSC. KMSC may make changes without notice to duties and responsibilities of the Executive in accordance with the Company’s business needs and, provided the Executive’s duties and responsibilities remain commensurate to the duties and responsibilities customary to a President of a corporation engaged in a business similar to that of the Company or alternatively, may make material changes to the duties and responsibilities of the Executive and/or change the title of the Executive to reflect such material changes in duties and responsibilities, upon nine (9) months’ notice of same, whereby such changes will not constitute a breach of the terms of employment or constructive dismissal, provided that such changes in no way involve facilitation of the production or sale to consumers of products in any jurisdiction that are not considered federally permissible therein by the Company

1.2. **Location** – The Executive’s principal place of work will be Port Perry, Ontario. The parties acknowledge and agree, however, that the nature of the Executive’s position and services hereunder may require a significant amount of travel by the Executive to jurisdictions that are agreeable to the Executive as a representative of the Company, including for the purposes of participating in trade shows, informational panels, presentations, media events, technology outlicensing, etc., and in discussions related to investment banking, commercial opportunities, client negotiations and more, with the understanding that any such travel expected of the Executive will be compliant with visa requirements for temporary business visiting purposes in any countries or jurisdictions to which the Executive is required to visit.

1.3. **Term** – The Executive’s employment with KMSC under this Agreement will replace and supersede the Current Agreement and be for a three (3) year term commencing on January 1, 2022 (the “**Effective Date**”) and ending on December 31, 2024, with the Executive’s employment automatically continuing on a month to month basis thereafter until terminated in accordance with this Agreement (the “**Term**”).

1.4. **Service** – During the Term, the Executive will:

- a) well and faithfully serve the Company and use the Executive’s best efforts to promote the best interests of the Company;
- b) devote the whole of the Executive’s working time and attention to the business of the Company;
- c) not, without the prior written consent of the Company, which consent may be withheld at the sole discretion of the Company, engage in any other business, profession or occupation, or become involved in any capacity, directly or indirectly, with any other employer or business, where the Executive’s engagement or involvement conflicts or interferes with, or could reasonably conflict or interfere with at some future date, the Executive’s performance of the duties and obligations of the Executive to the Company; and
- d) comply and become familiar with all policies and procedures of the Company as amended or adopted from time to time. The Company reserves the right to introduce, administer, amend and/or delete policies and procedures in its sole discretion, and such actions will not constitute a breach of the terms of employment or constructive dismissal.

1.5. **D & O Insurance** – During the Term, the Company will maintain in effect as appropriate, and pay for, Directors and Officers liability insurance in an amount determined by the Board acting reasonably for the benefit of the Executive in respect of his holding such positions with the Company.

1.6. **Travel Insurance** – During the Term, the Company will maintain travel insurance for the Executive which, in addition to the standard coverage provided by travel insurance, will specifically provide coverage for travel delays or medical issues associated with Covid-19 or such other pandemic or geographic specific health crisis as declared by the World Health Organization and applicable to the area the Executive is required to travel to on behalf of the Company.

2. **COMPENSATION AND BENEFITS** – During the Term, KMSC will pay to the Executive the compensation and provide the benefits as set out in **Schedule “B”**, as amended from time to time, which sets out completely the compensation and benefits entitlement of the Executive for all hours worked and all services provided to the Company pursuant to this Agreement, except as otherwise required by the Ontario *Employment Standards Act, 2000*, as amended or replaced from time to time (the “**ESA**”). For clarity, regardless of the number of hours worked, except to the minimum extent, if any, required by the ESA, the Executive is not entitled to any additional remuneration, overtime, or time off in lieu in addition to the compensation and benefits set out in this **Schedule “B”**. KMSC may, from time to time, at its sole discretion, adjust the Executive’s compensation and benefits, and such changes will not constitute a breach of the terms of employment or constructive dismissal

3. **EXPENSES AND EQUIPMENT**

3.1. **Expenses** – KMSC will reimburse the Executive for reasonable business expenses incurred by the Executive in the furtherance of or in connection with the performance of the Executive’s duties under this Agreement, as more particularly set out in Schedule “B”.

3.2. **Equipment** – KMSC will provide to the Executive all equipment and devices reasonably required for the Executive to perform his duties under this Agreement as the Company may determine from time to time in its sole discretion (the “**Equipment**”). The Equipment will specifically include a mobile device and laptop. The Equipment will remain the property of KMSC, and the Executive will, at any time upon request by KMSC and immediately upon the termination of the Executive’s employment, promptly return to KMSC all Equipment.

4. **TERMINATION OF AGREEMENT AND EMPLOYMENT**

4.1. **Termination by the Executive** – The Executive may terminate his employment with KMSC by giving 60 days’ prior written notice of termination to KMSC, which KMSC may waive in whole or in part, subject to providing the Executive with any minimum entitlements under the ESA. The Executive agrees that such waiver shall not constitute termination of the Executive’s employment by KMSC.

4.2. **Termination by KMSC Without Just Cause** – KMSC may terminate the employment of the Executive without just cause by providing the Executive with only:

- a) any accrued wages (including vacation pay and outstanding expense reimbursements, and vacation pay on the minimum statutory notice period required by the ESA) calculated in accordance with the requirements of the ESA; and
- b) any accrued Annual Bonus or Material Transaction Bonus as described in Schedule B and amended from time to time, that would otherwise have been payable at the end of any bonus evaluation period during which the Executive was terminated without just cause; and
- c) the greater of:
 - i. twelve (12) months' written notice of termination, payment in lieu of such notice, or a combination of written notice and payment in lieu of such notice (the form to be at KMSC's sole discretion), plus one (1) additional months' (up to a maximum of twenty-four (24) months') written notice of termination, payment in lieu of such notice, or a combination of written notice and payment in lieu of such notice (the form to be at KMSC's sole discretion) for each completed year of service with KMSC after the Effective Date; or
 - ii. the minimum written notice of termination, payment in lieu of such notice, or a combination of written notice and payment in lieu of such notice (the form to be at KMSC's sole discretion), and severance pay, if applicable, required by the ESA.

If the Company elects to provide pay in lieu of notice pursuant to this Subsection 4.2, any such pay in lieu of notice:

- a) will consist of the Base Salary, and any accrued Annual Bonus or Material Transaction Bonus, provided that, if at any time the ESA provides for a greater entitlement, he will receive the greater entitlement required by the ESA; and
- b) may be paid by way of salary continuance in accordance with the Company's payroll practices, as amended from time to time, at the Company's sole discretion, other than any minimum entitlements to payment in lieu of notice and severance pay, if applicable, required by the ESA, which will be paid as a lump sum

Where this Agreement and the Executive's employment is terminated in accordance with this Subsection 4.2, the Executive agrees to execute a full and final general release in favour of KMSC, in a form to be provided by KMSC, prior to receiving the compensation set out in this Subsection 4.2 in excess of the minimum notice or pay in lieu of notice as required by the ESA. If the Executive does not execute such a release, the Executive will receive only his minimum statutory entitlements pursuant to the ESA, and nothing further.

The Executive agrees that the notice required or amount payable pursuant to this **Subsection 4.2** will be the maximum notice or compensation to which the Executive is entitled upon termination without just cause, including statutory, contractual and common law amounts. The Executive agrees that these entitlements are reasonable and upon receipt of these entitlements KMSC will have no further obligation to the Executive in respect of the termination of his employment including, without limitation, any further compensation, severance pay or damages. The Executive expressly waives any entitlement to common law notice.

