LEXARIA CORP.
Form 10-Q
April 13, 2016

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

Form 10-Q

(Mark One)

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

For the quarterly period ended **February 29, 2016**

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 Corporation
(Exact name of registrant as specified in its charter)

Nevada	**20-2000871**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
950 - 1130 West Pender Street, Vancouver, BC	**V6E 4A4**
(Address of principal executive offices)	(Zip Code)

604-602-1675
(Registrant s telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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 past 90 days.
[X]YES [ ] NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company. See the definitions 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 [X]
(Do not check if a smaller reporting company)
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act
[ ] YES [X] NO

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Check whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court.
[ ] YES [ ] NO

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.
44,553,286 common shares issued and outstanding as of February 29, 2016

PART 1 FINANCIAL INFORMATION

Item 1. Financial Statements.

Our unaudited interim consolidated financial statements for the six month period ended February 29, 2016 form part of this quarterly report. They are stated in United States Dollars (US$) and are prepared in accordance with United States generally accepted accounting principles.

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

		February 29 2016		August 31 2015
ASSETS				
Current				
Cash and cash equivalents	$	**40,224**	$	260,075
Accounts receivable		**43,659**		31,382
Inventory		**141,436**		167,986
Prepaid expenses and deposit		**112,072**		215,290
		337,391		674,733
Patent		**49,259**		36,989
Property, plant and equipments		**2,785**		-
		52,044		**36,989**
TOTAL ASSETS	$	**389,435**	$	**711,722**
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES				
Current				
Accounts payable and accrued liabilities	$	**46,066**	$	33,073
Due to a related party (Note 10)		**238,221**		22,052
Total Current Liabilities		**284,287**		55,125
TOTAL LIABILITIES		**284,287**		**55,125**
STOCKHOLDERS' EQUITY				
Share Capital				
Authorized: 220,000,000 common voting shares with a par value of $0.001 per share				
Issued and outstanding: 44,553,282 common shares at February 29, 2016 and 39,852,984 common shares at August 31, 2015		**44,552**		39,852
Additional paid-in capital		**10,948,599**		10,818,446
Deficit		**(10,728,201)**		(10,085,889)
Equity attributable to shareholders of the Company		**264,950**		772,409
Non-Controlling Interest		**(159,802)**		(115,812)
Total Stockholders' Equity		**105,148**		656,597
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$	**389,435**	$	**711,722**

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

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

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	February 29 2016	**February 28 2015**	**February 29 2016**	**February 28 2015**
Revenue				
Sales	**15,154**	2,883	**25,941**	2,883
Cost of Goods Sold				
Cost of Goods Sold	**19,237**	2,052	**33,620**	2,052
Gross profit (loss)	**(4,083)**	831	**(7,679)**	831
Expenses				
Accounting and audit	**(12,264)**	4,818	**38,366**	38,818
Insurance	**5,581**	1,554	**7,148**	3,072
Advertising and promotions	**55,303**	50,270	**155,074**	97,381
Bank charges and exchange (gain)loss	**1,270**	5,503	**3,784**	(5,983)
Stock Based Compensation	**9,538**	159,460	**37,948**	174,720
Consulting (note 11)	**113,507**	161,299	**270,968**	301,642
Fees and Dues	**15,980**	17,096	**30,511**	28,743
Interest expense from loan payable (note 6,8)	**-**	-	**78**	31,544
Investor relation	**16,000**	-	**16,000**	-
Legal and professional	**9,963**	11,814	**14,835**	36,178
Office and miscellaneous	**4,614**	5,427	**8,659**	11,050
Research and Development	**6,851**	240	**8,829**	48,279
Rent	**7,754**	25,856	**14,129**	53,962
Telephone	**1,504**	2,331	**3,634**	3,673
Taxes	**-**	3,578	**-**	3,578
Travel	**12,091**	10,193	**34,414**	15,855
MMJ expense	**-**		**-**	15,000
Impairment	**22,782**		**34,246**	-
	270,474	459,439	**678,623**	857,512
(Loss) for the period before other income	**(274,557)**	(458,608)	**(686,302)**	(856,681)
Income (Loss) from discontinued operations	**-**	-	**-**	48,918
Net (loss) for the period	**(274,557)**	(458,608)	**(686,302)**	(807,763)
Net (loss) attributable to:				
Common Shareholders	**(259,842)**	(439,916)	**(642,312)**	**(787,165)**
Non-Controlling Interest	**(14,715)**	(18,692)	**(43,990)**	(20,598)
	(0.01)	(0.01)	**(0.02)**	(0.03)

Basic and diluted (loss) per share				
Weighted average number of common shares outstanding				
- Basic and diluted	**43,821,010**	32,053,775	**41,868,025**	32,053,775

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

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

	SIX MONTHS ENDED February 29 2016	February 28 2015
Cash flows used in operating activities		
Net (loss) for the period	$ (686,302)	(856,681)
Income (loss) from discontinued operations	-	48,918
Net (loss) from operations	(686,302)	(807,763)
Adjustments to reconcile net loss to net cash used in operating activities:		
Consulting - Stock based compensation	37,948	174,720
Write-off impairment	34,246	-
Foreign exchange (gain)loss	-	-
MMJ Joint Venture	-	15,000
Other non-cash items	9,450	48,040
Change in operating assets and liabilities:		
(Increase)/Decrease in accounts receivable	(12,274)	61,984
(Increase)/Decrease in inventory	26,550	(77,588)
(Increase)/ Decrease in prepaid expenses and deposit	103,218	108,707
Increase in accounts payable and accrued liabilities	195,388	(57,176)
Net cash used in operating activities	(291,776)	(534,076)
Cash flows used in investing activities		
Proceeds from sale of oil and gas property	0	721,806
Patent	(12,270)	-
Acquisition of Equipment	(2,785)	-
Net cash used in investing activities	(15,055)	721,806
Cash flows from financing activities		
Payments of loan payable	-	(98,742)
Proceeds from private placement, convertible debt, options	86,980	-
Liabilities for sale	-	-
Net cash from financing Activities	86,980	(98,742)
Increase (Decrease) in cash and cash equivalents	(219,851)	88,988
Cash and cash equivalents, beginning of year	260,075	703,030
Cash and cash equivalents, end of year	$ 40,224	792,018
Supplemental information of cash flows:		
Interest paid in cash	$ -	98,742
Income taxes paid in cash	$ -	-

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

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

	COMMON STOCK						
	SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL	SHARES TO BE ret/issued	DEFICIT	NCI	TOTAL STOCKHOLDERS' EQUITY
Balance, August 31, 2014	34,249,690	34,249	10,033,438	(35,200)	(8,315,389)		1,717,098
Shares Cancelled	(110,000)	(110)	(35,090)	35,200			-
Shares issued for PP @$0.15	305,200	305	45,475				45,780
Non-controlling Interest						(115,812)	(115,812)
Shares issued per agreement @$0.105	238,094	238	24,762				25,000
Stock Options issued @ $0.11 and $0.10			144,199				144,199
Shares issued for PP @$0.10	5,000,000	5,000	462,100				467,100
Stock Options issued @$0.10			52,801				52,801
Shares cancelled	(500,000)	(500)	(44,500)				(45,000)
Shares issued per agreement @ $0.19	250,000	250	47,250				47,500
Shares issued per agreement @ $0.20	420,000	420	83,112				83,532
Return of commission from previous PP			4,899				4,899
Comprehensive income (loss):					(1,770,500)		(1,770,500)
Balance, August 31, 2015	39,852,984	39,852	10,818,446	-	(10,085,889)	(115,812)	656,597
Shares issued per agreement @0.19	100,000	100	18,900				19,000
Non-controlling Interest						(43,990)	(43,990)

Stock options issued @$0.19			18,873				18,873
Shares to be issued				36,000			36,000
Shares issued per PP	500,000	500	86980	-36000			51,480
Stock issued per agreement @$0.19	50,000	50	9450				9,500
Share forward split 1.1	4,050,298	4050.3	-4050.3				-
Comprehensive income (loss):					(642,312)		(642,312)
Balance, February 29, 2016	44,553,282	44,552	10,948,599	-	(10,728,201)	(159,802)	105,148

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

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LEXARIA CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
February 29, 2016
(Expressed in U.S. Dollars)

(Unaudited)

1. Basis of Presentation

The unaudited consolidated interim financial statements for the six months ended February 29, 2016 included herein have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with United States generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. These unaudited interim consolidated financial statements should be read in conjunction with the August 31, 2015 audited annual financial statements and notes thereto.

2. Organization and Business

The Company was formed on December 9, 2004 under the laws of the State of Nevada and commenced operations on December 9, 2004. The Company was originally an independent natural gas and oil company engaged in the exploration, development and acquisition of oil and gas properties in the United States and Canada. The Company s entry into the oil and gas business began on February 3, 2005. During the period ended November 30, 2014, the Company discontinued its involvement in the oil and gas business through a Purchase and Sale Agreement signed with Cloudstream Belmont Lake, LP on November 26, 2014. In March of 2014, the Company also began its entry into the medicinal marijuana and alternative health and wellness business. This change of business was approved by the Company s shareholders during its Annual General Meeting held on June 11, 2014. The Company has offices in Vancouver and Kelowna, BC, Canada.

On August 7, 2014, the Company s board of directors approved changing its year end from October 31 to August 31. These unaudited consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company has recurring operating losses and required additional funds to maintain its operations. Management s plans in this regard are to raise equity and/or debt financing as required until such time as operations are profitable.

On November 24, 2015, our board of directors approved a forward stock split of our authorized and issued and outstanding shares of common stock on a basis of 1 old share of common stock for 1.1 new shares of common stock. Upon effect of the forward stock split our authorized capital will increase to 220,000,000 shares of common stock, par value $0.001 and our issued and outstanding shares increased from 39,952,984 to 43,948,282 shares of common stock, with a par value of $0.001. The forward stock split has been reviewed by the Financial Industry Regulatory Authority ("FINRA") and the Canadian Securities Exchange ("CSE") and was approved for filing with an effective date of December 16, 2015. The forward split became effective with the OTC Markets at the opening of trading on December 16, 2015 under the symbol LXRPD . The "D" was placed on our ticker symbol for 20 business days and was subsequently removed. Our new CUSIP number is 52886N307.

The Company s unaudited consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Company has a net loss of $642,312 for the six months ended February 29, 2016 (February 28, 2015: $807,763) and at February 29, 2016 had a deficit accumulated since its inception of $10,728,201 (August 31, 2015: $10,085,889). The Company has a working capital surplus of $53,104 as at February 29, 2016 (August 31, 2015 working capital surplus: $619,609). The Company requires additional funds to maintain its existing operations and developments. These conditions raise substantial doubt about our Company s ability to continue as a going concern. Management s plans in this regard are to raise equity and debt financing as required, but there is no certainty that such financing will be available or that it will be available at acceptable terms. The outcome of these matters cannot be predicted at this time and the financing environment is difficult.

