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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **May 31, 2026**

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 **001-39874**

LEXARIA BIOSCIENCE CORP.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

Yes X No ☐

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

Yes X No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated Filer	X	Smaller reporting company	X
		Emerging growth company	☐

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

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

Yes ☐ No X

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

24,787,446 common shares issued as of July 13, 2026

DOCUMENTS INCORPORATED BY REFERENCE

None.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

LEXARIA BIOSCIENCE CORP.
CONSOLIDATED BALANCE SHEETS
(Expressed in US Dollars)
(Unaudited)

	May 31, 2026	August 31, 2025
ASSETS		
Current		
Cash	$ 3,475,003	$ 1,802,123
Short-term investments	142,103	143,267
Marketable securities	-	22,093
Accounts receivable	48,998	368,358
Prepaid expenses and other current assets	398,765	1,132,504
Total Current Assets	4,064,869	3,468,345
Non-current assets, net		
Long-term receivables	64,014	64,013
Right of use assets	84,415	106,816
Intellectual property, net	339,016	307,818
Property & equipment, net	229,017	228,129
Total Non-current Assets	716,462	706,776
TOTAL ASSETS	$ 4,781,331	$ 4,175,121
LIABILITIES and STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 350,377	$ 1,463,046
Lease liability, current	33,035	30,417
Total Current Liabilities	383,412	1,493,463
Lease liabilities - non-current	53,679	78,903
TOTAL LIABILITIES	$ 437,091	$ 1,572,366
Stockholders' Equity		
Share Capital		
Authorized: 220,000,000 common voting shares with a par value of $0.001 per share Common shares issued and outstanding: 24,787,446 and 19,559,179 at May 31, 2026 and August 31, 2025, respectively	$ 24,788	$ 19,559
Additional paid-in capital	73,256,696	66,501,086
Accumulated Deficit	(68,496,801)	(63,460,613)
Accumulated other comprehensive loss	(46,473)	(70,335)
Equity attributable to shareholders of Lexaria	4,738,210	2,989,697
Non-controlling Interest	(393,970)	(386,942)
Total Stockholders' Equity	4,344,240	2,602,755
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 4,781,331	$ 4,175,121

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

LEXARIA BIOSCIENCE CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Expressed in US Dollars except share amounts)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	May 31, 2026	May 31, 2025	May 31, 2026	May 31, 2025
Revenue	$ -	$ 174,000	$ 20,000	$ 531,923
Cost of goods sold	-	-	-	2,720
Gross profit	-	174,000	20,000	529,203
Operating expenses				
Research and development	970,834	2,717,501	2,117,562	6,356,637
General and administrative	1,022,970	1,206,920	2,921,776	3,364,706
Total operating expenses	1,993,804	3,924,421	5,039,338	9,721,343
Loss from operations	(1,993,804)	(3,750,421)	(5,019,338)	(9,192,140)
Other income (loss)				
Interest income	837	190	2,618	201
Unrealized loss on marketable securities	-	(40,375)	(22,093)	(22,267)
Total other income (loss)	837	(40,185)	(19,475)	(22,066)
Net loss before income taxes	$ (1,992,967)	$ (3,790,606)	$ (5,038,813)	$ (9,214,206)
Income taxes	14	-	4,403	-
Net loss	$ (1,992,981)	$ (3,790,606)	$ (5,043,216)	$ (9,214,206)
Less: Net loss attributable to non-controlling interest	(1,779)	(1,514)	(7,028)	(8,203)
Net loss attributable to Lexaria shareholders	$ (1,991,202)	$ (3,789,092)	$ (5,036,188)	$ (9,206,003)
Other comprehensive income				
Foreign currency translation adjustment	8,971	37,173	23,862	(61,257)
Total comprehensive loss	$ (1,982,231)	$ (3,751,919)	$ (5,012,326)	$ (9,267,260)
Basic and diluted loss per share	$ (0.08)	$ (0.21)	$ (0.21)	$ (0.53)
Weighted average number of common shares outstanding				
Basic and diluted	24,805,924	18,298,309	23,543,278	17,472,844

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

LEXARIA BIOSCIENCE CORP.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Nine Months Ended May 31, 2026 and 2025
(Expressed in US Dollars)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Deficit	AOCI	Non-controlling Interest	Stockholders' Equity
	Shares	Amount					
Balance August 31, 2025	**19,559,179**	**$ 19,559**	**$ 66,501,086**	**$ (63,460,613)**	**$ (70,335)**	**$ (386,942)**	**$ 2,602,755**
Shares sold for cash	2,666,667	2,667	3,446,384	-	-	-	3,449,051
Stock-based compensation	-	-	74,895	-	-	-	74,895
Foreign currency translation adjustment	-	-	-	-	(5,744)	-	(5,744)
Net loss	-	-	-	(1,595,007)	-	-	(1,595,007)
Non-controlling interest	-	-	-	-	-	(2,496)	(2,496)
Balance November 30, 2025	**22,225,846**	**$ 22,226**	**$ 70,022,365**	**$ (65,055,620)**	**$ (76,079)**	**$ (389,438)**	**$ 4,523,454**
Shares sold for cash	2,661,600	2,662	3,041,392	-	-	-	3,044,054
Stock-based compensation	-	-	74,895	-	-	-	74,895
Foreign currency translation adjustment	-	-	-	-	20,635	-	20,635
Net loss	-	-	-	(1,449,979)	-	-	(1,449,979)
Non-controlling interest	-	-	-	-	-	(2,753)	(2,753)
Balance February 28, 2026	**24,887,446**	**$ 24,888**	**$ 73,138,652**	**$ (66,505,599)**	**$ (55,444)**	**$ (392,191)**	**$ 6,210,306**
Cancellation of RSA shares	(100,000)	(100)	100	-	-	-	-
Stock-based compensation	-	-	92,944	-	-	-	92,944
Foreign currency translation adjustment	-	-	-	-	8,971	-	8,971
Reclassification of deferred offering costs	-	-	25,000	-	-	-	25,000
Net loss	-	-	-	(1,991,202)	-	-	(1,991,202)
Non-controlling interest	-	-	-	-	-	(1,779)	(1,779)
Balance May 31, 2026	**24,787,446**	**$ 24,788**	**$ 73,256,696**	**$ (68,496,801)**	**$ (46,473)**	**$ (393,970)**	**$ 4,344,240**
Balance August 31, 2024	**15,810,205**	**$ 15,810**	**$ 59,599,178**	**$ (51,558,772)**	**$ (19,816)**	**$ (377,349)**	**$ 7,659,051**
Shares sold for cash	1,642,389	1,643	4,343,750	-	-	-	4,345,393
Stock-based compensation	-	-	99,415	-	-	-	99,415
Foreign currency translation adjustment	-	-	-	-	(3,175)	-	(3,175)
Net loss	-	-	-	(2,703,699)	-	-	(2,703,699)
Non-controlling interest	-	-	-	-	-	(2,929)	(2,929)
Balance November 30, 2024	**17,452,594**	**$ 17,453**	**$ 64,042,343**	**$ (54,262,471)**	**$ (22,991)**	**$ (380,278)**	**$ 9,394,056**
Shares sold for cash	6,585	6	11,714	-	-	-	11,720
Stock-based compensation	100,000	100	167,119	-	-	-	167,219
Foreign currency translation adjustment	-	-	-	-	(95,255)	-	(95,255)
Net loss	-	-	-	(2,713,212)	-	-	(2,713,212)
Non-controlling interest	-	-	-	-	-	(3,760)	(3,760)
Balance February 28, 2025	**17,559,179**	**$ 17,559**	**$ 64,221,176**	**$ (56,975,683)**	**$ (118,246)**	**$ (384,038)**	**$ 6,760,768**
Shares sold for cash	2,000,000	2,000	1,687,050	-	-	-	1,689,050
Stock-based compensation	-	-	470,136	-	-	-	470,136
Foreign currency translation adjustment	-	-	-	-	37,173	-	37,173
Net loss	-	-	-	(3,789,092)	-	-	(3,789,092)
Non-controlling interest	-	-	-	-	-	(1,514)	(1,514)
Balance May 31, 2025	**19,559,179**	**$ 19,559**	**$ 66,378,362**	**$ (60,764,775)**	**$ (81,073)**	**$ (385,552)**	**$ 5,166,521**

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

LEXARIA BIOSCIENCE CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended May 31, 2026 and 2025
(Expressed in US Dollars)
(Unaudited)

	May 31, 2026	May 31, 2025
Cash flows used in operating activities		
Net loss	$ (5,043,216)	$ (9,214,206)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock based compensation	242,734	736,770
Depreciation and amortization	55,175	66,427
Impairment loss	-	33,540
Noncash lease expense	22,401	20,828
Unrealized loss on marketable securities	22,093	22,267
Lease accretion	5,403	6,977
Change in operating assets and liabilites		
Accounts receivable	319,360	(203,652)
Prepaid expenses and deposits	733,739	364,469
Long-term receivables	(1)	(439)
Accounts payable and accrued liabilities	(1,112,669)	391,850
Operating lease liability	(28,009)	(27,757)
Deferred revenue	-	(4,963)
Net cash used in operating activities	$ (4,782,990)	$ (7,807,889)
Cash flows used in investing activities		
Short-term investments	$ 1,164	$ -
Additions to intellectual property	(46,445)	(60,496)
Purchase of equipment	(40,816)	(24,645)
Net cash used in investing activities	$ (86,097)	$ (85,141)
Cash flows from/(used in) financing activities		
Proceeds from shares sold for cash	$ 6,518,105	$ 6,046,163
Net cash from/(used in) financing activities	$ 6,518,105	$ 6,046,163
Effect of exchange rate changes on cash	$ 23,862	$ (61,257)
Net change in cash for the period	1,672,880	(1,908,124)
Cash at beginning of period	1,802,123	6,499,885
Cash at end of period	$ 3,475,003	$ 4,591,761
Supplemental cash flow disclosure:		
Income taxes paid in cash	$ 4,403	$ -
Non-cash investing/financing activities:		
Cancellation of RSA shares	$ 100	$ -

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

LEXARIA BIOSCIENCE CORP.
NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2026
(Expressed in U.S. Dollars Except Share Amounts)
Unaudited)

1. Nature of Business

Lexaria Bioscience Corp. ("Lexaria", "we", "our" or "the Company") is a biotechnology company pursuing the enhancement of the bioavailability of a diverse and broad range of active pharmaceutical ingredients ("API") using our proprietary DehydraTECH drug delivery technology. Our current focus is the investigation of the incorporation of our DehydraTECH drug delivery technology with GLP-1, GIP, and glucagon drugs to enhance absorption and reduce adverse side effects.

