

LEXARIA CORP.  
Form 10-Q/A  
November 14, 2014

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

**FORM 10-Q/A**  
(Amendment No.1)

(Mark One)

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

For the quarterly period ended **July 31, 2014**

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**

(State or other jurisdiction of incorporation or  
organization)

**20-2000871**

(IRS Employer Identification No.)

**950 - 1130 West Pender Street, Vancouver, BC**

(Address of principal executive offices)

**V6E 4A4**

(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.

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  (Do not check if a smaller reporting company) Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)  
 YES  NO

**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.

**34,249,690 common shares issued and outstanding as of September 11, 2014**

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**EXPLANATORY NOTE**

The Consolidated Statement of Operations for the period ending July 31, 2014 had a typo for the weighted average number of common shares outstanding for the three months ending. The correct number should have been **32,053,775** instead of 232,053,775. All other information in the 10Q is unchanged.

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**PART 1 FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

Our unaudited interim consolidated financial statements for the nine month period ended July 31, 2014 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.

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

	July 31 2014	October 31 2013
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 578,475	\$ 65,542
Accounts receivable	98,683	79,217
Prepaid expenses and deposit	523,506	1,507
<b>Total Current Assets</b>	<b>1,200,664</b>	146,266
Oil and gas properties -Proven (Note 6)	3,322,395	3,427,086
Medical Marijuana Investments (Note 7)	43,149	-
	<b>3,365,544</b>	<b>3,427,086</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,566,208</b>	<b>\$ 3,573,352</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 149,880	\$ 136,273
Loan payable (Note 8)	805,769	1,277,161
Due to a related party (Note 10)	1,769	1,769
<b>Total Current Liabilities</b>	<b>957,418</b>	1,415,203
Asset Retirement Obligations (Note 9)	59,245	59,245
<b>TOTAL LIABILITIES</b>	<b>1,016,663</b>	<b>1,474,448</b>
<b>STOCKHOLDERS' EQUITY</b>		
<b>Share Capital</b>		
Authorized:		
200,000,000 common voting shares with a par value of \$0.001 per share		
Issued and outstanding: 32,824,664 common shares at July 31, 2014 and		
16,431,452 common shares at October 31, 2013	32,824	16,431
<b>Additional paid-in capital</b>	<b>9,745,989</b>	7,140,150
<b>Deficit</b>	<b>(6,229,268)</b>	(5,057,677)
<b>Total Stockholders' Equity</b>	<b>3,549,545</b>	2,098,904
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 4,566,208</b>	<b>\$ 3,573,352</b>

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		NINE MONTHS ENDED	
	July 31		July 31	
	2014	2013	2014	2013
<b>Revenue</b>				
Natural gas and oil revenue	135,863	251,481	463,798	856,360
<b>Cost of revenue</b>				
Natural gas and oil operating costs	33,954	92,813	157,999	281,063
Depletion	48,146	82,517	161,112	282,533
	<b>82,100</b>	175,330	<b>319,111</b>	563,596
<b>Gross profit (loss)</b>	<b>53,763</b>	76,151	<b>144,687</b>	292,764
<b>Expenses</b>				
Accounting and audit	6,503	3,456	41,948	40,450
Insurance	2,019	2,205	5,334	5,154
Advertising and promotions	61,315	4,027	78,815	5,938
Bank charges and exchange (gain) loss	3,153	(7,489)	(22,239)	(5,413)
Stock Based Compensation	25,433	21,279	91,915	21,279
Consulting (note 10)	409,367	46,407	791,677	150,477
Fees and Dues	16,688	6,957	40,638	22,292
Interest expense from loan payable (note 6,8)	39,020	41,692	147,166	208,326
Investor relation	-	-	2,738	-
Legal and professional	4,803	323	11,511	18,399
Office and miscellaneous	4,887	410	10,972	6,461
Rent	25,759	3,760	47,762	12,167
Telephone	1,801	1,969	3,518	5,192
Taxes	-	6,055	5,248	6,055
Travel	20,969	2,769	50,862	13,270
	<b>621,717</b>	133,820	<b>1,307,865</b>	510,047
<b>Loss for the period before other items</b>	<b>(567,954)</b>	(57,669)	<b>(1,163,178)</b>	(217,283)
<b>Joint venture equity loss pick-up</b>	<b>(8,413)</b>	-	<b>(8,413)</b>	-
<b>Net (loss) for the period</b>	<b>(576,367)</b>	(57,669)	<b>(1,171,591)</b>	(217,283)
<b>Basic and diluted (loss) per share</b>	<b>(0.02)</b>	<b>(0.00)</b>	<b>(0.05)</b>	<b>(0.01)</b>
<b>Weighted average number of common shares outstanding</b>				
<b>- Basic and diluted</b>	<b>32,053,775</b>	16,431,452	<b>24,162,327</b>	16,431,452

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

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

	Nine Months Ended July 31	
	2014	2013
<b>Cash flows used in operating activities</b>		
Net (loss) for the period	\$ (1,171,591)	(217,283)
Adjustments to reconcile net loss to net cash used in operating activities:		
Consulting - Stock based compensation	636,914	21,279
Depletion	161,112	282,533
Foreign exchange (gain) loss	-	(6,799)
Joint venture equity loss pick-up	8,413	-
Change in operating assets and liabilities:		
(Increase)/Decrease in accounts receivable	(19,466)	139,117
(Increase)/ Decrease in prepaid expenses and deposit	(40,668)	(1,506)
Increase in accounts payable and accrued liabilities	13,607	29,385
<b>Net cash used in operating activities</b>	<b>(411,679)</b>	<b>246,726</b>
<b>Cash flows used in investing activities</b>		
Oil and gas property acquisition and exploration costs	(56,422)	(64,381)
Medical Marijuana Investments	(51,562)	-
<b>Net cash used in investing activities</b>	<b>(107,984)</b>	<b>(64,381)</b>
<b>Cash flows from financing activities</b>		
Payments of loan payable	(278,059)	(335,330)
Proceeds from private placement, convertible debt, and option exercise	1,310,655	-
<b>Net cash from financing Activities</b>	<b>1,032,596</b>	<b>(335,330)</b>
<b>Increase (Decrease) in cash and cash equivalents</b>	<b>512,933</b>	<b>(152,985)</b>
Cash and cash equivalents, beginning of period	65,542	180,514
<b>Cash and cash equivalents, end of period</b>	<b>\$ 578,475</b>	<b>27,529</b>
<b>Supplemental information of cash flows:</b>		
Interest paid in cash	\$ 147,166	166,632
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		ADDITIONAL PAID-IN CAPITAL	DEFICIT	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT			
Balance, October 31, 2012	16,431,452	16,431	7,118,871	(4,714,126)	2,421,176
Stock Options @ \$0.10			21,279		21,279
Shares issued for services	160,000	11,200			11,200
Cancellation of shares issued for services	(160,000)	(11,200)			(11,200)
Comprehensive income (loss): (Loss) for the year				(343,551)	(343,551)
Balance, October 31, 2013	16,431,452	16,431	7,140,150	(5,057,677)	2,098,904
Shares issued for PP @ \$0.06	500,000	500	29,500		30,000
Shares issued for services @ \$0.10	1,500,000	1,500	148,500		150,000
Shares issued for services @ \$0.40	150,000	150	59,850		60,000
Shares issued for services @ \$0.60	20,833	21	12,479		12,500
Shares issued for PP @ \$0.12	11,419,999	11,420	1,246,735		1,258,155
Shares issued for option exercise @ \$0.35	50,000	50	17,450		17,500
Stock Options issued @ \$0.60			26,112		26,112
Shares issued for debt conversion @ \$0.35	552,380	552	192,781		193,333

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Shares issued per LOI @ \$0.40	555,000	555	221,445		222,000
Shares issued per agreement @ \$0.39	110,000	110	42,790		42,900
Shares issued per agreement @ \$0.32	550,000	550	175,450		176,000
Stock Options issued @ \$0.25			183,432		183,432
Shares issued for option exercise @ \$0.10	50,000	50	4,950		5,000
Shares issued per agreement @ \$0.30	55,000	55	16,445		16,500
Shares issued per agreement @ \$0.26	880,000	880	227,920		228,800
Comprehensive income (loss):					
Loss for the period				(1,171,591)	(1,171,591)
Balance, July 31, 2014	32,824,664	32,824	9,745,989	(6,229,268)	3,549,545

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

**LEXARIA CORP.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**July 31, 2014**  
**(Expressed in U.S. Dollars)**

**(Unaudited)**

**1. Basis of Presentation**

The unaudited consolidated interim financial statements for the nine months ended July 31, 2014 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 October 31, 2013 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 is an independent natural gas and oil company engaged in the exploration, development and acquisition of oil and gas properties in the United States and Canada. The Company's entry into the oil and gas business began on February 3, 2005. In spring of 2014, the Company added another business sector in its entrance to medical marijuana. The Company has offices in Vancouver and Kelowna, BC, Canada.

These 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 incurred an operating loss and required additional funds to maintain its operations. Management's plans in this regard are to raise equity and/or debt financing as required.

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

**3. Business Risk and Liquidity**

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

The production and sale of medical marijuana is an emerging industry in which business practices are not yet standardized and are subject to frequent scrutiny and evaluation by federal, state, provincial, and municipal authorities, academics, and media outlets, among others. Although we intend to develop our business 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 to build and install alternative energy systems or to conduct energy retrofits and build MMJ operations. 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.

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#### 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. All significant inter-company balances and transactions have been eliminated.

##### b) Principles of Accounting

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

##### c) Joint Venture

Investments in joint ventures and entities ("ventures") in which the Company has an ownership interest of greater than 50% and exercises control over the ventures are consolidated in the accompanying consolidated financial statements. Non-controlling interests in the years presented are not material and, as a result, are included in the caption accrued expenses and other in the accompanying consolidated balance sheets. Investments in ventures in which the Company exercises significant influence but not control are accounted for using the equity method. Investments in ventures in which the Company's ownership interest is less than 20% and over which the Company does not exercise significant influence are accounted for using the cost method. The Company monitors ventures for events or circumstances that indicate that the fair value of a venture is less than its carrying value, in which case the Company would further review the venture to determine if it is other-than-temporarily impaired. During the period ended July 31, 2014, the Company entered into a Definitive Agreement to acquire a 49% interest in a joint venture with Enertopia Corp. ( Enertopia ) to be in the business of legally producing, manufacturing, propagating, importing/exporting, testing researching and developing, and selling marihuana for medical purposes under the MMPR. The Company has recognized the investment using the equity method.

##### d) Recently Adopted Accounting Standards

In February 2013, the FASB issued new accounting guidance to improve the reporting of reclassifications out of accumulated other comprehensive income. Under the guidance, an entity is required to provide information about the amounts reclassified out of accumulated other comprehensive income ( AOCI ) by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about those amounts. The guidance did not change the requirements for reporting net income or other comprehensive income in the financial statements. The new guidance is effective for annual reporting periods beginning on or after December 15, 2012, and interim periods within those annual periods. The Company has adopted this guidance in fiscal year 2014 and it does not have a significant impact on its results of operations, financial condition and cash flows.

In March 2013, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ("ASU") 2013-05, "Foreign Currency Matters (Topic 830); Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity." This guidance applies to the release of the cumulative

translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity. ASU No. 2013-05 is effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013. The Company adopted this guidance in fiscal year 2014 and it does not have a significant impact on its results of operations, financial condition and cash flows.

In July 2013, the FASB issued ASU No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. This new guidance provides specific financial statement presentation requirements of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The guidance states that an unrecognized tax benefit in those circumstances should be presented as a reduction to the deferred tax asset. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The Company adopted this guidance in fiscal year 2014 and the adoption of this guidance does not have a material impact on its financial statements.

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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.

**e) New Accounting Pronouncements**

In April 2014, the FASB issued ASU No. 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. ASU No. 2014-08 amends the definition of discontinued operations by limiting discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity's operations and financial results. The amendments require expanded disclosures for discontinued operations that would provide users of financial statements with more information about the assets, liabilities, revenues, and expenses of discontinued operations and disclosure of the pretax profit or loss of individually significant components of an entity that do not qualify for discontinued operations reporting. ASU No. 2014-08 is to be applied prospectively to all disposals (or classifications as held for sale) of components of an entity and all businesses or nonprofit activities that, on acquisition, are classified as held for sale that occur within fiscal years, and interim periods within those years, beginning after December 15, 2014. The adoption of ASU No. 2014-08 is not expected to have a material impact on the Company's results of operations or the Company's financial position.

**5. Capital Stock Share Issuances**

On November 1, 2013, the Company closed a private placement of 500,000 units at a price of \$0.06 per unit for gross proceeds of \$30,000. Each unit consists of one common stock and one share purchase warrant which entitles a holder to purchase one common stock at a price of \$0.10 per warrant share for a period of thirty six month following the close.

On March 5, 2014, the Company entered into a three year Joint Venture agreement with Enertopia Corp. and Robert McAllister. Whereas the Enertopia Corp. and Robert McAllister will source opportunities in the medical marijuana 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 and Robert McAllister will join the Lexaria Corp. advisory board for the term of the Agreement. The Company issued 1,000,000 common shares at \$0.10 to Enertopia Corp. and 500,000 common shares at \$0.10 to Robert McAllister.

On March 10, 2014, the Company entered into a 12 month Social Media/Web Marketing Agreement with Stuart Gray for \$60,000. The Company issued 150,000 common shares at a price of \$0.40 for his services.

On March 12, 2014, the Company entered into 12 month marketing agreement for \$50,000 with Agora Internet Relations Corp. payable in common shares of the Company. The first quarter payment of \$12,500 was made by issuing 20,833 common shares of the Company at a price of \$0.60 per share.

On March 21, 2014, the Company closed a private placement of 10,600,000 units at a price of \$0.12 per unit for gross proceeds of \$1,272,000. Each unit consists of one common stock and one share purchase warrant which entitles a holder to purchase one common stock at a price of \$0.25 per warrant share for a period of eighteen months following the close. A cash finders' fee for \$16,800 was paid to Cannacord Genuity, Leede Financial Markets and PI Financial Corp.; and a stock finders' fee of 819,999 common shares of the Company were issued to Canaccord Genuity and Wolverton Securities.

On March 25, 2014 the Company received \$17,500 for the exercise of 50,000 stock options at \$0.35 into 50,000 common shares of the Company.

On April 1, 2014, the Company converted \$193,333 of the debt outstanding into 552,380 units of the Company at a price of \$0.35. Each unit is comprised of one common share and one share purchase warrant which entitles the holder to purchase one common stock at a price of \$0.40 for a period of 12 months after the conversion.