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

3. Business Risk and Liquidity

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

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

4. Significant Accounting Policies

a) Basis of Consolidation

The unaudited interim consolidated financial statements include the financial statements of the Company, its wholly-owned subsidiary, Lexaria CanPharm Corp. which was incorporated on April 4, 2014 under the laws of Canada, and 51%-owned subsidiary Poviva Tea, LLC which was incorporated on December 12, 2014, under the laws of the State of Nevada. All significant inter-company balances and transactions have been eliminated.

b) Inventories and Cost of Sales

The Company has two major classes of inventory: finished goods, work in progress and raw materials. In all classes, inventory is valued at the lower of cost or market. Cost is determined on a first-in, first-out basis.

Cost of sales includes all expenditures incurred in bringing the goods to the point of sale. Inventory costs and costs of sales include direct costs of the raw material, inbound freight charges, warehousing costs, handling costs (receiving and purchasing) and utilities and overhead expenses related to the Company s manufacturing and processing facilities.

c) Property, Plant and Equipments

Property, Plant and Equipments is recorded at cost, net of accumulated amortization. Depreciation is calculated on a straight line basis over the estimated useful lives.

The estimated useful lives are as follows:

Office equipment	5 years

d) New Accounting Pronouncements

On May 28, 2014, the Financial Accounting Standards Board (the FASB)and the International Accounting Standards Board (the IASB) issued substantially converged final standards on revenue recognition. The FASB's Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), was issued in three parts: (a) Section A, Summary and Amendments That Create Revenue from Contracts with Customers (Topic 606)and Other Assets and Deferred Costs-Contracts with Customers (Subtopic 340-40), (b) Section B, Conforming Amendments to Other Topics and Subtopics in the Codification and Status Tables and (c) Section C, Background Information and Basis for Conclusions. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The new revenue recognition guidance becomes effective for the Company on January 1, 2017, and early adoption is not permitted. Entities have the option of using either a full retrospective or a modified approach to adopt the guidance in the ASU. The Company has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

In August 2014, the FASB issued new guidance on determining when and how to disclose going -concern uncertainties in the financial statements. The new guidance requires management to perform interim and annual assessments of an entity s ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosures if conditions or events raise substantial doubt about its ability to continue as a going concern. The guidance is effective for annual periods ending after December 15, 2016 and interim periods thereafter. Early adoption is permitted. Upon adoption, the Company does not believe this guidance will have a material impact on its consolidated results of operations or financial position.

In January 2015, the FASB issued ASU 2015-01, Income Statement-Extraordinary and Unusual Items (Subtopic 225-20), Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items, which eliminates the concept of extraordinary items. Under this new guidance, entities will no longer be required to separately classify, present and disclose extraordinary events and transactions. The amendments in this update are effective for annual and interim periods beginning after December 15, 2015. The Company is evaluating the impact of ASU 2015-01 and an estimate of the impact to the consolidated financial statements cannot be made at this time.

In February 2015, the FASB issued ASU No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis"("ASU 2015-02"). ASU 2015-02 makes several modifications to the consolidation guidance for variable interest entities ("VIEs") and general partners' investments in limited partnerships, as well as modifications to the evaluation of whether limited partnerships are VIEs or voting interest entities. It is effective for annual and interim periods beginning after December 15, 2015. Early adoption is permitted.

In April 2015, FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03). In August 2015, FASB issued ASU 2015-15, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements (ASU 2015-15). ASU 2015-03 will require that debt issuance costs be presented in the balance sheet as a deduction from the carrying amount of the debt. ASU 2015-15 allows an entity to present debt issuance costs associated with a revolving line of credit arrangement as an asset, regardless of whether a balance is outstanding. The recognition and measurement guidance for debt issuance costs are not affected by ASU

2015-03 or ASU 2015-15. These ASU s are effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period, with early adoption permitted. ASU 2015-03 will require the Company to reclassify its deferred financing costs associated with its long-term debt from other assets to long-term debt on a retrospective basis. The new standard will not affect the Company s results of operations or cash flows.

In April 2015, FASB issued ASU 2015-04, Practical Expedient for the Measurement Date of an Employer s Defined Benefit Obligation and Plan Assets (ASU 2015-04). ASU 2015-04 allows employers with a fiscal year end that does not coincide with a calendar month end to make an accounting policy election to measure defined benefit plan assets and obligations as of the end of the month closest to their fiscal year end. ASU 2015-04 is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. Prospective application is required, and early adoption is permitted.

In July 2015, FASB issued ASU 2015-11, Simplifying the Measurement of Inventory (ASU 2015-11). ASU 2015-11 requires that an entity measure inventory at the lower of cost and net realizable value. This ASU does not apply to inventory measured using last-in, first-out. ASU 2015-11 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Company does not expect the new standard to have a significant impact on its consolidated financial position, results of operations or cash flows.

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

5. Inventory

	February 29, 2016		August 31, 2015	
Finished goods	$	118,812	$	119,944
Work in progress		22,624		48,042
Raw material		-		-
	$	141,436	$	167,986

6. Capital Stock

Share Issuances

On September 16, 2015, the Company s Board has appointed Ted McKechnie as a Director. He was issued 100,000 common shares of the Company at $0.19 per share.

On November 24, 2015, our board of directors approved a forward stock split of our authorized and issued and outstanding shares of common stock on a basis of 1 old share of common stock for 1.1 new shares of common stock. Upon effect of the forward stock split our authorized capital increased to 220,000,000 shares of common stock, par value $0.001 and our issued and outstanding shares increased from 39,952,984 to 43,948,282 shares of common stock, with a par value of $0.001. The reverse stock split has been reviewed by the Financial Industry Regulatory Authority ("FINRA") and the Canadian Securities Exchange ("CSE") and was approved for filing with an effective date of December 16, 2015. The forward split became effective with the OTC Markets at the opening of trading on December 16, 205 under the symbol LXRPD . The "D" was placed on our ticker symbol for 20 business days and subsequently removed. Our new CUSIP number is 52886N307.

On November 30, 2015, the Company received partial proceeds of $36,000 prior to the closing of the financing in December. The shares have been issued in December when the financing was closed and 200,000 shares were issued at $0.18 for the $36,000.

On December 10, 2015, Lexaria closed a private placement by issuing 500,000 units at a price of US$0.18 per unit for gross proceeds of US$90,000, which included the $36,000 received on November 30, 2015. Each Unit consists of one common share of the Company and one half transferable Share purchase warrant (Warrant). Each Full Warrant will be exercisable into one further Share (a Warrant Share) at a price of US$0.30 per Warrant Share for a period of twenty four (24) months following closing. A cash finders fee for $2,520 was paid to Leede Financial Markets Ltd.; and 14,000 broker warrants with an exercise price of $0.30 for a period of twenty four months were issued to Leede Financial Markets Ltd.

As at February 29, 2016, Lexaria Corp. has 44,553,282 shares issued and outstanding and 6,488,020 warrants issued and outstanding.

The following table summarizes warrant existence in the period ended February 29, 2016:

	Number of Warrants	Weighted Average Exercise Price
Balance, October 31, 2013	-	$ -
Granted warrants with expiry date of November 1, 2015	500,000	0.10
Granted warrants with expiry date of September 21, 2015	10,600,000	0.25
Granted warrants with expiry date of April 1, 2015	552,380	0.40
Granted warrants with expiry date of February 12, 2016	1,302,333	0.25
Balance, August 31, 2014	12,954,713	$ 0.25
Warrants expired April 1, 2015	(552,380)	0.40
Granted warrants with expiry date of March 26, 2016	305,200	0.25
Granted warrants with expiry date of May 14, 2017	5,000,000	0.25
Granted warrants with expiry date of May 14, 2017	329,000	0.20
Balance, August 31, 2015	18,036,533	$ 0.25
Warrants expired September 21, 2015	(10,600,000)	0.25
Warrants expired November 1, 2015	(500,000)	0.10
Granted warrants with expiry date of December 10, 2017	290,400	0.30
Dividend from forward split December 16, 2015	693,653	
Warrants expired February 12, 2016	(1,432,566)	0.23
Balance, February 29, 2016	6,488,020	$ 0.25

7. Medical Marijuana Investment

On March 5, 2014, the Company has entered into a three year Joint Venture Agreement ("JV") with Enertopia Corp. and Mr. Robert McAllister (collectively, the "Parties"). Whereas Enertopia Corp (Enertopia) and Robert McAllister will source opportunities in the business, and the terms and conditions on which the Parties will form a joint venture to jointly participate in, or offer specific opportunities within the business (the "Joint Venture"), and Robert McAllister will join the Company as advisory board for the term of this Agreement. The Company issued Enertopia Corp. 1,000,000 shares and Robert McAllister 500,000 shares on signing of the Agreement. The Company agreed to additionally pay Enertopia a finder s commission, received at the sole election of Enertopia in either cash or in common restricted shares of Lexaria, within a range of 2% - 5% of the value (less of taxes) of any future business acquisition, joint venture or transaction that Lexaria accepts and closes for the life of this Agreement. Lexaria as its initial Contribution, paid to McAllister 500,000 common restricted shares as compensation for entering the Joint Venture and for McAllister to initiate and during the term of the Agreement continue to provide to Lexaria opportunities for Lexaria to build its business. Lexaria agrees to additionally award McAllister 500,000 stock options to buy common shares of Lexaria, with terms to be specified and ratified by shareholder and regulatory approvals, as compensation for joining and serving as Chairperson of Lexaria s marijuana business advisory board for the term of this Agreement.

8. Alternative Health Products

On November 12, 2014, the Company signed an agreement with Poppy s Teas LLC. (ViPova) to acquire 51% of ViPova with an initial consideration of US$50,000. Lexaria acquired a 51% Ownership Interest in the Business by satisfying the requirements set out in the agreement:

Pay to Operations bank account US$50,000 as an initial amount to upgrade the Business as may be required to advance the Business (paid)
Agree to Spend $75,000 over one year following the execution date of this agreement as a product marketing and operations budget (paid)
Agree to Extend to the founders of ViPova (Founders) $25,000 worth of Lexaria common shares subject to a share lockup of six months as required by the Securities and Exchange Commission (paid)
Agree to Pay one of the Founders $2000 a month for production consulting for a period of 12 months out of revenues, the operating account, or against the marketing budget (paid)
Agree to Pay one of the Founders $2000 a month for marketing consulting for a period of 12 months out of revenues, the operating account, or against the marketing budget (paid)
Agree to Provide the Founders a cash bonus in the amount of $50,000 should the company generate $300,000 in sales within 8 months of the execution of this agreement (N/A)
Agree to grant to ViPova a Right of First Refusal to produce under white-label, additional cannabinoid (CBD) -based products on behalf of Lexaria, but Lexaria reserves the right to engage other producers should Lexaria, in its reasonable discretion, believe ViPova to be uncompetitive to supply the products requested by Lexaria.
As part of this Agreement, and once the terms of this Agreement have expired, the Founders will be automatically granted a lifetime license to personally produce products covered by patent numbers # 62010621 and 62037706. This personal license does not extend to any third party corporation, joint venture or partnership that would compete against PoViva Tea, LLC or Lexaria Corporation.