Revenues have historically been generated from licensing contracts for the Company's patented DehydraTECH technology based on the terms of use and defined geographic and licensing arrangements. We derive revenue from our third party contracted manufacturing of B2B DehydraTECH enhanced products made to customer specifications that are sold online and in-store in the US and Canada. We have also performed contract services in R&D for customer specific formulations that are used in comparison testing to customers' existing products.

Going Concern

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

Since inception, the Company has incurred significant operating and net losses. Net losses attributable to shareholders were $5 million and $9.2 million for the nine months ended May 31, 2026, and May 31, 2025, respectively. As of May 31, 2026, we had an accumulated deficit of $68.5 million. We expect to continue to incur significant operational expenses and net losses in the upcoming 12 months. Our net losses may fluctuate significantly from quarter to quarter and year to year, depending on the stage and complexity of our research and development (R&D) studies and corporate expenditures, additional revenues received from the licensing of our technology, if any, and the receipt of payments under any current or future collaborations into which we may enter. The recurring losses and negative net cash flows raise substantial doubt as to the Company's ability to continue as a going concern.

During the nine months ended May 31, 2026, we raised $6.5 million in net proceeds from the sale of securities pursuant to our Registered Direct Offerings which closed in September 2025 and December 2025.

We may offer securities in response to market conditions or other circumstances if we believe such a plan of financing is required to advance the Company's business plans. There is no certainty that future equity or debt financing will be available or that it will be at acceptable terms, and the outcome of these matters is unpredictable. A lack of adequate funding may force us to reduce spending, curtail or suspend planned programs, or possibly liquidate assets. Any of these actions could adversely and materially affect our business, cash flow, financial condition, results of operations, and potential prospects. The sale of additional equity may result in additional dilution to our stockholders. Entering into additional licensing agreements, collaborations, partnerships, alliances marketing, distribution, or licensing arrangements with third parties to increase our capital resources is also possible. If we do so, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates, or grant licenses on terms that may not be favorable to us.

Our ability to continue operations after our current cash resources are exhausted is dependent on our ability to obtain additional debt or equity financing or a strategic partnership, which cannot be guaranteed. Cash requirements may vary materially from those now planned because of changes in our focus and direction of our research and development programs, competitive and technical advances, patent developments, regulatory changes or other developments. If adequate additional funds are not available when required, management may need to curtail its development efforts and planned operations to conserve cash.

As of May 31, 2026, the Company had cash and cash equivalents of approximately $3.5 million to settle $0.4 million in current liabilities. We have performed a review of our cash flow forecast, and given our current development plans and cash management efforts, we anticipate that our cash resources will be sufficient to fund operations through the first quarter of fiscal year 2027. However, we have also concluded that our existing cash, combined with inflows expected from executed license agreements, will not be sufficient to meet the Company's financial obligations for the twelve-month period following the issuance of these consolidated financial statements. Accordingly, there is substantial doubt as to our ability to continue as a going concern within one year from the date of issuance of these financial statements. The accompanying financial statements do not include any adjustments that might be necessary if the Company is not able to continue as a going concern.

2. Significant Accounting Policies

The significant accounting policies of the Company are consistent with those of our audited financial statements on Form 10-K for the year ended August 31, 2025.

Basis of Consolidation

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

Basis of Presentation

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

These unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated annual financial statements and notes thereto included in our annual report filed on Form 10-K for the year ended August 31, 2025.

Cash and Cash Equivalents

Cash and cash equivalents include cash-on-hand and demand deposits with financial institutions and other short-term investments with maturities of less than three months when acquired and readily convertible to known cash amounts. The Company had no cash equivalents as of May 31, 2026, or August 31, 2025.

Short-term investments

Short-term investment balances consist of guaranteed investment certificates used to secure the Company’s credit cards. The certificates had an original term of one year.

Marketable Securities

The Company’s marketable securities consist of investments in common stock. Investments in equity securities are reported at fair value with changes in unrecognized gains or losses included in other income (loss) on the Consolidated Statements of Operations and Comprehensive Loss. There have been no purchases or sales of equity securities. The Company recognized an unrealized loss on its equity securities of $22,093 for the nine months ended May 31, 2026 and an unrealized loss of $22,267 for the nine months ended May 31, 2025.

Leases

The Company accounts for its leases under ASC 842, Leases ("ASC 842"). Under this guidance, arrangements meeting the definition of a lease are classified as operating or financing leases and are reported on the consolidated balance sheet as both a right-of-use asset and lease liability.

We determined the initial classification and measurement of our right-of-use assets and lease liabilities at the lease commencement date and thereafter if modified. The lease term includes any renewal options and termination options that we are reasonably certain to exercise. The present value of lease payments is determined by using the interest rate implicit in the lease, if that rate is readily determinable; otherwise, we use our incremental borrowing rate. The incremental borrowing rate is determined by using the rate of interest that we would pay to borrow on a collateralized basis an amount equal to the lease payments for a similar term and in a similar economic environment.

Operating lease expenses are recognized on a straight-line basis, unless the right-of-use asset has been impaired, over the reasonably certain lease term based on the total lease payments. They are included in operating expenses in the Consolidated Statements of Operations and Comprehensive Loss.

For operating leases that reflect impairment, we will recognize the amortization of the right-of-use asset on a straight-line basis over the remaining lease term with rent expense still included in operating expenses in the Consolidated Statements of Operations and Comprehensive Loss. For all leases, rent payments that are based on a fixed index or rate at the lease commencement date are included in the measurement of lease assets and lease liabilities at the lease commencement date.

We have elected the practical expedient to not separate lease and non-lease components. Our non-lease components are primarily related to property taxes and maintenance, which vary based on future outcomes, and thus differences to original estimates are recognized in rent expense when incurred.

Intellectual property

Capitalized intellectual property costs include those incurred with respect to both pending and granted patents filed in the United States. When patent applications are filed, the directly related capitalized costs are amortized on a straight-line basis over an estimated economic life of 20 years.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and impairment and depreciated using the straight-line method over the useful lives of the various asset classes. Laboratory and computer equipment and office furniture are depreciated over 3-10 years. Leasehold improvements are amortized over the term of the related leases, or the economic life of the improvements, whichever is shorter.

Impairment of long-lived assets

Long-lived assets, including equipment and intangible assets, namely the Company's patents, are assessed for potential impairment when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss is recognized when the carrying amount of the long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Any required impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value and is recorded as a reduction in the carrying value of the related asset and a charge to the profit or loss. Intangible assets with indefinite lives are tested for impairment annually and in interim periods if certain events occur indicating that the carrying value of the intangible assets may be impaired.

Revenue recognition

The Company recognizes revenue in accordance with ASC 606's core principle by applying the following five steps:

1. Identify contracts with customers
2. Identify the performance obligations in the contracts
3. Determine the contract price
4. Allocate the contract price
5. Recognize revenue when/as performance obligations are satisfied

Licensing revenue from intellectual property

Our revenues from licenses that grant exclusive rights to use our intellectual property, which we consider functional IP, are recognized at a point in time following the transfer and use of our patented infusion technology DehydraTECH. Our licensees are also required to pay quarterly fixed non-refundable minimum performance fees which are recognized as revenue over the period to which they apply.

Usage fees from intellectual property

The Company may also earn sales-based or usage-based royalties from its licensing contracts. The Company recognizes usage fees in the period when our licensees recognize sales of end-products that incorporate our licensed technology. No sales-based usage fees were recognized for the nine months ended May 31, 2026 and May 31, 2025.

Third Party Contracted Manufacturing

The Company recognizes revenue with respect to contract manufacturing arrangements when the related performance obligations have been satisfied (i.e., when it has completed the related manufacturing work) and in accordance with the five steps described in ASC 606.

Contract Research and Development

The Company recognizes revenue from contract research and development arrangements when the related performance obligations have been satisfied and in accordance with the five steps described in ASC 606. The related performance obligation typically entails preparation of customer-specific formulations (i.e., DehydraTECH paired with the customer's active ingredient) that the customer then uses in comparison testing relative to its existing product(s). Revenue is recognized upon shipment of the formulation to the customer.