4.3. **Termination by KMSC for Just Cause** – Notwithstanding any other provision of this Agreement, KMSC may terminate this Agreement and the Executive's employment with KMSC at any time for just cause, without prior notice or pay in lieu of notice or any other form of compensation, severance pay or damages, except and only to the minimum extent required by the ESA.

4.4. **Not Prevented from Alleging Cause** – The Executive agrees that if KMSC provides the Executive with notice of termination or payment in lieu of such notice in accordance with **Subsection 4.2**, KMSC will not be prevented from alleging just cause for termination of the terms of the Executive's employment or this Agreement. Further, the Executive agrees that if KMSC unsuccessfully alleges just cause pursuant to **Subsection 4.3**, or if the Executive is found to have been constructively dismissed, the Executive's entitlement to notice or pay in lieu of notice will be limited to the entitlements set out in **Subsection 4.2**.

4.5. **Directorship and Offices** - Upon the termination of the Executive's employment with KMSC for any reason, the Executive will immediately resign any directorship or office held in all of the entities forming the Company and, except as provided in this Agreement, the Executive will not be entitled to receive any written notice of termination or payment in lieu of notice, or to receive any severance pay, damages or compensation for loss of office or otherwise.

4.6. **Temporary Layoff and Suspension** – The Executive may be subject to periods of temporary layoff administered in accordance with the ESA. If the Executive is subject to any investigation into any disciplinary or other matter or procedure, KMSC may suspend the Executive from the performance of duties set out in this Agreement, with or without pay to the extent permitted by law.

5. **CONFIDENTIALITY**

5.1. **Definition of Company** – For the purposes of this **Section 5**, as well as **Sections 6 and 7** below, "**Company**" shall include the Company as defined in the preamble and any successor to Lexaria or other business entity that is related to or affiliated with the Company.

5.2. **Confidential Information** – For the purposes of this Agreement, "**Confidential Information**" means all information in any form, whether written, electronic, or oral, about or owned, used or licensed by the Company, including without limitation, information about their business operations, business interests, assets, liabilities, contracts, databases, computer software, scientific interests, clients and client lists, suppliers, credit information and pricing information, sales and marketing plans and strategies, proposals, research and development, new services or products research, financial data, technical information, employees and independent contractors, intellectual property, and all other information that is not generally, lawfully available to third parties or is treated by the Company as Confidential Information or a trade secret. The Executive agrees that if he is uncertain as to whether any information constitutes Confidential Information, the Executive will treat such information as Confidential Information.

5.3. **Non-Disclosure of Information of the Company** – The Executive acknowledges that by reason of his employment he will have access to Confidential Information of the Company. The Executive understands and acknowledges the importance of maintaining the security and confidentiality of Confidential Information, both during the Term and indefinitely after the Term. The Executive will, both during and indefinitely after the Term, maintain the confidentiality of the Confidential Information. The Executive will use and disclose the Confidential Information only during the Term and only as required for the performance of the Executive's duties and obligations under this Agreement. The Executive will not use or disclose any Confidential Information for the Executive's personal advantage or the advantage of any other person or entity. The Executive will use and take all reasonable security measures to protect the Confidential Information from loss, theft and unauthorized use, access, disclosure, duplication, modification and deletion.

Nothing in this Agreement will prevent the Executive's use or disclosure of information which is lawfully available to the public for unrestricted use other than through the wrongful act or omission by the Executive or any other person or which is required to be disclosed under applicable laws or legal process. If the Executive is required to disclose Confidential Information under applicable laws or legal process, the Executive will provide the Company with as much advance notice as possible to enable the Company to have the opportunity to contest the disclosure or to obtain a protective order, and the Executive will strictly limit such disclosure only to the Confidential Information which is legally required to be disclosed. The Executive will cooperate with the Company in any efforts to obtain a protective order or other remedy or recourse, which the Company may seek to obtain in this regard.

5.4. **Return of Confidential Information and Property** – All Confidential Information is the exclusive property of the Company. The Executive will at any time upon request by the Company, and immediately upon the termination of the Executive's employment, for any reason, promptly return to the Company all originals or copies of Confidential Information and any other property belonging to, or relating to the business of, the Company. The Executive also agrees not to retain any copies of Confidential Information, and to permanently delete and destroy any copies of Confidential Information from any of the Executive's personal electronic devices at any time upon request by the Company and immediately upon the termination of the employment of the Executive for any reason.

6. **INTELLECTUAL PROPERTY**– All innovations, inventions, discoveries, improvements, devices, designs, practices, processes, methods, products or services that the Executive makes, develops, perfects, devises or reduces to practice during the Term that relate to the Company's business, or result from any work the Executive performs for the Company (collectively, the "**Company Intellectual Property**"), are the Company's sole property. The Executive will promptly inform, and disclose to, the Company all Company Intellectual Property that the Executive creates alone or in collaboration with others whether or not the Executive conceived of such during normal business hours. The Executive hereby irrevocably and unconditionally transfers and assigns to the Company, and its successors and assigns, any and all of his rights (including moral rights), title and interest in and to any and all of the Company Intellectual Property, and any copyright, trademark, patent applications or patents thereon. The Company retains legal ownership of the product of the Executive's work and no Company Intellectual Property created by the Executive while employed by the Company can be claimed, construed, or presented as the Executive's property, even after termination of the Executive's employment. The Company Intellectual Property shall be considered the Company's Confidential Information subject to the restrictions described above. On the Company's reasonable request, the Executive will execute any document that the Company deems necessary to evidence the Company's ownership of any of the Company Intellectual Property to apply for and obtain intellectual property registrations in the Canadian Intellectual Property Office, or any foreign equivalents, for any of the Company Intellectual Property.

7. RESTRICTIVE COVENANTS

7.1. **Definitions** – For the purposes of this **Section 7**:

- a) "**Customer**" means any person or entity to whom the Executive provided products or services, or to whom the Company provided products or services and about whom the Executive received Confidential Information, during the course of the Executive's employment with the Company; provided that, after the termination of the Executive's employment for any reason, "Customer" will only include those persons or entities who the Executive knew was a Customer at any time during the twelve (12) months preceding the termination of the Executive's employment;

- b) **“Competitive Business”** means any company that earns revenues or anticipates earning revenues from sales or licensing related to products developed or created by way of combining fatty acids together with dehydration processing for the purposes of enhancing the pharmacokinetic performance of active pharmaceutical ingredients;
- c) **“Personnel”** means any person or entity who the Executive knew was employed or engaged as a contractor by the Company during the course of the Executive’s employment with the Company; and
- d) **“Prospective Customer”** means any person or entity that has not yet become a Customer of the Company, but who, with the Executive’s knowledge, was contacted for the purposes of doing business with the Company or solicited by the Company during the course of the Executive’s employment with the Company; provided that, after the termination of the Executive’s employment for any reason, “Prospective Customer” shall only include those persons or entities who the Executive knew was a Prospective Customer at any time during the twelve (12) months preceding the termination of the Executive’s employment.