ViPova will reduce to a 25% Ownership Interest in the Business and Lexaria will acquire an additional 24% (total 75%) Ownership Interest in the Business by satisfying the following requirements:

Spend an additional US$100,000 on sales and marketing ViPova by Lexaria brand beginning within 60 days of executing this Agreement and completing spending within 24 months of executing this Agreement. (paid)
Lexaria to pay to ViPova or to its principals 2.5 times trailing 12 months ViPova revenue (pro- rata) calculated from that date that this option is exercised. ViPova can receive up to 50% of this payment in the Company s common stock at ViPova s discretion.
This Section is valid beginning November 15th, 2015 and expires on November 15th, 2017.

The acquisition of Vipova was treated as an acquisition of assets rather than a business combination because Vipova did not constitute a business. $48,039 acquired In-Process Research and Development has been expensed at the acquisition date in accordance with ASC 730-10-25-1.

In June 2015, the Company simultaneously filed a U.S. utility patent application and an International patent application under the Patent Cooperation Treaty (PCT) procedure, both at the U.S. Patent and Trademark Office. These applications follow the Company s 2014 and 2015 family of provisional patent application filings in the U.S. and serve two additional broad purposes.

Firstly, these filings served to expand potential intellectual property protection outside of the USA. Filing under the PCT allows the Company to elect to pursue patent protection in up to 148 nations around the world. The second purpose was to broaden the number of molecules for which intellectual patent protection is sought. Under the original patents pending, only the THC and CBD molecules, infused within a unique lipid-formulation technology, were pursued. Under the newer patent applications, the list of molecules for which a unique delivery system were broadened to include THC, CBC, Nicotine, Non Steriodal Anti- Inflammatories, and certain Vitamins. As at February

29, 2016, the Company capitalized $49,259 for patent application.

In December 2015, the Company filed two further provisional patent applications in the U.S. These new applications served to further broaden the varitety and applicability of base compounds that can be used when formulating the Company s lipid based technology. The first of these applications identify compounds like edible starches (e.g., tapioca starch) that are commonly used in food products today and could, therefore, serve as a base for formulating and incorporating the Company s technology into a wide variety of every day food products. The second of these applications identify emulsifier compounds like gum Arabic that are commonly used in beverage products today in order to facilitate similar flexibility for formulating the Company s technology in every day, shelf-stable beverages.

On August 11, 2015, Lexaria signed a license agreement with PoViva Tea LLC for $10,000, granting Lexaria a 35-year non exclusive worldwide license to unencumbered use of PoViva Tea LLC s IP Rights, including rights of resale. This license agreement ensures Lexaria has full access to the underlying patent pending infusion technology. The Company fulfilled its financial obligations during November 30, 2015 quarter.

9. Related Party Transactions

For the six months ended February 29, 2016, the Company accrued/paid $60,000 to CAB (2014: $54,000); to BKB Management Ltd. (BKB) CAD$45,000 (2015: CAD$39,000) for management, consulting and accounting services; to a senior vice president $18,000 (2015: $9,000) for executive management consulting; and to Docherty Management Limited CAD$75,000 (2015: $Nil). CAB is owned by the CEO of the Company, BKB is owned by the CFO of the Company and Docherty Management Limited is owned by the President of the Company.

In aggregate, $238,221 was payable to a company controlled by President, a company controlled by CFO, to a senior vice president and to a company controlled by the CEO of Lexaria.

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

10. Stock Options

On September 16, 2015, the Company granted 100,000 stock options to an Officer of the Company. The exercise price of the stock options is $0.19, vesting immediately and expiring on September 16, 2020.

For the six months ended February 29, 2016, the Company recorded $37,948 (February 29, 2015 $174,720) stock based compensation expenses which has been included in consulting fees.

A summary of the changes in stock options for the six months ended February 29, 2016 is presented below:

	Number of Shares		Options Outstanding Weighted Average Exercise Price
Balance, August 31, 2015	3,700,000	$	0.17
Expired	(50,000)		0.60
Granted	100,000		0.19
Forward split	375,000		
Balance, February 29, 2016	4,125,000	$	0.16

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

	February 29, 2016	August 31, 2015
Expected volatility	243%-249%	243%-249%
Risk-free interest rate	1.47-1.68%	1.47-1.68%
Expected life	5.00 years	5.00 years
Dividend yield	0.00%	0.00%
Estimated fair value per option	$0.08-$0.10	$0.08-$0.10

A summary of the stock options as at ended February 29, 2016 is presented below:

February 29, 2016	**Options outstanding**				**Options exercisable**			
Range of Exercise prices	Number of shares	Weighted average remaining contractual life		Weighted average exercise price	Number of shares	Weighted average remaining contractual life		Weighted average exercise price
$0.35	495,000	0.36 years	$	0.35	495,000	0.36 years	$	0.35
$0.10	440,000	2.30 years	$	0.10	440,000	2.30 years	$	0.10
$0.25	687,500	3.40 years	$	0.25	687,500	3.40 years	$	0.25
$0.11	1,567,500	3.81 years	$	0.11		3.81 years	$	0.11
$0.10	275,000	3.93 years	$	0.10	1,567,500	3.93 years	$	0.10
$0.10	550,000	4.07 years	$	0.10	275,000	4.07 years	$	0.10
$0.19	110,000	4.55 years	$	0.19	550,000	4.55 years	$	0.19
					110,000			
Total	4,125,000	3.23 years	$	0.16	4,125,000	3.23 years	$	0.16

August 31, 2015	**Options outstanding**				**Options exercisable**			
Range of Exercise prices	Number of shares	Weighted average remaining contractual life		Weighted average exercise price	Number of shares	Weighted average remaining contractual life		Weighted average exercise price
	450,000	0.86 years	$	0.35	450,000	0.86 years	$	0.35
$0.10	400,000	2.80 years	$	0.10	400,000	2.80 years	$	0.10
$0.60	50,000	3.57 years	$	0.60	50,000	3.57 years	$	0.60
$0.25	625,000	3.90 years	$	0.25	625,000	3.90 years	$	0.25
$0.11	1,425,000	4.31 years	$	0.11	1,325,000	4.30 years	$	0.11
$0.10	250,000	4.43 years	$	0.10	250,000	4.43 years	$	0.10
$0.10	500,000	4.57 years		0.10	500,000	4.57 years		0.10
Total	3,700,000	3.69 years	$	0.17	3,600,000	3.68 years	$	0.17

11. Commitments, Significant Contracts and Contingencies

On November 27, 2008, the Company entered into a Consulting Agreement with CAB Financial Services Ltd. for consulting services of CAB on a continuing basis for a consideration of US$8,000 per month plus GST. Effective December 1, 2014, the Company entered into a new consulting agreement with the consulting services at $10,000 per month plus GST.

On May 12, 2009 the Company entered into a consulting agreement with BKB Management Ltd. to act as the Chief Financial Officer and a Director for an initial period of six months for consideration of CAD $4,500 per month plus GST. This agreement replaces the September 1, 2008, Controller Agreement with CAB Financial Services Ltd. Subsequent to October 31, 2010, effective January 1, 2011, the consideration was increased to CAD$5,500 per month plus GST/HST. Effective December 1, 2014, the Company entered into a new consulting agreement with the consulting services at CAD$7,500 per month plus GST.

On August 5, 2010 we entered into a three-month Management agreement with Tom Ihrke, whereby Mr. Ihrke will act as the Senior Vice-President, Business Development for the Company for consideration of $3,125 per month. On December 2, 2010, the Company entered into a month to month management agreement with Tom Ihrke, where by Mr. Ihrke will continue to act as the Senior Vice-President Business Development for the Company. On October 3, 2011 Mr. Ihrke and the Company amended the agreement whereby his title changed to Manager, Business Development. The Company will pay a monthly consulting fee of $3,125. Effective January 15, 2012, the consulting agreement has been decreased to $10 a month. Effective April 1, 2014, the amended consulting agreement has been increased to $5,000 per month. Effective December 23, 2014, the Company has entered into a new Executive Management consulting agreement with the consulting services at $3,000 per month.

On July 1, 2013, the Company entered into a 2 year lease for the Kelowna office with monthly rental rate of $1,652 including GST. The lease renews on a month-to-month basis with a 3-month notice term beginning July 1, 2015.

On September 1, 2014, the Company entered into a one year contract with M&E Services Ltd., wholly owned company by Allan Spissinger as Controller for CAD$2,500 plus GST. This contract amended on December 1, 2014 to CAD$3,400 a month plus GST.

On February 1, 2015 the Company signed a consulting agreement for up to five years with confirmed 6 months with Sequoia Partners Inc. to provide strategic and development of project objectives. The Company will pay monthly compensation of CAD$5,000 for six months.

On March 26, 2015, the Company announced the appointment John Docherty as President of Lexaria effective April 15, 2015. The Company executed a twenty four month consulting contract with Docherty Management Limited, solely owned by Mr. John Docherty with monthly compensation of CAD$12,500 and shall increase to a total of CAD$15,000 per month effective at that time when the Company has US$1,000,000 or more in cash in its bank accounts, and continue at CAD$15,000 per month from that moment until the termination or completion of the contract. The Company may pay the Consultant a bonus from time to time, at its sole discretion. Mr. John Docherty will be entitled to receive common stock-based and stock- option based bonuses upon achieving certain milestones during the time of his Consultancy with the Company. These milestones are:

> Upon signing: A grant of 500,000 stock options priced one-cent above market prices at the time of award. (granted)
>
> 90 Days after signing: A grant of 500,000 restricted common shares.(420,000 restricted common shares issued)

Twelve months after signing: A grant of 300,000 stock options priced one-cent above market prices at the time of award.

Eighteen (18) months after signing: A grant of 300,000 restricted common shares.

During the first twelve (12) months after signing; for combined Lexaria Energy and ViPova products and including all combined sales efforts, achieving non- refundable sales of US$200,000 to any single customer in any consecutive 60-day period would result in a restricted common share award of 100,000 Company shares; and, after the first twelve (12) months after signing and expiring twenty- four (24) months after signing; for combined Lexaria Energy and ViPova products and including all sales efforts, achieving non-refundable sales of US$200,000 to any single customer in any consecutive 60-day period would result in a restricted common share award of 50,000 Company shares; this clause limited to one payment per customer during the 24-month period, but payable on each customer that meets these sales thresholds;

During the first twelve (12) months after signing; for combined Lexaria Energy and ViPova products and including all combined sales efforts, achieving non- refundable sales of US$500,000 in any fiscal quarter would result in a restricted common share award of 200,000 Company shares; and, after the first twelve (12) months after signing and expiring twenty-four (24) months after signing; for combined Lexaria Energy and ViPova products and including all sales efforts, achieving non-refundable sales of US$500,000 in any fiscal quarter would result in a restricted common share award of 100,000 Company shares; this clause limited to one payment per fiscal quarter;

During the time this Agreement remains in effect, for each new provisional patent application substantially devised by Mr. John Docherty and successfully created, written and filed with the US Patent Office for Company-owned intellectual property, a restricted common share award of 250,000 Company shares, this clause not limited to frequency of payment but each patent application to be approved by the Board of Directors of the Company, in advance;

See also Note 8 and 9.