Cost of sales

Cost of sales includes all expenditures incurred in bringing the goods to the point of sale. This includes third-party manufacturing and handling costs, direct costs of raw material, inbound freight charges, warehousing costs, and applicable overhead expenses.

Research and development

Research and development costs are expensed as incurred. These expenditures are comprised of both in-house research programs and through third-party contracts including consultants, academic and non-profit institutions, contract manufacturing, and other expenses.

Australian Research and Development Tax Credit

The research and development incentive is one of the key elements of the Australian Government's support for Australia's innovation system and is supported by legislative law primarily in the form of the Australian Income Tax Assessment Act 1997, as long as eligibility criteria are met. Under the program, a percentage of eligible research and development expenses incurred by Lexaria (AU) Pty Ltd, the Company's Australian subsidiary, are reimbursed. Management has assessed Lexaria (AU) Pty Ltd's research and development activities and expenditures to determine which activities and expenditures are likely to be eligible under the incentive regime. For the purposes of these consolidated financial statements, the Company recognizes such benefits when both of the following conditions have been met: 1) Lexaria (AU) Pty Ltd is able to comply with the relevant conditions of the credit and; 2) the credit has been received. The tax credit related to fiscal year spending for 2025 has yet to be received and thus remains unrecorded at this time.

Intellectual property expenses

Non-capitalizable costs associated with intellectual property-related matters are expensed as incurred and included in general and administrative expenses within the Consolidated Statements of Operations and Comprehensive Loss.

Stock-based compensation

The Company accounts for its stock-based compensation awards whereby all stock-based grants are recognized as expenses in the Consolidated Statements of Operations and Comprehensive Loss based on the fair value at grant date subject to vesting dates and amortized over the related vesting period. The grant date fair value of each option award is estimated using the Black-Scholes option-pricing model. The use of the Black-Scholes option-pricing model requires management to make assumptions with respect to the expected term of the option, the expected volatility of the common stock consistent with the expected term of the option, risk-free interest rates and expected dividend yields of the common stock.

Foreign currency translation

The Company's reporting currency is the U.S. dollar. The Company has foreign operations whose functional currency is the local currency. Assets and liabilities are translated into U.S. dollars, the reporting currency, at the exchange rate on the balance sheet date. Revenues and expenses are translated into U.S. dollars at the average rates of exchange prevailing during the reporting period. Foreign currency translation adjustments resulting from this process are reported as an element of other comprehensive income (loss) on the Consolidated Statements of Operations and Comprehensive Loss. Transactions executed in different currencies are translated at spot rates and resulting foreign exchange transaction gains and losses are charged to income.

Segment reporting

The Company has one reportable segment: IP licensing. The IP licensing segment generates revenue from customers by licensing its proprietary DehydraTECH technology. The IP licensing segment's accounting policies are the same as those described in this note. The chief operating decision maker, our Chief Executive Officer, assesses performance of the IP Licensing segment and makes resource allocation decisions based on cash flows that are also reported on the Consolidated Statements of Cash Flows. The measure of segment assets is reported on the consolidated balance sheet as consolidated total assets. The measure of segment profit or loss is net loss as per the Consolidated Statements of Operations and Comprehensive Loss.

Loss per share

The calculation of loss per share uses the weighted average number of shares outstanding during the year. Diluted net income per share includes the effect, if any, from the potential exercise or conversion of securities, such as restricted stock, stock options, and warrants, which would result in the issuance of incremental shares of common stock. Diluted loss per share is equivalent to basic loss per share if the potential exercise of the equity-based financial instruments is anti-dilutive.

For the nine months ended May 31, 2026 and 2025, the following common stock equivalents were excluded from the computation of diluted loss per share as the result was anti-dilutive:

	May 31,	
	2026	2025
Stock Options	1,399,535	1,484,435
Warrants	11,093,099	7,298,171
Totals	12,492,634	8,782,606

Income taxes

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns using the liability method. Under this method, deferred tax liabilities and assets are determined based on the temporary differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the year in which the differences are expected to reverse. A valuation allowance is established to reduce deferred tax assets to an amount whose realization is more likely than not.

Fair value measurements

When measuring fair value, the Company seeks to maximize the use of observable inputs and minimize the use of unobservable inputs. This establishes a fair value hierarchy based on the level of independent objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Inputs are prioritized into three levels used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable; and
- Level 3 - Unobservable inputs that are supported by little or no market activity, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

The Company's financial instruments consist primarily of cash, short-term investments, marketable securities, accounts receivable and payable as well as accrued liabilities. The carrying amounts of instruments approximate their fair values due to their short maturities or quoted market prices.

The Company's headquarters are located in Canada, and it also has operations in Australia, which results in exposure to market risks from fluctuations in foreign currency rates. The foreign currency exchange risk is the financial risk to the Company's operations that arise from fluctuations in foreign exchange rates and the degree of volatility of these rates. Currently, the Company does not use derivative instruments to reduce its exposure to foreign currency risk as the impact of USD/CAD and USD/AUD exchange rate changes is not expected to be material.

The following table provides a summary of financial instruments that are measured at fair value on a recurring basis as of May 31, 2026.

	Carrying Value	Fair Value Measurement Using			
		Level 1	Level 2	Level 3	Total
Marketable Securities	$ -	-	-	-	-

The following table provides a summary of financial instruments that are measured at fair value on a recurring basis as of August 31, 2025.

	Carrying Value	Fair Value Measurement Using			
		Level 1	Level 2	Level 3	Total
Marketable Securities	$ 22,093	$ 22,093	$ -	$ -	$ 22,093

Credit risk and customer concentration

The Company places its cash with a high credit quality financial institution. Periodically, the Company may carry cash balances at such financial institution in excess of the federally insured limit of $250,000. The Company has not experienced losses on these accounts and management believes, based upon the quality of the financial institution, that the credit risk with regard to these deposits is not significant.

In the nine months ended May 31, 2026, the Company recognized revenue of $20,000 on a consolidated basis. One customer accounted for 100% of that total. In the nine months ended May 31, 2025, the Company recognized revenue of $531,923 on a consolidated basis. Two customers accounted for 100% of that total.

As of May 31, 2026, the Company had $48,998 in sales tax receivable, as compared to $194,358 as of August 31, 2025. The Company considers its credit risk to be low for such receivables.

Commitments and contingencies

The Company's policy is to record accruals for any such loss contingencies when it is probable that a liability has been incurred, and the amount of loss can be reasonably estimated. In the event that estimates or assumptions prove to differ from actual results, adjustments are made in subsequent periods to reflect more current information. The Company, from time to time, may be subject to legal claims and proceedings related to matters arising in the ordinary course of business. Management has no knowledge of any such claim against the Company with, at minimum, a reasonable possibility that a material loss may be incurred.

3. Recent Accounting Guidance

Recently Adopted Pronouncements

In March 2024, the FASB issued ASU 2024-02-Codification Improvements-Amendments to Remove References to the Concepts Statements, that contains amendments to the Codification that remove references to various FASB Concepts Statements. This effort facilitates Codification updates for technical corrections such as conforming amendments, clarifications to guidance, simplifications to wording or the structure of guidance, and other minor improvements. The amendments are effective for public business entities for fiscal years beginning after December 15, 2024, with early adoption permitted. Early application of the amendments in this ASU is permitted for all entities, for any fiscal year or interim period for which financial statements have not yet been issued (or made available for issuance). If an entity adopts the amendments in an interim period, it must adopt them as of the beginning of the fiscal year that includes that interim period. The Company has determined that the impact of this ASU on its consolidated financial statements and related disclosures is immaterial.

4. Estimates and Judgments

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

Management reviews our estimates, judgments, and assumptions periodically and reflects the effects of any revisions in the period in which they are deemed to be necessary. We believe that these estimates are reasonable. However, actual results could differ from these estimates.

5. Accounts and Other Receivables

Accounts receivable as of May 31, 2026 and August 31, 2025 consist of the following:

	May 31, 2026	August 31, 2025
Territory license fees	$ -	$ 174,000
Sales tax	48,998	194,358
Long term receivable	64,014	64,013
Total Receivables	**$ 113,012**	**$ 432,371**

6. Prepaid Expenses and Other Current Assets

Prepaid expenses consist of the following as of May 31, 2026 and August 31, 2025:

	May 31, 2026	August 31, 2025
Advertising & Conferences	$ 10,531	$ 1,572
Research & Development	251,861	669,791
Legal & Accounting Fees	26,487	37,340
License, Filing Fees, Dues	48,333	27,563
Office & Insurance	54,747	239,829
Consulting	6,806	37,409
Capital Financing	-	119,000
Total Prepaid Expenses and Other Current Assets	**$ 398,765**	**$ 1,132,504**

7. Intellectual Property, net

A continuity schedule for capitalized patents is presented below:

	May 31, 2026	August 31, 2025
Balance – beginning	$ 307,818	$ 516,676
Additions	46,445	75,106
Impairment	-	(247,364)
Amortization	(15,247)	(36,600)
Balance – ending	**$ 339,016**	**$ 307,818**

During the nine months ended May 31, 2026, the Company reviewed its patent portfolio to identify pending applications that had been abandoned or that management does not intend to pursue. As a result of this review, no impairment loss was recognized. The Company recognized $ 15,247 of amortization expense related to patents for the nine months ended May 31, 2026.