On April 10, 2014, the Company entered into a Letter of Intent ("**LOI**") that set forth the basic terms of discussions between Enertopia Corporation, or its wholly-owned subsidiary ("**Enertopia**") and Lexaria Corp., or its wholly-owned subsidiary ("**Lexaria**") (collectively, the "**Parties**") with regard to the ownership by Enertopia of a 51% interest in the business, and the ownership by Lexaria of a 49% interest in the business of legally producing, manufacturing, propagating, importing/exporting, testing, researching and developing, and selling marihuana for medical purposes under the MMPR. The Company issued 500,000 common shares at a price of \$0.40 to Enertopia, which are held in escrow until the Health License license is obtained by Enertopia.

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On April 10, 2014, a letter of intent, was signed on behalf of Lexaria CanPharm Corp. - a wholly owned subsidiary of Lexaria, and Enertopia Corporation (Lessee) and Mr. Jeff Paikin (Lessor) that sets out the Lessee's and Lessor's shared intent to enter into a lease agreement (the Lease) for warehouse space (the Leased Premises) in the building located in Ontario (the Building) for the purposes of a licensed medical marijuana production facility. The Company issued the 55,000 common shares at a deemed price of \$0.40 per the terms of the Letter of Intent to lease space in the building owned by the Lessor. The LOI was amended on July 22, 2014, subsequent to quarter end, on August 1, 2014, the Company signed an extension to an amended Letter of Intent that was executed on April 10, 2014. As per the terms of the extended Letter of Intent, on August 5, 2014, the Company issued 91,662 common shares at a deemed price of \$0.30.

On April 14, 2014, the Company appointed Mr. Jeff Paikin to its Advisory Board for a period of not less than one year, but to be determined by certain performance thresholds described in the letter. Upon signing of the letter of acceptance the Company issued 110,000 common shares at a deemed price of \$0.39. Consulting agreement amended on June 18, 2014, Mr. Paikin can be eligible to receive up to a total of 1,650,000 common shares of the Company. On July 17, 2014, the Company issued 165,000 common shares at a deemed price of \$0.26.

On April 24, 2014 the Company entered into a one year consulting contract with Clark Kent as Media Coordinator for a monthly fee of CAD\$2,250 plus GST. Upon signing of the contract of acceptance the Company issued 110,000 common shares at a deemed price of \$0.32. Consulting agreement amended on June 18, 2014, Mr. Kent can be eligible to receive up to a total of 1,650,000 common shares of the Company. On July 17, 2014, the Company issued 165,000 common shares at a deemed price of \$0.26.

On April 24, 2014 the Company entered into a one year consulting contract with Don Shaxon as Ontario Operations Manager for a monthly fee of CAD\$3,375 plus GST. Upon signing of the contract of acceptance the Company issued 110,000 common shares at a deemed price of \$0.32. Consulting agreement amended on June 18, 2014, Mr. Shaxon can be eligible to receive up to a total of 1,650,000 common shares of the Company. On July 17, 2014, the Company issued 165,000 common shares at a deemed price of \$0.26.

On April 24, 2014 the Company entered into a one year consulting contract with 490072 Ontario Ltd. operating as HEC Group, wholly owned company by Greg Boone as Human Resources Manager. Upon signing of the contract of acceptance the Company issued 110,000 common shares at a deemed price of \$0.32. Consulting agreement amended on June 18, 2014, Mr. Boone can be eligible to receive up to a total of 1,650,000 common shares of the Company. On July 17, 2014, the Company issued 165,000 common shares at a deemed price of \$0.26.

On April 24, 2014 the Company entered into a one year consulting contract with Jason Springett as Master Grower for Ontario Operations for a monthly fee of \$3,375 plus GST. Upon signing of the contract of acceptance the Company issued 110,000 common shares at a deemed price of \$0.32. Consulting agreement amended on June 18, 2014, Mr. Springett can be eligible to receive up to a total of 1,650,000 common shares of the Company. On July 17, 2014, the Company issued 165,000 common shares at a deemed price of \$0.26.

On April 24, 2014 the Company entered into a one year consulting contract with 2342878 Ontario Inc. wholly owned company by Chris Hornung as Assistant Manager. Upon signing of the contract of acceptance the Company issued 110,000 common shares at a deemed price of \$0.32. On July 14, 2014, the Company accepted Mr. Hornung's resignation.

On May 5, 2014 the Company entered into a one year consulting contract as Security Consultant with Bmullan and Associates, a company wholly owned by Brian Mullan. Upon signing of the contract of acceptance the Company issued 55,000 common shares at a deemed price of \$0.30. Based on the milestones listed in the contract, Mr. Mullan or his company can be eligible to receive up to a total of 275,000 common shares of the Company. On July 17, 2014, the Company issued 55,000 common shares at a deemed price of \$0.26.

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On May 29, 2014, the Company accepted and received gross proceeds of \$5,000 for the exercise of 50,000 stock options at \$0.10 each into 50,000 common shares of the Company.

As at July 31, 2014, Lexaria Corp. has 32,824,664 shares issued and outstanding and 11,652,380 warrants issued and outstanding.

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The following table summarizes warrant activity in the period ended July 31, 2014:

	Number of Shares	Weighted Average Exercise Price
Balance, October 31, 2013 and 2012	-	\$ -
Granted warrants with expiry date of November 1, 2017	500,000	0.10
Granted warrants with expiry date of September 12, 2015	10,600,000	0.25
Granted warrants with expiry date of April 1, 2015	552,380	0.40
Balance, July 31, 2014	11,652,380	\$ 0.25

## 6. Oil and Gas Properties

### (a) Proved properties

Properties	October 31, 2013	Addition	Depletion	July 31, 2014
U.S.A. Proved property	\$ 3,427,086	\$ 56,421	\$ (161,112)	\$ 3,322,395

#### (1) Palmetto Point Project

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

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

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

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

On April 3, 2009, the Company entered into an Asset Purchase Agreement to acquire additional interests in its existing core producing Mississippi oil and gas properties. The Company paid \$40,073.39 to acquire additional 2% working interest in the proven Belmont Lake oil and gas and an additional 10% working interest in potential nearby exploration wells. At this time the total working interest for Belmont Lake is 32%; and total working interest in the exploration wells on approximately 140,000 acres surrounding Belmont Lake in all directions is 60%.

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

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

On June 16, 2010, the Company signed a Settlement Agreement with a third party, who had originally participated in the August 28, 2009, opportunity in the non-consent interest for Belmont Lake 12-4. The Company returned back \$144,063.46 to the third party and cancelled its participation. On July 29, 2010, the Company had agreed with its Operators at Belmont Lake not to proceed to drill a horizontal 12-4 well. Rather, two of the three proposed vertical wells 12-2, 12-4, or 12-5 were proposed to be drilled. To take best advantage of this opportunity, the Company cancelled all previous agreements relating to August 28, 2009 with respect to Belmont Lake horizontal well 12-4 and entered into three separate assignment agreements, of which all three were with people or companies with related management. The Company received total proceeds of \$324,677.12 to fund additional interests in these wells. As a result, the Company had a 32% perpetual gross interest in the wells (24.0% net revenue interest); as well as a 8% gross interest (6% net revenue interest) in the non-consent interest. The non-consent interest remains valid until such time as the well produces 500% of all costs and expenses back to the participants in the form of revenue, at which time the non-consent interest ends. Emerald Atlantic LLC, a company owned by a director of Lexaria, acquired from Lexaria a 8.74% gross interest in the non-consent interest in two of the three vertical wells; and Kelowna Resources Group formerly known as 0743608 BC Ltd. a company owned by the President of the Company, acquired from Lexaria a 20.79% gross interest in the non-consent interest in the two of the three vertical wells; an advisor to the Company acquired from Lexaria 2.46% gross interest in the non-consent interest in two of the three vertical wells.

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

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

1. \$200,000 on the August 12, 2011 (the "Initial Payment") (paid), and
2. \$200,000 on or before November 12, 2011; or interim payments, as agreed, in the amount of \$10,000 per month for up to 3 months following November 12, 2011 with the remaining balance of \$200,000 then due and payable (the "Final Payment"), and, should Lexaria not make the final payment on February 12, 2011 a penalty of \$500 per day (the Penalty Payments ) beginning one day after February 12, 2011 and accruing until the balance of the \$200,000 Final Payment is made to the Vendor. Both the Vendor and the Purchaser agreed that, should any Penalty Payments be due, such Penalty Payments are not deductible from the balance of the \$200,000 Final Payment. As at April 30, 2012, the Company has paid \$230,000, including the Final Payment.



3. 800,000 shares of restricted common stock issued from Lexaria treasury were issued on August 12, 2011.

On November 1, 2013, Lexaria Corp. (the Company) entered into three separate assignment agreements with CAB Financial Services Ltd. solely owned by a Director/Officer of the Company; Emerald Atlantic LLC, solely owned by a Director of the Company, and a third party. (the Assignees), whereby the Assignees have paid a fee of US\$305,894 to earn a 28.68% share of the Company's perpetual 42% interest in a proposed 12-7 oil well to be drilled in Wilkinson County, Mississippi. As a result of the three assignment agreements, Lexaria receives a carried interest of 13.32% in these same rights and benefits. The Company assigns and transfers over to the Assignees, all proportionate rights, interest and benefits in the Assigned Perpetual Interest held by or granted to the Assignor in and to the Participation Agreement between the Company and Griffin.

As of July 31 2014, additional expenditures of \$56,421 were incurred for workovers.

As of July 31, 2014, the Company's working interest and production in PPF-12-4 and PPF-12-5 well located at Belmont Lake, Mississippi, with carrying values of \$1,000,000, are used as security for the convertible debentures issued on November 30, 2010, December 16, 2010 and December 1, 2011 (see note 7 (b) and (c), with aggregate amount of \$820,000.

## 7. Medical Marijuana Investment

On **March 5, 2014**, the Company has entered into a three year Joint Venture Agreement ("JV") with Enertopia Corp. and Robert McAllister collectively, the "Parties"). Whereas Enertopia Corp. and Robert McAllister will source opportunities in the business of licensed medical marijuana, and the terms and conditions on which the Parties have formed a joint venture to jointly participate in, or offer specific opportunities within the Business (the "Joint Venture"), and Robert McAllister will join the Lexaria Corp. advisory board for the term of this Agreement.

On **May 27, 2014**, Letter of intent, executed on behalf of Lexaria Corp. and/or its wholly-owned subsidiary Lexaria CanPharm Corp. (the Lessee) and Arnprior Bay Property Limited, c/o Huntington Properties, (the Lessor) sets out the Lessee's and Lessor's shared intent to enter into a lease agreement (the Lease) for warehouse space (the Leased Premises) in the building located at, Ontario (the Building) and to enter a finance agreement into Lexaria Corp and/or Lexaria CanPharm Corp.

On **May 28, 2014**, Enertopia and Lexaria signed a Definitive Agreement. Enertopia and Lexaria each wish to develop a business of legally producing, manufacturing, propagating, importing/exporting, testing, researching and developing, marijuana (the "Business") located in Ontario (the "Property"). Enertopia wishes to acquire a license from Health Canada a license to designate Enertopia as a Licensed Producer pursuant to Canada's Marijuana for Medical Purposes Regulations (the "License").

The Parties are entering into this Definitive Agreement to set out the terms and conditions by which Enertopia does own a 51% interest in the Business and Lexaria does own a 49% interest in the Business; and the terms and conditions on which the Parties will form and operate the joint venture to jointly participate in the Business (the "Joint Venture"). The Company has contributed \$51,562 (C\$55,000) to the Joint Venture bank account as its initial contribution and the Joint Venture has been accounted for using the equity method since the Company has significant influence but not control.

	<b>July 31, 2014</b>	<b>October 31, 2013</b>
Opening balance	\$ -	\$ -

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Investment joint venture	51,562	-
Equity loss pick-up	(8,413)	-
Balance as of July 31, 2014	\$ 43,149	\$ -

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Subsequent to quarter end, on **August 1, 2014**, the Company signed an extension on an amended Letter of intent, that was executed on April 10, 2014 on behalf of a corporation to be incorporated by Lexaria Corp. and Enertopia Corporation(Lessee) and Mr. Jeff Paikin of 1475714 Ontario Inc. (Lessor) sets out the Lessee's and Lessor's shared intent to enter into a lease agreement (the Lease) for warehouse space (the Leased Premises) in the building located at Burlington, Ontario (the Building). On August 5, 2014 as per the terms of the LOI, the Company issued 91,662 common shares at a deemed price of \$0.30 per share. The following are the terms of the amended LOI

## 8. Loan Payable

Notes	Nature	Original amounts	Carrying amounts	
			July 31, 2014	October 31, 2013
		\$	\$	\$
a)	Promissory Note	75,000	75,000	75,000
b)	Convertible debentures	620,000	73,334	413,333
c)	Convertible debentures	200,000	70,833	141,667
d)	Promissory Note	50,000	50,000	50,000
e)	Promissory Note	657,447	536,602	597,161
g)	Promissory Note	46,243	-	-
<b>Total Outstanding</b>		1,698,690	805,769	1,277,161
<b>Loan payable - current</b>		1,698,690	805,769	1,277,161
<b>Loan payable - long term</b>		-	-	-

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

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

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

- b) On November 30, 2010, we closed the first tranche of a private placement offering of convertible debentures in the aggregate amount of \$450,000. The convertible debentures mature on November 30,

2012, subject to forced conversion as set out in the convertible debenture certificate. The convertible debentures pay an interest rate of 12% per annum (on a simple basis) and are convertible at \$0.35 per unit. Each unit is comprised of one share of our common stock and one share purchase warrant. Each warrant entitles the holder thereof to purchase one share at a price of \$0.40 per share up to the earlier of the maturity date of the convertible debenture or one year from conversion of the convertible debenture.

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

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

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

On November 13, 2013, the Company entered into an Amendment agreement to refinance and extend repayment terms on the loan, please refer to Note 8f for details. On April 1, 2014, three of the parties converted their balance of \$193,333 of principal remaining into 552,350 common shares at a price of \$0.35 per share. During the nine month period ended July 31, 2014, the Company has paid down the debt by \$339,999 (October 31, 2013: \$206,667).

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

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

During the nine month period ended July 31, 2014, the Company has paid down the debt by \$70,834 (October 31, 2013: \$58,333). On November 13, 2013, the Company entered into an Amendment agreement to refinance and extend repayment terms on the loan, please refer to Note 8f for details.

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



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

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

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

On July 10, 2009 the Purchasers converted \$45,000 of the Promissory Note into equity at \$0.05. On October 27, 2009, 191,000 warrants were exercised for 95,500 common shares.