12. Subsequent Events

a) On March 29, 2016, we closed the first tranche of a private placement offering of convertible debentures in the aggregate amount of $45,000. The convertible debentures mature on August 31, 2020, The convertible debentures pay an interest rate of 10% per annum (on a simple basis) and are convertible at (i) $0.12 per Conversion Share at any time prior to August 31, 2016 (ii) $0.15 per Conversion Share at any time prior to August 31, 2017; (iii) USD$0.20 per Conversion Share at any time prior to August 31, 2018 or, at the sole option of the Holder, a price equal to a 20% discount to the 10-day average closing price of the Common Shares on the Exchange prior to the date of conversion and adjusted for the applicable US dollar to Canadian dollar exchange rate on the last Business Day preceding the date of conversion (the **Average Price**) provided that the Average Price is less than $0.20 and provided further that the Conversion Price shall not be less than $0.15; (iv)$0.25 per Conversion Share at any time prior to August 31, 2019 or, at the sole option of the Holder, the Average Price provided that the Average Price is less than $0.25 and provided further that the Conversion Price shall not be less than $0.15; and (v) $0.30 per Conversion Share at any time prior to August 31, 2020 or, at the sole option of the Holder, the Average Price provided that the Average Price is less than $0.30 and provided further that the Conversion Price shall not be less than USD$0.15.

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

Forward-Looking Statements

This quarterly report contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors", that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our unaudited interim consolidated financial statements are stated in United States Dollars (US$) and are prepared in accordance with United States Generally Accepted Accounting Principles. The following discussion should be read in conjunction with our financial statements and the related notes that appear elsewhere in this quarterly report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this quarterly report, particularly in the section entitled "Risk Factors" of this quarterly report.

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

As used in this quarterly report, the terms "we", "us", "our" and "Company" mean Company and/or our subsidiaries, unless otherwise indicated.

Overview

We were incorporated in the State of Nevada on December 9, 2004. We were an exploration and development oil and gas company engaged in the exploration for and development of petroleum and natural gas in North America from the date of incorporation until 2014. During 2014 we submitted an application to enter the legal medical marijuana business in Canada and also launched a hemp oil-based food supplement company in the USA. We maintain our registered agent's office and our U.S. business office at Nevada Agency and Transfer Company, 50 West Liberty, Suite 880, Reno, Nevada 89501. Our telephone number is (755) 322-0626.

The address of our principal executive office is Suite 950, 1130 West Pender Street, Vancouver, British Columbia V6E 4A4. Our telephone number is (604) 602-1675. We have another office located in Kelowna. Our current locations provide adequate office space for our purposes at this stage of our development.

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

Our company currently pursues business opportunities in diverse industries including the food sciences, technology licensing, and ready-to-eat food sectors. Our food sciences activities include the development of our proprietary nutrient infusion technologies for the production of superfoods, and the production of food enhanced food products under our two consumer product brands, ViPova™ and Lexaria Energy. Our patent pending lipid nutrient infusion technology is believed to enable higher bioavailability rates for CBD; THC; NSAIDs; Nicotine and other molecules than is possible without lipophilic enhancement technology. This can allow for lower overall dosing requirements and/or higher effectiveness in active molecule delivery. Lexaria has casued to be filed several patent pending applications with the US Patent Office, and also internationally under the Patent Cooperation Treaty (PCT). Lexaria hopes to reduce other common but less healthy ingestion methods such as smoking as it embraces the benefits of public health.

Due to the implementation of British Columbia Instrument 51-509 on September 30, 2008 by the British Columbia Securities Commission, we have been deemed to be a British Columbia based reporting issuer. As such, we are required to file certain information and documents at www.sedar.com.

Our Current Business

Our Company was an oil and gas company engaged in the exploration for oil and natural gas in Canada and the United States. We were generating revenues from our business operations in Mississippi. Subsequent to our previous year end, on November 26, 2014, we executed the sale of all or our working interests in Belmont Lake oil field with a closing date of December 5, 2014. In March of 2014, we began our entry into the medicinal marijuana business through an application to become a Licensed Producer under the MMPR in Canada. No such license has yet been granted and we subsequently sold our interest in that application. The change of business was approved by our shareholders during our Annual General Meeting held on June 11, 2014. In November of 2014, the Company acquired 51% of ViPova Tea LLC for alternative health products, in the food supplement sector.

Lexaria is a food sciences company focused on the delivery of cannabinoid compounds procured from legal, agricultural hemp, through gourmet foods based upon its proprietary infusion technologies. Secondarily and more generally, we continue to investigate opportunities to license our technology within the US legal regulated medical marijuana sector where possible; and to review additional opportunities in alternative health sectors. This includes the acquisition or development of intellectual property if and when we believe it advisable to do so. We have filed for patent pending protection of what we believe to be a unique manner in which to more efficiently deliver certain molecules such as THC, CBD, Nicotine, NSAIDs, and Vitamins, all through everyday food products. To achieve sustainable and profitable growth, our company intends to control the timing and costs of our projects wherever possible.

During the six month period ended February 26, 2016, we experienced the following significant corporate developments:

On **September 16, 2015**, the Company s Board has appointed Mr. Ted McKechnie as a Director of the Company. Upon Mr. McKechnie s appointment the Company has issued 100,000 common shares of the Company at $0.19 per share to Mr. McKechnie. The Company on June 11, 2014 had adopted the 2014 Stock Option Plan. Based on this original Stock Option Plan, on September 16, 2015, the Company has granted 100,000 stock options to Mr. Ted McKechnie. The exercise price of the stock options is $0.19, vesting immediately, expiring on September 16, 2020.

On **December 10, 2015**, Lexaria closed a private placement by issuing 500,000 units at a price of US$0.18 per unit for gross proceeds of US$90,000. Each Unit consists of one common share of the Company and one-half, transferable Share purchase warrant (Warrant). Each Full Warrant will be exercisable into one further Share (a Warrant Share) at a price of US$0.30 per Warrant Share for a period of twenty four (24) months following closing. A cash finders fee for $2,520 was paid to Leede Financial Markets Ltd.; and 14,000 broker warrants with an exercise price of $0.30 for a period of twenty four months were issued to Leede Financial Markets Ltd.

On **December 14, 2015**, Lexaria signed an Investor Relations contract with Radius Consulting Inc. for a 45 day term. Radius received $2,500 and 50,000 common shares at a price of $0.20 per share.

On **November 24, 2015**, our board of directors approved a forward stock split of our authorized and issued and outstanding shares of common stock on a basis of 1 old share of common stock for 1.1 new shares of common stock. Upon effect of the forward stock split our authorized capital increased to 220,000,000 shares of common stock, par value $0.001 and our issued and outstanding shares increased from 39,952,984 to 43,948,282 shares of common stock, with a par value of $0.001. The reverse stock split has been reviewed by the Financial Industry Regulatory Authority ("FINRA") and the Canadian Securities Exchange ("CSE") and has been approved for filing with an effective date of **December 16, 2015**. The forward split became effective with the OTC Markets at the opening of trading on December 16, 205 under the symbol LXRPD . The "D" was placed on our ticker symbol for 20 business days and subsequently removed. Our new CUSIP number is 52886N307.

On March 23, 2016, at 1 pm PDT, Lexaria Corp. (Lexaria or the Company) held its Annual and Special Meeting of Shareholders for the following purposes:

1. To elect Chris Bunka, Bal Bhullar, Ted McKechnie and Nicolas Baxter as directors of the Company for the ensuing year and until their successors are elected;
2. To ratify MNP LLP our independent registered public accounting firm for the fiscal year ending August 31, 2016 and to allow directors to set the remuneration;
3. To approve a change of of Company name to Lexaria Bioscience Corp.;
4. To transact such other business as may properly come before the Meeting or any adjournment of the postponement thereof.

All proposals were approved by the shareholders. The proposals are described in detail in the Company s definitive proxy statement filed with the Securities and Exchange Commission on February 25, 2016.

On **March 29, 2016**, we closed the first tranche of a private placement offering of convertible debentures in the aggregate amount of USD$45,000. The convertible debentures mature on August 31, 2020, The convertible debentures pay an interest rate of 10% per annum (on a simple basis) and are convertible at (i) USD$0.12 per Conversion Share at any time prior to August 31, 2016 (ii) USD$0.15 per Conversion Share at any time prior to August 31, 2017; (iii) USD$0.20 per Conversion Share at any time prior to August 31, 2018 or, at the sole option of the Holder, a price equal to a 20% discount to the 10-day average closing price of the Common Shares on the Exchange prior to the date of conversion and adjusted for the applicable US dollar to Canadian dollar exchange rate on the last Business Day preceding the date of conversion (the **Average Price**) provided that the Average Price is less than USD$0.20 and provided further that the Conversion Price shall not be less than US$0.15; (iv) USD$0.25 per Conversion Share at any time prior to August 31, 2019 or, at the sole option of the Holder, the Average Price provided that the Average Price is less than USD$0.25 and provided further that the Conversion Price shall not be less than USD$0.15; and (v) USD$0.30 per Conversion Share at any time prior to August 31, 2020 or, at the sole option of the Holder, the Average Price provided that the Average Price is less than USD$0.30 and provided further that the Conversion Price shall not be less than USD$0.15.

Enertopia Joint Venture

On May 28, 2014, our company and Enertopia Corp. entered into a definitive agreement to develop a joint business for the production, manufacture, propagation, import/export, testing, research and development of marijuana in the Province of Ontario under the MMPR. Pursuant to the Agreement, ownership, revenues, and liability related to the Joint Venture were to be divided 51% to Enertopia and 49% to Lexaria. Expenses incurred by the joint venture would be allocated 45% to Enertopia and 55% to Lexaria. Enertopia was responsible for management of the joint venture for as long as it maintained majority ownership. Lexaria and Enertopia contributed $55,000 and $45,000 to the joint venture, respectively. The joint identified a production location in Burlington, Ontario and received municipal approval for the site in July, 2014. We intended to engage an architect to design the production facility upon acceptance of our application. Construction was anticipated to cost approximately $3,000,000 andLexaria would have been responsible for $1,650,000 of this cost. Unable to estimate when a production license might be granted by Health Canada, the joint venture sought assurances from Health Canada prior to commencement of construction. In the event that Health Canada did not grant a production license by May 27, 2015, the joint venutre was to terminate.On August 1, 2014, through our wholly owned subsidiary Lexaria Canpharm Corp., we signed an extension to the letter of intent with 1475714 ONTARIO INC. and Thor Pharma Corp. (a subsidiary of Enertopia Corp.) to secure a 5 year lease on the Burlington, Ontario facility for our Burlington joint venture. The proposed Burlington, Ontario facility was to be comprised of 30,000 ft², with Lexaria and Enertopia having acquired a right of first refusal having been acquired for another 45,000 square feet totaling 75,000 ft² to accommodate future growth. Planned production areas have 22 foot ceilings which could allow for the possibility of a 2nd mezzanine level in many areas for further expansion. The production target for the facility based on 30,000 ft² (with approximately 50% devoted to production space) was approximately 10,000 kilograms per year.

By November 30, 2014, our Burlington joint venture had announced that its application to Health Canada s for the Burlington facility had advanced to from preliminary to enhanced screening. By December 12, 2014, the joint venture was extended to June 12, 2015.