The following table summarizes expected future amortization of the Company's patent portfolio as of May 31, 2026:

Fiscal Years Ending August 31,	
2026 (three months remaining)	$ 4,238
2027	16,951
2028	16,951
2029	16,951
2030	16,951
Thereafter	266,974
Total	**$ 339,016**

8. Property & Equipment, net

Consists of:

May 31, 2026	Cost	Period Amortization	Additions	Accumulated Amortization	Net Balance
Leasehold improvements	$ 259,981	$ -	$ -	$ (259,981)	$ -
Computers	70,781	-	-	(70,781)	-
Furniture fixtures equipment	31,126	-	-	(31,126)	-
Lab equipment	435,084	(39,928)	40,816	(246,883)	229,017
Total	**$ 796,972**	**$ (39,928)**	**$ 40,816**	**$ (608,771)**	**$ 229,017**

August 31, 2025	Cost	Period Amortization	Additions	Accumulated Amortization	Net Balance
Leasehold improvements	$ 259,981	$ -	$ -	$ (259,981)	$ -
Computers	70,781	(1,705)	-	(70,781)	-
Furniture fixtures equipment	31,126	-	-	(31,126)	-
Lab equipment	410,438	(49,520)	24,646	(206,955)	228,129
Total	**$ 772,326**	**$ (51,225)**	**$ 24,646**	**$ (568,843)**	**$ 228,129**

Depreciation and amortization related to property and equipment for the nine months ended May 31, 2026 and the year ended August 31, 2025 totaled $39,928 and $51,225, respectively, of which $0 and $0 was included in cost of goods sold, respectively.

9. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of May 31, 2026 and August 31, 2025 consist of the following:

	May 31, 2026	August 31, 2025
Accounts Payable		
Vendors payable	$ 104,612	$ 569,754
Sales tax payable	22,987	21,506
Accrued Liabilities		
Vendors payable	109,528	795,290
Vacation payable	113,250	76,496
Balance Ending	**$ 350,377**	**$ 1,463,046**

10. Revenues

A breakdown of our revenues by type for the nine months ended May 31, 2026, and May 31, 2025, are as follows:

	Nine months Ended May 31	
	2026	**2025**
IP Licensing	$ 20,000	$ 522,000
B2B	-	9,923
Total	**$ 20,000**	**$ 531,923**

The Company recognized $20,000 and $522,000 in licensing revenue for the nine months ended May 31, 2026, and May 31, 2025, respectively. Licensing revenue consists of IP licensing fees for transfer of the DehydraTECH technology in line with definitive agreements and includes non-refundable minimum performance fees. During the nine-month period ended May 31, 2026, and May 31, 2025, the Company recognized B2B product revenues of $0 and $9,923, respectively, that relate to sales of our intermediate products for use by B2B customers in their products.

11. Income Taxes

For the nine months ended May 31, 2026, the Company recognized a provision for income taxes of $4,403 for its Kelowna Management Services Corp. subsidiary. Net deferred tax assets are fully offset by a valuation allowance as the Company believes it is more likely than not that the benefit will not be realized.

12. Stockholders' Equity

During the nine months ended May 31, 2026, the Company completed the following issuances of common shares and warrants:

1. On September 26, 2025, the Company, pursuant to a Securities Purchase Agreement, issued 2,666,667 shares of common stock at a purchase price of $1.50 per share for gross proceeds of $4.0 million. Share issuance costs of $0.5 million were charged to additional paid in capital. The shares were registered pursuant to a take down of the Company's Form S-3 registration statement. Concurrently, the Company issued 2,666,667 share purchase warrants, entitling the holders thereof to purchase up to 2,666,667 shares of common stock at a price of $1.37 per share for a period of five years from the effective date of the S-1 Registration Statement registering the shares of common stock issuable upon exercise of the warrants. We also issued H.C. Wainwright, the exclusive placement agent for the offering, warrants to purchase up to 93,333 shares at an exercise price of $1.875 per share. HCW was paid 7% of the gross proceeds and was reimbursed $70,000 for its expenses and $15,950 in closing fees.

2. On December 14, 2025, the Company, pursuant to a Securities Purchase Agreement, issued 2,661,600 shares of common stock at a purchase price of $1.315 per share for gross proceeds of $3.5 million. Share issuance costs of $0.5 million were charged to additional paid in capital. The shares were registered pursuant to a take down of the Company's Form S-3 registration statement. Concurrently, the Company issued 2,661,600 share purchase warrants, entitling the holder thereof to purchase up to 2,661,600 shares of common stock at a price of $1.19 per share for a period of five years from the effective date of the S-1 Registration Statement registering the shares of common stock issuable upon exercise of the warrants. We also issued H.C. Wainwright, the exclusive placement agent for the offering, warrants to purchase up to 93,156 shares at an exercise price of $1.6438 per share. HCW was paid 7% of the gross proceeds and was reimbursed $70,000 for its expenses and $15,950 in closing fees.

A continuity schedule for warrants for the nine months ended May 31, 2026, is presented below:

	Number of Warrants	**Weighted Average Exercise Price**
Balance, August 31, 2025	**7,298,171**	**$ 3.75**
Issued	5,514,756	1.30
Expired	1,719,828	6.58
Balance, May 31, 2026	**11,093,099**	**$ 2.09**

A summary of warrants outstanding as of May 31, 2026, is presented below:

Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life ~in years~
483,750	$ 0.95	1.95
314,287	2.31	2.72
102,097	5.94	2.72
4,551,019	3.06	3.63
57,190	3.83	3.63
70,000	1.25	3.90
2,760,000	1.39	4.52
2,754,756	1.21	4.62
11,093,099	**$ 2.09**	**3.99**

Stock Options

The Company established an Equity Incentive Plan whereby our Board, pursuant to shareholder approved amendments, may grant up to 2,488,744 stock options, restricted stock awards or restricted stock units to directors, officers, employees, and consultants with such number being increased to up to 10% of the issued share capital at the end of each calendar year, at the discretion of the board, pursuant to an evergreen formula.

Stock options currently granted must be exercised within five years from the date of grant or such lesser period as determined by the Company's board of directors. The vesting terms of each grant are also set by the board of directors. The exercise price of an option is equal to or greater than the closing market price of the Company's common shares on the date of grant.

A continuity schedule for stock options is presented below:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Balance August 31, 2024	**944,936**	**$ 3.11**	**3.64**	**$ 971,959**
Cancelled/expired	(47,001)	7.78	0.75	-
Granted	586,500	1.41	4.84	-
Balance August 31, 2025	**1,484,435**	**$ 2.29**	**3.49**	**$ 206**
Cancelled/expired	(129,900)	$ 2.98	-	-
Granted	45,000	0.65	4.94	-
Balance May 31, 2026 (outstanding)	**1,399,535**	**$ 2.17**	2.96	$ -
Balance May 31, 2026 (exercisable)	**1,317,805**	**$ 2.09**	2.94	**$ -**

The Company granted 45,000 stock options with an exercise price of $0.65 and a term of five years to certain consultants and scientific advisory board members during the nine months ended May 31, 2026**.** The fair value of the options amounted to $18,975 and was determined using the Black-Scholes option pricing model with the following assumptions:

May 31, 2026	
Expected volatility	106%
Risk-free interest rate	3.93%
Expected life	2.50 years
Dividend yield	0.00%
Estimated fair value per option	$ 0.42

Stock-based compensation expense for the nine-month periods ended May 31, 2026, and May 31, 2025, totaled $242,734 and $736,770, respectively.

As of May 31, 2026, the total unrecognized non-cash compensation costs are $177,363 related to 81,730 non-vested stock options with a $3.41 weighted average exercise price. These costs are expected to be recognized over a weighted average period of 0.5 years.

Return of Shares

On March 17, 2026, the 100,000 shares previously issued to the Company's Strategic Executive Consultant under a Restricted Stock Award were gifted back to the Company and cancelled.

13. Commitments, Significant Contracts and Contingencies

Right of Use Assets - Operating Lease

The corporate office and R&D laboratory are located in Kelowna, British Columbia, Canada. The related lease was renewed until November 15, 2028. In addition to minimum lease payments, the lease requires us to pay property taxes and other operating costs which are subject to annual adjustments.

	May 31, 2026	August 31, 2025
Right of use assets - operating leases	$ 106,816	$ 134,843
Amortization	(22,401)	(28,027)
Total lease assets	$ 84,415	$ 106,816
Liabilities:	109,319	137,366
Lease payments	(28,009)	(37,094)
Interest accretion	5,403	9,047
Total lease liabilities	$ 86,714	$ 109,319
Total operating lease cost	$ 84,415	$ 106,816
Operating cash flows for lease	$ (28,009)	$ (37,094)
Remaining lease term	2.46 Years	3.21 Years
Discount rate	7.25%	7.25%

Pursuant to the terms of the Company's lease agreements in effect, the following table summarizes the Company's maturities of operating lease liabilities as of May 31, 2026:

2026	$ 9,336
2027	38,642
2028	38,901
2029	8,104
Thereafter	-
Total lease payments	94,983
Less: imputed interest	(8,269)
Present value of operating lease liabilities	86,714
Less: current obligations under leases	(33,035)
Total	**$ 53,679**

14. Segment Information

The Company has one reportable segment: IP licensing. The IP licensing segment generates revenue from customers by licensing its proprietary DehydraTECH technology.