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

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

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

On December 1, 2012, the Company entered into an Amendment to existing debt agreement with a shareholder of the Company, whereby the lender has agreed to modify terms of the earlier agreements and provide for a debt repayment schedule ending on December 1, 2013. The Company was scheduled to repay the debt in twelve equal monthly principal payment, plus interest on the monthly declining balances. The interest rates of the amendment debt are the same as the existing debt agreement. On November 13, 2013, the Company entered into an Amendment agreement to refinance and extend repayment terms on the loan, please refer to Note f for details.

During the nine month period ended July 31, 2014, the Company has paid down the debt by CAD\$60,559 (October 31, 2013: CAD\$36,667; 2012: CAD\$185,000).

- f) On November 13, 2013, the Company refinanced and extended repayment terms on all debt that was otherwise due to mature in December 2013 with CAB Financial Services Ltd., David DeMartini, Emerald Atlantic LLC, and other debt holders of the Company. Per the Amendment Agreements, a) the loan repayment schedule will be converted, with an effective date of December 1, 2013, to a new one year term loan with monthly interest payments at 18% on any declining balance, in arrears and all principal amounts not paid before then due in full on December 1, 2014; b) the first payment of interest shall be due on January 1, 2014; c) the Company will make ten (10) monthly principal payments, each of which is 1/10th of the principal amount owing at the time this Agreement goes into effect, beginning on March 1 2014 and repeating on the first day of each month thereafter until all the principal is paid; d) the Company grants to the lenders new collateral specifically limited to the lender's pro-rata portion (the original initial balance owing to the lender shall form the numerator and \$930,000 shall form the denominator) of the Company's portion of the net revenue from the new 12-7 well required to keep the terms of this Agreement in good standing at any given monthly due date. On April 1, 2014, three of the parties converted their balance of \$193,333 of principal remaining into 552,350 common shares at a price of \$0.35 per share.

g)

On December 4, 2013, the Company entered into a loan agreement and promissory note with Chris Bunka (the Lender ), a director and officer of our company. The principal amount of the note is CAD\$51,507.50 and is repayable for a period of fifteen months. The note has an interest rate of 15% per annum and a monthly principal payment of \$4,292 starting after the third month. The loan has been repaid in full on March 31, 2014.

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## 9. Asset retirement obligations

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

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

		July 31, 2014	October 31, 2013
<b>Asset retirement obligation beginning balance</b>	\$	59,245	-
<b>Incurred</b>		-	59,245
<b>Asset retirement obligation ending balance</b>		59,245	59,245

## 10. Related Party Transactions

- (a) For the nine months ended July 31, 2014, the Company paid / accrued \$75,600 to CAB (2013: \$72,000); and to BKB Management Ltd. ( BKB ) CAD\$51,975 (2013: CAD\$49,500) for management, consulting and accounting services. CAB is owned by the President of the Company and BKB is owned by the CFO of the Company.

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

- (b) On October 27, 2008 the Company entered a secured loan agreement in the amount of CAD\$300,000 with CAB (See Note 7e). On July 10, 2009 \$40,000 of the debt was converted to equity. On October 21, 2010, the Company settled a portion of the debt, namely US\$1,625 with CAB by converting 65,000 warrants into 32,500 common shares of the Company as per Purchase Agreement dated October 27, 2008 at a price of \$0.05 per share. On June 28, 2011, the Company paid down CAD \$100,000 of the debt. For the nine months ended July 31, 2014, the Company paid/accrued interest expenses of CAD \$20,500 (2013: CAD\$20,500).
- (c) On October 27, 2008 the Company entered a secured loan agreement in the amount of CAD\$400,000 with Christopher Bunka (See Note 8e). On October 21, 2010, the Company settled a portion of the debt, namely \$2,167 with Christopher Bunka by converting 86,667 warrants into 43,333 common shares of the Company as per Purchase Agreement dated October 27, 2008 at a price of \$0.05 per share. For the nine months ended July 31, 2014, the Company paid/accrued interest expenses of CAD \$53,707 (2013: CAD\$53,707).
- (d) On April 1, 2010, the Company entered a non-secured loan agreement in the amount of US\$75,000 with CAB (See Note 8a). For the nine months ended July 31, 2014, the Company paid interest expenses of \$10,125 (2013: \$10,125).

- (e) On March 30, 2012, the Company entered a non-secured loan agreement in the amount of US\$50,000 with Chris Bunka. For the nine months ended July 31, 2014, the Company incurred interest expenses of \$4,500 (2013: \$4,500).
  
  - (f) On December 1, 2011, the Company entered into a secured loan agreement in the amount of \$200,000 with two directors of the Company (see Note 8c, f). This loan agreement was amended for another year to repay the debt in twelve equal monthly principal payment, plus interest on the monthly declining balances. The interest rates of the amendment debt are the same as the existing debt agreement. On November 13, 2013, the Company refinanced and extended repayment terms on all debt that was otherwise due to mature in December 2013. The loan repayment schedule will be converted, with an effective date of December 1, 2013, to a new one year term loan with monthly interest payments at 18% on any declining balance, in arrears and all principal amounts not paid before then due in full on December 1, 2014; b) the first payment of interest shall be due on January 1, 2014; c) the Company will make ten (10) monthly principal payments, each of which is 1/10th of the principal amount owing at the time this Agreement goes into effect, beginning on March 1 2014 and repeating on the first day of each month thereafter until all the principal is paid. For the nine months ended July 31, 2014, the Company has paid interest expense of \$16,374 (2013: \$22,667).
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On December 4, 2013, the Company entered into a loan agreement and promissory note with Chris

- (g) Bunka (the Lender ), a director and officer of our company. The principal amount of the note is CAD\$51,507.50. The entering into of the loan agreement and promissory note provides that the principal and interest on the debt be payable for a period of fifteen months. The note has an interest rate of 15% per annum and a monthly principal payment of \$4,292 starting after the third month. For the nine months ended July 31, 2014, the Company incurred interest expenses of CAD\$1,931 (2013: \$Nil). The Company paid back the loan on March 31, 2014.
- (h) Included in accounts payable, \$80,530 (October 31, 2013: \$89,540) and other payable, \$3,087 (2013: \$34,410) was payable to companies controlled by the president, key management personnel and directors of the Company. Included in other receivable, \$4,343 was receivable from companies controlled by the president, key management personnel and directors of the Company.
- (i) For the nine months ended July 31, 2014, the Company has paid/accrued \$Nil (2013: \$35,552) to Kelowna Resources Group formerly known as 0743608 BC Ltd.; \$Nil (2013:\$12,692) to Emerald Atlantic LLC; and, \$Nil to Tom Ihrke (2013: \$4,213) for their respective Non-consent Interests in Belmont Lake. Kelowna Resources Group, formerly known as 0743608 BC Ltd., is owned by the president of the Company, and Emerald Atlantic LLC is owned by a Director of the Company.
- (j) See Note 5, 6, and 8.

## 11. Stock Options

For the nine months ended July 31, 2014, the Company recorded a total of \$66,482 (2013: \$Nil) for stock based compensation expenses.

On March 25, 2014, the Company accepted and received gross proceeds of \$17,500, for the exercise of 50,000 stock options at \$0.35 into 50,000 common shares of the Company.

On March 25, 2014, Jason Springett has joined the Company as an advisor and the Company granted 50,000 stock options with an exercise price of \$0.60, vesting immediately and expiring on March 25, 2019.

On April 1, 2014, the Company entered into a 90 day agreement with Ken Faulkner as a Corporate Development Manager. The Company granted 100,000 stock options with an exercise price of \$0.50, vesting immediately and expiring on April 1, 2019.

On May 29, 2014, the Company accepted and received gross proceeds of \$5,000 for the exercise of 50,000 stock options at \$0.10 into 50,000 common shares of the Company.

On July 24, 2014, the Company granted 100,000 stock options to Ron Struthers, 500,000 stock options to Robert McAllister, and 25,000 stock options to Taven White with an exercise price of \$0.25, vesting immediately and expiring on July 24, 2019.

For the period ended July 31, 2014, the Company recorded a total of \$91,915 (2013: \$21,279) for stock based compensation expenses.

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:



	July 31, 2014	October 31, 2013
Expected volatility	219-252%	142.25%
Risk-free interest rate	1.72-1.76%	1.83%
Expected life	5 years	5 years
Dividend yield	0.00%	0.00%

A summary of the stock options for the nine months ended July 31, 2014 is presented below:

	Options Outstanding	
	Number of Shares	Weighted Average Exercise Price
Balance, October 31, 2013	2,200,000	\$ 0.23
Expired	250,000	0.35
Exercised	100,000	0.22
Granted	775,000	0.53
Balance, July 31, 2014	2,625,000	\$ 0.24

The Company has the following options outstanding and exercisable:

July 31, 2014		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 exercise price
\$0.20	150,000	1.04 years	\$ 0.20	150,000	\$ 0.20
\$0.20	850,000	0.47 years	\$ 0.20	850,000	\$ 0.20
\$0.35	450,000	1.95 years	\$ 0.35	450,000	\$ 0.35
\$0.10	400,000	3.88 years	\$ 0.20	400,000	\$ 0.10
\$0.60	50,000	4.65 years	\$ 0.60	50,000	\$ 0.60
\$0.50	100,000	4.67 years	\$ 0.50	100,000	\$ 0.50
\$0.25	625,000	4.98 years	\$ 0.25	625,000	\$ 0.25
Total	2,625,000	2.54 years	\$ 0.24	2,625,000	\$ 0.24

## 12. Commitments, Significant Contracts and Contingencies

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

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

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

15, 2012, the consulting agreement has been decreased to \$10 a month. Effective April 1, 2014, the amended consulting agreement has been increased to \$5,000 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.

On March 10, 2014, the Company entered into a Social Media/Web Marketing Agreement with Stuart Gray. The term of this Agreement shall begin on the date of execution of this Agreement for a period of 12 months. The consideration for services is \$60,000 payable in common shares of the Company. Upon execution of the Agreement, the Company issued 150,000 common shares of the Company at a price of \$0.40 for the 12 month Social Media/Web Marketing Agreement.

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On March 12, 2014, the Company signed a \$50,000 12 month marketing agreement with Agora Internet Relations Corp. payable in common shares of the Company. The first quarter payment is \$12,500, by issuing 20,833 common shares of the Company at a market price of \$0.60 per share.

On April 1, 2014, the Company entered into a one year contract with Pacific Court Capital Corp., wholly owned company by Kristian Dagsaan as Controller for CAD\$3,000 plus GST. This contract was terminated on August 31, 2014.

On April 1, 2014 the Company entered into a 90 day agreement for \$9,000 with Ken Faulkner as a corporate development manager. Mr. Faulkner will assist the Company with answering and initiating calls and communications of any kind with various shareholders and investors for purposes of corporate communications; finance; mergers; acquisitions; joint ventures; analysis of various regulatory reports such as those required by the US Securities and Exchange Commission and by various Provincial Securities Commissions in Canada; preparing and editing Company presentations and generally communicating the Company's information.

On April 10, 2014, the Company entered into a Letter of Intent ("**LOI**") that set forth the basic terms of discussions between Enertopia Corporation, or its wholly-owned subsidiary ("**Enertopia**") and Lexaria Corp., or its wholly-owned subsidiary ("**Lexaria**") (collectively, the "**Parties**") with regard to the ownership by Enertopia of a 51% interest in the business, and the ownership by Lexaria of a 49% interest in the business of legally producing, manufacturing, propagating, importing/exporting, testing, researching and developing, and selling marijuana for medical purposes under the MMPR. The Company issued 500,000 common shares at a price of \$0.40 to Enertopia, which are held in escrow until the Health License license is obtained by Enertopia. On May 28, 2014, Enertopia and Lexaria have signed a Definitive Agreement.

On April 10, 2014, a letter of intent, was signed on behalf of Lexaria CanPharm Corp. - a wholly owned subsidiary of Lexaria, and Enertopia Corporation (Lessee) and Mr. Jeff Paikin (Lessor) that sets out the Lessee's and Lessor's shared intent to enter into a lease agreement (the "Lease") for warehouse space (the "Leased Premises") in the building located in Ontario (the "Building") for the purposes of a licensed medical marijuana production facility. The Company issued the 55,000 common shares at a deemed price of \$0.40 per the terms of the Letter of Intent to lease space in the building owned by the Lessor. The LOI was amended on July 22, 2014, subsequent to quarter end, on August 1, 2014, the Company signed an extension to an amended Letter of Intent that was executed on April 10, 2014. As per the terms of the extended Letter of Intent, on August 5, 2014, the Company issued 91,662 common shares at a deemed price of \$0.30.

On April 14, 2014, the Company appointed Mr. Jeff Paikin to its Advisory Board for a period of not less than one year, but to be determined by certain performance thresholds described in the letter. Upon signing of the letter of acceptance the Company issued 110,000 common shares at a deemed price of \$0.39. Consulting agreement amended on June 18, 2014, Mr. Paikin can be eligible to receive up to a total of 1,650,000 common shares of the Company. On July 17, 2014, the Company issued 165,000 common shares at a deemed price of \$0.26.

On April 24, 2014 the Company entered into a one year consulting contract with Clark Kent as Media Coordinator for a monthly fee of CAD\$2,250 plus GST. Upon signing of the contract of acceptance the Company issued 110,000 common shares at a deemed price of \$0.32. Consulting agreement amended on June 18, 2014, Mr. Kent can be eligible to receive up to a total of 1,650,000 common shares of the Company. On July 17, 2014, the Company issued 165,000 common shares at a deemed price of \$0.26.

On April 24, 2014 the Company entered into a one year consulting contract with Don Shaxon as Ontario Operations Manager for a monthly fee of CAD\$3,375 plus GST. Upon signing of the contract of acceptance the Company issued 110,000 common shares at a deemed price of \$0.32. Consulting agreement amended on June 18, 2014, Mr. Shaxon can be eligible to receive up to a total of 1,650,000 common shares of the Company. On July 17, 2014, the Company issued 165,000 common shares at a deemed price of \$0.26.

On April 24, 2014 the Company entered into a one year consulting contract with 490072 Ontario Ltd. operating as HEC Group, wholly owned company by Greg Boone as Human Resources Manager. Upon signing of the contract of acceptance the Company issued 110,000 common shares at a deemed price of \$0.32. Consulting agreement amended on June 18, 2014, Mr. Boone can be eligible to receive up to a total of 1,650,000 common shares of the Company. On July 17, 2014, the Company issued 165,000 common shares at a deemed price of \$0.26.