7.2. **Non-Solicitation** – During the Term and for a period of six (6) months after the termination of the Executive’s employment for any reason, the Executive will not, directly or indirectly:

- a) contact or communicate with any Customer or Prospective Customer for the purpose of offering for sale any products or services relating to the Competitive Business;
- b) solicit, divert or take away from the Company the business of any Customer or Prospective Customer;
- c) solicit or encourage any Personnel to terminate their relationship with the Company; or
- d) entice or solicit away from the Company any Personnel for the purpose of competing with the Company in the Competitive Business.

7.3.

Non-Disparagement

– The Executive agrees that he will refrain from making any derogatory, negative or inaccurate statements about the Company or the Company’s employees, or any other statements that may be harmful to the Company’s business interests.

7.4. **No Conflicting Duties or Obligations** – The Executive represents and warrants to the Company that he does not owe, and he will not during the Term undertake or agree to, any contractual or other duties or obligations to any other person or entity which may conflict or interfere with this Agreement or any of the Executive’s duties and obligations under this Agreement, or which may prevent the Executive from entering into this Agreement or performing any of the Executive’s duties and obligations under this Agreement, including any non-solicit or non-compete duties or obligations.

7.5. **Other Duties** – The restrictions contained in **Section 5** (Confidentiality), **Section 6** (Intellectual Property) and **Section 7** (Restrictive Covenants) of this Agreement are in addition to, and do not derogate from, any other duties and obligations (including fiduciary obligations) the Executive may have to the Company under any applicable laws.

7.6. **Reasonableness of Restrictions** –

- a) The Executive acknowledges and confirms that the obligations and covenants set out in **Section 5** (Confidentiality), **Section 6** (Intellectual Property), and **Section 7** (Restrictive Covenants) of this Agreement are reasonable and necessary to protect the legitimate interests of the Company and that he/she has received reasonable and sufficient consideration for same. Without limiting the generality of the foregoing, the Executive hereby acknowledges and confirms that, given, among other things, the nature of the Company's operations and the duties to be performed by the Executive hereunder, the geographic scope, duration and nature of the restricted activities set out in the aforesaid Sections are reasonable and necessary to protect the legitimate interests of the Company; and
- b) The Executive acknowledges and agrees that the obligations and covenants set out in **Section 5** (Confidentiality), **Section 6** (Intellectual Property), and **Section 7** (Restrictive Covenants) of this Agreement will not preclude him from earning a reasonable livelihood following the cessation of his employment with KMSC.

8. **GENERAL**

8.1. **Enforcement** – The Executive acknowledges and agrees that the covenants and obligations under **Section 5** (Confidentiality), **Section 6** (Intellectual Property), and **Section 7** (Restrictive Covenants) of this Agreement are reasonable, necessary and fundamental to the protection of the Company's legitimate business interests, and any breach of those covenants and obligations would result in loss and damage to the Company for which the Company could not be adequately compensated by an award of monetary damages. In the event of any actual or threatened breach of any of those covenants and obligations by the Executive, the Company will, in addition to all remedies available to the Company at law or in equity, be entitled as a matter of right to judicial relief by way of a restraining order, interim, interlocutory or permanent injunction.

8.2. **Severability** – If any provision or part thereof of this Agreement is determined to be unenforceable or invalid for any reason, that unenforceable or invalid provision or part thereof will not affect the enforceability or validity of the remaining provisions of this Agreement which will remain in full force and effect, and any unenforceable or invalid provisions or parts thereof will be severable from the remainder of this Agreement.

8.3. **Waiver** – No consent or waiver, express or implied, by either party to or of any breach or default by the other party in the performance by the other of any or all of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default of the same or any other obligation of such party. Failure on the part of any party to complain of any act or failure to act of the other of them, or to declare the other party in default, irrespective of how long such failure continues, shall not constitute a waiver by such party of its rights hereunder or of the right, then or subsequently, to declare a default.

8.4. **Governing Law** – This Agreement and all related matters will be governed by, and construed in accordance with, the laws of Ontario and the laws of Canada applicable therein (excluding any choice of law rules). Any dispute arising from, connected with, or relating to this Agreement or any related matters will be resolved by the courts and tribunals of Ontario, as applicable, and the parties hereby irrevocably submit and attorn to the original and exclusive jurisdiction of those courts and tribunals, as applicable .

8.5. **Continuing Application** – The terms of this Agreement will continue to apply throughout the Executive’s employment, regardless of:

- a) the Executive’s length of service; or
- b) any changes that may occur to the Executive’s position, duties and responsibilities, compensation or benefits, or other terms of employment; or
- c) any changes to the Company as a result of a reorganization, plan of arrangement, reverse take-over, merger or acquisition;

unless the Executive and KMSC agree otherwise in writing. Without limiting the generality of the foregoing, Subsection 4.2(Termination by the KMSC Without Just Cause) and Subsection 7.2(Non-Solicitation) will continue to apply throughout the Executive’s employment (and for the period after termination as stated in Subsection 7.2), regardless of his length of service or any changes that may occur to his position, duties and responsibilities, compensation or benefits, or other terms of employment, unless the Executive and KMSC agree otherwise in writing.

8.6. **Compliance with Employment Standards** – The terms and conditions of this Agreement are subject to the provisions of the ESA. If any term or condition of this Agreement conflicts with, or is inconsistent with, any provision of the ESA, the ESA shall prevail over, and shall amend, this Agreement to the extent of any such conflict or inconsistency, and this Agreement as so amended shall apply with retrospective effect to the commencement of the Executive’s employment. Without limitation, it is the intention of KMSC that all of the Executive’s employment entitlements, including his termination entitlements, will meet or exceed what is required by the ESA. If at any time the ESA provides for a greater entitlement than what is set out in this Agreement, the Executive will receive the greater entitlement required by the ESA.

8.7. **Statutory Deductions and Withholdings** – All compensation, benefits and payments required to be made pursuant to this Agreement, including, but not limited to, termination payments, are subject to applicable statutory deductions and withholdings as required by applicable government statutes and regulations.

8.8. **Enurement** - This Agreement will enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors, personal representatives, permitted assigns, affiliates, subsidiaries, predecessors, liquidators, receivers, receiver managers, and trustees, as applicable.

8.9. **Assignment of Rights** - KMSC may assign this Agreement to another person or entity. The Executive will not assign his rights under this Agreement, or delegate to others, any of the Executive’s functions and duties under this Agreement without the express written consent of KMSC, which consent may be withheld in KMSC’s sole discretion.

8.10. **Legal Advice** – The Executive acknowledges that it was recommended by KMSC that the Executive obtain independent legal advice before executing this Agreement and represents that by executing this Agreement he has had the opportunity to do so. The Executive further acknowledges and agrees that he has read this Agreement, fully understands the terms of this Agreement, agrees that all such terms are reasonable, and agrees that the Executive is signing this Agreement freely, voluntarily and without duress.

8.11. **Entire Agreement** – This Agreement constitutes the entire agreement between the Executive and KMSC regarding the Executive’s employment with KMSC and supersedes all prior oral or written understandings and agreements regarding the Executive’s employment. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the Executive and KMSC other than as expressly set forth in this Agreement. Except as otherwise provided in this Agreement, any amendment or modification of this Agreement or additional obligation assumed by either party in connection with this Agreement will only be binding if evidenced in writing signed by each party.