The IP licensing segment's accounting policies are the same as those described in the summary of significant accounting policies at Note 2.

The chief operating decision maker, our Chief Executive Officer, assesses performance of the IP Licensing segment and makes resource allocation decisions based on cash flows that are also reported on the Consolidated Statements of Cash Flows.

The measure of segment assets is reported on the balance sheet as consolidated total assets.

The measure of segment profit or loss is net loss as per the Consolidated Statements of Operations and Comprehensive Loss.

The Company invested in additions to intellectual property and purchases of equipment totaling $46,445 and $40,816, respectively, during the nine months ended May 31, 2026, and $60,496 and $24,645, respectively during the nine months ended May 31, 2025.

	Nine months Ended May 31,	
IP Licensing Segment	**2026**	**2025**
Licensing revenue	$ 20,000	$ 522,000
less:		
Research and Development	2,117,562	6,356,637
Consulting	333,355	453,690
Wages & Salaries	1,086,706	1,468,759
Legal and professional	483,164	295,252
Accounting and audit	178,299	154,638
Advertising and promotions	279,467	388,128
Depreciation and amortization	55,166	66,426
Office and miscellaneous (a)	466,828	454,739
Travel	28,691	50,171
Impairment Loss	-	33,540
Other income (loss)	(19,475)	(22,066)
Segment net loss	$ (5,028,713)	$ (9,222,046)
Reconciliation of profit and loss:		
B2B revenue	-	9,923
less:		
B2B cost of sales	-	2,720
B2B operating expenses	10,100	(637)
Consolidated net loss before income taxes	$ (5,038,813)	$ (9,214,206)

(a) Office and miscellaneous expense includes office expense, foreign currency exchange gains and losses, and other overhead expenses.

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

Cautionary Note Regarding Forward-Looking Statements

This quarterly report contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Any statements contained herein that are not statements of historical fact may be forward-looking statements. These statements relate to future events or our future financial performance. Any forward-looking statements are based on our present beliefs and assumptions as well as the information currently available to us. In some cases, forward-looking statements are identified by terminology such as "may", "will", "should", "could", "targets", "goal", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors" set forth in Item 1(A) and in our annual report on Form 10-K, as filed with the Securities and Exchange Commission on November 28, 2025, that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

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

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

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

The following discussion should be read in conjunction with our condensed financial statements and accompanying notes in this quarterly report on Form 10-Q, and our audited financial statements with notes in our annual report on Form 10-K for the year ended August 31, 2025.

Company Overview

Lexaria's DehydraTECH patented technology is a drug delivery platform technology that improves the way that Active Pharmaceutical Ingredients ("API") enter the bloodstream and brain tissue. Based on R&D studies completed in animals and humans, DehydraTECH has been shown to improve the delivery of bioactive compounds into the bloodstream, offering potential to lower overall dosing, and is highly effective in API delivery available in a range of formats from oral ingestible to oral buccal/sublingual to topical products. DehydraTECH substantially improves the rapidity and quantity of API transport to the blood plasma and brain using the body's natural process for distributing fatty acids via oral ingestion. This technology extends across many categories beyond the primary pharmaceutical focus of the Company, from foods and beverages to cosmetic products and nutraceuticals.

Research & Development Summary

Lexaria is advancing its preclinical R&D activities as well as planned future clinical programs. During the nine months ended May 31, 2026, Lexaria:

- Completed final data collection, via its wholly owned subsidiary, Lexaria (AU) Pty Ltd, for its Australian Phase 1b 12-week chronic clinical study (GLP-1-H24-4) of DehydraTECH formulated cannabidiol and semaglutide (separately and in combination) and tirzepatide in overweight or obese, or pre- and Type II diabetic participants. Subsequently, in December 2025, the Company announced findings from this study indicating that it met its primary endpoint objectives showing good safety and tolerability of all DehydraTECH test articles with clear reductions in total and gastrointestinal-specific adverse events relative to the Rybelsus® control arm. The Study demonstrated positive findings across numerous parameters with comparability, and in some instances, superiority to the Rybelsus® control arm;

- Announced the extension of the Material Transfer Agreement ("MTA") through December 30, 2026 originally entered into with a pharmaceutical company ("PharmaCO") on August 30, 2024. The extension provides PharmaCO with the time required for receipt and review of the full dataset from Lexaria's GLP-1-H26-7 pilot study, at which time further information will be provided. This allows the two parties to continue their relationship under the MTA, keep the temporary exclusive license active and in force, and contemplate additional strategic planning discussions with PharmaCO's human clinical development team; and

- Announced positive final results from its GLP-1-H25-5 Human Pilot Study comparing oral DehydraTECH enhanced liraglutide ("DHT-LIR") to the commercially available injected Saxenda® liraglutide. These results demonstrated achievement of the primary safety and tolerability endpoint for DHT-LIR, comparable functionality of DHT-LIR and Saxenda® and comparable efficacy.

- Announced information on three new studies from its 2026 R&D Program, including the receipt of ethics board approval for its Human Pilot Study #7 (GLP-1-H26-7), the engagement of the contract research organization for each of its two GLP-1 animal studies, Animal Study #1 (GLP-1-A26-1) and Animal Study #2 (GLP-1-A26-2), and, shortly after May 31, the completion of dosing in Animal Study #2 which are representative of the Company's primary areas of focus during for the fiscal year (see MD&A Research & Development section below).

Financings

During the nine months ended May 31, 2026, the Company entered into a Securities Purchase Agreement whereby on:

- On September 29, 2025, the Company issued 2,666,667 shares of common stock at a purchase price of $1.50 per share for gross proceeds of $4.0 million. Share issuance costs of $0.5 million were charged to additional paid in capital. The shares were registered pursuant to a take down of the Company's Form S-3 registration statement. Concurrently, the Company issued 2,666,667 share purchase warrants, entitling the holders thereof to purchase up to 2,666,667 shares of common stock at a price of $1.37 per share for a period of five years from the effective date of the S-1 Registration Statement registering the shares of common stock issuable upon exercise of the warrants. We also issued H.C. Wainwright, the exclusive placement agent for the offering, warrants to purchase up to 93,333 shares at an exercise price of $1.875 per share. HCW was paid 7% of the gross proceeds and was reimbursed $70,000 for its expenses and $15,950 in closing fees.

  On December 14, 2025, the Company issued 2,661,600 shares of common stock at a purchase price of $1.315 per share for gross proceeds of $3.5 million. Share issuance costs of $0.5 million were charged to additional paid in capital. The shares were registered pursuant to a take down of the Company's Form S-3 registration statement. Concurrently, the Company issued 2,661,600 share purchase warrants, entitling the holder thereof to purchase up to 2,661,600 shares of common stock at a price of $1.19 per share for a period of five years from the effective date of the S-1 Registration Statement registering the shares of common stock issuable upon exercise of the warrants. We also issued H.C. Wainwright, the exclusive placement agent for the offering, warrants to purchase up to 93,156 shares at an exercise price of $1.6438 per share. HCW was paid 7% of the gross proceeds and was reimbursed $70,000 for its expenses and $15,950 in closing fees.

Patents

Our current patent portfolio includes patent family applications or grants pertaining to Lexaria's compositions, methods of use in improving API bioavailability and palatability and methods of treatment for a range of therapeutic indications, orally or topically, for a wide variety of APIs encompassing GLP-1, GIP, and glucagons; fat soluble vitamins; NSAID pain medications; nicotine and its analogs; and cannabinoids. The pending and granted patents also cover the manufacturing and processing methods used to combine a variety of fatty acid-rich triglyceride oils with active pharmaceutical ingredients. This includes heating and drying methods and use of excipients and substrates.

The Company currently has several applications pending worldwide and due to the complexity of pursuing patent protection, the quantity of patent applications will vary continuously as each application advances or stalls. We continue to investigate national and international opportunities to pursue expansions and additions to our intellectual property portfolio. Patents have been filed or granted specifically for the use of DehydraTECH with GLP-1, GIP, and glucagon drugs to support our ongoing and expanding cardiometabolic clinical research programs in this therapeutic field for the treatment of diabetes/weight loss. Patents have been filed or granted specifically for the use of DehydraTECH with cannabinoids for the treatment of heart disease and hypertension to support our anticipated clinical trial work under our cleared Investigational New Drug ("IND") application with the Food and Drug Administration ("FDA"), and for treatment of other prospective therapeutic indications of interest to us including epilepsy.

We will continue to seek beneficial acquisitions of intellectual property if and when we believe it is advisable to do so. Due to the inherent unpredictability of scientific discovery, it is not possible to predict if or how often such new applications might be filed, or patents issued.

Below we summarize Lexaria's granted patents.