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On April 24, 2014 the Company entered into a one year consulting contract with Jason Springett as Master Grower for Ontario Operations for a monthly fee of \$3,375 plus GST. Upon signing of the contract of acceptance the Company issued 110,000 common shares at a deemed price of \$0.32. Consulting agreement amended on June 18, 2014, Mr. Springett can be eligible to receive up to a total of 1,650,000 common shares of the Company. On July 17, 2014, the Company issued 165,000 common shares at a deemed price of \$0.26.

On April 24, 2014 the Company entered into a one year consulting contract with 2342878 Ontario Inc. wholly owned company by Chris Hornung as Assistant Manager. Upon signing of the contract of acceptance the Company issued 110,000 common shares at a deemed price of \$0.32. On July 14, 2014, the Company accepted Mr. Hornung's resignation.

On May 5, 2014 the Company entered into a one year consulting contract as Security Consultant with Bmullan and Associates, a company wholly owned by Brian Mullan. Upon signing of the contract of acceptance the Company issued 55,000 common shares at a deemed price of \$0.30. Based on the milestones listed in the contract, Mr. Mullan or his company can be eligible to receive up to a total of 275,000 common shares of the Company. On July 17, 2014, the Company issued 55,000 common shares at a deemed price of \$0.26.

See also Note 6 and 8.

### 13. Segmented Information

The Company's business is considered as operating in one segment (Oil and gas in the United States) based upon the Company's organizational structure, the way in which the operation is managed and evaluated, the availability of separate financial results and materiality considerations. Upon entering into the Joint Venture Agreement (See note 7), the Company will be operating in two segments, the other being the medicinal marijuana business.

	Oil and Gas	Marijuana business	Total
<b>October 31, 2013</b>	3,573,352	-	3,573,352
<b>July 31, 2014</b>	4,523,059	43,149	4,566,208

#### 14. Subsequent Events

1. On August 1, 2014, the Company signed an extension on an amended Letter of Intent, that was executed on April 10, 2014 on behalf of Lexaria CanPharm Corp. - a wholly owned subsidiary of Lexaria, and Enertopia Corporation(Lessee) and Mr. Jeff Paikin of 1475714 Ontario Inc. (Lessor) sets out the Lessee's and Lessor's shared intent to enter into a lease agreement (the Lease) for warehouse space (the Leased Premises) in the building located at Burlington, Ontario (the Building). On August 5, 2014 as per the terms of the LOI, the Company issued 91,662 common shares at a deemed price of \$0.30 per share.
  2. On August 5, 2014, the Company made its second quarter payment to Agora Internet Relations Corp. of \$13,125 by issuing 82,031 common shares of the Company at a market price of \$0.16 per share.
  3. On August 12, 2014, Lexaria closed a private placement by issuing 1,251,333 units at a price of US\$0.15 per unit for gross proceeds of US\$187,700. Each Unit consists of one common share of the Company and one full non-transferable Share purchase warrant (Warrant). Each Warrant will be exercisable into one further Share (a Warrant Share) at a price of US\$0.25 per Warrant Share for a period of eighteen (18) months following closing. The Warrants are subject to an early acceleration provision pursuant to which, in the event that the Company's common shares at any time after 6 months and 1 day have elapsed from the closing of the Offering, as listed on a Principal Canadian Market - currently the Canadian Securities Exchange with symbol LXX, has been at or above CDN\$0.60 for a period of 20 consecutive trading days, the Company may, within five (5) days thereafter issue to the Subscribers a written notice advising of the accelerated expiry of the Warrants. Such written notice shall identify in reasonable detail the particulars of the acceleration event and identify the date (the "Warrant Accelerated Expiry Date") set for accelerated expiry, which in no event shall be less than 30 days after the mailing date of the written notice. For greater certainty, all Warrants shall expire and be of no further force or effect as of 4:30 pm (Pacific Time) on the Warrant Accelerated Expiry Date.
  4. On August 7, 2014, the Company's board approved changing its year end from October 31 to August 31.
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## 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 are an exploration and development oil and gas company currently engaged in the exploration for and development of petroleum and natural gas in North America. We maintain our registered agent's office and our U.S. business office at Nevada Agency and Transfer Company, 50 West Liberty, Suite 880, Reno, Nevada 89501. Our telephone number is (755) 322-0626.

The address of our principal executive office is Suite 950, 1130 West Pender Street, Vancouver, British Columbia V6E 4A4. Our telephone number is (604) 602-1675. We have 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. The Company is diverse in its pursuit of business opportunities in the Medicinal Marijuana sector and in Oil and Gas operations.

In March of 2014, Lexaria began its entry into the medicinal marijuana business sector. Additionally, Lexaria is an oil and gas company engaged in the exploration for oil and natural gas in Canada and the United States. The Company is currently generating revenues from its business operations in Mississippi. One part of the Company's business plan is to focus on development of the Belmont Lake oil field, in which it has working interests, in order to maximize cash

flow and use excess cash flow to pay debt and conduct additional development well drilling. To accomplish this, the Company intends to focus on development drilling first. Eventually the Company will seek a balance between exploration, development and exploitation drilling. To achieve sustainable and profitable growth, the Company intends to control the timing and costs of its projects wherever possible. The Company is not currently the operator of any of its properties and will consider becoming the operator only when its financial conditions have improved sufficiently.

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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](http://www.sedar.com).

### **Our Current Business**

The Company is an oil and gas company engaged in the exploration for oil and natural gas in Canada and the United States. The Company is currently generating revenues from its business operations in Mississippi. In March of 2014, we began our entry into medicinal marijuana business.

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

Our company's business plan is to focus on development of the Belmont Lake oil field, in which we have working interests, in order to maximize cash flow and use excess cash flow to pay debt and conduct additional development well drilling. Eventually our company will seek a balance between exploration, development and exploitation drilling. To achieve sustainable and profitable growth, our company intends to control the timing and costs of our projects wherever possible. We are not currently the operator of any of our properties and will consider becoming the operator only when our financial conditions have improved sufficiently.

During the nine month period ended July 31, 2014, we experienced the following significant corporate developments:

On **November 1, 2013**, the Company closed a private placement of 500,000 units at a price of \$0.06 per unit for gross proceeds of \$30,000. Each unit consists of one common stock and one share purchase warrant which entitles a holder to purchase one common stock at a price of \$0.10 per warrant share for a period of thirty six month following the close.

On **November 13, 2013**, the Company refinanced and extended repayment terms on all debt that was otherwise due to mature in December 2013 with CAB Financial Services Ltd., David DeMartini, Emerald Atlantic LLC, and other debt holders of the Company. Per the Amendment Agreements, a) the loan repayment schedule will be converted, with an effective date of December 1, 2013, to a new one year term loan with monthly interest payments at 18% on any declining balance, in arrears and all principal amounts not paid before then due in full on December 1, 2014; b) the first payment of interest shall be due on January 1, 2014; c) the Company will make ten (10) monthly principal payments, each of which is 1/10th of the principal amount owing at the time this Agreement goes into effect, beginning on March 1 2014 and repeating on the first day of each month thereafter until all the principal is paid; d) the Company grants to the lenders new collateral specifically limited to the lender's pro-rata portion (the original initial balance owing to the lender shall form the numerator and \$930,000 shall form the denominator) of the Company's portion of the net revenue from the new 12-7 well required to keep the terms of this Agreement in good standing at any given monthly due date.

On **December 4, 2013**, the Company entered into a loan agreement and promissory note with Chris Bunka (the Lender), a director and officer of our company. The principal amount of the note is CAD\$51,507.50. The entering into of the loan agreement and promissory note provides that the principal and interest on the debt be payable for a period of fifteen months. The note has an interest rate of 15% per annum and a monthly principal payment of \$4,292 starting after the third month.

On **December 6, 2013**, the Company announced that a new well in Belmont Lake Field, the 12-7 well, had been drilled to total depth and sidewall core analysis indicated approximately 20 feet of true vertical depth oil bearing pay.

Due to adverse weather conditions, the well has not yet been completed nor put into production.

On **March 5, 2014**, the Company entered into a three year Joint Venture Agreement ( JV Agreement ) with Enertopia Corp. and Robert McAllister (collectively, the "Parties"). Whereas the Enertopia Corp. 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 Lexaria Corp. advisory board for the term of this JV Agreement.

The Parties contribute the following as their initial contributions to the business:

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- a) Lexaria, as its initial Contribution, hereby pays to Enertopia 1,000,000 common restricted shares as compensation for entering the Joint Venture and for Enertopia to initiate and during the term of the Agreement continue to provide to Lexaria opportunities for Lexaria to build its business
- b) Lexaria agrees 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 JV Agreement.
- c) Lexaria as its initial Contribution, hereby pays to Robert McAllister 500,000 common restricted shares as compensation for entering the Joint Venture and for Robert McAllister to initiate and during the term of the JV Agreement continue to provide to Lexaria opportunities for Lexaria to build its business.
- d) Lexaria agrees to additionally award Robert 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 marihuana business advisory board for the term of this JV Agreement.

On **March 10, 2014**, the Company entered into a Social Media/Web Marketing Agreement with Stuart Gray. The term of this Agreement shall begin on the date of execution of this Agreement for a period of 12 months. The consideration for services is \$60,000 payable in common shares of the Company. Upon execution of the Agreement, the Company issued 150,000 common shares of the Company at a price of \$0.40 for the 12 month Social Media/Web Marketing Agreement.

On **March 12, 2014**, the Company entered into 12 month marketing agreement for \$50,000 with Agora Internet Relations Corp. payable in common shares of the Company. The first quarter payment of \$12,500 was made by issuing 20,833 common shares of the Company at a price of \$0.60 per share.

On **March 21, 2014**, the Company closed a private placement of 10,600,000 units at a price of \$0.12 per unit for gross proceeds of \$1,272,000. Each unit consists of one common stock and one share purchase warrant which entitles a holder to purchase one common stock at a price of \$0.25 per warrant share for a period of eighteen months following the close. A cash finders' fee for \$16,800 was paid to Cannacord Genuity, Leede Financial Markets and PI Financial Corp.; and a stock finders' fee of 819,999 common shares of the Company were issued to Canaccord Genuity and Wolverton Securities.

On **March 25, 2014** the Company received \$17,500 for the exercise of 50,000 stock options at \$0.35 into 50,000 common shares of the Company.

On **March 25, 2014**, Jason Springett has joined the Company as an advisor and the Company granted 50,000 stock options with an exercise price of \$0.60, vesting immediately and expiring on March 25, 2019.

On **April 1, 2014**, the Company entered into a 90 day agreement with Ken Faulkner as a Corporate Development Manager. The Company granted 100,000 stock options with an exercise price of \$0.50, vesting immediately and expiring on April 1, 2019.

On **April 1, 2014**, the Company converted \$193,333 of the debt outstanding into 552,380 units of the Company at a price of \$0.35. Each unit is comprised of one common share and one share purchase warrant which entitles the holder to purchase one common stock at a price of \$0.40 for a period of 12 months after the conversion.

On **April 10, 2014**, the Company entered into a Letter of Intent. This Letter of Intent ("LOI") shall set forth the basic terms of the recent discussions between Enertopia Corporation, or its wholly-owned subsidiary ("Enertopia") and Lexaria Corp., or its wholly-owned subsidiary ("Lexaria") (collectively, the "Parties") with regard to the ownership by Enertopia of a 51% interest in the business, and the ownership by Lexaria of a 49% interest in the business of legally producing, manufacturing, propagating, importing/exporting, testing, researching and developing, and selling marihuana for medical purposes under the MMPR (the "Business").

Acquisition Structure. In accordance with the terms of a formal and definitive Agreement to be entered into between Enertopia and Lexaria (the "Definitive Agreement"), Enertopia shall own 51% ownership interest in the Business (the "Enertopia Ownership") and Lexaria shall own 49% ownership interest in the Business (the Lexaria Ownership ). Within 10 days, Enertopia shall contribute \$45,000 and Lexaria shall contribute \$55,000 to the Business

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Upon the execution of this LOI, Enertopia and Lexaria shall structure a joint venture for legally producing, manufacturing, propagating, importing/exporting, testing, researching and developing, and selling marihuana for medical purposes under the MMPR. At such time the Parties will be deemed to have formed a joint venture for the operation, management and further development of the Business (the "Joint Venture"). Lexaria will pay 55% of all costs to earn its 49% net Ownership Interest and Enertopia will pay 45% of all costs to earn its 51% Ownership Interest. A total of 500,000 Definitive Agreement Shares shall be issued to Enertopia, held in escrow (the "Escrow Shares") by Lexaria's solicitors until such date as the License (as hereinafter defined) has been obtained by Enertopia (the "Effective Date"). Upon occurrence of the Effective Date, the Escrow Shares will be released from escrow. In the event the Effective Date does not occur within 12 months of the date of the Definitive Agreement (the "Execution Date"), the Definitive Agreement Shares shall be cancelled and returned to treasury.

The joint venture shall be responsible to:

- a. Source and secure a suitable location or locations from which to conduct the Business; and,
- b. Acquire the necessary construction, operations and management expertise to build, operate and manage the Business; and,
- c. Agree unanimously on an appropriate funding schedule for all aspects of building, growing and operating the Business; and,
- d. Agree unanimously on each capital expenditure incurred by the Business of more than \$100,000, and on each salary, wage or bonus offered by the Business of more than \$100,000 per annum; and
- e. Agree unanimously on a framework for eventual but regular profit distribution based upon the 51% / 49% net ownership stakes; and
- f. Receive all municipal, police, fire and necessary approvals to apply for a Licensed Producer (LP) under the Health Canada MMPR; and
- g. Operate, expand and manage the business at all times in compliance with all relevant regulations and with best efforts towards maximum efficiencies and profitability.

Warranties.

- a. Enertopia warrants that it is a company duly incorporated and in good standing under the laws of the State of Nevada.
- b. Enertopia warrants that it will make all best efforts, as majority owner of the Business, to make an application to Health Canada to obtain a license to designating Enertopia as a "Licensed Producer" under MMPR (the "License") as soon as possible following the formation of the Joint Venture..
- c. Lexaria warrants that it is a company duly incorporated and in good standing under the laws of the State of Nevada

Definitive Agreement. Acceptance of this LOI shall be followed by the negotiation and acceptance of the Definitive Agreement which shall incorporate the terms and conditions of this LOI and such other terms, conditions, representations and warranties as are customary for transactions of this nature or as may be reasonably requested by the Parties including provisions relating to the transfer, sale or other disposition of an ownership interest by a Party and governance and operation of the Joint Venture. This LOI does not set forth all of the matters upon which agreement must be reached in order for the proposed transaction to be consummated.