On June 11, 2015, we entered into a Letter of Intent dated June 10, 2015 with Shaxon Enterprises Ltd. to sell our 49% interest in the Burlington joint venture, including our interest in MMPR application number 10QMM0610 for the proposed Burlington, Ontario production facility. Subsequent to the LOI with Shaxon Enterprises Ltd., our joint venture agreement with Enertopia which was entered into on May 28, 2014 was terminated due to the pending sale of the project. As a result of the termination, 500,000 restricted and escrowed common shares of Lexaria issued to Enertopia at a deemed price of $0.40 were returned to treasury and cancelled. The Enertopia and Lexaria Master Joint Venture Agreement entered into on March 5, 2014 is still effective and governs the relationship between our Company and Enertopia.

On June 26, 2015, we signed a Definitive agreement to our interest in the Burlington joint venture along with the MMPR application number 10MMPR0610. The Burlington MMPR license application will continue in the application process under new ownership. Pursuant to the agreement, the joint venture received a non-refundable $10,000 deposit and is entitled to receive up to $1,500,000 in milestone payments upon the Burlington facility becoming licensed under the MMPR. These monies would be split 51% to Enertopia and 49% to Lexaria. Notwithstanding the foregoing, we can neither guarantee nor provide a meaningful time estimate regarding the grant of a production license for the Burlington facility. There is no assurance that any monies will in fact ever be received from our sale of the license application.

Food Science and Technology

Lexaria is a food sciences company focused on the delivery of cannabinoid compounds procured from legal, agricultural hemp, through gourmet foods based upon its proprietary infusion technologies. Lexaria is focusing its capital and management time on its pursuit of intellectual property, technology licensing opportunities, and an expanding portfolio of patent pending applications. The Company introduced an expanding variety of hemp oil-fortified consumer food products throughout 2015, and expects to introduce several more products before the end of calendar 2015. From January 2015 to December 2015, we introduced seven (7) flavors of teas; hot chocolate; coffee, and two (2) flavors of protein energy bars all utilizing our patent pending technology for the more efficient delivery of hemp oil infused within those food products.

On November 11, 2014, our Company acquired 51% of PoViva Tea LLC and executed an operating agreement to develop a business of legally producing, manufacturing, importing/exporting, testing, researching and developing, a line of hemp oil with cannabidiol-infused teas, drinks and foods. Pursuant to the Agreement, as Manager, Lexaria oversees all aspects of the business including, but not limited to, Accounting, Marketing, Capital Investment, Capital Raising, Sales, Branding, Advertising and Fulfillment. The Founders will serve as Production Manager and be responsible for all aspects of production, product quality, licensing, testing, and product legality. It is also expected that both parties to this Agreement will assist the other to fulfill their obligations as needed and the cost of business will be borne by revenues earned by the company and general corporate funds. There is a Management Committee, whereby there are two representatives from Lexaria and one of the founding members.

In the production of the products, for each batch of hemp oil purchased as a raw material to be used in ViPova-branded products, The Production Manager will be responsible for assuring that the product inputs and the completed product comply with all applicable food and drug laws, and that the inputs and the finished products meet all applicable legal and quality standards including and as it relates to hemp oil content; THC content; molds and mildews; heavy metals; and may measure additional components. For a period of time ViPova brand will conduct an independent lab analysis to confirm that the inputs conform to all US laws and associated quality standards.

The US Federal government, through the US Department of Health and Human Services, owns US Patent #6,630,507, which among other things, claims that

> *Cannabinoids have been found to have antioxidant properties, unrelated to NMDA receptor antagonism. This new found property makes cannabinoids useful in the treatment and prophylaxis of wide variety of oxidation associated diseases, such as ischemic, age-related, inflammatory and autoimmune diseases. The cannabinoids are found to have particular application as neuroprotectants, for example in limiting neurological damage following ischemic insults, such as stroke and trauma, or in the treatment of neurodegenerative diseases, such as Alzheimer's disease, Parkinson's disease and HIV dementia.*

For reference, cannabinoids are compounds that affect cannabinoid receptors located on many human cells. CB1 receptors are widely found within the human brain; and CB2 receptors are found with the human immune system and have been linked to anti-inflammatory and other responses.

Despite independent scientific findings in many locations around the world, some regulatory agencies do not officially recognize that a human endocannabinoid system exists.

Eighty-five different cannabinoids have been isolated from the cannabis plant, most of which do not have psychoactive properties. One that does have psychoactive properties is tetrahydrocannabinol (THC). Endocannabinoids are produced naturally in the human body while phytocannabinoids are produced in several plant species, most abundantly in the Cannabis plant.

Cannabidiol is one of the major phytocannabinoid forms of cannabinoids, contributing more than 35% of the extracts from the cannabis plant resin. Cannabidiol occurs naturally in other plant species beyond cannabis. For example the most widely acknowledged alternative source of phytocannabinoid is in the better understood Echinacea species, in widespread use as a dietary supplement. Most phytocannabinoids are virtually insoluble in water but are soluble in lipids and alcohol.

The Alternative Health sector is large and growing. A long term Medical Expenditure Panel Survey was conducted from 2002 until 2008 with at least 29,370 subjects asked repeatedly if they had seen any kind of health care practitioner in the previous six months. The survey recorded whether the health care provider was a complementary and alternative medicine care professional, including homeopathic, naturopathic, or herbalist.

Between 5.3% and 5.8% of the survey group at any one time reported that they had seen a complementary or alternative medicine provider. Based on the US population of ~319,000,000, this suggests between 16.9 million and 18.5 million Americans are seeking an alternative health care professional at any given time.

Meanwhile the Centers for Disease Control and Prevention, in an April 2011 NCHS Data Brief, reported that more than 50% of the population uses dietary supplements of one kind or another. Detailed findings from that report included:

> Use of dietary supplements is common among the U.S. adult population. Over 40% used supplements in 1988 1994, and over one-half in 2003 2006.
>
> Multivitamins/multiminerals are the most commonly used dietary supplements, with approximately 40% of men and women reporting use during 2003 2006.
>
> Use of supplemental calcium increased from 28% during 1988 1994 to 61% during 2003 2006 among women aged 60 and over.

Status of Operations

More than 150 million Americans drink tea every day, amounting to some 79 billion servings of tea in America every year. Our launch of ViPova Tea brand is meant to tap into this existing demand. Part of our corporate strategy is to build national brands through products that large groups of potential customers are already familiar and comfortable with.

PoViva Tea LLC has filed patents pending to bind active hemp oil ingredients with a lipid, potentially allowing for more efficient and comforting delivery of the CBD.

We have begun producing cash flows from our products in January 2015; focused on the immediate opportunities in the CBD-sectors derived from hemp oil that is federally legal. Cannabinoids have been found by many researchers to have antioxidant properties and Lexaria plans to use the patent pending process it has acquired with ViPova teas, to infuse CBD s into a number of popular food and beverages.

Lexaria has launched a line of premium products, always relying on our patent pending hemp oil-infusion process, to bring hemp oil into the mainstream. Because hemp oil does not have psychoactive properties we expect our products to appeal to the widest possible customer base. Initially we will focus our sales efforts across the continental USA. Some studies have found that 3% of the Canadian population regularly consumes hemp food products, while 1% of the American population regularly consumes hemp food products. We believe the consumption of hemp based food products offers exceptional growth possibilities.

According to Nutrition Business Journal, the Organic Food sector was a $246 billion industry in the USA during 2014, while Dietary Supplements was a $34.6 billion industry. According to Arcview, Legal Cannabis was a $4.7 billion US industry in 2015 but is clearly a much smaller industry sector than the more established food sectors. Lexaria has not yet determined whether our hemp oil-infused products will be accepted into any or all three of these particular sectors.

Lexaria commissioned three new websites in 2015 one for ViPova-branded food products, another for a new Lexaria corporate website, and a third for Lexaria Energy branded food products - which were completed throughout 2015. All the sites are in operation and the two food products websites allow customers to place orders and interact with normal e-commerce capabilities. The majority of our product sales in 2015 took place through these websites, though we expect that to change in 2016. A national distribution center has been contracted to ensure rapid and accurate fulfillment of all orders. A 1-800 ordering center has also already been placed into operation.

Lexaria is in the process of launching the Lexaria Energy brand that is 100% owned by the Company. Under this brand, the Company plans to develop hemp oil-infused food products for people with active lifestyles, such as protein bars, protein shakes and other similar products. A protein bar has gone into production and is available for sale under two different recipes and flavors. The Lexaria Energy brand will utilize the same patent-pending infusion process across its product line as is currently used by the ViPova brand.

Through the November 2014 acquisition of 51% of Poviva Teas LLC, Lexaria acquired control of certain patents pending with the United States Patent Office. Throughout the fiscal year, Lexaria has worked to broaden the patents and extend their utility to molecules other than those originally named.

On June 11, 2015, Lexaria has initiated the simultaneous filing of a U.S. utility patent application and an International patent application under the Patent Cooperation Treaty (PCT) procedure, both at the U.S. Patent and Trademark Office. These applications follow the Company s 2014 and 2015 family of provisional patent application filings in the U.S. and serve two additional broad purposes:

1)

Lexaria is seeking protection of its intellectual property under international treaties. To this end Lexaria has filed for PCT patent application protection. There are 148 countries that are signatories to the Patent Cooperation Treaty, including such major markets as Canada, China, India, much of Europe and the Middle East, the United Kingdom and Japan among others.

2) Lexaria believes its lipid infusion technology has applications beyond the delivery of just cannabinoids. Based on further formulation testing, Lexaria has included additional lipophilic molecules that may be delivered via food and beverage formats utilizing its technology, widely encompassing three major new market opportunities for the Company: Nicotine; Nonsteroidal Anti-Inflammatories (NSAIDs); and Vitamins.

INTERNATIONAL PATENT PROTECTION

When Lexaria first began examining the legal medical cannabis market in 2013, and entered the market in 2014, the Company believed it could make an impact in perhaps both the Canadian and U.S. marketplaces. Our pursuit and development of technology has expanded our potential area of impact, both geographically and by sector. Because of the applicability of our technology to markets outside of the legal cannabis sector, we have taken the necessary steps to protect that intellectual property within larger global markets, regardless of whether they lie within the medical cannabis sector or in other unrelated sectors.

ADDITIONAL MOLECULES

NICOTINE. More than 99% of all nicotine that is consumed worldwide is delivered through smoking cigarettes. Approximately 6,000,000 deaths per year, worldwide, are attributed primarily to the delivery of nicotine through the act of smoking according to the Centers for Disease Control and Prevention, which also estimates that over $170 billion per year is spent just in the USA on direct medical care costs for adult smokers. 69% of U.S. adult smokers want to quit smoking and 43% of US adult smokers have attempted to quit in any twelve month period.

Worldwide, retail cigarette sales were worth $722 billion in 2013, with over 5.7 trillion cigarettes sold to more than 1 billion smokers.

RELEVANCE: Lexaria postulates that delivery of nicotine to satisfy current demand, utilizing our patent pending lipid-delivery technology in common food groups, could shift demand from smoking cigarettes to alternative nicotine-based food products. Since most of the adverse health outcomes of nicotine consumption are associated with the delivery method and only to a lesser degree to the actual ingestion of nicotine, there could be a vast positive community health outcome through the reduction in smoking cigarettes. Additional research and regulatory compliant investigations would need to be conducted before otherwise healthy foods such as tea, coffee or energy bar snacks containing nicotine could be introduced. Nicotine is a named molecule in the latest Lexaria patent applications.