Issued Patent #	**Patent Grant Date**	**Patent Family**
US 9,474,725 B1	10/25/2016	#1 Food and Beverage Compositions Infused With Lipophilic Active Agents and Methods of Use Thereof
US 9,839,612 B2	12/12/2017	
US 9,972,680 B2	05/15/2018	
US 9,974,739 B2	05/22/2018	
US 10,084,044 B2	09/25/2018	
US 10,103,225 B2	10/16/2018	
US 10,381,440	08/13/2019	
US 10,374,036	08/06/2019	
US 10,756,180	08/25/2020	
AU 2015274698	06/15/2017	
AU 2017203054	08/30/2018	
AU 2018202562	08/30/2018	
AU 2018202583	08/30/2018	
AU 2018202584	01/10/2019	
AU 2018220067	07/30/2019	
EP 3164141	11/11/2020	
JP 6920197	07/28/2021	
CDN 2949369	06/13/2023	
EP 3858364	09/17/2025	

AU 2016367036	07/30/2019	#2 Methods for Formulating Orally Ingestible Compositions Comprising Lipophilic Active Agents
JP 6963507	10/19/2021	
MX 388 203 B	11/26/2021	
AU 2016367037	08/15/2019	#3 Stable Ready-to-Drink Beverage Compositions Comprising Lipophilic Active Agents
IN 365864	04/30/2021	
JP 6917310	07/21/2021	
MX 390001	02/10/2022	
JP 7232853	02/22/2023	
CDN 2984917	09/26/2023	
CDN 3093414	12/13/2022	#6 Transdermal and/or Dermal Delivery of Lipophilic Active Agents
EP 3765088	03/20/2024	
JP 7112510	07/26/2022	#7 Lipophilic Active Agent Infused Compositions with Reduced Food Effect
AU 2019256805	06/16/2022	#8 Compositions Infused with Nicotine Compounds and Methods of Use Thereof
CDN 3096580	05/23/2023	
CDN 3111082	08/29/2023	#14 Lipophilic Active Agent Infused Tobacco Leaves and/or Tobacco Materials and Methods of Use Thereof
US 11,311,559	04/26/2022	#18 Compositions and Methods for Enhanced Delivery of Antiviral Agents
AU 2021261261	03/23/2023	
JP 7415045	01/05/2024	
CDN 3172889	05/28/2024	
AU 2023200736	10/02/2025	
US 11,700,875	07/18/2023	#20 Compositions and Methods for Sublingual Delivery of Nicotine
CDN 3196911	12/05/2023	
JP 7675819	05/01/2025	
AU 2023240953	01/15/2026	
US 11,666,544	06/06/2023	#21 Compositions and Methods for Treating Hypertension
US 11,666,543	06/06/2023	
US 11,980,593	05/14/2024	
EP 4326249	10/15/2025	
JP 7823051	02/20/2026	
JP 7823052	02/20/2026	

US 11,931,369	03/19/2024	#24 Compositions and Methods for Treating Epilepsy
US 11,944,635	04/02/2024	
US 11,986,485	05/21/2024	
US 12,023,346	07/02/2024	
US 12,213,986	02/04/2025	
US 12,220,422	02/11/2025	
AU 2024202447	06/12/2025	
AU 2024202475	07/24/2025	
AU 2024202439	01/08/2026	
AU 2024202518	01/08/2026	
EP 4522133	01/14/2026	
AU 2024205127	02/12/2026	
US 12,397,042	08/26/2025	#27 Compositions and Methods for Treating Diabetes
US 12,472,236	11/18/2025	
AU 2025205229	02/12/2026	
AU 2024394427	02/12/2026	

Research & Development

The Company regularly pursues new R&D programs that investigate potential commercial applications for the incorporation of DehydraTECH. These include, but are not limited to, ongoing programs to explore different therapeutic indications which DehydraTECH-enhanced drug products can be utilized to treat. Currently, our primary clinical research areas of interests are focused on the investigation of DehydraTECH-powered GLP-1, GIP, and glucagon drugs as well as CBD for the treatment of diabetes and weight loss and, also, CBD for the reduction of hypertension for which our IND application to perform a Phase 1b study received a Study May Proceed letter from the FDA in early calendar-2024. Previously, our study programs provided successful human and/or animal testing results with DehydraTECH formulations of nicotine for oral pouches and prospective nicotine replacement therapy, human hormones, antiviral drugs, CBD for hypertension, diabetes, weight loss, seizure disorder applications, and others. Depending on the number or complexity of the programs undertaken, R&D budgets are expected to vary significantly. It is in our best interest to remain flexible at this early stage of our R&D efforts in order to capitalize on potential novel findings from early-stage tests and, thus, redirect research when necessary into specific avenues that offer the most reward.

Human Pilot Study #7 (GLP-1-H26-7)

During the quarter ended May 31, 2026, Lexaria engaged its contract research organization ("CRO") and received ethics board approval for this 5-week parallel group design study intended to evaluate the safety, tolerability and pharmacokinetic ("PK") properties of two oral DehydraTECH-semaglutide compositions against semaglutide tablets commercially sold under the Wegovy® brand. The DehydraTECH-semaglutide compositions being investigated are:

(1) A DehydraTECH-semaglutide tablet formulated to mimic Novo Nordisk's® Rybelsus® and Wegovy® oral semaglutide tablets which incorporate salcaprozate sodium ("SNAC") and are designed to temporarily adhere to the stomach lining and disintegrate and dissolve releasing agents in a focal manner that aids in optimizing absorption of the semaglutide into the human body; and

(2) A DehydraTECH-semaglutide capsule, as previously investigated by Lexaria (AU) Pty Ltd in our Phase 1b clinical trial (GLP-1-H24-4) performed in Australia, but with the addition of SNAC as was also the case in our previous successful clinical study GLP-1-H24-1.

Results from this study are anticipated to be released during the second quarter of fiscal year 2027.

Animal Study #1 (GLP-1-A26-1)

During the quarter ended May 31, 2026, Lexaria engaged its CRO to perform an animal study for the purposes of evaluating between 8 to 11 formulation enhancements to the DehydraTECH-semaglutide and DehydraTECH-CBD formulations, previously studied in Lexaria (AU) Pty Ltd's Phase 1b clinical trial performed in Australia, in Sprague-Dawley rats over a 24-hour period.

In addition to quantifying the PK performance of each enhanced composition of DehydraTECH-semaglutide and DehydraTECH-CBD against its applicable reference arm, Lexaria also intends to measure the drug concentrations of semaglutide and CBD in the brain to determine if the DehydraTECH technology enhances brain biodistribution as it has evidenced in previous animal studies with DehydraTECH-CBD and DehydraTECH-semaglutide compositions, which it believes to be beneficial therapeutically. Results from this study are anticipated to be released during the fourth quarter of fiscal year 2026.

Animal Study #2 (GLP-1-A26-2)

During the quarter ended May 31, 2026, Lexaria engaged its CRO and commenced the single dose treatment regimen of the animals with DehydraTECH-enhanced retatrutide and amycretin with the expectation of completing between 14 to 18 different arms of dosing to determine formulation optimization. This will be the first investigation of DehydraTECH with retatrutide and amycretin with the study arms also comparing PK performance of test articles administered both endoscopically in the intestine as compared to being swallowed, thus targeting the stomach. On June 9, 2026, Lexaria announced that dosing had been completed in Animal Study #2. Results from this study are anticipated to be released during the fourth quarter of fiscal year 2026.

Long Term Stability Testing

Lexaria also routinely studies the chemical and microbiological purity and stability of select DehydraTECH compositions that it has prepared for its animal and human studies over an extended duration of 6-12 months. Along with improved tolerability, PK and efficacy performance, long term stability is crucial if oral variants of GLP-1, GIP and glucagon drugs are to be seriously considered as replacements for currently injectable versions of these drugs. Stability findings thus far are positive and meeting internal expectations.

Hypertension Phase 1b IND Trial HYPER-H23-1

The FDA provided Lexaria with a positive written response on August 10, 2022, from our pre-IND meeting regarding DehydraTECH-CBD for the treatment of hypertension. The FDA confirmed that it had agreed with Lexaria's proposal to pursue a 505(b)(2) new drug application ("NDA") regulatory pathway for our program. On January 29, 2024, Lexaria submitted its IND application with the FDA and it received a Study May Proceed letter from the FDA on February 29, 2024. Since that time, Lexaria continues to attend to its annual reporting update obligations to the FDA for study HYPER-H23-1 to maintain its active status and continues to address certain of the FDA conditions while also seeking funding to commence the study.

The IND application was supported by the results of Lexaria's five investigator-initiated human clinical studies of its DehydraTECH-CBD which were conducted between 2018-2023, in an aggregate total of 134 people, without recording a single serious adverse event (the "HYPER Studies"). The HYPER Studies evidenced significant reductions in resting blood pressure over both acute and multi-week dosing regimens alone and, in some cases, complementary to standard of care medications; suggesting that DehydraTECH-CBD has the potential to have broad therapeutic utility.

Of note, DehydraTECH-CBD was evaluated recently in Lexaria (AU) Pty Ltd's Australian clinical study GLP-1-H24-4, with findings announced in December 2025, in overweight or obese, or pre- and Type II diabetic participants. It was noteworthy therein that the DehydraTECH-CBD arm achieved meaningful reductions in blood pressure supportive of hypertension treatment interests, even though study GLP-1-H24-4 was pursued to assess formulations for distinct potential therapeutic use in the fields of diabetes and weight loss management. At week 4 of treatment in study GLP-1-H24-4, a mean change of −4.6 mmHg in systolic blood pressure and −4.0 mmHg in diastolic blood pressure was evidenced in the DehydraTECH-CBD arm. Blood pressure reductions were also evident in this arm following completion of treatment at the week 16 follow up point (4 weeks after cessation of treatment) with a mean change of −2.6 mmHg in systolic blood pressure and −3.0 mmHg in diastolic blood pressure reported.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

Our consolidated financial statements and accompanying notes are prepared in accordance with US GAAP. These accounting principles require management to make certain estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses during the periods reported. Based on information available to management at the time, these estimates, judgments and assumptions are considered reasonable. We believe that understanding the basis and nature of the estimates, judgments and assumptions involved with the following aspects of our financial statements is critical to an understanding of our financials.