8.12. **Survival** – All sections of this Agreement that, by their drafting, are intended to survive the termination of the Executive’s employment, and all other provisions of this Agreement necessary for the interpretation or enforcement of any of those sections, will survive indefinitely after the termination of the Executive’s employment for any reason.

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

KELOWNA MANAGEMENT SERVICES CORP.

Per:

signed
_____)
Authorized Signatory

SIGNED, SEALED AND DELIVERED by)
John Docherty in the presence of:)

signed
_____)
Witness)

signed
_____)
John Docherty

SCHEDULE "A"

Description of Duties

The Executive shall provide the following services to the Company, as determined by KMSC:

- (a) Co-manage with the CEO, the development and expansion of new and existing intellectual property and product pipeline based on its proprietary technologies; including proposing and developing new or novel methods or procedures related to human delivery methods, and the characterization thereof, for bioactive molecules of interest; identifying potential technology and intellectual property acquisitions of interest; and implementing new technologies as they become available;
- (b) Collaborate to maintain and develop corporate/investor outreach materials as needed, including, but not limited to, overall corporate messaging with a focus on consistency, through direct creation and development of corporate presentations, PowerPoints, websites, shareholder and community communications, business plans, fact sheets, etc.;
- (c) Develop and compile appropriate scientific validation/materials/studies supporting the technology, processes, production and testing merits as applicable and, when necessary, support clientele in the implementation of the technology;
- (d) Perform all duties associated with being the named Responsible Person for the purposes of Health Canada compliance, including, but not limited to, the drafting, amending and finalizing of all Standard Operating Procedures, oversight of the maintenance of all required logbooks, and preparing and/or approving all required reports;
- (e) Identify and evaluate opportunities for capital raising and/or strategic collaboration with suitable third-parties at appropriate points in time, including researching, planning, proposing, executing and closing approved projects, acquisitions, mergers and partnerships, as well as locating and cultivating finance sources, creating overall value;
- (f) Co-manage with the CEO, employees, junior executives and consultants in their regular duties and day-to-day operations;
- (g) Serve in such capacity or capacities as may from time to time be determined by resolution of the Board of Directors or senior management of the Company and perform such duties and exercise such powers as may from time be determined by resolution of the Board of Directors.
- (h) Work as needed with lawyers, partners, shareholders and other stakeholders as required and fulfill all duties expected of an executive officer of a corporation, including sourcing and/or negotiation of financial proposals and corporate financings; strategic corporate and financial planning; management of all the overall business operations; communications with shareholders; negotiation and management of agreements; and any other duties that should be reasonably expected by and at the pleasure of the Board of Directors.

SCHEDULE "B"

Compensation and Benefits

1. Compensation

A. Base Salary

Starting on the Effective Date, KMSC will pay to the Executive an annual salary (the "Base Salary"), less the applicable statutory deductions and withholdings required by law, based on the following formula:

$$\text{Base Salary} = \$310,001.28 \times (1.25 \times \text{IR})$$

Where IR is the annual inflation rate determined by the Bank of Canada for the 2021 calendar year, which is anticipated to be published on or about January 26, 2022.

The Executive and KMSC acknowledge and agree that until such time of the publication of the IR, KMSC shall use the salary of \$310,001.28 as a basis for payment, but that the first pay period following the publication of the IR will reflect not only the Base Salary bi-monthly payment, but also any additional amounts necessary to retroactively increase any previous payments made to the Executive under the Agreement to be equal to the pro rata portion of the Base Salary that would have been paid to the Executive if the IR had been published prior to the Effective Date.

KMSC and the Executive agree that for internal accounting purposes, the Base Salary may be allocated from an account or accounts of the Company other than KMSC, in amounts determined by the management of Lexaria, but that at no such time shall such allocations result in less than the aggregate Base Salary payable to the Executive. The Base Salary will be paid in accordance with KMSC's payroll practices, which may be amended from time to time. The Base Salary may be reviewed and adjusted by KMSC from time to time, but regardless of any such review and adjustment, will be increased annually starting on January 1, 2023 and continuing on each subsequent anniversary thereafter until termination at a rate equal to 1.25x the prior calendar rate of inflation as published by the Bank of Canada.

B. Out of Pocket Expenses

The Executive's out of pocket expenses incurred on behalf of the Company shall be paid by KMSC (the "Disbursements"). The Disbursements will be limited to the foregoing:

- i. travelling and other costs actually and properly incurred by the Executive in connection with the Executive's duties hereunder, up to a maximum of \$30,000.00 per month with such additional costs being subject to pre-approval by the management of the Company prior to any reimbursement. Both parties recognize that, as the financial condition of the Company improves or deteriorates, this amount may be increased or decreased without making changes to this document and without such changes constituting a termination of this Agreement, provided the Company makes the Executive aware of the changed amount;
- ii. specialized training and/or educational costs as authorized by the Company for the enhancement of any Services, up to a maximum of \$15,000.00 per year;
- iii. stationery and printing costs;
- iv. mileage allowance for personal vehicle use at \$0.55/km when the Executive is required to use own vehicle for business purposes.

C. Bonus

1. Milestone Bonus

The Executive shall be eligible to receive up to 50% of the total Base Salary ("**Annual Bonus**") based upon completion of performance criteria milestones ("**PCM**") to be approved by the Compensation Committee of the Board of Lexaria and disclosed to the Executive on an annual basis. The Annual Bonus is not earned until the appropriate PCM is achieved, and then awarded and paid by KMSC (or such other Company account as designated for internal accounting purposes) after completion of the fiscal year and assessment of performance, which will conclude within sixty (60) business days following the calendar year end, with the earned Annual Bonus paid within the two following pay cycles.

In order to be eligible to receive an Annual Bonus, the Executive must be Actively Employed on the date or dates that the PCM was accomplished pursuant to which the Annual Bonus becomes payable. "**Actively Employed**", in reference to a certain date, means that the Executive is employed by KMSC (including being on vacation or being on a statutory or other leave authorized by KMSC) on the applicable date. Except to the minimum extent, if any, required by the ESA, "Actively Employed" does not include:

- (a) Any period following the date the Executive ceases to be employed by KMSC upon termination of employment for any reason (whether voluntary or involuntary, and whether with or without just cause, and regardless of whether the termination is lawful or unlawful);
- (b) Any period in relation to which KMSC provides written notice or payment in lieu of notice in respect of such termination of employment, in accordance with section 4.2 of this Agreement, or the common law, if applicable; or
- (c) Any period in relation to which KMSC fails to give notice that ought to have been given pursuant to this Agreement or pursuant to any applicable law, including the common law, in respect of such termination of employment, and in relation to which damages may be awarded, including for the failure to provide such notice.

For further clarity,

if the Executive is not Actively Employed on the established payment date for an Annual Bonus but was Actively Employed when the PCM was accomplished, the Executive will be deemed to have earned the Annual Bonus, and he will be eligible to receive the Annual Bonus.

2. Material Transaction Bonuses

Change of Control

Subject to the exemption noted below, should a change of control ("**Change of Control**") occur in Lexaria during the Term of this Agreement or within 6 months after the termination of the Executive pursuant to sections 4.1 or 4.2, then the Executive shall be entitled to a lump sum bonus payment equal to twenty-one (21) months of pay.