NSAID. Non-steroidal Anti-inflammatories are the second-largest category of pain management treatment options in the world. The global pain management market was estimated at $22 billion in 2011, with $5.4 billion of this market being served by NSAID s. The U.S. makes up over one-half of the global market. The opiods market (such as morphine) form the largest single pain management sector but are known to be associated with serious dependence and tolerance issues.

Some of the most commonly known NSAIDs are ASA (Aspirin), Ibruprofen (Advil, Motrin), and Acetaminophen (Tylenol). (Acetaminophen is not accepted by all persons to be an NSAID.) Although NSAIDs are generally a safe and effective treatment method for pain, they have been associated with a number of gastrointestinal problems including dyspepsia and gastric bleeding.

RELEVANCE: Lexaria postulates that delivery of NSAIDs through a lipid-based mechanism could provide the beneficial properties of pain relief with lessened negative gastrointestinal effects, and also potentially deliver lower dosages of active ingredients with similar pain management outcomes as current pill forms at higher dosages. ASA, Piroxicam, Diclofenac, Indomethacin, Ibruprofen, and Acetaminophen are all named molecules in the latest Lexaria patent applications.

VITAMINS. The global vitamin and supplement market is worth $68 billion according to Euromonitor. The category is both broad and deep, comprised of many popular and some lesser known substances. Vitamins in general are thought to be an $8.5 billion annual market in the U.S. The U.S. is the largest single national market in the world, and China and Japan are the 2nd and 3rd largest vitamin markets.

Vitamin E is fat soluble and can be incorporated into cell membranes which can protect them from oxidative damage. Global consumption of natural source vitamin E was 10,900 metric tons in 2013 worth $611.9 million.

RELEVANCE: Lexaria postulates that delivery of fat soluble vitamins through its patent-pending lipid-based delivery mechanism may result in less waste and lower dosages required than most current pill forms. As well, ingestion of pills is an unpleasant experience for many people so it is possible that vitamin delivery through common food groups could vastly expand market demand for this sector. Vitamin E is a named molecule in the latest Lexaria patent applications.

On August 11, 2015, Lexaria signed a license agreement with PoViva Tea LLC for $10,000, granting Lexaria a 35-year non exclusive worldwide license to unencumbered use of PoViva Tea LLC s IP Rights, including rights of resale. This license agreement ensures Lexaria has full access to the underlying patent pending infusion technology.

On August 24, 2015, the Company announced potential industry-changing achievements in enhanced gastrointestinal absorption of cannabidiol (CBD) utilizing Lexaria s patent pending technology. The recent third-party testing was conducted in two phases of *in vitro* tests beginning in June and completed in August, 2015.

The independent laboratory results have delivered average CBD permeability of 499% of baseline permeability, compared to CBD permeability without Lexaria s technology. These results exceed Company expectations. This was assessed in a strictly controlled, *in vitro* experiment using a human intestinal tissue model. Samples of Lexaria s commercially available CBD-fortified ViPova black tea were administered in the model compared with concentration-matched CBD control preparations that lacked Lexaria s patent-pending formulation and process enhancements. Lexaria believes that its *in vitro* findings provide compelling evidence of the intestinal absorption enhancing capabilities of its technology, based on which it is exploring opportunities to progress to more advanced, follow-on bioavailability testing in animals.

The tests also showed 325% of baseline gastro-intestinal permeability of CBD comparing Lexaria s CBD-fortified ViPova black tea to a second control of CBD and black tea combined, *without* Lexaria s patent-pending formulation enhancements. This confirms that the specialized processing undertaken by Lexaria during its manufacturing process together with its formulation enhancements, does indeed significantly improve absorption levels.

As previously reported by the Company, bioavailability of CBD (or of THC) varies greatly by delivery method. Smoking typically delivers cannabinoids at an average bioavailability rate of 30% (Huestis (2007) Chem. Biodivers. 4:1770 1804; McGilveray (2005) Pain Res. Manag. 10 Suppl. A:15A 22A). By comparison, orally consumed cannabis edibles typically deliver cannabinoids at an average bioavailability rate of only 5% (Karschner et al. (2011) Clin. Chem. 57:66 75).

The Company s present findings suggest that its technology may achieve a 5-fold improvement in cannabinoid absorption in edible form over that which can be achieved without its proprietary process and formulation enhancements. This conceptually supports that Lexaria s technology represents a significant breakthrough in cannabinoid delivery by approximating the high absorption levels achieved as though through administration by smoking, but without the associated negative effects on human health caused by smoking.

The tests were completed in two phases culminating with testing using simulated intestinal fluid conditions that delivered these findings. These results were stronger than earlier iterations of the tests that did not use a simulated intestinal fluid environment and has contributed to Lexaria s understanding of the mechanisms at work. For these and other reasons, Lexaria believes that bioavailability testing in animals is likely to yield even stronger absorption results in the presence of natural intestinal fluid conditions.

CBD has been repeatedly found to provide beneficial pain relieving, anti-inflammatory, anti-anxiety, neuroprotection, anti-psychotic, and anti-convulsive effects among others. Lexaria s patent-pending technology could significantly reduce individual serving requirements for CBD to consumers. This could lead to reduced costs of consumption for consumers and increased profitability for Lexaria.

Lexaria believes that the same technology used to enhance the absorption of CBD in the recent laboratory tests, is applicable to THC, nicotine, NSAIDs and other lipophilic compounds that are widely used today.

On November 3, 2015, Lexaria Energy10 protein bars became available for retail sales with 2 new flavors. The Company sells Cashew Berry Date vegan bar which is optimal for pre-workout or morning use, with 10 grams of protein and a combination of dates, cherries and blueberries for energy from natural sugar sources. The 70 gram bar delivers energy for a workout or for the day to come. The Chocolate Berry Date bar is optimal for post-workout and for afternoon or evening use, or anytime one has the munchies. This 82 gram bar has 21 grams of protein and 13 grams of fiber to provide one s body with comfort and cleansing after strenuous activity.

During January 2015, Lexaria conducted a study of nitric oxide levels in humans, as a biomarker for absorption of cannabidiol. The study is expected to provide additional evidence of the efficient absorption of cannabidiol from Lexaria food products enhanced with hemp oil, by demonstrating the elevation of nitric oxide in the human body in response to product ingestion.

The study data from human subjects demonstrated significant elevation of systemic nitric oxide levels as a surrogate biomarker for cannabidiol (CBD) bioabsorption in response to ingestion of Lexaria's products. This provided clinical support for the CBD bioavailability enhancing properties of Lexaria's patent-pending technology, on the premise that bioavailable CBD is known to elevate levels of the endocannabinoid anandamide in the human body which, in turn, stimulates release of nitric oxide in the vascular system.

In summary, consuming Lexaria and ViPova food products resulted in elevated levels of nitric oxide within the body. The results of the study indicated that all Lexaria and ViPova food products elicited significant increases in salivary nitric oxide, achieving levels from 110 µM to as high as 220 µM in the test subjects. The beverage products generally had faster initial responses in as little as 15 minutes after product ingestion, whereas the initial responses from the protein-energy bars required 30 minutes. The faster response time with the beverage products was to be expected, given the relative ease of digesting liquids versus solids. All products sustained their maximum levels of nitric oxide detection through to the 60 minute end-points used in the study, indicating a need for additional study to determine the length of time that nitric oxide levels remain elevated following production consumption.

The study assessed six flavors of ViPova tea (Yunan Black, Herbal Cherry Black, Earl Grey, Herbal Bengal Chai, Herbal Masala Chai and Decaf English Breakfast), ViPova Columbian Supremo Coffee, ViPova Hot Chocolate and Lexaria Energy Foods Chocolate Berry Date and Cashew Berry Date protein-energy bars.

Six healthy human subjects (3 male and 3 female) between the ages of 22 and 65 years of age were recruited for the study. Subjects were screened for cardiovascular and allergic response to hemp products, were non-smokers and did not have any history of substance or alcohol abuse. One product was studied per day across all six subjects, with each subject consuming a full product serving size. Subjects were required to refrain from eating food or using vape products for at least 12 hours before test article administration on each day of the study. Nitric oxide levels in the test subjects were assessed using a commercially available, colorimetric test kit designed to quantify systemic nitric oxide via a detectable salivary marker. Immediately before test article administration each day, all subjects were required to demonstrate a negative baseline nitric oxide saliva test. Subjects were considered to have a negative test strip reading at a level of 20 µM according to the test strip scale, and positive readings anywhere above this. Subjects performed salivary nitric oxide testing at 15, 30, 45 and 60 minutes post-consumption of each product. All subjects remained sedentary from baseline through to the completion of testing for each product.

On January 28, 2016, Lexaria signed a distribution agreement with Telluride Coffee Roasters, LLC.

The Company does not know and cannot know whether these strategies will be successful, or if successful, how long it will take to gain consumer acceptance and customer loyalty. It can be a challenge to be successful by introducing new consumer products to a competitive retail marketplace, and we can offer no assurances that our products will be a commercial success.

Summary

The continuation of our business interests in these sectors is dependent upon obtaining further financing, a successful programs of development, and, ultimately, achieving a profitable level of operations. The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

There are no assurances that we will be able to obtain further funds required for our continued operations. As noted herein, we are pursuing various financing alternatives to meet our immediate and long-term financial requirements. There can be no assurance that additional financing will be available to us when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain the additional financing on a timely basis, we will be unable to conduct our operations as planned, and we will not be able to meet our other obligations as they become due. In such event, we will be forced to scale down or perhaps even cease our operations. There is significant uncertainty as to whether we can obtain additional financing.

Our business plan does not anticipate that we will hire a large number of employees or that we will require extensive office space. We expect to be able to utilize contracted third parties for most of our production and distribution needs, instead focusing on our capital on higher value added aspects of the business such as research and development, and scientific testing. We have no current plans to build our own production facility.

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

Competition

The legal marijuana industry is comprised of several sub-sectors, and is legal under different guidelines in many states though it remains illegal under most federal laws. Notwithstanding, the overall sector is generally recognized to be one of the fastest growing in the USA, with state-legal revenue of over $4 billion in 2015. Independent projections and publicized reports expect revenue of $20 billion or more in 2020, both as the sector gains in credibility and acceptance, and as more and more states legalize either medical use or adult recreational use; or both. In any fast growing industry, competition is expected to be both strong and also difficult to evaluate as to the most effective competitive threats. While we are an early adopter within the cannabinoid delivery sector, there are already reports of more than 300 public companies that have claimed to be involved in the sector in some fashion; and an unknown number of private companies. Our current strategies may prove to be ineffective as the sector grows and matures, and if so, we will have to adapt quickly to changing sectoral circumstances.

Competition in alternative health sectors and in consumer products in the USA is fierce. We expect to encounter competitive threats from existing participants in the sector and new entrants. Although PoViva Tea LLC has filed two patent pendings to protect intellectual property, there is no assurance that patents will be granted nor that other firms may not file superior patents pending. Food supplements, organic foods, and health food markets are all well established and our Company will face many challenges trying to enter these markets.