Management Agreements. The Definitive Agreement will provide for the recognition of management/consulting agreements for certain employees or consultants of the Joint Venture pursuant to which such individuals will receive as yet unknown compensation (the "Management Compensation"). The Management Compensation shall be payable out of the net profits of the Business, provided however that any shortfall due to insufficient net profits shall be covered by the Joint Venture. Terms of each management/consulting agreement to be agreed upon with each individual third party and either the Joint Venture or either Enertopia or Lexaria, by mutual agreement, as the case may be, and to be entered into not later than April 30, 2014.

On **April 10, 2014**, the Company entered into a Letter of intent, to executed on behalf of a corporation incorporated by Lexaria Corp., Lexaria CanPharm Corp. and Enertopia Corporation (Lessee) and Mr. Jeff Paikin (Lessor) sets out the Lessee s and Lessor s shared intent to enter into a lease agreement (the Lease ) for warehouse space (the Leased Premises ) in the building located in Ontario (the Building ). The Company issued the 55,000 common shares at a deemed price of \$0.40 per the terms of the Letter of Intent to lease space in Ontario. The terms and conditions will be set out on a binding lease including some of the following points:

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1. Lease space to be approximately 30,000 square feet with a first right of refusal in favour of the Lessee to lease approximately an additional 45,000 square feet for a total of approximately 75,000 square feet as further space currently leased in the Building comes available.
2. The rent for the Leased Premises shall be base rent of \$5.00 per square foot, plus common area charges and taxes, which are currently \$3.25 per square foot. All utilities will be in addition to the rent and billed directly to the Lessee.
3. Lease term to be a minimum of 5 years, with the Lessee having an option to renew for three (3) further five (5) year terms at the market rate at the time of renewal.
4. The Lessee will require tenant improvements to the Leased Premises. These improvements shall be performed by New Horizon Homes on behalf of the Lessee on a cost plus 10% basis. The plus shall be payable in shares of Lexaria Corp. and Enertopia Corporation as part of this arrangement.
5. During the first 90 days of the initial 5 year lease, the Lessee shall have the option of paying its Base Rent with shares or with cash.
6. The Lease shall be conditional for a period of 60 days in order to allow the Lessee to confirm that the zoning applicable to the Leased Premises allows for the Lessee's intended use of the Leased Premises, in particular a legal marijuana growing operation. In exchange for the Lessor holding the Leased Premises for the Lessee for the 60 day conditional period, the Lessee will issue shares to the Lessor or as it may direct having a minimum value of \$40,000 Canadian. If the Municipality does not approve medical marijuana for this location, the obligation of the Lessee ends and the remaining lease shall be null and void. This initial share payment shall satisfy all of the Lessee's obligations if the use is not approved.
7. KNY Architects will be retained by the Lessee in order to begin designing the space required. This will allow the design process to happen prior to the determination of the zoning decision. All costs of architectural to be borne by the Lessee.
8. Where any shares of Lexaria Corp. and Enertopia Corporation are to be transferred to the Lessor or as it may direct, the intention is to determine the number of shares to be transferred based on the value of said shares at close of trading on April 9, 2014, with the shares transferred at the lowest legal transfer price based on the April 9, 2014 closing price. All share transfers shall be in accordance with the Exchange and Commission guidelines.
9. All obligations and responsibilities of the Lessee shall be shared by Lexaria Corp. assuming 55% and Enertopia Corp. assuming 45%.
10. This Letter of Intent sets out our shared intentions but does not create a binding Lease. The intended relationship set out in this Letter of Intent shall be solely governed by a binding lease agreement in the Lessor's standard form, but containing those terms and conditions set out in this Letter of Intent or as otherwise agreed between the parties. It is also implicit in this understanding that the intent of all the parties is to run a first class operation that can become an industry model for the best approach to carrying on a legal marijuana growing operation.

Subsequent to quarter end, on **August 1, 2014**, the Company signed an extension on an amended Letter of intent, that was executed on April 10, 2014 on behalf of a corporation to be incorporated by Lexaria Corp. and Enertopia Corporation (Lessee) and Mr. Jeff Paikin of 1475714 Ontario Inc. (Lessor) sets out the Lessee's and Lessor's shared intent to enter into a lease agreement (the Lease) for warehouse space (the Leased Premises) in the building located at Burlington, Ontario (the Building). On August 5, 2014 as per the terms of the LOI, the Company issued 91,662 common shares at a deemed price of \$0.30 per share. The following are the terms of the amended LOI:

1. Initial lease space to be approximately 20,000 square feet (known as the Vacant Space) with a first right of refusal in favour of the Lessee to lease approximately an additional 30,000 square feet (known as the Occupied Space) and an additional first right of refusal in favour of the Lessee to lease approximately an additional 25,000 square feet (known as the Expansion Space) for a total of approximately 75,000 square feet as further space currently leased in the Building comes available.
2. The rent for the Leased Premises shall be base rent of \$5.00 per square foot, plus common area charges and taxes, which are currently \$3.25 per square foot. All utilities will be in addition to the rent and billed

directly to the Lessee.

3. Lease will be for both the Vacant Space and the Occupied Space and for a term of 5 years, with the Lessee having an option to renew for three (3) further five (5) year terms at the market rate at the time of renewal.
  4. Lease start date to be that date, following notice of intent to construct and occupy the Occupied Space given in writing by the Lessee to the Lessor (the Notice ), when the existing third-party tenant in the Occupied Space no longer occupies the Occupied Space. Lessee has no obligation to provide notice of intent to construct and occupy the Occupied Space prior to receiving a Ready to Build letter from Health Canada regarding the MMPR license application at 5070 Benson and if no such letter has been received prior to January 22, 2015, Lessee may at any time at its sole option notify Lessor of its intention to abandon the HC license application at 5070 Benson, in which case Lessor agrees to release Lessee from any further obligations under this agreement. Lessee and Lessor have the option of mutually agreeing to extend the lease start date.
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5. Rent payment for the Occupied Space payable only in cash, with no option available for the payment of rent with common shares for the Occupied Space.
6. The 5-year term of the Lease will be waived by the Lessor, if the Lessee fails to receive a license issued by Health Canada under the MMPR program, for the cultivation and sale of medical marijuana at the 5070 Benson location, or if any other necessary regulatory license is not received, following 90-day notice given from the Lessee to the Lessor, at the sole option of the Lessee.
7. The Lessee will require tenant improvements to the Leased Premises (the Tenant Improvements ). These improvements shall be performed by New Horizon Homes on behalf of the Lessee on a cost plus 10% basis. The plus shall be payable in shares of Lexaria Corp. and Enertopia Corporation as part of this arrangement.
8. During the 6 months beginning June 9 2014, the Lessee shall have the option of paying its Base Rent of the Vacant Space with common shares or with cash.
9. During the 6 months following the Notice date if the Notice date is prior to January 22, 2015, the Lessee shall have the option of paying its Base Rent of the Vacant Space with common shares or with cash; and in the event the lease start date is mutually agreed to start after January 22, 2015, the option to pay rent in shares or cash will be determined by the Lessor.
10. KNY Architects has been retained by the Lessee in order to begin designing the space required. All costs of architectural design to be borne by the Lessee.
11. Where any restricted common shares of Lexaria Corp. and Enertopia Corporation are to be transferred to the Lessor or as it may direct, the intention is to determine the number of shares to be transferred based on the June 17 2014 LOI draft agreement wherein the valuation share price of Lexaria Corp was determined to be \$0.30 and for Enertopia Corp was determined to be \$0.19, but in any case all share transfers shall be in accordance with the Canadian Securities Exchange and Securities Commission guidelines.
12. All obligations and responsibilities of the Lessee shall be shared by Lexaria CanPharm Corp. assuming 55% and Thor Pharma Corp. assuming 45%.
13. At that time when Lessee gives Notice to construct and occupy, it shall maintain a minimum cash balance of \$120,000 in the Joint Venture bank account in trust for the Lessor to be applied as security towards lease payments, until such time as the MMPR license issued by Health Canada has been received by the Lessee.
14. At that time when Lessee gives Notice to construct and occupy, it shall maintain a minimum cash balance sufficient to cover the approved budget costs of the Tenant Improvements in the Joint Venture bank account in trust for New Horizon Homes and provide evidence of such funds. Tenant Improvement budget subject to exclusive approval of the Lessee, in advance.
15. At that time when Tenant Improvements are complete; when the Health Canada MMPR license has been received; and when the Lessee has moved in to the leased space, the Lessee shall maintain a minimum cash balance equivalent to eight-months rent payments for whatever space is occupied at the time by the Lessee, in the Joint Venture bank account in trust for the Lessor to be applied as security towards lease payments.
16. This Letter of Intent sets out our shared intentions but does not create a binding Lease. The intended relationship set out in this Letter of Intent shall be solely governed by a binding lease agreement in the Lessor's standard form, but containing those terms and conditions set out in this Letter of Intent or as otherwise agreed between the parties. It is also implicit in this understanding that the intent of all the parties is to run a first class operation that can become an industry model for the best approach to carrying on a legal marijuana growing operation.

On **April 14, 2014**, the Company appointed Mr. Jeff Paikin to its Advisory Board for a period of not less than one year, but to be determined by certain performance thresholds described in the letter. Upon signing of the letter of acceptance the Company issued 110,000 common shares at a deemed price of \$0.39. Consulting agreement amended on June 18, 2014, Mr. Paikin can be eligible to receive up to a total of 1,650,000 common shares of the Company. On **July 17, 2014**, the Company issued 165,000 common shares at a deemed price of \$0.26.

On **April 24, 2014** the Company entered into a one year consulting contract with Clark Kent as Media Coordinator for a monthly fee of CAD\$2,250 plus GST. Upon signing of the contract of acceptance the Company issued 110,000 common shares at a deemed price of \$0.32. Consulting agreement amended on June 18, 2014, Mr. Kent can be eligible to receive up to a total of 1,650,000 common shares of the Company. On **July 17, 2014**, the Company issued 165,000 common shares at a deemed price of \$0.26.

On **April 24, 2014** the Company entered into a one year consulting contract with Don Shaxon as Ontario Operations Manager for a monthly fee of CAD\$3,375 plus GST. Upon signing of the contract of acceptance the Company issued 110,000 common shares at a deemed price of \$0.32. Consulting agreement amended on June 18, 2014, Mr. Shaxon can be eligible to receive up to a total of 1,650,000 common shares of the Company.

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On **July 17, 2014**, the Company issued 165,000 common shares at a deemed price of \$0.26.

On **April 24, 2014** the Company entered into a one year consulting contract with 490072 Ontario Ltd. operating as HEC Group, wholly owned company by Greg Boone as Human Resources Manager. Upon signing of the contract of acceptance the Company issued 110,000 common shares at a deemed price of \$0.32. Consulting agreement amended on June 18, 2014, Mr. Boone can be eligible to receive up to a total of 1,650,000 common shares of the Company. On **July 17, 2014**, the Company issued 165,000 common shares at a deemed price of \$0.26.

On **April 24, 2014** the Company entered into a one year consulting contract with Jason Springett as Master Grower for Ontario Operations for a monthly fee of \$3,375 plus GST. Upon signing of the contract of acceptance the Company issued 110,000 common shares at a deemed price of \$0.32. Consulting agreement amended on June 18, 2014, Mr. Springett can be eligible to receive up to a total of 1,650,000 common shares of the Company. On **July 17, 2014**, the Company issued 165,000 common shares at a deemed price of \$0.26.

On **April 24, 2014** the Company entered into a one year consulting contract with 2342878 Ontario Inc. wholly owned company by Chris Hornung as Assistant Manager. Upon signing of the contract of acceptance the Company issued 110,000 common shares at a deemed price of \$0.32. On **July 14, 2014**, the Company accepted Mr. Hornung's resignation.

On **May 5, 2014** the Company entered into a one year consulting contract as Security Consultant with Bmullan and Associates, a company wholly owned by Brian Mullan. Upon signing of the contract of acceptance the Company issued 55,000 common shares at a deemed price of \$0.30. Based on the milestones listed in the contract, Mr. Mullan or his company can be eligible to receive up to a total of 275,000 common shares of the Company. On **July 17, 2014**, the Company issued 55,000 common shares at a deemed price of \$0.26.

On **May 27, 2014**, the Company entered into a letter of intent with Arnprior Bay Property Limited (Lessor) to the intent of entering into a lease agreement in Ontario to lease space to be approximately 24,000 square feet with an option to lease a further 22,000 square feet within 2 years, and an additional 49,000 square feet for a total of 95,000 square feet. The lease shall be conditional for a period of up to 180 days in order to obtain approval from the appropriate municipal authorities for zoning of a legal marijuana production facility.

On **May 28, 2014**, Enertopia Corp. ( Enertopia ) and the Company have signed a Definitive Agreement; the parties are entering into this agreement to set out the terms and conditions by which Enertopia does own a 51% interest in the business and Lexaria does own a 49% interest in the proposed business; and the terms and conditions on which the parties will form and operate the joint venture to jointly participate in the business (the "Joint Venture").

The parties contribute the following as their initial contributions to the Joint Venture:

Enertopia, as its initial contribution, hereby contributes \$45,000 to the Joint Venture bank account. The Company as its initial contribution, hereby contributes \$55,000 to the Joint Venture bank account.

The parties shall have the following Ownership Interests under this Agreement and of the Joint Venture:

Enertopia	51%
Lexaria	49%

The parties shall bear the costs arising under this agreement and the operation of the Joint Venture as to the following, as further described in this agreement (the Cost Interests ):

Enertopia	45%
Lexaria	55%

The parties shall have the following insured liability for all things that are not operating costs arising under this Agreement and the operation of the Joint Venture as to the following:

Enertopia	51%
Lexaria	49%

The parties shall receive all revenues and profits derived from the operation of the Joint Venture as to the following, as further described in this agreement (the Revenue Interests ):

Enertopia	51%
Lexaria	49%

On **May 29, 2014**, the Company received gross proceeds of \$5,000 for the exercise of 50,000 stock options at \$0.10 into 50,000 common shares of the Company.

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On **June 11, 2014**, the Company held its Annual and Special Meeting of Shareholders for the following purposes:

1. To elect Chris Bunka, Bal Bhullar, 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 October 31, 2014 and to allow directors to set the remuneration;
3. To approve a change of business of the Company;
4. To conduct an advisory vote on the compensation of our Company's Named Executive Officers (the Say-on-Pay Proposal );
5. To conduct an advisory vote on the frequency of future advisory votes on the compensation on our Company's Named Executive Officers (the Say When-on-Pay Proposal );
6. To approve the adoption of the Company's 2014 stock option plan; and
7. 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 May 20, 2014.

On **July 24, 2014**, the Company granted 100,000 stock options to Ron Struthers, 500,000 stock options to Robert McAllister, and 25,000 stock options to Taven White with an exercise price of \$0.25, vesting immediately and expiring on July 24, 2019.