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

A Change of Control includes any of the following events:

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

EXEMPTION

In the event that the Company becomes financially distressed, it is accepted that the Executive will have failed in performing the Services to the extent necessary to create value and revenue for the Company. In such circumstances, if a Change of Control is necessary in order to maintain the Company’s assets and/or shareholder value, the entitlement to the Change of Control payment noted above, shall become null and void.

Affiliate Sale

Subject to the exemption noted below, should there be a sale of any of KMSC, Poviva, CanPharm, Nicotine, Pharma, Hemp, Holding and/or FutureCos (collectively the “**Affiliates**”) with each such sale being deemed an “**Affiliate Sale**”, either during the Term of this Agreement or within 6 months after the Executive’s termination pursuant to sections 4.1 or 4.2, then KMSC shall be obligated to pay the Executive a one-time lump sum payment in the amount equal to 2% of the total value of such Affiliate Sale (the “**Affiliate Sale Entitlement**”). The Affiliate Sale Entitlement shall be paid to the Executive within 90 days of completion of the Affiliate Sale.

An Affiliate Sale means any of the following events:

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

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

EXEMPTION

In the event that the Company becomes financially distressed, it is accepted that the Executive will have failed in performing the Services to the extent necessary to create value and revenue for the Company. In such circumstances, if an Affiliate Sale is necessary in order to maintain the Company's assets and/or shareholder value, the entitlement to the Affiliate Sale Entitlement noted above, shall become null and void.

Payment of Annual Bonus or Material Transaction Bonuses

At the request of the Executive, the payee of the Annual Bonus and/or the Material Transaction Bonuses may be either the Executive, in which case the applicable tax deductions will be applied to any such bonus that is payable; or a company controlled by the Executive, in which case the Executive shall be solely responsible for and shall indemnify KMSC from any and all taxes, governmental charges, interest, penalties and other claims by a government entity or any other person in connection with the payment of such bonus.

3. Incentive Equity Plan

The Executive will be entitled to participate in the Lexaria Incentive Equity Plan or any successor thereto, with such stock award amounts and exercise price, as applicable, to be determined by the Compensation Committee or the Board of Directors of Lexaria.

4. Vacation

The Executive will receive vacation time and pay in accordance with the Company's policies and procedures as amended from time to time by the Company in its discretion. Currently, the Executive is entitled to six (6) weeks' (i.e. 30 business days) of paid vacation annually.

Vacation must be taken in accordance with procedures of the Lexaria Employee Handbook. Carryover of unused vacation into the following calendar year is permitted, however thereafter any unused vacation days will expire and KMSC is not obligated to compensate the Executive for any such expired vacation days.

Upon termination of employment for any reason, the Executive will receive only the minimum vacation pay required to be provided pursuant to the ESA. Vacation pay will not be provided in relation to any common law period of notice for which payment in lieu of notice is provided, if any, and will not form part of any damages for wrongful dismissal or otherwise, except to the minimum extent (if any) required by the ESA.

INDEPENDENT CONTRACTOR AGREEMENT

THIS CONTRACT IS MADE AS OF DECEMBER 31, 2021

BETWEEN:

LEXARIA BIOSCIENCE CORP. of 100 – 740 McCurdy Road, Kelowna, BC V1X 2P7

(hereinafter referred to as the “**Company**”)

OF THE FIRST PART

- and -

C.A.B. FINANCIAL SERVICES LTD. of [xx]¹

(hereinafter referred to as the “**Contractor**”)

OF THE SECOND PART

WHEREAS Company wishes to contract for the services of the Contractor and the Contractor wishes to enter into a contract for provision of such services to Company and whereby the Company as referred to herein shall include Lexaria Bioscience Corp. and any successor company thereof and any current and future subsidiaries of Lexaria Bioscience Corp. and any successor company thereof;

NOW THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties agree, each with the other, as follows:

1. **Contract Parties.** This contract for professional services (the “**Agreement**”) between Company and Contractor is effective as of January 1, 2022 (the “**Effective Date**”).
2. **Nature of Relationship and Previous Engagements.** The parties agree that the Contractor was engaged by the Company as an independent contractor pursuant to an agreement effective January 1, 2019 for a three year term and was further engaged by the Company’s subsidiary, Lexaria Nicotine LLC (“**Nicotine**”) pursuant to an agreement effective January 1, 2019 and renewing annually. The parties have agreed to continue the relationship and confirm their acknowledgement that the relationship of the Contractor and Company are that of independent contractors. The Contractor is not an employee, agent or dependent contractor of Company, nor are Company and the Contractor partners or joint venturers with each other. Nothing in this Agreement shall be construed as making Company and the Contractor partners or joint venturers, making the Contractor an employee, agent or dependent contractor of Company, or imposing any liability as partner, joint venture, principal or agent on Company or the Contractor, as the case may be. The Contractor, unless authorized by the Company, shall not use the name of Company or any of its affiliates in any advertisement, promotional or marketing material. The Contractor agrees that all of its previous engagements (including contracts) with the Company and Nicotine will have been completed on December 31, 2021 and shall be of no further force or effect as at January 1, 2022 and that the ongoing engagement between Company and the Contractor shall be solely pursuant to this Agreement.

¹ The address of C.A.B. Financial Services Ltd. has been redacted.

3. **Services and Term.** Subject to the terms and conditions set out in this Agreement, Company agrees to retain the Contractor to provide the services listed in Schedule "A" attached hereto (the "Services") and the Contractor agrees to provide the Services in accordance with the terms and conditions set out in this Agreement. This Agreement commences on the Effective Date and shall continue for a three (3) year term (the "Term") unless terminated earlier in accordance with the terms set out herein, and shall automatically continue thereafter on a month to month basis.
4. **Standard of Performance.** The Contractor shall perform the Services honestly and in good faith, and in an efficient, prompt, professional, skillful and careful manner in accordance with industry methods, standards and practices, and shall observe and obey all applicable laws, regulations, rules and standards.
5. **Workplace and Tools.** In order to protect confidentiality, proprietary, and personal information, Company shall provide the Contractor with all the necessary computer equipment and software for use during the engagement and shall also provide the Contractor with an office for the purposes of conducting the Services. Such equipment, software and office space, shall at all times remain the property of the Company. At its own expense, the Contractor shall be responsible for ensuring that the Contractor has an appropriate workplace to conduct the Services and all other necessary tools to perform the Services when not utilizing the Company provided equipment, software and office space. The Contractor shall not be required to attend Company offices while performing the Services, but shall be available for remote meetings and telephone conferences on an as-needed basis in accordance with sections 3 and 4 herein.
6. **Payment.** In consideration for performing the Services, Company shall compensate the Contractor with the remuneration outlined in Schedule "B". At the Company's discretion it may choose to either pay the Contractor a monthly portion of the cash remuneration payable at any time; or request that the Contractor submit to the Company, on a monthly basis, its invoice(s) (which invoice(s) shall include GST as a separate charge and include the Contractor's GST registration number) for performing the Services. Payment to the Contractor shall be made either: (i) on a monthly basis at the end of each month or; (ii) within **ten (10)** days of receipt of the Contractor's invoice by Company or as soon after that as is reasonable in the circumstances. The Contractor shall be responsible to remit any GST which may be due or payable for services rendered under this Agreement.
7. **No Benefits.** The Contractor agrees that the Contractor shall not be entitled to participate in, or receive any benefits from, any employee benefit programmes or plans operated by Company (including vacation pay, statutory holidays and health benefits).
8. **Set Off.** The Contractor agrees that Company may set off any amounts due to the Contractor from Company against any amount owing by Contractor to the Company.
9. **No Reimbursement of Expenses.** The Contractor will be responsible for all expenses associated with performing the Services. The Contractor may negotiate with Company to reimburse the Contractor for disbursements incurred on behalf of Company, but no such disbursements shall be paid by Company except as authorized pursuant to Schedule "B" or unless the Company has provided prior approval.
10. **As-Needed Basis.** The Contractor understands that Company may request the Contractor to perform the Services on an as-needed basis. There is no guarantee of any work with Company and the Contractor may decline work at its discretion. The Contractor agrees that the Contractor has sufficient resources and time to complete and deliver the Services in accordance with sections 3 and 4 herein.