Compliance with Government Regulation

At least 24 States in the USA have passed some form of legislation related to that state s permission to grow, cultivate, sell or use marijuana either for medical purposes or for recreational or adult use purposes; or both. The various state legislation is not necessarily harmonious with one another, leading to potential conflicts between state laws. It is most often not legal to transport cannabis-related products across state lines.

Lexaria does not touch the plant in any location within or outside of the USA. We comply with federal law that provides for certain exemptions for agricultural (industrial) hemp and certain byproducts to be manufactured and sold in the US. Our technology may have applications within the legal marijuana sector and we may seek to license that technology to companies that have met and comply with state regulations for the sale or distribution of cannabis related products in any particular jurisdiction.

Lexaria s patent-pending technology may also have application in completely separate sectors such as vitamins, non-steroidal anti-inflammatories, and nicotine. We have no products nor operations in any of these sectors today. If we enter any of these sectors at any time, we will be exposed to and of necessity will have to comply with, all local, state and federal regulations in each of those sectors. As a result of the possibility of Lexaria being involved in a number of disparate business sectors, compliance with government regulations could require significant resources and expertise from our company.

Significant Acquisitions and Dispositions

We do not intend to purchase any significant equipment over the twelve months other than office computers, furnishings, and communication equipment as required, although that strategy could change if food manufacturing considerations demand it.

Corporate Offices

The address of our principal executive office is Suite 950, 1130 West Pender Street, Vancouver, British Columbia, V6E 4A4, for which we share 500 square feet of office space, which includes two executive offices for a monthly rental of CAD$1,208. Our telephone number is (604) 602-1675. We have another office located in Kelowna, for which we have 1,500 square feet of office space, which includes four executive offices for a monthly rate of CAD$826. Our current locations provide adequate office space for our purposes at this stage of our development.

Employees

We primarily use sub-contractors and consultants in the medical marijuana operations and alternative health products.

On November 27, 2008, we entered into a consulting agreement with CAB Financial Services Ltd., a British Columbia company. The consulting services provided by CAB Financial are on a continuing basis for a consideration of CAD$8,000 per month plus applicable taxes. CAB Financial is a consulting company controlled by our president, Christopher Bunka. Effective December 1, 2014, the Company entered into a new consulting agreement for consulting services of $10,000 a month plus GST.

On May 12, 2009, we entered into a six month consulting agreement with BKB Management Ltd., a British Columbia company for a consideration of CAD$4,500 per month plus applicable taxes. Effective January 1, 2011, the consideration was increased to CAD$5,500 plus applicable taxes. BKB Management is a consulting company controlled by our chief financial officer, Bal Bhullar. Effective December 1, 2014, the Company entered into a new consulting agreement for consulting services of CAD$7,500 a month plus GST.

On August 5, 2010 we entered into a three-month management agreement with Tom Ihrke, whereby Mr. Ihrke will act as the senior vice-president, business development for our company for consideration of $3,125 per month. On December 2, 2010, we entered into a month to month management agreement with Tom Ihrke, where by Mr. Ihrke will continue to act as the senior vice-president business development for our company. On October 3, 2011 Mr. Ihrke and our company amended the agreement whereby his title changed to manager, business development. Our company will pay a monthly consulting fee of $3,125. Effective January 15, 2012, the consulting agreement was decreased to $10 a month. Effective April 1, 2014, the amended consulting agreement has been increased to $5,000 per month. Effective December 23, the Company entered into a new Executive Management consulting agreement for consulting services of $3,000 a month.

On July 1, 2013, the Company entered into a 2 year lease for the Kelowna office with monthly rental rate of $1,652 including GST. The lease renews on a month-to-month basis with a 3-month notice term beginning July 1, 2015.

On September 1, 2014, the Company entered into a one year contract with M&E Services Ltd.., wholly owned company by Allan Spissinger as Controller for CAD$2,500 plus GST. This contract amended on December 1, 2014 to CAD$3,400 a month plus GST.

On February 1, 2015 the Company signed a consulting agreement for up to five years with confirmed 6 months with Sequoia Partners Inc. to provide strategic and development of project objectives. The Company will pay monthly compensation of CAD$5,000 for six months.

On March 26, 2015, the Company announced the appointment John Docherty as President of Lexaria effective April 15, 2015. The Company executed a twenty four month consulting contract with Docherty Management Limited, solely owned by Mr. John Docherty with a monthly compensation of CAD$12,500 and shall increase to a total of CAD$15,000 per month effective at that time when the Company has US$1,000,000 or more in cash in its bank accounts, and continue at CAD$15,000 per month from that moment until the termination or completion of the contract. The Company may pay the Consultant a bonus from time to time, at its sole discretion.Mr. John Docherty will be entitled to receive common stock-based and stock- option based bonuses upon achieving certain milestones during the time of his Consultancy with the Company. These milestones are:

Upon signing: A grant of 500,000 stock options priced one-cent above market prices at the time of award. (granted)

90 Days after signing: A grant of 500,000 restricted common shares.(420,000 restricted common shares issued)

Twelve months after signing: A grant of 300,000 stock options priced one-cent above market prices at the time of award.

Eighteen (18) months after signing: A grant of 300,000 restricted common shares.

During the first twelve (12) months after signing; for combined Lexaria Energy and ViPova products and including all combined sales efforts, achieving non- refundable sales of US$200,000 to any single customer in any consecutive 60-day period would result in a restricted common share award of 100,000 Company shares; and, after the first twelve (12) months after signing and expiring twenty- four (24) months after signing; for combined Lexaria Energy and ViPova products and including all sales efforts, achieving non-refundable sales of US$200,000 to any single customer in any consecutive 60-day period would result in a restricted common share award of 50,000 Company shares; this clause limited to one payment per customer during the 24-month period, but payable on each customer that meets these sales thresholds;

During the first twelve (12) months after signing; for combined Lexaria Energy and ViPova products and including all combined sales efforts, achieving non- refundable sales of US$500,000 in any fiscal quarter would result in a restricted common share award of 200,000 Company shares; and, after the first twelve (12) months after signing and expiring twenty-four (24) months after signing; for combined Lexaria Energy and ViPova products and including all sales efforts, achieving non-refundable sales of US$500,000 in any fiscal quarter would result in a restricted common share award of 100,000 Company shares; this clause limited to one payment per fiscal quarter;

During the time this Agreement remains in effect, for each new provisional patent application substantially devised by Mr. John Docherty and successfully created, written and filed with the US Patent Office for Company-owned intellectual property, a restricted common share award of 250,000 Company shares, this clause not limited to frequency of payment but each patent application to be approved by the Board of Directors of the Company, in advance;

We do not expect any material changes in the number of employees over the next 12 month period. We do and will continue to outsource contract employment as needed. However, with widespread consumer acceptance of our new products that requires more significant operations, we may retain additional employees.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies

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

Long-Lived Assets

In accordance with FASB ASC 360 Section S45, Accounting for the Impairment or Disposal of Long-Lived Assets", the carrying value of intangible assets and other long-lived assets is reviewed on a regular basis for the existence of facts or circumstances that may suggest impairment. We recognize impairment when the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset. Impairment losses, if any, are measured as the excess of the carrying amount of the asset over its estimated fair value.

Revenue Recognition

ViPova product and Lexaria Energy product revenues are recorded using the sales method whereby our Company recognizes tea sales based on the amount of tea sold to purchasers. Cost of goods sold is recognized in the same period of which the revenue is earned.

Going Concern

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

The continuation of our business is dependent upon us raising additional financial support and/or attaining and maintaining profitable levels of internally generated revenue. The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

New Accounting Pronouncements

On May 28, 2014, the Financial Accounting Standards Board (the FASB)and the International Accounting Standards Board (the IASB) issued substantially converged final standards on revenue recognition. The FASB's Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), was issued in three parts: (a) Section A, Summary and Amendments That Create Revenue from Contracts with Customers (Topic 606)and

Other Assets and Deferred Costs-Contracts with Customers (Subtopic 340-40), (b) Section B, Conforming Amendments to Other Topics and Subtopics in the Codification and Status Tables and (c) Section C, Background Information and Basis for Conclusions. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The new revenue recognition guidance becomes effective for the Company on January 1, 2017, and early adoption is not permitted. Entities have the option of using either a full retrospective or a modified approach to adopt the guidance in the ASU. The Company has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

In August 2014, the FASB issued new guidance on determining when and how to disclose going -concern uncertainties in the financial statements. The new guidance requires management to perform interim and annual assessments of an entity s ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosures if conditions or events raise substantial doubt about its ability to continue as a going concern. The guidance is effective for annual periods ending after December 15, 2016 and interim periods thereafter. Early adoption is permitted. Upon adoption, the Company does not believe this guidance will have a material impact on its consolidated results of operations or financial position.

In January 2015, the FASB issued ASU 2015-01, Income Statement-Extraordinary and Unusual Items (Subtopic 225-20), Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items, which eliminates the concept of extraordinary items. Under this new guidance, entities will no longer be required to separately classify, present and disclose extraordinary events and transactions. The amendments in this update are effective for annual and interim periods beginning after December 15, 2015. The Company is evaluating the impact of ASU 2015-01 and an estimate of the impact to the consolidated financial statements cannot be made at this time.

In February 2015, the FASB issued ASU No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis"("ASU 2015-02"). ASU 2015-02 makes several modifications to the consolidation guidance for variable interest entities ("VIEs") and general partners' investments in limited partnerships, as well as modifications to the evaluation of whether limited partnerships are VIEs or voting interest entities. It is effective for annual and interim periods beginning after December 15, 2015. Early adoption is permitted.

In April 2015, FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03). In August 2015, FASB issued ASU 2015-15, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements (ASU 2015-15). ASU 2015-03 will require that debt issuance costs be presented in the balance sheet as a deduction from the carrying amount of the debt. ASU 2015-15 allows an entity to present debt issuance costs associated with a revolving line of credit arrangement as an asset, regardless of whether a balance is outstanding. The recognition and measurement guidance for debt issuance costs are not affected by ASU 2015-03 or ASU 2015-15. These ASU s are effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period, with early adoption permitted. ASU 2015-03 will require the Company to reclassify its deferred financing costs associated with its long-term debt from other assets to long-term debt on a retrospective basis. The new standard will not affect the Company s results of operations or cash flows.

In April 2015, FASB issued ASU 2015-04, Practical Expedient for the Measurement Date of an Employer s Defined Benefit Obligation and Plan Assets (ASU 2015-04). ASU 2015-04 allows employers with a fiscal year end that does not coincide with a calendar month end to make an accounting policy election to measure defined benefit plan assets and obligations as of the end of the month closest to their fiscal year end. ASU 2015-04 is effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. Prospective application is required, and early adoption is permitted.

In July 2015, FASB issued ASU 2015-11, Simplifying the Measurement of Inventory (ASU 2015-11). ASU 2015-11 requires that an entity measure inventory at the lower of cost and net realizable value. This ASU does not apply to inventory measured using last-in, first-out. ASU 2015-11 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Company does not expect the new standard to have a significant impact on its consolidated financial position, results of operations or cash flows.