A critical accounting estimate is an accounting estimate for which a) the nature of the estimate is material due to the related level of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change, and b) the impact of the estimate on the Company's financial position or operating performance is material. We did not identify any such estimates in our Annual Report on Form 10-K for the year ended August 31, 2025 and none have been identified for the nine months ended May 31, 2026.

Funding Requirements

We anticipate that our expenditures in connection with our ongoing R&D program will continue, specifically with respect to our animal and human clinical trials of our DehydraTECH formulations for the purposes of our investigations with GLP-1 drugs and treating hypertension. As we move forward with our planned R&D studies, we anticipate that we will continue to incur operating losses and negative cash flows for the foreseeable future covering 2026 and beyond.

Through May 31, 2026, we have funded our operations primarily through the proceeds from the sale of common stock. The Company has consistently incurred recurring losses and negative cash flows from operations, including net losses of $5,043,216 and $9,214,206 for the nine months ended May 31, 2026, and May 31, 2025, respectively.

During the nine months ended May 31, 2026, we raised $6.5 million in net proceeds from the sale of securities pursuant to our Registered Direct offerings which closed in September, 2025 and December, 2025.

The continuation of Lexaria as a going concern depends on raising additional capital and/or attaining and maintaining profitable operations. The accompanying financial statements have been prepared assuming that the Company will continue as a going concern within one year following the date that these consolidated financial statements on Form 10-Q are filed and 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 Company expects that its current cash resources will be sufficient to fund the Company's operations through the first quarter of fiscal year 2027. However, management has also concluded that given the Company's current cash position, recurring losses from operations and net capital deficiency, there is substantial doubt as to the Company's ability to continue as a going concern within one year following the date that these consolidated financial statements are issued.

Results of Operations for the Period Ended May 31, 2026, and May 31, 2025

Our net loss for the nine months ended for the respective items are summarized as follows:

	May 31, 2026	May 31, 2025	Change
Revenue	$ 20,000	$ 531,923	**$ (511,923)**
Cost of goods sold	-	(2,720)	**2,720**
Research & development	(2,117,562)	(6,356,637)	**4,239,075**
Consulting fees & salaries	(1,420,061)	(1,922,449)	**502,388**
Legal and professional	(661,463)	(449,890)	**(211,573)**
Other general & administrative	(840,252)	(992,367)	**152,115**
Other income (loss)	(19,475)	(22,066)	**2,591**
Net loss before income taxes	**$ (5,038,813)**	**$ (9,214,206)**	**$ 4,175,393**

Revenue

Fees from intellectual property licensing and B2B sales totaled $20,000 and $531,923, respectively, for the nine-month periods ended May 31, 2026 and May 31, 2025. For the nine months ended May 31, 2026, relative to the nine months ended May 31, 2025, license fees and B2B sales decreased by $502,000 and $9,923, respectively, reflecting the expiration of the Premier Anti-Aging Co., Ltd. licensing contract and a continuing shift in emphasis away from pursuit of B2B clients as we move toward pharmaceuticals. The Company did not recognize any other revenue during the nine months ended May 31, 2026 or the nine months ended May 31, 2025.

Research and Development

Expenditures on R&D decreased by $4,239,075 year-over-year for the nine-month period ended May 31, 2026, as we completed our Phase 1b Clinical Trial (GLP-1-H24-4) in December of 2025. Lexaria continues with applied research & development programs in our pharmaceutical division with our primary focus being on optimization of DehydraTECH formulations of GLP-1 drugs, as well as advancing our DehydraTECH-CBD drug to treat hypertension.

Consulting Fees and Salaries

In the nine months ended May 31, 2026, consulting fees and salaries decreased by $502,388 year-over-year, primarily due to lower stock-based compensation ($494,037) and the discontinuation of certain consulting arrangements ($120,335); partially offset by higher incentive compensation ($131,071) and salary adjustments ($74,150) .

Legal and Professional Fees

Our legal and professional fees increased by $211,573 during the nine months ended May 31, 2026 as compared to the same prior year period due to higher accounting and professional fees associated with registration statement filings, financing activities and utilization of patent-related legal services.

General and Administrative

Our other general and administrative expenses decreased in total by $152,115 during the nine-month period ended May 31, 2026, as compared to the same prior year period. The decrease is primarily attributable to lower spending on advertising and promotions ($108,661) and decreased impairment losses ($33,540).

Liquidity and Financial Condition

Working Capital	**May 31, 2026**	**August 31, 2025**
Current assets	$ 4,064,869	$ 3,468,345
Current liabilities	(383,412)	(1,493,463)
Net working capital	**$ 3,681,457**	**$ 1,974,882**

Cash Flows	**May 31, 2026**	**May 31, 2025**
Cash flows used in operating activities	$ (4,782,990)	$ (7,807,889)
Cash flows used in investing activities	(86,097)	(85,141)
Cash flows provided by financing activities	6,518,105	6,046,163
Effect of exchange rate changes on cash	23,862	(61,257)
Net change in cash for the period	**$ 1,672,880**	**$ (1,908,124)**

Operating Activities

Net cash used in operating activities was approximately $4.8 million for the nine months ended May 31, 2026, compared with $7.8 million during the same prior year period. The decrease is attributable to a decrease of $4.2 million in our net loss, partially offset by a decrease in operating assets and liabilities of $0.6 million as we completed Study GLP-1-H24-4, and a decrease of $0.5 million in non-cash expenses.

Investing Activities

Net cash used in investing activities was $86,097 for the nine months ended May 31, 2026, compared to $85,141 for the same prior year period. The decrease relates primarily to lower spending on the prosecution of intellectual property, partially offset by increased purchases of laboratory equipment.

Financing Activities

Net cash from financing activities was approximately $6.5 million for the nine months ended May 31, 2026, compared to approximately $6.0 million for the same prior year period. The increase relates to higher net proceeds from the sale of common shares.

Liquidity and Capital Resources

Since inception, the Company has incurred significant operating and net losses. Net losses attributable to shareholders were $5.0 million and $9.2 million for the nine months ended May 31, 2026, and May 31, 2025, respectively. As of May 31, 2026, we had an accumulated deficit of $68.5 million. We expect to continue to incur significant operational expenses and net losses in the upcoming 12 months. Our net losses may fluctuate significantly from quarter to quarter and year to year, depending on the stage and complexity of our R&D studies and corporate expenditures, additional revenues received from the licensing of our technology, if any, and the receipt of payments under any current or future collaborations into which we may enter. The recurring losses and negative net cash flows raise substantial doubt as to the Company's ability to continue as a going concern.

Sources of Liquidity

During the nine months ended May 31, 2026, the Company has completed the following:

- Entered into a Securities Purchase Agreement whereby on September 29, 2025, the Company issued 2,666,667 shares of common stock at a purchase price of $1.50 per share for gross and net proceeds of $4.0 million and $3.5 million, respectively. Concurrently, the Company issued, by way of a private placement transaction, 2,666,667 share purchase warrants, entitling the holder thereof to purchase up to 2,666,667 shares of common stock at a price of $1.37 per share for a period of five years from the effective date of the S-1 Registration Statement registering the warrant shares. The shares registered pursuant to a take down of the Company's Form S-3 registration statement and the warrants and related warrant shares were registered pursuant to a Form S-1 registration statement. We also issued the placement agent warrants to purchase up to 93,333 shares for a period of five years from the date of issuance at an exercise price of $1.875 per share.

- Entered into a Securities Purchase Agreement whereby on December 14, 2025, the Company issued 2,661,600 shares of common stock at a purchase price of $1.315 per share for gross and net proceeds of $3.5 million and $3.0 million, respectively. Concurrently, the Company issued, by way of a private placement transaction, 2,661,600 share purchase warrants, entitling the holder thereof to purchase up to 2,661,600 shares of common stock at a price of $1.19 per share for a period of five years from the effective date of the S-1 Registration Statement registering the warrant shares. The shares registered pursuant to a take down of the Company's Form S-3 registration statement and the warrants and related warrant shares were registered pursuant to a Form S-1 registration statement. We also issued the placement agent warrants to purchase up to 93,156 shares for a period of five years, at an exercise price of $1.6438 per share.

We may also offer securities in response to market conditions or other circumstances if we believe such a plan of financing is required to advance the Company's business plans. There is no certainty that future equity or debt financing will be available or that it will be at acceptable terms and the outcome of these matters is unpredictable. A lack of adequate funding may force us to reduce spending, curtail or suspend planned programs or possibly liquidate assets. Any of these actions could adversely and materially affect our business, cash flow, financial condition, results of operations, and potential prospects. The sale of additional equity may result in additional dilution to our stockholders. Entering into additional licensing agreements, collaborations, partnerships, alliances marketing, distribution, or licensing arrangements with third parties to increase our capital resources is also possible. If we do so, we may have to relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates or grant licenses on terms that may not be favorable to us.