- 11. Non-Disclosure of Confidential Information.** For the purposes of this Agreement, “**Confidential Information**” means all information in any form, whether written, electronic, or oral, about or owned, used or licensed by the Company, including without limitation, information about their business operations, business interests, assets, liabilities, contracts, databases, computer software, scientific interests, clients and client lists, suppliers, credit information and pricing information, sales and marketing plans and strategies, proposals, research and development, new services or products research, financial data, technical information, employees and independent contractors, intellectual property, and all other information that is not generally, lawfully available to third parties or is treated by the Company as Confidential Information or a trade secret. The Contractor acknowledges that by reason of his engagement he will have access to Confidential Information of the Company. The Contractor understands and acknowledges the importance of maintaining the security and confidentiality of Confidential Information, both during the Term and indefinitely after the Term. The Contractor will, both during and indefinitely after the Term, maintain the confidentiality of the Confidential Information. The Contractor will use and disclose the Confidential Information only during the Term and only as required for the performance of the Contractor’s duties and obligations under this Agreement. The Contractor will not use or disclose any Confidential Information for the Contractor’s personal advantage or the advantage of any other person or entity. The Contractor will use and take all reasonable security measures to protect the Confidential Information from loss, theft and unauthorized use, access, disclosure, duplication, modification and deletion.

Nothing in this Agreement will prevent the Contractor’s use or disclosure of information which is lawfully available to the public for unrestricted use other than through the wrongful act or omission by the Contractor or any other person or which is required to be disclosed under applicable laws or legal process. If the Contractor is required to disclose Confidential Information under applicable laws or legal process, the Contractor will provide the Company with as much advance notice as possible to enable the Company to have the opportunity to contest the disclosure or to obtain a protective order, and the Contractor will strictly limit such disclosure only to the Confidential Information which is legally required to be disclosed. The Contractor will cooperate with the Company in any efforts to obtain a protective order or other remedy or recourse, which the Company may seek to obtain in this regard.

- 12. Intellectual Property**– All innovations, inventions, discoveries, improvements, devices, designs, practices, processes, methods, products or services that the Contractor makes, develops, perfects, devises or reduces to practice during the Term that relate to the Company’s business, or result from any work the Contractor performs for the Company (collectively, the “**Company Intellectual Property**”), are the Company’s sole property. The Contractor will promptly inform, and disclose to, the Company all Company Intellectual Property that the Contractor creates alone or in collaboration with others whether or not the Contractor conceived of such during normal business hours. The Contractor hereby irrevocably and unconditionally transfers and assigns to the Company, and its successors and assigns, any and all of his rights (including moral rights), title and interest in and to any and all of the Company Intellectual Property, and any copyright, trademark, patent applications or patents thereon. The Company retains legal ownership of the product of the Contractor’s work and no Company Intellectual Property created by the Contractor while employed by the Company can be claimed, construed, or presented as the Contractor’s property, even after termination of the Contractor’s employment. The Company Intellectual Property shall be considered the Company’s Confidential Information subject to the restrictions described above. On the Company’s reasonable request, the Contractor will execute any document that the Company deems necessary to evidence the Company’s ownership of any of the Company Intellectual Property to apply for and obtain intellectual property registrations in the Canadian Intellectual Property Office, or any foreign equivalents, for any of the Company Intellectual Property.
- 13. Termination By Contractor.** The Contractor may terminate this Agreement at any time for convenience by providing Company with three (3) months’ prior written notice, or, for cause immediately upon Company committing a material breach of the provisions of the Agreement, becoming insolvent or bankrupt or making an assignment for the benefit of creditors, or a receiver being appointed for its business or a voluntary or involuntary petition into bankruptcy being filed or proceedings for the reorganization or winding up of Company being instituted without being dismissed within thirty (30) days of filing.

- 14. Termination By Company.** Company may terminate this Agreement at any time for convenience by providing Contractor with fifteen (15) months' prior written notice (the "**Notice**") or in lieu of the Notice, paying the Contractor a lump sum termination break fee payment ("**Termination Break Fee Payment**") in an amount equal to fifteen (15) times the Monthly Fee (as defined in Schedule "B" to this Agreement) plus GST, plus one (1) additional months' written notice of termination or payment in lieu of such notice, up to a maximum of twenty-four (24) times the Monthly Fee, for each completed year of service with the Company after the Effective Date. The Company may also terminate the Contractor for cause, at any time immediately upon the following circumstances: (a) material breach of any provision of this Agreement; (b) the gross negligence of the Contractor while performing the Services; (c) the commission by the Contractor of any act of criminal fraud, embezzlement, theft or similar offences; (d) the falsification or misrepresentation by the Contractor of any information related to this Agreement; (e) failure of the Contractor to have disclosed or to disclose to Company, at time of entering into the Agreement or hereafter, any material fact about the Contractor that could bring the Company into disrepute; and (e) the inability of the Contractor to perform the Services by reason of death, a physical or mental disability or illness; with the effective date of termination of this Agreement for any reason, including under sections 13 and 14, being the "**Termination Date**".
- 15. Payments on Termination.** If this Agreement is terminated pursuant to any of sections 13 and 14, Company shall only pay the Contractor, as applicable, for (i) Services performed as of the Termination Date; or (ii) the Termination Break Fee Payment, save and except where there is a for cause termination. The Contractor and Company agree that should either of them terminate this Agreement for cause the only damages that the Contractor will be entitled to from Company (and vice versa) will be the monetary equivalent to two weeks' prior written notice based on the average dollar amount of the last three (3) months of payments made under this Agreement prior to the termination without a duty to mitigate.
- 16. Effect of Termination.** On or before the Termination Date, the Contractor shall resign from all director and officer positions held in the Company or any of its subsidiary companies and shall return all Confidential Information to the Company.
- 17. Non-Exclusive Relationship.** The Contractor may provide services for and on behalf of third parties provided that the provision of such services by the Contractor, or employees or subcontractors of the Contractor who are providing the Services are outside the time such persons are required to be available to provide the Services and do not conflict with the Contractor's responsibilities and obligations to Company pursuant to this Agreement.
- 18. Payment of Taxes and Other Charges, and Indemnity by Contractor.** The Contractor acknowledges and agrees that Company shall not withhold or deduct from any payments made to the Contractor any taxes, withholdings, source deductions, employment insurance premiums or pension plan contributions. The Contractor is solely responsible for payment of all taxes and other governmental charges arising out of the Contractor's activities under this Agreement, including but not limited to federal and provincial income taxes, HST, provincial sales taxes, employment insurance premiums, employer health tax, Canada Pension Plan and any other taxes, mandated contributions or business licence fees as required, and any interest or penalties related to any of the foregoing. Company shall not be required to make any payment or contribution in respect of taxes payable by the Contractor.