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

Results of Operations Three Months Ended February 29, 2016 and February 28, 2015

The following summary of our results of operations should be read in conjunction with our financial statements for the quarter ended February 29, 2016, which are included herein.

Our operating results for the three months ended February 29, 2016, for the three months ended February 28, 2015 and the changes between those periods for the respective items are summarized as follows:

	Three Months Ended February 29, 2016	Three Months Ended February 28, 2015	Change Between Three Months Period Ended February 29, 2016 and February 28, 2015
Income from Discontinued Operations	$ Nil	$ Nil	$ Nil
Sales	15,154	2,883	12,271
Cost of Goods Sold	19,237	2,052	17,185
General and administrative	270,474	459,439	(188,965)
Interest expense	Nil	Nil	Nil
Consulting fees	113,507	161,299	(47,792)
Professional Fees	(2,301)	16,632	(18,933)
Net Income (Loss)	(274,557)	(458,608)	184,051

Our accumulated losses increased to $10,728,201 as of February 29, 2016. Our financial statements report a net loss of $274,557 for the three month period ended February 29, 2016 compared to a net loss of $458,608 for the three month period ended February 28, 2015. Our general and administrative costs in the three month period ending February 29, 2016 were lower by $188,965, than the year-earlier period, which was largely due lower consulting fees and stock based compensation. We have sought to reduce operating costs wherever possible.

Readers are cautioned that the product sales of $15,154 represent thestartup of our entry into a new business sector. The Company is building sales channels initially in internet-based locations, and also through the formation and launching of a direct sales model. Initiatives are underway to increase exposure of the ViPova brand and of the Lexaria Energy brand. All of our product sales at this early stage are likely to be non-representative. Early revenue figures are not expected to be representative of longer term sales figures, and any single commercial order could be disruptive to longer term averages. The higher sales volumes in the quarter ended February 29, 2016 do represent broader product offerings and the beginnings of brand-building attempts throughout the year.

Most of calendar year 2015 was focused on the introduction of 11 new consumer food products utilizing a novel new production and manufacturing method. The Company was concurrently focused on strengthening its intellectual property rights and expanding its area of influence on intellectual property. In comparison, the Company expects to introduce few new products in 2016 and also believes its initial patent filing requirements have ended for the time being, allowing more resources of time and energy to be focused on development of sales and distribution channels.

Results of Operations Six Months Ended February 29, 2016 and February 28, 2015

The following summary of our results of operations should be read in conjunction with our financial statements for the quarter ended February 29, 2016, which are included herein.

Our operating results for the six months ended February 29, 2016, for the six months ended February 28, 2015 and the changes between those periods for the respective items are summarized as follows:

	Six Months Ended February 29, 2016	Six Months Ended February 28, 2015	Change Between Six Months Period Ended February 29, 2016 and February 28, 2015
Income from Discontinued Operations	$ Nil	$ 48,918	$ (48,918)
Sales	25,941	2,883	23,058
Cost of Goods Sold	33,620	2,052	31,568
General and administrative	678,623	857,512	(178,889)
Interest expense	78	31,544	(31,466)
Consulting fees	270,968	301,642	(30,674)
Professional Fees	53,201	74,996	(21,795)
Net Income (Loss)	(686,302)	(807,763)	121,461

Our accumulated losses increased to $10,728,201 as of February 29, 2016. Our financial statements report a net loss of $686,302 for the six month period ended February 29, 2016 compared to a net loss of $807,763 for the six month period ended February 28, 2015. Our income from discontinued operations have decreased for the six month period ended February 29, 2016 compared to the six month period ended February 28, 2016, by $48,918. This is a result of one month of revenue that the Company generated before the sale of Belmont Lake. Our general and administrative costs in the six month period ending February 29, 2016 were lower by $178,889, than the year-earlier period. This is primarily due to an decrease in consulting fees, professional fees, and stock based compensation. In particular the stock based compensation was lower by $136,772 for the six months ended February 29, 2016 compared to February 28, 2015.

Readers are cautioned that the product sales of $25,941 represent thestartup of our entry into a new business sector. The Company is building sales channels initially in internet-based locations, and also through the formation and launching of a direct sales model. Initiatives are underway to increase exposure of the ViPova brand and of the Lexaria Energy brand. All of our product sales at this early stage are likely to be non-representative. Early revenue figures are not expected to be representative of longer term sales figures, and any single commercial order could be disruptive to longer term averages. The higher sales volumes in the quarter ended February 29, 2016 do represent broader product offerings and the beginnings of brand-building attempts throughout the year.

As at February 29, 2016, we had $284,287 in current liabilities. Our net cash used in operating activities for the six months ended February 29, 2016 was $291,776 compared to net cash used of $534,076 in the six months ended

February 28, 2015. The variance was from lower expenses incurred in 2016 as we have sought to reduce costs.

Our total liabilities as of February 29, 2016 were $284,287 as compared to total liabilities of $55,125 as of August 31, 2015. This increase is largely a result of accrued management fees and expenses and other third party payables.

Liquidity and Financial Condition

Working Capital

		February 29, 2016		August 31, 2015
Current assets	$	337,391	$	674,7343
Current liabilities		284,287		55,125
Working capital (Deficiency)	$	53,104	$	619,609

Cash Flows

		Six Months Ended February 29, 2016		February 28 2015
Cash flows (used in) provided by operating activities	$	(291,776)	$	(534,076)
Cash flows (used in) investing activities		(15,055)		721,806
Cash flows provided by (used in) financing activities		86,980		(98,742)
Increase (decrease) in cash and cash equivalents		(219,851)		88,988

Operating Activities

Net cash used in operating activities was $291,776 for the six months ended February 29, 2016 compared with net cash used in operating activities of $534,076 in the same period in 2015.

Investing Activities

Net cash used in investing activities was $15,055 for the six months ended February 29, 2016 compared with net cash provided in operating activities of $721,806 in the same period in 2015.

Financing Activities

Net cash provided in financing activities was $86,980 in the six months ended February 29, 2016 compared to net cash used by financing activities of $98,742 in the same period in 2015 that was used to pay off debt.

Sales comparisons for the six months ended February 29, 2016 compared to the three months ended February 28, 2015

New operational revenues from ViPova Tea LLC began in January 2015. For the six month period ended February 29, 2016, the Company had $25,941 in revenues and cost of goods sold of $33,620.

Item 4. Controls and Procedures

Management s Report on Disclosure Controls and Procedures

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

As of February 29, 2016, the end of our quarter covered by this report, we carried out an evaluation, under the supervision and with the participation of our president and chief executive officer (also our principal executive officer) and our chief financial officer (also our principal financial and accounting officer), of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our president and chief executive officer (also our principal executive officer) and our chief financial officer (also our principal financial and accounting officer) concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of February 29, 2016.

Management s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control include providing management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management s authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States. Our management assessed the effectiveness of our internal control over financial reporting as of February 29, 2016. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*. Our management has concluded that, as of February 29, 2016, our internal control over financial reporting is effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US generally accepted accounting principles. Our management reviewed the results of their assessment with our Board of Directors.

Inherent limitations on effectiveness of controls

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

Changes in Internal Control over Financial Reporting

There have been no changes in our internal controls over financial reporting that occurred during the quarter ended February 29, 2016, that have materially or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors
Much of the information included in this quarterly report includes or is based upon estimates, projections or other "forward looking statements". Such forward looking statements include any projections or estimates made by us and our management in connection with our business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein.

Risks Associated with Our Business

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

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

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

We had cash in the amount of $40,224 and working capital surplus of $53,104 as of quarter ended February 29, 2016. Any direct acquisition of a claim under lease or option is subject to our ability to obtain the financing necessary for us to fund and carry out exploration programs on potential properties. The requirements are substantial. Obtaining additional financing would be subject to a number of factors, including market prices for resources, investor acceptance of our properties and investor sentiment. These factors may negatively affect the timing, amount, terms or conditions of any additional financing available to us. The most likely source of future funds presently available to us is through the sale of equity capital and loans. Any sale of share capital will result in dilution to existing shareholders.

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

There can be no assurance that our current or future products will be successful, and we cannot be sure that our overall business model within any particular sector will ever come to fruition, and if they do, will not decline over time. We may not recover all or any portion of our capital investment in product development, marketing, or other aspects of the business. Although we will exercise due consideration in our development of new products, and the marketing of them, ultimate consumer acceptance of these products is not reliably forecastable.

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

Our revenues now are generated from being a food sciences and products company. We should be considered to be a start-up: the revenue recognized for the quarter ended February 29, 2016 is $25,941.

The food industry is highly competitive and there is no assurance that we will be successful in developing or successfully selling products.

The food industry is intensely competitive. We compete with numerous individuals and companies, including many food manufacturing and production companies, which have substantially greater technical, financial and operational resources and staff. Accordingly, there is a high degree of competition for desirable distribution channels, shelf space and salespeople in both the food industries as well as the legal cannabis industries. We cannot predict if the necessary funds can be raised to assist in our development of any distribution channels that may be helpful to our ability to generate sales and potential profits.

There can be no assurance that we will develop any product that will meet with widespread consumer acceptance.

Both new and established food and cannabis products fail to generate consumer interest on a regular basis. There is no assurance that a food or cannabis product that is successfully adopted by consumers at one time; will still be in demand at a future time. If we cannot develop and sell products in commercial quantities, our business will fail.

Even if we develop food or intellectual property-based products or revenue streams, the potential profitability of each depends upon factors beyond the control of our company.

The potential profitability of food products and of intellectual property revenue streams is dependent upon many factors beyond our control. For instance, prices and markets for food products are unpredictable, highly volatile, potentially subject to controls or any combination or other factors, and respond to changes in domestic, international, political, social and economic environments. These changes and events may materially affect our future financial performance. These factors cannot be accurately predicted and the combination of these factors may result in our company not receiving an adequate return on invested capital.

In addition, a product or technology that is initially successful and possibly even profitable may not remain so due to changes in consumer demand, regulatory environments, or other causes. There is no assurance that an initially successful product or technology will remain so.

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

The marketability of food products will be affected by numerous factors beyond our control. These factors include market fluctuations in consumer preferences for various food items based on factors such as pricing, macro trends for certain ingredients or flavors, ruling by regulators on health issues associated with certain foods, and more. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in us not receiving an adequate return on invested capital to be profitable or viable.

Both food products and cannabis products are subject to comprehensive regulation which may cause substantial delays or require capital outlays in excess of those anticipated causing an adverse effect on our company.

Food production and safety operations, and cannabis products and sales operations, are subject to federal, state, and local laws relating to the protection of human health and safety. Food production and cannabis operations are each also subject to federal, state, and local laws and regulations which seek to maintain health and safety standards through a wide variety of regulations. Various permits from government bodies may be required by us in order to conduct our business. Regulations and standards imposed by federal, provincial, or local authorities may be changed at any moment in time and any such changes may have material adverse effects on our activities. Changes in regulations are impossible to foresee and could be disruptive or destructive to our business plans and execution. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on us. Additionally, we may be subject to liability for contaminants or other damages. To date, we have not been required to spend any material amount on compliance with environmental regulations. However, we may be required to do so in the future and this may affect our ability to expand or maintain our operations.