Going Concern

The accompanying unaudited consolidated financial statements have been prepared assuming that we will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the ordinary course of business. As of May 31, 2026, the Company had cash and cash equivalents of approximately $3.5 million to settle $0.4 million in current liabilities. We have performed a review of our cash flow forecast, and given our current development plans and cash management efforts, we anticipate that our cash resources will be sufficient to fund operations through the first quarter of fiscal year 2027. However, we have also concluded that our existing cash, combined with inflows expected from executed license agreements, will not be sufficient to meet the Company's financial obligations for the twelve-month period following the issuance of these consolidated financial statements. Accordingly, there is substantial doubt as to our ability to continue as a going concern for at least one year following the date of the financial statements included in this quarterly report. We intend to fund operations, working capital and other cash requirements for the twelve-month period subsequent to May 31, 2026 through equity financing arrangements and potentially from collaborations or strategic partnerships.

The successful outcome of future activities cannot be determined at this time and there is no assurance that, if achieved, we will have sufficient funds to execute our intended business plan or generate positive operating results.

The consolidated financial statements do not include any adjustments related to this uncertainty and as to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should we be unable to continue as a going concern.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

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 SEC's rules and forms, and that such information is accumulated and communicated to our management, including our President, our Chief Executive Officer (Principal Executive Officer) and our Chief Financial Officer (Principal Financial and Accounting Officer) to allow for timely decisions regarding required disclosure.

As of May 31, 2026, the fiscal quarter covered by this report, we carried out an evaluation, under the supervision and with the participation of our Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of May 31, 2026.

Inherent limitations on Effectiveness of Controls

Internal control over financial reporting has inherent limitations which include but are not limited to the use of independent professionals for advice and guidance, interpretation of existing and/or changing rules and principles, regulations, segregation of management duties, scale of organization, and personnel factors. It is a process which involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. It can be circumvented by collusion or improper management override. Internal control over financial reporting may not prevent or detect misstatements on a timely basis. 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, these risks. Systems determined to be effective can provide only reasonable assurances with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Control over Financial Reporting

During the quarter ended May 31, 2026, our controls and controls processes remained consistent with those in effect at August 31, 2025. There have been no changes in our internal controls over financial reporting that occurred during the quarter ended May 31, 2026, 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 are not party to any material, pending or existing legal proceedings against our Company or its subsidiaries, nor are we involved as a plaintiff in any other material proceeding or pending litigation. There are no proceedings in which any of our directors, executive officers or affiliates, or any registered or beneficial stockholder, is an adverse party or has a material interest adverse to our interest.

Item 1A. Risk Factors

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

The risks associated with our business, common stock and other factors are those described below and in our Form 10-K for the year ended August 31, 2025, as filed with the SEC on November 28, 2025.

In the event that we fail to satisfy any of the listing requirements of the Nasdaq Capital Market, our common stock may be delisted, which could affect our market price and liquidity.

Our common stock is listed on the Nasdaq Capital Market. For continued listing on the Nasdaq Capital Market, we will be required to comply with the continued listing requirements, including the minimum market capitalization standard, the corporate governance requirements and the minimum closing bid price requirement, among other requirements. On February 4, 2026, we received a deficiency letter from the Nasdaq Listings Qualifications Department notifying us that, for the last 30 consecutive business days, the bid price for our common stock had closed below the minimum $1.00 per share requirement for continued inclusion on the Nasdaq Capital Market. We have been provided with a 180-day compliance period or until August 3, 2026, in which to regain compliance, which could potentially be extended by Nasdaq for an additional 180 days so long as we are otherwise in compliance with all listing requirements. If we do not achieve compliance with the minimum bid rule by August 3, 2026, we intend to request an additional 180-day compliance period from Nasdaq. As we are currently in compliance with all other listing requirements, we expect to receive the additional 180-day compliance period, during which time we will determine what actions, if any, are needed to regain compliance with the minimum bid price requirement. Such actions may include effecting a reverse stock split if we are unable to regain compliance with the minimum bid price requirement. Even if a reverse stock split is effected, there can be no assurance that we will maintain compliance with the minimum bid price requirement, or that we will continue to be in compliance with the other continued listing requirements of the Nasdaq Capital Market.

In the event that we fail to regain compliance with the minimum bid price requirement, we fail to obtain a second compliance period from Nasdaq, or we fail to satisfy any of the other listing requirements of the Nasdaq Capital Market, our common stock may be delisted. If our securities are delisted from trading on the Nasdaq Capital Market, and we are not able to list our securities on another exchange, our securities could be quoted on the OTC Bulletin Board or on the "pink sheets." As a result, we could face significant adverse consequences including:

- a limited availability of market quotations for our securities;
- a determination that our common stock is a "penny stock," which would require brokers trading in our common stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our securities;
- a limited amount of news and analyst coverage;
- a limited ability to raise equity capital to continue to fund our research and development programs; and
- a limited ability to acquire other companies or technologies by using our shares as consideration.

Item 2. Recent Sales of Unregistered Equity Securities

During the nine months ended May 31, 2026, the Company issued:

- 2,666,667 share purchase warrants with an exercise price of $1.37 that expire on December 9, 2030 to purchase up to 2,666,667 shares of common stock;
- 93,333 placement agent share purchase warrants with an exercise price of $1.875 that expire on September 26, 2030 to purchase up to 93,333 shares of the common stock;
- 2,661,600 share purchase warrants with an exercise price of $1.19 that expire on January 14, 2031 to purchase up to 2,661,600 shares of common stock; and
- 93,156 placement agent share purchase warrants with an exercise price of $1.6438 that expire on December 16, 2030 to purchase up to 93,156 shares of the common stock.

Item 3. Rule 10b5-1 Trading Plans

Our Insider Trading Policy provides that our insiders, employees and consultants may enter into trading plans to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, as amended. During the fiscal quarter ended May 31, 2026, none of the Company's insiders had entered into a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" (as such terms are defined in Item 408(a) of Regulation S-K of the Securities Act of 1933).

Item 4. Exhibits, Financial Statement Schedules

a) Financial Statements

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

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

b) Exhibits

Exhibit Number	Description
(3)	**Articles of Incorporation and Bylaws**
3.1	Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed January 14, 2021)
3.2	Second Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to our Current Report on Form 8-K filed January 14, 2021)
(4)	**Instruments Defining the Rights of Security Holders**
4.1	Form of Private Placement Warrant (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed September 29, 2025)
4.2	Form of Placement Agent Warrant (incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed September 29, 2025)
4.3	Form of Private Placement Warrant (incorporated by reference to Exhibit 4.1 to our Current Report on Form 8-K filed December 16, 2025)
4.4	Form of Placement Agent Warrant (incorporated by reference to Exhibit 4.2 to our Current Report on Form 8-K filed December 16, 2025)
(10)	**Material Contracts**
10.1	Form of Securities Purchase Agreement dated September 26, 2025 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed September 29, 2025)
10.2	Form of Securities Purchase Agreement dated December 14, 2025 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K filed December 16, 2025)
(31)	**Rule 13(a) - 14 (a)/15(d) - 14(a)**
31.1	Section 302 Certifications under Sarbanes-Oxley Act of 2002 of Principal Executive Officer
31.2	Section 302 Certifications under Sarbanes-Oxley Act of 2002 of Principal Financial Officer and Principal Accounting Officer
(32)	**Section 1350 Certifications**
32.1	Section 906 Certification under Sarbanes Oxley Act of 2002 of Principal Executive Officer
32.2	Section 906 Certification under Sarbanes Oxley Act of 2002 of Principal Financial Officer and Principal Accounting Officer
(101)**	**Interactive Data Files**
101.INS	**XBRL Instance Document**
101.SCH	**XBRL Taxonomy Extension Schema Document**
101.CAL	**XBRL Taxonomy Extension Calculation Linkbase Document**
101.DEF	**XBRL Taxonomy Extension Definition Linkbase Document**
101.LAB	**XBRL Taxonomy Extension Label Linkbase Document**
101.PRE	**XBRL Taxonomy Extension Presentation Linkbase Document**

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

SIGNATURES

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

LEXARIA BIOSCIENCE CORP.

By: /s/ Richard Christopher
Richard Christopher
Chief Executive Officer
(Principal Executive Officer)
Date: July 13, 2026

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

By: /s/ Richard Christopher
Richard Christopher
Chief Executive Officer
(Principal Executive Officer)
Date: July 13, 2026

By: /s/ Michael Shankman
Michael Shankman
Chief Financial Officer
(Principal Financial and Accounting Officer)
Date: July 13, 2026

EXHIBIT 31.1

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

I, Richard Christopher, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: July 13, 2026

/s/ Richard Christopher
Richard Christopher
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

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

I, Michael Shankman, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: July 13, 2026

/s/ Michael Shankman
Michael Shankman
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT 32.1

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

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

(1) the Quarterly Report on Form 10-Q of Lexaria Bioscience Corp. for the quarter ended May 31, 2026 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Dated: July 13, 2026

/s/ Richard Christopher
Richard Christopher
Chief Executive Officer and Director
(Principal Executive Officer)
Lexaria Bioscience Corp.

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

EXHIBIT 32.2

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

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

(1) the Quarterly Report on Form 10-Q of Lexaria Bioscience Corp. for the quarter ended May 31, 2026 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Dated: July 13, 2026

/s/ Michael Shankman
Michael Shankman
Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)
Lexaria Bioscience Corp.

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