19. Non-Solicitation. For the purposes of this Section 19, the following terms have the following definitions:

- a. **“Customer”** means any person or entity to whom the Executive provided products or services, or to whom the Company provided products or services and about whom the Executive received Confidential Information, during the course of the Executive’s employment with the Company; provided that, after the termination of the Executive’s employment for any reason, “Customer” will only include those persons or entities who the Executive knew was a Customer at any time during the twelve (12) months preceding the termination of the Executive’s employment;
- b. **“Competitive Business”** means any company that earns revenues or anticipates earning revenues from sales or licensing related to products developed or created by way of combining fatty acids together with dehydration processing for the purposes of enhancing the pharmacokinetic performance of active pharmaceutical ingredients;
- c. **“Personnel”** means any person or entity who the Executive knew was employed or engaged as a contractor by the Company during the course of the Executive’s employment with the Company; and
- d. **“Prospective Customer”** means any person or entity that has not yet become a Customer of the Company, but who, with the Executive’s knowledge, was contacted for the purposes of doing business with the Company or solicited by the Company during the course of the Executive’s employment with the Company; provided that, after the termination of the Executive’s employment for any reason, “Prospective Customer” shall only include those persons or entities who the Executive knew was a Prospective Customer at any time during the twelve (12) months preceding the termination of the Executive’s employment.

During the Term and for a period of six (6) months after the termination of the Executive’s employment for any reason, the Executive will not, directly or indirectly:

- a) contact or communicate with any Customer or Prospective Customer for the purpose of offering for sale any products or services relating to the Competitive Business;
- b) solicit, divert or take away from the Company the business of any Customer or Prospective Customer;
- c) solicit or encourage any Personnel to terminate their relationship with the Company; or
- d) entice or solicit away from the Company any Personnel for the purpose of competing with the Company in the Competitive Business.

The Contractor acknowledges and agrees that all of the restrictions contained in Section 19 are necessary and fundamental to the protection of the business of the Company and that all such restrictions are fair, reasonable and valid given the nature of the Company’s business and the Contractor’s position within that business. The Contractor hereby waives all defences to the strict enforcement thereof. The Contractor further confirms that these obligations will not unduly preclude Contractor from becoming gainfully contracted or from otherwise working following the termination of this Agreement.

20. **Return of Records and Property.** The Contractor shall upon request by Company, and in any event upon the termination of this Agreement, promptly return to Company any property belonging to Company or relating to Company's business.
21. **Enforcement.** The Contractor acknowledges and agrees that the covenants and obligations under this Agreement are reasonable, necessary and fundamental to the protection of Company's legitimate business interests, and the Contractor acknowledges and agrees that any breach of this Agreement by the Contractor would result in irreparable harm to Company and loss and damage to Company.
22. **Severability.** Should any part of this Agreement be declared or held to be invalid for any reason, the invalidity shall not affect the validity of the remainder of this Agreement which shall continue in full force and effect and be construed as if this Agreement had been executed without the invalid portion, and it is hereby declared the intention of the parties that this Agreement would have been executed without reference to any portion that may, for any reason, be hereafter declared or held invalid.
23. **Entire Agreement.** The provisions herein constitute the entire agreement between the parties and supersede all previous communications, representations and agreements, whether oral or written, between the parties with respect to the subject matter hereof.
24. **Enurement and Assignment.** This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors, personal representatives and permitted assigns. Company shall have the right to assign this Agreement to another party. The Contractor may assign the Contractor's rights under this Agreement or delegate to others any of its functions and duties under this Agreement only with the prior written approval of Company, which may be withheld in its sole discretion.
25. **Governing Law.** This Agreement shall be governed by and interpreted in accordance with the laws of British Columbia, and the courts of British Columbia shall have the exclusive jurisdiction over this Agreement and any claim or dispute arising under it.
26. **Legal Advice.** Each party acknowledges that it had the opportunity to obtain whatever advice it deems appropriate before executing this Agreement and that by executing this Agreement, the parties execute this Agreement in an informed manner, voluntarily and without duress.

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

LEXARIA BIOSCIENCE CORP.

C.A.B. FINANCIAL SERVICES LTD.

Per:
signed

Per:
signed

Authorized Signatory

Christopher Bunka

SCHEDULE "A"

The Services shall include the following:

- (a) Developing and expanding the Company's new and existing product pipeline based on its current proprietary technologies, and implementing new technologies as they become available with a continued focus on improving and optimizing speed and extent of drug delivery and flavour profile;
- (b) Assisting the Company and its licensees on achieving successful commercial production with definitive deadlines for commencement and anticipated royalty payments;
- (c) Maintaining and developing the Company's communications and marketing materials with a goal of establishing a consistent message that is associated with the Company's brands;
- (d) Identifying, researching, evaluating and completing transactions for capital raising and/or strategic collaborations with suitable third-parties, all of which create value for the Company;
- (e) Assisting in the management and development of the Company's subsidiaries and parent company including day-to-day operations, evaluating and implementing supply chain efficiencies and facilitating distribution and sales growth;
- (f) Operating as the Chief Executive Officer (the "CEO");
- (g) Perform all duties associated with being the named Assistant Responsible Person for the purposes of Health Canada compliance, including, but not limited to, assisting the Responsible Person in the drafting, amending and finalizing of all Standard Operating Procedures, oversight of the maintenance of all required logbooks, and preparing and/or approving all required reports;
- (h) Serving the Company (and/or such subsidiary or subsidiaries of the Company as the Company may from time to time require) in such consulting capacity or capacities as may from time to time be determined by resolution of the Board of Directors or senior management of the Company and shall perform such duties and exercise such powers as may from time to time be determined by resolution of the Board of Directors, as an independent contractor;
- (i) Work as needed with lawyers, partners, shareholders and other stakeholders; and
- (j) Fulfill all duties expected of the Contractor as the CEO of a publicly listed biotechnology/bioscience company and any other duties that should be reasonably expected by and at the pleasure of the Board of Directors.

SCHEDULE "B"

Remuneration

A. Cash Consideration

Starting on the Effective Date, the Company either directly or through one or more of its subsidiary companies or through a combination of the Company and a subsidiary or subsidiaries, shall pay the Contractor a monthly amount plus Goods and Services Tax (GST), payable on the last day of each calendar month (the "Monthly Fee"), based on the following formula:

$$\text{Monthly Fee} = \$29,706.00 \times (1.25 \times \text{IR})$$

Where IR is the annual inflation rate determined by the Bank of Canada for the 2021 calendar year, which is anticipated to be published on or about January 26, 2022. The Consultant has the GST number [xx]².

The Monthly Fee may be reviewed and adjusted by the Company from time to time but regardless of such review and adjustment will be increased annually starting on January 1, 2023 and continuing on each subsequent anniversary thereafter until termination at a rate equal to 1.25x the prior calendar rate of inflation as published by the Bank of Canada.