On **August 5, 2014**, the Company made its second quarter payment to Agora Internet Relations Corp. of \$13,125 by issuing 82,031 common shares of the Company at a market price of \$0.16 per share.

On **August 12, 2014**, Lexaria closed a private placement by issuing 1,251,333 units at a price of US\$0.15 per unit for gross proceeds of US\$187,700. Each Unit consists of one common share of the Company and one full non-transferable Share purchase warrant ( Warrant ). Each Warrant will be exercisable into one further Share (a Warrant Share ) at a price of US\$0.25 per Warrant Share for a period of eighteen (18) months following closing. The Warrants are subject to an early acceleration provision pursuant to which, in the event that the Company's common shares at any time after 6 months and 1 day have elapsed from the closing of the Offering, as listed on a Principal Canadian Market currently the Canadian Securities Exchange with symbol LXX, has been at or above CDN\$0.60 for a period of 20 consecutive trading days, the Company may, within five (5) days thereafter issue to the Subscribers a written notice advising of the accelerated expiry of the Warrants. Such written notice shall identify in reasonable detail the particulars of the acceleration event and identify the date (the "Warrant Accelerated Expiry Date") set for accelerated expiry, which in no event shall be less than 30 days after the mailing date of the written notice. For greater certainty, all Warrants shall expire and be of no further force or effect as of 4:30 pm (Pacific Time) on the Warrant Accelerated Expiry Date.

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

The Company has also investigated the viability of monetizing some of its oil assets and will continue to assess the business environment in order to maximize any possible return to all Company stakeholders.

The Company's business plan does not anticipate that it will hire a large number of employees or that it will require extensive office space. The Company has to date, and plans to continue to acquire most of the industry and geological expertise it requires, through third party contractual relationships with consulting experts and with operating companies which will act as operators of the Company's various interests. Although this exposes the Company to certain risks on behalf of those operators, it also allows the Company to participate in the often unique experience and

knowledge that local persons have related to certain properties. This strategy allows the Company to participate in a wider variety of oil and gas opportunities than if all of its geological expertise were in-house and confined to a single geographical area. From a business operations perspective, this strategy also enables the Company to minimize its ongoing fixed in-house costs for geological or geophysical analytical expenses while still allowing it to contract for that expertise when and as needed. This business strategy has been successful during a time of declining oil and gas prices, when many companies with high internal overheads and cost structures due to large numbers of highly expensive in-house professionals cannot be sustained due to declining revenues. The Company will hire third-party consulting geophysicists and geologists on an as-needed basis to evaluate oil and gas properties that may be of interest, and to reinforce and double-check the technical work and abilities of its third-party operators. This provides the Company with the required expertise it needs, when it is needed, whilst avoiding high fixed long-term costs.

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The Company relies on the business experience of its 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.

## Mississippi

On December 21, 2005, the Company agreed to purchase a 20% gross working and revenue interest in a 10 well drilling program in Palmetto Point, Mississippi owned by Griffin & Griffin Exploration ( Griffin ) for cash payments of \$700,000, comprised of \$220,000 paid upon entering the Agreement and the remaining balance of \$480,000 paid on January 17, 2006. The Company applied the full cost method to account for its oil and gas properties and as of July 31, 2010, seven wells were found to be proved wells, and three wells were found impaired. One of the wells was impaired due to uneconomic life, and the other two wells were abandoned due to no apparent gas or oil shows present. The costs of impaired properties were added to the capitalized cost in determination of the depletion expense. Palmetto Point is approximately 150 miles southwest of Jackson, Mississippi and approximately 50 miles north/northwest of Baton Rouge, Louisiana. It is 30 miles west of Woodville, Mississippi off of State Highway 33 and is entirely within Wilkinson County.

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

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

On September 22, 2006, the Company elected to participate in an additional two-well program in Palmetto Point, Mississippi owned by Griffin by paying an additional \$140,000 (paid). The Company earned the same 20% gross interest in the two (2) additional wells (12 wells total and all drilled) and subsequently increased its gross interest to 32% in these 12 wells, or a net revenue interest of 20.802815% .

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

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

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

140,000 acres surrounding Belmont Lake in all directions as of July 31, 2010, is 60%.

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

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

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

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

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

On November 1, 2013, Lexaria Corp. (the "Company") entered into three separate assignment agreements with CAB Financial Services Ltd. solely owned by a Director/Officer of the Company; Emerald Atlantic LLC, solely owned by a Director of the Company, and a third party. (the "Assignees"), whereby the Assignees have paid a fee of US\$305,894 to earn a 28.68% share of the Company's perpetual 42% interest in a proposed 12-7 oil well to be drilled in Wilkinson County, Mississippi. As a result of the three assignment agreements, Lexaria receives a carried interest of 13.32% in these same rights and benefits. The Company assigns and transfers over to the Assignees, all proportionate rights, interest and benefits in the Assigned Perpetual Interest held by or granted to the Assignor in and to the Participation Agreement between the Company and Griffin.

Total working interest for Belmont Lake as of October 31, 2010 is 32%, with the exception of a 40% interest in wells PP F-12-4 and PP F-12-5; and 13.32% in PP F-12-7.

As of July 31, 2014, there were additional well interest changes or workovers in the amount of \$56,420.

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As of July 31, 2014, the status of the Palmetto Point, Mississippi wells is as follows:

Well Name	Spud/Start	Complete	Results	Depth	Status
PP F-12-1	Dec 18/06	Dec. 24/06	Frio Gas; 3 ft. Frio Oil, 26 ft.	4016	Producing
PP F-12-3	Oct/07	Oct/07	Frio Oil	3150	Producing
PP F-12-4	Aug/10	Oct/10	Frio Oil	3150	Shut down
PP F-12-5	Sep 12/10	Nov 23/10	Frio Oil	3150	Shut down
PP F-12-7	Nov 29/13	Pending	Frio Oil	3282	Awaiting Completion

*Significant Acquisitions and Dispositions*

None applicable.

*Purchase of Significant Equipment*

We do not intend to purchase any significant equipment (excluding oil and gas activities) over the twelve months other than office computers, furnishings, and communication equipment as required.

*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 office 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 used the services of sub-contractors and consultants for manual labour exploration work and drilling on our properties. Our past director, Dr. David DeMartini was our technical advisor.

The Company has a consulting agreement with BKB Management Ltd., a corporation organized under the laws of the Province in British Columbia. BKB Management Ltd. is a consulting company controlled by the chief financial officer and director for a consideration of CAD \$5,500 per month plus HST.

The Company has a consulting agreement with CAB Financial Services Ltd., a corporation organized under the laws of the Province of British Columbia. CAB Financial Services is a consulting company controlled by the chairman of the board and the chief executive officer of the Company. The consulting services provided by CAB Financial Services are on a continuing basis for a consideration of \$8,000 per month plus HST. CAB Financial Services Ltd. may terminate the agreement at any time by giving 30 days written notice.

On September 9, 2009, the Company appointed Mr. David DeMartini to the Board of Directors and resigned his position on April 25, 2014.

On August 6, 2010 the Company entered into a three month consulting agreement with Tom Ihrke to act as the

Company's Business Development Manager for consideration of US\$3,125 per month and 150,000 stock options granted at \$0.20. On December 2, 2010, the Company entered into a month to month management agreement with Tom Ihrke, where by Mr. Ihrke will continue to act as the Business Development Manager for the Company. The Company paid a monthly consulting fee of \$3,125. Effective January 15, 2012, the consulting agreement has been decreased to \$10 a month. Effective April 1, 2014, the consulting agreement has been replaced as US Project Manager at a monthly rate of \$5,000.

On April 1, 2014, the Company entered into a one year contract with Pacific Court Capital Corp., wholly owned company by Kristian Dagsaan as Controller for CAD\$3,000 plus GST. This contract was terminated on August 31, 2014.

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 project advancement and if we are successful in our initial and any subsequent drilling programs or licensing attempts for medical marijuana facilities, we may retain additional employees.

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### **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.

### **Oil and Gas Properties**

We utilize the full cost method to account for our investment in oil and gas properties. Accordingly, all costs associated with acquisition, exploration and development of oil and gas reserves, including such costs as leasehold acquisition costs, capitalized interest costs relating to unproved properties, geological expenditures, and tangible and intangible development costs including direct internal costs are capitalized to the full cost pool. As of July 31, 2014, we have properties with proven reserves and production and sales from these reserves has commenced. Capitalized costs, including estimated future costs to develop the reserves and estimated abandonment costs, net of salvage, are being depleted on the units-of-production method using estimates of the proved reserves. Investments in unproved properties and major development projects including capitalized interest, if any, are not depleted until proved reserves associated with the projects can be determined. If the future exploration of unproved properties are determined uneconomical the amount of such properties are added to the capitalized cost to be depleted. As at July 31, 2014, management believes none of our unproved oil and gas properties were considered impaired other than as previously reported.

The capitalized costs included in the full cost pool are subject to a "ceiling test", which limits such costs to the aggregate of the estimated present value, using a ten percent discount rate, of the future net revenues from proved reserves, based on current economic and operating conditions plus the lower of cost and estimated net realizable value of unproven properties.

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

### **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**

Oil and natural gas revenues are recorded using the sales method whereby our Company recognizes oil and natural gas revenue based on the amount of oil and gas sold to purchasers when title passes, the amount is determinable and

collection is reasonably assured. Actual sales of gas are based on sales, net of the associated volume charges for processing fees and for costs associated with delivery, transportation, marketing, and royalties in accordance with industry standards. Operating costs and taxes are recognized in the same period of which revenue is earned.

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## **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.

## **Recently Adopted Accounting Standards**

In February 2013, the FASB issued new accounting guidance to improve the reporting of reclassifications out of accumulated other comprehensive income. Under the guidance, an entity is required to provide information about the amounts reclassified out of accumulated other comprehensive income ("AOCI") by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about those amounts. The guidance did not change the requirements for reporting net income or other comprehensive income in the financial statements. The new guidance is effective for annual reporting periods beginning on or after December 15, 2012, and interim periods within those annual periods. The Company has adopted this guidance in fiscal year 2014 and it does not have a significant impact on its results of operations, financial condition and cash flows.

In March 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-05, "Foreign Currency Matters (Topic 830); Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity." This guidance applies to the release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity. ASU No. 2013-05 is effective prospectively for fiscal years (and interim reporting periods within those years) beginning after December 15, 2013. The Company adopted this guidance in fiscal year 2014 and it does not have a significant impact on its results of operations, financial condition and cash flows.

In July 2013, the FASB issued ASU No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. This new guidance provides specific financial statement presentation requirements of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The guidance states that an unrecognized tax benefit in those circumstances should be presented as a reduction to the deferred tax asset. This guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The Company adopted this guidance in fiscal year 2014 and the adoption of this guidance does not have a material impact on its financial statements.

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.

## **New Accounting Pronouncements**

In April 2014, the FASB issued ASU No. 2014-08, "Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." ASU No. 2014-08 amends the definition of discontinued operations by limiting discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have (or will have) a major effect on an entity's operations and financial results. The amendments require expanded disclosures for discontinued operations that would provide users of financial statements with more information about the assets, liabilities, revenues, and expenses of discontinued operations and disclosure of the pretax profit or loss of individually significant components of an entity that do not qualify for discontinued operations reporting. ASU No. 2014-08 is to be applied prospectively to all disposals (or classifications as held for sale) of components of an entity and all businesses or nonprofit activities that, on acquisition, are classified as held for sale that occur within fiscal years, and interim periods within those years, beginning after December 15, 2014. The adoption of ASU No. 2014-08 is not expected to have a material impact on the Company's results of operations or the Company's financial position.

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**Results of Operations Three Months Ended July 31, 2014 and 2013**

The following summary of our results of operations should be read in conjunction with our financial statements for the quarter ended July 31, 2014, which are included herein.

Our operating results for the three months ended July 31, 2014, for the three months ended July 31, 2013 and the changes between those periods for the respective items are summarized as follows:

		<b>Three Months Ended July 31, 2014</b>		<b>Three Months Ended July 31, 2013</b>		<b>Change Between Three Months Period Ended July 31, 2014 and July 31, 2013</b>
Revenue	\$	135,863	\$	251,481	\$	(115,618)
General and administrative		621,717		133,820		487,897
Interest expense		39,020		41,692		(2,672)
Consulting fees		409,367		46,407		362,960
Cost of Revenue		82,100		175,330		(93,230)
Oil and gas operating expenses		33,954		92,813		(58,859)
Professional Fees		11,306		3,779		7,527
Net Income (Loss)		(576,367)		(57,669)		(518,698)

Our accumulated losses increased to \$6,229,268 as of July 31, 2014. Our financial statements report a net loss of \$576,367 for the three month period ended July 31, 2014 compared to a net loss of \$57,669 for the three month period ended July 31, 2013. Our revenues have decreased for the three month period ended July 31, 2014 compared to the three month period ended July 31, 2013, by \$115,618. During the period ended July 31, 2013 the oil field enjoyed flush production from the 12-1 and 12-3A wells as a result of workovers completed during that period, and that flush production will not be repeated from those wells. As a result there are lower production volumes for wells 12-1 and 12-3A in the current period. Additionally, well 12-4 and 12-5 have been shut in. Our general and administrative costs in the three month period ending July 31, 2014 were higher by \$487,897, than the year-earlier period. This is primarily due to an increase in advertising, consulting fees, stock based compensation, professional fees, and foreign exchange. In particular the consulting fees were higher by \$362,960 for the three months ended July 31, 2014 compared to July 31, 2013, which was largely due to new consulting contracts signed with respect to the LOI's signed in March, April, May and June. With respect to some of the consulting contracts, first milestone of Municipal Approval from Burlington, Ontario milestone was achieved resulting in additional consulting fees. These increased costs are due to the Company's entrance into the Medical Marijuana business sector.

The cost of revenue was \$82,100 for the three month period ended July 31, 2014, compared to \$175,330 for the three month period ended July 31, 2013; the decrease in cost of revenue in the current period is largely due to decreased depletion and operating costs. The Company had oil and gas operating expenses of \$33,954 in the three months ending July 31, 2014 compared to \$92,813 for the three months ended July 31, 2014. The operating costs are lower by \$58,859 due to the decreased production in the current period.

**Results of Operations Nine Months Ended July 31, 2014 and 2013**

The following summary of our results of operations should be read in conjunction with our financial statements for the nine months ended July 31, 2014, which are included herein.