B. Out of Pocket Expenses

The following out of pocket expenses incurred on behalf of the Company by the Contractor have been authorized to be paid by the Company:

- i. travelling and other costs actually and properly incurred by the Contractor in connection with the Contractor's duties hereunder, up to a maximum of \$60,000.00 per month (the "Authorized Amount"), subject to the Company's available cash on hand exceeding \$1,000,000 during such month, failing which the Authorized Amount shall be reduced to \$30,000.00 per month. Any costs exceeding the Authorized Amount shall be subject to pre-approval by the management of the Company prior to any reimbursement. Both parties recognize that, as the financial condition of the Company improves or deteriorates, this amount may be increased or decreased without making changes to this document and without such changes constituting a termination of this Agreement, provided the Company makes the Contractor aware of the changed amount;
- ii. specialized training and/or educational costs as authorized by the Company for the enhancement of any Services, up to a maximum of \$15,000.00 per year;
- iii. stationery and printing costs;
- iv. mileage allowance for personal vehicle use at \$0.55/km when the Contractor is required to use own vehicle for business purposes.

² The contractor's GST number has been redacted.

C. Bonus

1. Milestone Bonus

The Contractor shall be eligible to receive up to 50% of an amount equal to twelve (12) times the Monthly Fee ("**Annual Bonus**") based upon completion of performance criteria milestones ("**PCM**") to be approved by the Compensation Committee of the Board of the Company and disclosed to the Contractor on an annual basis. The Annual Bonus is not earned until the appropriate PCM is achieved, and then awarded and paid by the Company (or such other Company account as designated for internal accounting purposes) after completion of the fiscal year and assessment of performance, which will conclude within sixty (60) business days following the calendar year end, with the earned Annual Bonus paid within one month thereafter.

In order to be eligible to receive an Annual Bonus, the Contractor must be Actively Engaged on the date or dates that the PCM was accomplished pursuant to which the Annual Bonus becomes payable. "**Actively Engaged**", in reference to a certain date, means that the Contractor is engaged by the Company on the applicable date. "Actively Engaged" does not include:

- (a) Any period following the date the Contractor ceases to be engaged by the Company upon termination for any reason (whether voluntary or involuntary, and whether with or without just cause, and regardless of whether the termination is lawful or unlawful);
- (b) Any period in relation to which the Company provides Notice or the Termination Break Fee as set out in section 14 of this Agreement, in respect of such termination; or
- (c) Any period in relation to which the Company fails to give Notice or the Termination Break Fee as set out in section 14 of this Agreement, that ought to have been given pursuant to this Agreement or notice or pay in lieu pursuant to any applicable law, including the common law, in respect of such termination, and in relation to which damages may be awarded, including for the failure to provide such notice.

For further clarity, if the Contractor is not Actively Engaged on the established payment date for an Annual Bonus but was Actively Engaged when the PCM was accomplished, the Contractor will be deemed to have earned the Annual Bonus, and he will be eligible to receive the Annual Bonus.

2. Material Transaction Bonuses

Change of Control

Subject to the exemption noted below, should a change of control ("**Change of Control**") occur in the Company during the Term of this Agreement or within 6 months after the termination of the Contractor pursuant to sections 13 or 14 (other than for cause), then the Contractor shall be entitled to a lump sum bonus payment equal to twenty-six (26) times the Monthly Fee.

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

A Change of Control includes any of the following events:

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

EXEMPTION

In the event that the Company becomes financially distressed, it is accepted that the Contractor will have failed in performing the Services to the extent necessary to create value and revenue for the Company. In such circumstances, if a Change of Control is necessary in order to maintain the Company's assets and/or shareholder value, the entitlement to the Change of Control payment noted above, shall become null and void.

Affiliate Sale

Subject to the exemption noted below, should there be a sale of any of Kelowna Management Services Corp., Poviva Corp., Lexaria CanPharm ULC, Lexaria Nicotine LLC, Lexaria Pharmaceutical Corp., Lexaria Hemp Corp., Lexaria CanPharm Holding Corp. and/or any future subsidiary of the Company (collectively the "Affiliates") with each such sale being deemed an "Affiliate Sale", either during the Term of this Agreement or within 6 months after the Contractor's termination pursuant to sections 13 or 14 (other than for cause), then the Company shall be obligated to pay the Contractor a one-time lump sum payment in the amount equal to 2% of the total value of such Affiliate Sale (the "Affiliate Sale Entitlement"). The Affiliate Sale Entitlement shall be paid to the Contractor within 90 days of completion of the Affiliate Sale.

An Affiliate Sale means any of the following events:

- (a) If any individual, partnership, company, society, or other legal entity (a "Person"), alone or together with any other Person with whom it is acting jointly or in concert, becomes the beneficial owner of, or acquires the power to exercise control or direction over, directly or indirectly, such securities (or securities convertible into, or exchangeable for, securities) entitled to more than fifty percent (50%) or more of the votes exercisable by holders of the then-outstanding securities generally entitled to vote for the election of directors ("Voting Stock") of an Affiliate or if any Persons that previously were not acting jointly or in concert commence acting jointly or in concert and together beneficially own, or have the power to exercise control or direction over, securities entitled to more than fifty percent (50%) or more of the votes exercisable by holders of voting stock, or have rights of conversion which, if exercised, would permit such Persons to own or control such a percentage of votes;
- (b) An Affiliate is merged, amalgamated or consolidated into or with another Person and, as a result of such business combination, a Person who previously held securities representing less than fifty percent (50%) of the votes exercisable by the holders of the Voting Stock of the Affiliate, either alone or together with any other persons with whom it is acting jointly or in concert, is now, either alone or together with any other persons with whom it is acting jointly or in concert, entitled to hold more than fifty percent (50%) of the votes, exercisable by holders of the Voting Stock of the Affiliate or of such Person into which the Voting Stock of the Affiliate has been converted;

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

EXEMPTION

In the event that the Company becomes financially distressed, it is accepted that the Contractor will have failed in performing the Services to the extent necessary to create value and revenue for the Company. In such circumstances, if an Affiliate Sale is necessary in order to maintain the Company’s assets and/or shareholder value, the entitlement to the Affiliate Sale Entitlement noted above, shall become null and void.

3. Incentive Equity Plan

The Contractor will be entitled to participate in the Lexaria Incentive Equity Plan or any successor thereto, with such stock award amounts and exercise price, as applicable, to be determined by the Compensation Committee or the Board of Directors of the Company.

**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, 2022

/s/ "Chris Bunka"

Chris Bunka
CEO and Director
(Principal Executive Officer)

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

I, Gregory Downey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lexaria Bioscience Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's first fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 14, 2022

/s/ "Gregory Downey"

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

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

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

- (1) the Quarterly Report on Form 10-Q of Lexaria Bioscience Corp. for the quarter ended November 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Lexaria Bioscience Corp.

Dated: January 14, 2022

By: /s/ "Chris Bunka"

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

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

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

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

- (1) the Quarterly Report on Form 10-Q of Lexaria Bioscience Corp. for the quarter ended November 30, 2021 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Lexaria Bioscience Corp.

Dated: January 14, 2022

By: /s/ "Gregory Downey"

Gregory Downey CPA, CMA
Chief Financial Officer
(Principal Financial Officer and Principal Accounting
Officer)
Lexaria Bioscience Corp.

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