Our operating results for the nine months ended July 31, 2014, for the nine months ended July 31, 2013 and the changes between those periods for the respective items are summarized as follows:

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		<b>Nine Months Ended July 31, 2014</b>		<b>Nine Months Ended July 31, 2013</b>		<b>Change Between Nine Months Period Ended July 31, 2014 and July 31, 2013</b>
Revenue	\$	463,798	\$	856,360	\$	(392,562)
General and administrative		1,307,865		510,047		797,818
Interest expense		147,166		208,326		(61,160)
Consulting fees		791,677		150,477		641,200
Cost of Revenue		319,111		563,596		(244,485)
Oil and gas operating expenses		157,999		281,063		(123,064)
Professional Fees		53,459		58,449		(4,990)
Net loss		(1,171,591)		(217,283)		(954,308)

As at July 31, 2014, we had \$957,418 in current liabilities. Our net cash used in operating activities for the nine months ended July 31, 2014 was \$218,346 compared to net cash provided of \$246,726 in the nine months ended July 31, 2013. Our accumulated losses increased to \$6,229,268 as of July 31, 2014. Our financial statements report a net loss of \$1,171,591 for the nine month period ended July 31, 2014 compared to a net loss of \$217,283 for the nine month period ended July 31, 2013. Our general and administrative costs of \$1,307,865 for the nine month period ending July 31, 2014 were higher by \$797,818 compared to the previous period July 31, 2013. This is primarily due to an increase in advertising, consulting fees, stock based compensation, professional fees, and foreign exchange. In particular the consulting fees were higher by \$641,200 for the nine months ended July 31, 2014 compared to July 31, 2013, which was largely due to new consulting contracts signed with respect to the LOI's signed in March, April, May and June. With respect to some of the consulting contracts, first milestone of Municipal Approval from Burlington, Ontario milestone was achieved resulting in additional consulting fees. These increased costs are due to the Company's entrance into the Medical Marijuana business sector.

The Company recognized cost of revenue in oil and gas properties of \$319,111 during the nine months ended July 31, 2014, compared to \$563,596 for the nine months ended July 31, 2013. We had lower production volumes in wells 12-1 and 12-3A and additionally, wells 12-4 and 12-5 are currently shut-in.

Our total liabilities as of July 31, 2014 were \$1,016,663 as compared to total liabilities of \$1,474,448 as of October 31, 2013 as certain debts have been paid down or converted into equity.

**Liquidity and Financial Condition***Working Capital*

	July 31, 2014	October 31, 2013
Current assets	\$ 1,200,664	\$ 146,266
Current liabilities	957,418	1,415,203
Working capital (Deficiency)	\$ 243,246	\$ (1,268,937)

*Cash Flows*

	Nine Months Ended	
	July 31, 2014	July 31, 2013
Cash flows provided by (used in) operating activities	\$ (411,679)	\$ 246,726
Cash flows (used in) investing activities	(107,984)	(64,381)
Cash flows provided by (used in) financing activities	1,032,596	(335,330)
Increase (decrease) in cash and cash equivalents	512,933	(152,985)

*Operating Activities*

Net cash used in operating activities was \$411,679 for the nine months ended July 31, 2014 compared with net cash provided in operating activities of \$246,726 in the same period in 2013. This was a result of higher consulting fees and lower revenues for the nine months ended July 31, 2014.

*Investing Activities*

Net cash used in investing activities was \$107,984 in the nine months ended July 31, 2014 compared to net cash used in investing activities was \$64,381 in the same period in 2013. During the nine months ended July 31, 2014, the Company used more cash for investing activities as a result of its entrance in the medical marijuana sector.

*Financing Activities*

Net cash provided in financing activities was \$1,032,596 in the nine months ended July 31, 2014 compared to net cash used by financing activities of \$335,330 in the same period in 2013. This is attributable to the private placements provided to the company during the nine months ended July 31, 2014 and the repayment of convertible debt loans. During the same time last year there was a repayment of the convertible debt loans.

***Oil and gas sales volume comparisons for the nine months ended July 31, 2014 compared to the nine months ended July 31, 2013***

For the nine month period ended July 31, 2014, the Company had \$463,798 in revenues compared to \$856,360 in revenues for the same nine month period in the prior year. Oil revenues in the first nine months of the 2014 fiscal year were lower than those of the same period in fiscal 2013. The decrease in our oil and gas revenues for the nine months ended July 31, 2014 was largely due to decreased production volumes for oil wells PP F-12-1 and PP F-12-3 and shut in of well PPF-12-5. Also well PP F-12-4 was shut-in during the last quarter of October 31, 2013 due to a workover not completed due to technical complications that have not been resolved. Oil prices were slightly higher during the nine month period ending July 31, 2014 than they were one year previously.

**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.

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As of July 31, 2014, 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 July 31, 2014.

### ***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 July 31, 2014. 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 July 31, 2014, 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 July 31, 2014, 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.

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Such estimates, projections or other "forward looking statements" involve various risks and uncertainties as outlined below. We caution the reader that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other "forward looking statements".

Prospective investors should consider carefully the risk factors set out below.

*The possession, cultivation and distribution of marijuana may under certain circumstances lead to prosecution under United States federal law, which may cause our business to fail.*

Our planned medical marijuana ("MMJ") business is structured to comply with the Canadian Medical Marijuana Purposes Regulations ("MMPR"), which permits the sale of medical marijuana in Canada under federal license. In the United States, 23 states, including our state of incorporation, Nevada, have approved and regulate medical marijuana use. Similarly, two states have approved and regulate non-medical marijuana use by adults. However, it remains illegal under United States federal law to grow, cultivate or sell marijuana for any purpose. In that regard, the United States Justice Department has released the COLE Memorandum of 8-29-13 which states that the Justice Department will not prioritize the prosecution of marijuana related activities authorized under state laws provided that state authorities implement and enforce strict guidelines to ensure the health, safety and security of the public. Where the individual state framework fails to protect the public, the Justice Department has instructed federal prosecutors to enforce the Controlled Substances Act of 1970. The Department of Justice has not, to our knowledge, published any policy or guidance specifically regarding the participation of a United States corporation in lawful medical marijuana related activities outside of the United States.

Although our planned medical marijuana business is federally sanctioned in Canada and not contrary to the public policy or laws of our state of incorporation, neither state law nor Canadian federal law provides protection against federal prosecution in the United States, which remains at the discretion of the Department of Justice. Although, in light of the COLE Memorandum, we do not anticipate that we will be targeted for prosecution by the Department of Justice, if the Department of Justice uses its discretion to prosecute our company for a violation of the Controlled Substances Act, the resulting civil or criminal consequences will have a material adverse effect on our business, and may cause our business to fail.

*The failure to become licensed by Health Canada for the production of medical marijuana production may cause us to abandon our business plan.*

There is no assurance that any of our Company's joint ventures will be approved by Health Canada or will be granted licensed producer status. Our failure to obtain a license from Health Canada would materially and adversely affect our company's operations, and we would need to revise or abandon our business plan accordingly.

*Our Company has no operating history and an evolving business model .which raises doubt about our ability to achieve profitability or obtain financing.*

Our Company has no operating history. Moreover, our business model is still evolving, subject to change, and will rely on the cooperation and participation of our joint venture partners. Our Company's ability to continue as a going concern is dependent upon our ability to obtain adequate financing and to reach profitable levels of operations, has and we no proven history of performance, earnings or success. There can be no assurance that we will achieve profitability or obtain future financing.

*Uncertain demand for medical marijuana products may cause our business plan to be unprofitable.*

Demand for medical marijuana is dependent on a number of social, political and economic factors that are beyond the control of our company. While we believe that demand for medical marijuana will continue to grow in Canada, there

is no assurance that such increase in demand will happen or that our joint ventures will be profitable.

*We may not acquire market share or achieve profits due to competition in the medical marijuana industry*

Our Company operates in a highly competitive marketplace with various competitors. Increased competition may result in reduced gross margins and/or loss of market share, either of which would seriously harm its business and results of operations. Management cannot be certain that the company will be able to compete against current or future competitors or that competitive pressure will not seriously harm its business. Some of the company's competitors are much larger and have greater access to capital, sales, marketing and other resources. These competitors may be able to respond more rapidly to new regulations or devote greater resources to the development and promotion of their business model than the company can. Furthermore, some of these competitors may make acquisitions or establish co-operative relationships among themselves or with third parties in the industry to increase their ability to rapidly gain market share.

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*Conflicts of interest between our Company and our directors and officers may result in a loss of business opportunity.*

Our directors and officers are not obligated to commit their full time and attention to our business and, accordingly, they may encounter a conflict of interest in allocating their time between our future operations and those of other businesses. In the course of their other business activities, they may become aware of investment and business opportunities which may be appropriate for presentation to us as well as other entities to which they owe a fiduciary duty. As a result, they may have conflicts of interest in determining to which entity a particular business opportunity should be presented. They may also in the future become affiliated with entities, engaged in business activities similar to those we intend to conduct.

In general, officers and directors of a corporation are required to present business opportunities to a corporation if:

- the corporation could financially undertake the opportunity;
- the opportunity is within the corporation's line of business; and
- it would be unfair to the corporation and its stockholders not to bring the opportunity to the attention of the corporation.

We plan to adopt a code of ethics that obligates our directors, officers and employees to disclose potential conflicts of interest and prohibits those persons from engaging in such transactions without our consent. Despite our intentions, conflicts of interest may nevertheless arise which may deprive our company of a business opportunity, which may impede the successful development of our business and negatively impact the value of an investment in our company.

*The speculative nature of our business plan may result in the loss of your investment.*

Our MMJ operations are in the start-up stage only, and are unproven. We may not be successful in implementing our business plan to become profitable. There may be less demand for our services than we anticipate. There is no assurance that our business will succeed and you may lose your entire investment.

*Changing consumer preferences may cause our planned products to be unsuccessful in the marketplace.*

The decision of a potential client to undergo an environmental audit or review may be based on ethical or commercial reasons. In some instances, or with certain businesses, there may be no assurance that an environmental review will result in any cost savings or increased revenues. As such, unless the ethical consideration is also a material factor, there may be no incentive for such businesses to undertake an environmental review. Changes in consumer and commercial preferences, or trends, toward or away from environmental issues may impact on businesses' decisions to undergo environmental reviews. The MMJ sector offers many choices for MMJ patients and there can be no assurance that the product supplied by our company and or its partners will be successful in market penetration.

*General economic factors may negatively impact the market for our planned products.*

The willingness of businesses to spend time and money on energy efficiency may be dependent upon general economic conditions; and any material downturn may reduce the likelihood of businesses incurring costs toward what some businesses may consider a discretionary expense item. Willingness by MMJ patients to continue to buy MMJ products may be dependent upon general economic conditions and any material downturn may reduce the potential profitability of the MMJ business sector.

*A wide range of economic and logistical factors may negatively impact our operating results.*

Our operating results will be affected by a wide variety of factors that could materially affect revenues and profitability, including the timing and cancellation of customer orders and projects, competitive pressures on pricing, availability of personnel, and market acceptance of our services. As a result, we may experience material fluctuations in future operating results on a quarterly and annual basis which could materially affect our business, financial

condition and operating results.

*Loss of consumer confidence in our company or in our industry may harm our business.*

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Demand for our services may be adversely affected if consumers lose confidence in the quality of our services or the industry's practices. Adverse publicity may discourage businesses from buying our services and could have a material adverse effect on our financial condition and results of operations.

*Unethical business practices may compromise the growth and development of our business.*

The production and sale of medical marijuana is an emerging industry in which business practices are not yet standardized and are subject to frequent scrutiny and evaluation by federal, state, provincial, and municipal authorities, academics, and media outlets, among others. Although we intend to develop our business 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.

*The failure to secure customers may cause our operations to fail.*

We currently have no long-term agreements with any customers. Many of our services may be provided on a "onetime" basis. Accordingly, we will require new customers on a continuous basis to sustain our operations.

*We could be required to enter into fixed price contracts which will expose us to significant market risk.*

Fixed price contracts require the service provider to perform all agreed services for a specified lump-sum amount. We anticipate a material percentage of our services will be performed on a fixed price basis. Fixed price contracts expose us to some significant risks, including under-estimation of costs, ambiguities in specifications, unforeseen costs or difficulties, and delays beyond our control. These risks could lead to losses on contracts which may be substantial and which could adversely affect the results of our operations.

*If we fail to effectively and efficiently advertise, the growth of our business may be compromised.*

The future growth and profitability of our MMJ business will be dependent in part on the effectiveness and efficiency of our advertising and promotional expenditures, including our ability to (i) create greater awareness of our services, (ii) determine the appropriate creative message and media mix for future advertising expenditures, and (iii) effectively manage advertising and promotional costs in order to maintain acceptable operating margins. There can be no assurance that we will experience benefits from advertising and promotional expenditures in the future. In addition, no assurance can be given that our planned advertising and promotional expenditures will result in increased revenues, will generate levels of service and name awareness or that we will be able to manage such advertising and promotional expenditures on a cost-effective basis.

*Our success is dependent on our unproven ability to attract qualified personnel.*

We will depend on our ability to attract, retain and motivate our management team, consultants and other employees. There is strong competition for qualified technical and management personnel in the MMJ sector, and it is expected that such competition will increase. Our planned growth will place increased demands on our existing resources and will likely require the addition of technical personnel and the development of additional expertise by existing personnel. There can be no assurance that our compensation packages will be sufficient to ensure the continued availability of qualified personnel who are necessary for the development of our business.

*Without additional financing to develop our business plan, our business may fail.*

Because we have generated only minimal revenue from our business and cannot anticipate when we will be able to generate meaningful revenue from our business, we will need to raise additional funds to conduct and grow our business. We do not currently have sufficient financial resources to completely fund the development of our business plan. We anticipate that we will need to raise further financing. We do not currently have any arrangements for

financing and we can provide no assurance to investors that we will be able to find such financing if required. The most likely source of future funds presently available to us is through the sale of equity capital. Any sale of share capital will result in dilution to existing security-holders.

*We may not be able to obtain all of the licenses necessary to operate our business, which would cause our business to fail.*

Our operations may require licenses and permits from various governmental authorities to build and install alternative energy systems or to conduct energy retrofits and build MMJ operations. 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.

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*Changes in environmental regulation may result in increased or insupportable financial burden on our company.*

We believe that we currently comply with existing environmental laws and regulations affecting our proposed operations. While there are no currently known proposed changes in these laws or regulations, significant changes have affected the industry in the past and additional changes may occur in the future.

Our operations may be subject to environmental laws, regulations and rules promulgated from time to time by government. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner that means stricter standards and enforcement. Fines and penalties for non-compliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies, directors, officers and employees. The cost of compliance with changes in governmental regulations has potential to reduce the profitability of operations. We intend to comply with all environmental regulations in the United States and Canada.

*If we are unable to recruit or retain qualified personnel, it could have a material adverse effect on our operating results and stock price.*

Our success depends in large part on the continued services of our executive officers and third party relationships. We currently do not have key person insurance on these individuals. The loss of these people, especially without advance notice, could have a material adverse impact on our results of operations and our stock price. It is also very important that we be able to attract and retain highly skilled personnel, including technical personnel, to accommodate our exploration plans and to replace personnel who leave. Competition for qualified personnel can be intense, and there are a limited number of people with the requisite knowledge and experience. Under these conditions, we could be unable to recruit, train, and retain employees. If we cannot attract and retain qualified personnel, it could have a material adverse impact on our operating results and stock price.

*If we fail to effectively manage our growth our future business results could be harmed and our managerial and operational resources may be strained.*

As we proceed with our business plan, we expect to experience significant and rapid growth in the scope and complexity of our business. We will need to add staff to market our services, manage operations, handle sales and marketing efforts and perform finance and accounting functions. We will be required to hire a broad range of additional personnel in order to successfully advance our operations. This growth is likely to place a strain on our management and operational resources. The failure to develop and implement effective systems, or to hire and retain sufficient personnel for the performance of all of the functions necessary to effectively service and manage our potential business, or the failure to manage growth effectively, could have a materially adverse effect on our business and financial condition.

*We have had negative cash flows from operations.*

To date we have had negative cash flows from operations and we have been dependent on sales of our equity securities and debt financing to meet our cash requirements and have incurred losses totaling approximately \$1,171,591 for the nine month period ending July 31, 2014, and cumulative losses of \$6,229,268 to July 31, 2014. As of July 31, 2014 we had working capital of \$243,246 as a result of past financing activities. We do expect positive cash flow from operations at some point; however there is no assurance that actual cash requirements will not exceed our estimates, or that our sales projections will be realized as estimated. In particular, additional capital may be required in the event that:

- drilling and completion costs for further wells increase beyond our expectations; or
- commodity prices for our production decline beyond our expectations; or
- production levels do not meet our expectations; or

- we incur higher well plug and abandonment costs than currently expected; or
- we encounter greater costs associated with general and administrative expenses or offering costs.

The occurrence of any of the aforementioned events could adversely affect our ability to meet our business plans.

We will depend almost exclusively on outside capital to pay for the continued exploration and development of our properties. Such outside capital may include the sale of additional stock and/or commercial borrowing. Capital may not continue to be available if necessary to meet these continuing development costs or, if the capital is available, that it will be on terms acceptable to us. The issuance of additional equity securities by us would 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.

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If we are unable to obtain financing in the amounts and on terms deemed acceptable to us, we may be unable to continue our business and as a result may be required to scale back or cease operations for our business, the result of which would be that our stockholders would lose some or all of their investment.

*A decline in the price of our common stock could affect our ability to raise further working capital and adversely impact our operations.*

A prolonged decline in the price of our common stock could result in a reduction in the liquidity of our common stock and a reduction in our ability to raise capital. Because our operations have been primarily financed through the sale of equity securities, a decline in the price of our common stock could be especially detrimental to our liquidity and our continued operations. Any reduction in our ability to raise equity capital in the future would force us to reallocate funds from other planned uses and would have a significant negative effect on our business plans and operations, including our ability to develop new products and continue our current operations. If our stock price declines, we may not be able to raise additional capital or generate funds from operations sufficient to meet our obligations.

*We have a history of losses and fluctuating operating results.*

From inception through to July 31, 2014, we have incurred aggregate losses of approximately \$6,229,268. Our loss from operations for the nine month period ended July 31, 2014 was \$1,171,591. There is no assurance that we will operate profitably or will generate positive cash flow in the future. In addition, our operating results in the future may be subject to significant fluctuations due to many factors not within our control, such as the unpredictability of world prices and market for oil and gas, the demand for our production, and the level of competition and general economic conditions. If we cannot generate positive cash flows in the future, or raise sufficient financing to continue our normal operations, then we may be forced to scale down or even close our operations. Until such time as we generate significant revenues, we expect an increase in development costs and operating costs. Consequently, we expect to continue to incur operating losses and negative cash flow until we receive significant commercial production from our properties.

Our operating results will be affected by a wide variety of factors that could materially affect revenues and profitability, including the timing and cancellation of customer orders and projects, competitive pressures on pricing, availability of personnel, governmental changes and market acceptance of our services. As a result, we may experience material fluctuations in future operating results on a quarterly and annual basis which could materially affect our business, financial condition and operating results.

*We have a limited operating history and if we are not successful in continuing to grow our business, then we may have to scale back or even cease our ongoing business operations.*

We have limited history of revenues from operations and have limited significant tangible assets. We have yet to generate positive earnings and there can be no assurance that we will ever operate profitably. The success of our company is significantly dependent on a successful acquisition, drilling, completion and production program. Our company's operations will be subject to all the risks inherent in the establishment of a developing enterprise and the uncertainties arising from the absence of a significant operating history. We may be unable to locate recoverable reserves, extract the reserves economically, and/or operate on a profitable basis.

*Trading of our stock may be restricted by the SEC's "Penny Stock" regulations, which may limit a stockholder's ability to buy and sell our stock.*

The U.S. Securities and Exchange Commission has adopted regulations which generally define "penny stock" to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and "accredited

investors." The term "accredited investor" refers generally to institutions with assets in excess of \$5,000,000 or individuals with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC, which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of, our common stock.

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

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

*Trading in our common shares on the OTC Bulletin Board is limited and sporadic making it difficult for our shareholders to sell their shares or liquidate their investments.*

Our common shares are currently listed for public trading on the OTC Bulletin Board. The trading price of our common shares has been subject to wide fluctuations. Trading prices of our common shares may fluctuate in response to a number of factors, many of which will be beyond our control. The stock market has generally experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of companies with no current business operation. There can be no assurance that trading prices and price earnings ratios previously experienced by our common shares will be matched or maintained. These broad market and industry factors may adversely affect the market price of our common shares, regardless of our operating performance.

In the past, following periods of volatility in the market price of a company's securities, securities class-action litigation has often been instituted. Such litigation, if instituted, could result in substantial costs for us and a diversion of management's attention and resources.

*Because of the early stage of development and the nature of our business, our securities are considered highly speculative.*

Our securities must be considered highly speculative, generally because of the nature of our business and the early stage of its development. We have largely been engaged in the business of exploring and until only recently attempting to develop commercial reserves of oil and gas. Only our Mississippi properties have commenced production. Accordingly, we have generated revenues but we have not realized a profit from our operations to date and there is little likelihood that we will generate significant revenues or realize any profits in the short term. Any profitability in the future from our business will be dependent upon attaining adequate levels of internally generated revenues through locating and developing economic reserves of oil and gas, which itself is subject to numerous risk factors as set forth herein. Since we have not generated significant revenues, we will have to raise additional monies through either securing industry reserve based debt financing, or the sale of our equity securities or debt, or combinations of the above in order to continue our business operations.

*As our properties are in the exploration and early development stage there can be no assurance that we will establish commercial discoveries and/or profitable production programs on these properties.*

Exploration for economic reserves of oil and gas is subject to a number of risk factors. Few properties that are explored are ultimately developed into producing oil and/or gas wells. Our Mississippi properties are in the production and development stages only.

*The potential profitability of oil and gas ventures depends upon factors beyond the control of our company.*

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The potential profitability of oil and gas properties is dependent upon many factors beyond our control. For instance, world prices and markets for oil and gas are unpredictable, highly volatile, potentially subject to governmental fixing, pegging, controls, or any combination of these and other factors, and respond to changes in domestic, international, political, social, and economic environments. Additionally, due to worldwide economic uncertainty, the availability and cost of funds for production and other expenses have become increasingly difficult, if not impossible, to project. These changes and events may materially affect our financial performance.

Adverse weather conditions can also hinder drilling operations. A productive well may become uneconomic in the event water or other deleterious substances are encountered which impair or prevent the production of oil and/or gas from the well. In addition, production from any well may be unmarketable if it is impregnated with water or other deleterious substances. The marketability of oil and gas, which may be acquired or discovered, will be affected by numerous factors beyond our control. These factors include the proximity and capacity of oil and gas pipelines and processing equipment, market fluctuations of prices, taxes, royalties, land tenure, allowable production and environmental protection. 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.

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

The oil and gas industry is intensely competitive. We compete with numerous individuals and companies, including many major oil and gas companies, which have substantially greater technical, financial and operational resources and staff. Accordingly, there is a high degree of competition for desirable oil and gas leases, suitable properties for drilling operations and necessary drilling equipment, as well as for access to funds. We cannot predict if the necessary funds can be raised or that any projected work will be completed. Our budget does not anticipate the potential acquisition of additional acreage in Mississippi although this may change at any time without notice. This acreage may not become available or if it is available for leasing, that we may not be successful in acquiring the leases. There are other competitors that have operations in these areas and the presence of these competitors could adversely affect our ability to acquire additional leases.

#### *Quality of Service/Industry Practices*

Demand for our services may be adversely affected if consumers lose confidence in the quality of our services or the industry's practices. Adverse publicity may discourage businesses from buying our services and could have a material adverse effect on our financial condition and results of operations.

*Our producing oil and gas wells are located in the floodplain of a river and are subject to seasonal flood conditions.*

Our most significant wells are the producing oil wells PP F-12-1, PP F-12-3, PP F-12-4(currently shut-in), and PP F-12-5(currently shut-in); (and PP F-12-7 waiting to be completed) are located within the Belmont Lake oil field which is located in the Palmetto Point region. The Belmont Lake oil field is onshore, as are all of our company's wells, but located in a flood plain of the Mississippi River which forces seasonal constraints on certain field activities. We have suffered repeated delays in the development of this oil field due to the seasonal flooding, and we could experience additional development delays in the future. OUR COMPANY HAS NO OTHER PRODUCING WELLS. Seasonal river-flooding conditions can negatively impact the viability of our oil production and thus, our ability to generate revenue.

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

The marketability of natural resources, which may be acquired or discovered by us, will be affected by numerous factors beyond our control. These factors include market fluctuations in oil and gas pricing and demand, the proximity

and capacity of natural resource markets and processing equipment, governmental regulations, land tenure, land use, regulation concerning the importing and exporting of oil and gas and environmental protection regulations. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in us not receiving an adequate return on invested capital to be profitable or viable.

The future growth and profitability of our MMJ sectors will be dependent in part on the effectiveness and efficiency of our advertising and promotional expenditures, including our ability to (i) create greater awareness of our services, (ii) determine the appropriate creative message and media mix for future advertising expenditures, and (iii) effectively manage advertising and promotional costs in order to maintain acceptable operating margins. There can be no assurance that we will experience benefits from advertising and promotional expenditures in the future. In addition, no assurance can be given that our planned advertising and promotional expenditures will result in increased revenues, will generate levels of service and name awareness or that we will be able to manage such advertising and promotional expenditures on a cost-effective basis.

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

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

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

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

*We believe that our operations comply, in all material respects, with all applicable environmental regulations.*

Our operating partners maintain insurance coverage customary to the industry; however, we are not fully insured against all possible environmental risks.

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

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

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

The laws, regulations, policies or current administrative practices of any government body, organization or regulatory agency in the United States, Canada, or any other jurisdiction, may be changed, applied or interpreted in a manner which will fundamentally alter the ability of our company to carry on our business.

The actions, policies or regulations, or changes thereto, of any government body or regulatory agency, or other special interest groups, may have a detrimental effect on us. Any or all of these situations may have a negative impact on our ability to operate and/or our profitably. Even if we comply with a regulation at a given moment in time, any change to that regulation could leave us in a position of non-compliance.

*Our By-laws contain provisions indemnifying our officers and directors against all costs, charges and expenses incurred by them.*

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Our By-laws contain provisions with respect to the indemnification of our officers and directors against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, actually and reasonably incurred by him, including an amount paid to settle an action or satisfy a judgment in a civil, criminal or administrative action or proceeding to which he is made a party by reason of his being or having been one of our directors or officers.

*Investors' interests in our company will be diluted and investors may suffer dilution in their net book value per share if we issue additional shares or raise funds through the sale of equity securities.*

Our constating documents authorize the issuance of 200,000,000 shares of common stock with a par value of \$0.001. In the event that we are required to issue any additional shares or enter into private placements to raise financing through the sale of equity securities, investors' interests in our company will be diluted and investors may suffer dilution in their net book value per share depending on the price at which such securities are sold. If we issue any such additional shares, such issuances also will cause a reduction in the proportionate ownership and voting power of all other shareholders. Further, any such issuance may result in a change in our control.

*Our By-laws do not contain anti-takeover provisions, which could result in a change of our management and directors if there is a take-over of our company.*

We do not currently have a shareholder rights plan or any anti-takeover provisions in our By-laws. Without any anti-takeover provisions, there is no deterrent for a take-over of our company, which may result in a change in our management and directors.

*As a result of a majority of our directors and officers are residents of other countries other than the United States, investors may find it difficult to enforce, within the United States, any judgments obtained against our company or our directors and officers.*

Other than our operations offices in Vancouver and Kelowna, British Columbia, we do not currently maintain a permanent place of business within the United States. In addition, a majority of our directors and officers are nationals and/or residents of countries other than the United States, and all or a substantial portion of such persons' assets are located outside the United States. As a result, it may be difficult for investors to enforce within the United States any judgments obtained against our company or our officers or directors, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof.

## **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

## **Item 3. Defaults Upon Senior Securities**

None.

## **Item 4. Submission of Matters to a Vote of Securities Holders**

None.

## **Item 5. Other Information**

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](http://www.sedar.com).



**Item 6. Exhibits**

**Exhibit Description  
Number**

**(i) Articles of Incorporation; and (ii) Bylaws**

3.1\* Articles of Incorporation

3.2\* Bylaws

4.1\* Specimen ordinary share certificate

31.1 Rule 13(a) - 14 (a)/15(d) - 14(a) Certification

31.2 Rule 13(a) - 14 (a)/15(d) - 14(a) Certification

32.1 Section 1350 Certification

32.2 Section 1350 Certification

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

\* Filed herewith.

\*\*Certain parts of this document have not been disclosed and have been filed separately with the Secretary, Securities and Exchange Commission, and is subject to a confidential treatment request pursuant to Rule 24b-2 of the Securities Exchange Act of 1934.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**LEXARIA CORP.**

By: /s/ "Chris Bunka "

Chris Bunka,  
President, Chief Executive Officer, Chairman and  
Director  
(Principal Executive Officer)  
11/14/2014

By: /s/ "Bal Bhullar"

Bal Bhullar  
Chief Financial Officer and Director  
11/14/2014

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