LEVIATHAN CANNABIS GROUP INC.

(formerly Morgan Resources Corp.)

CONSOLIDATED FINANCIAL STATEMENTS

(presented in Canadian dollars)

Years ended August 31, 2018

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of the Company have been prepared by management in accordance with International Financial Reporting Standards. These consolidated financial statements contain estimates based on management's judgment. Management maintains an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee and Board of Directors reviews the results of the annual audit and the consolidated financial statements prior to submitting the consolidated financial statements to the Board for approval.

The Company's auditors, MNP LLP, are appointed by the shareholders to conduct an audit and their report follows.

Signed: ***"Martin Doane "***
Chief Executive Officer

Signed: ***" Cheryl Sarnavka"***
Chief Financial Officer

Toronto, Ontario
January 31, 2019

Independent Auditors' Report

To the Shareholders of Leviathan Cannabis Group Inc.:

We have audited the accompanying consolidated financial statements of Leviathan Cannabis Group Inc., which comprise the consolidated statements of financial position as at August 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Leviathan Cannabis Group Inc. as at August 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which describes a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

MNP LLP

Mississauga, Ontario

January 31, 2019

Chartered Professional Accountants

Licensed Public Accountants

MNP

LEVIATHAN CANNABIS GROUP INC. (formerly Morgan Resources Corp.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(presented in Canadian dollars)

as at August 31,	2018	2017
Assets		
Current Assets		
Cash	$ 2,869,583	$ 15,239
Trade Receivable	18,875	-
Financing Proceeds Receivable (Note 8)	103,030	-
Prepaid Expenses	162,345	-
Notes and Deposit Receivable (Note 5)	388,745	-
HST Recoverable	188,987	8,857
	3,731,565	24,096
Property, Plant, and Equipment (Note 6)	4,539,337	-
License in Progress (Note 4)	36,597,192	-
	$ 44,868,094	**$ 24,096**
Liabilities		
Current Liabilities		
Accounts Payable and Accrued Liabilities	$ 731,579	$ 227,085
Purchase Price Payable (Note 4)	688,132	-
	1,419,711	227,085
Long-Term Debt (Note 7)	3,449,424	-
	4,869,135	227,085
Equity		
Share Capital (Note 8)	42,415,746	3,024,769
Shares to be Issued (Note 8)	25,000	-
Warrants Reserve (Note 8)	1,822,000	-
Options Reserve (Note 8)	5,351,347	492,288
Deficit	(9,615,134)	(3,720,046)
	39,998,959	(202,989)
	$ 44,868,094	**$ 24,096**

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

Going Concern (Note 1)

Commitments (Note 12)

Subsequent Events (Note 14)

Approved by the Board of Directors

Signed: “Martin Doane”
Director

Signed: “David Jarvis”
Director

LEVIATHAN CANNABIS GROUP INC. (formerly Morgan Resources Corp.)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(presented in Canadian dollars)

for the years ended August 31,	2018	2017
Revenue		
Branding Service	$ 82,266	$ -
Expenses		
Professional Fees	$ 237,512	$ 15,000
Recruiting	87,780	-
Consulting (Note 11)	410,800	30,000
Office and General	117,641	13,984
Marketing	69,906	-
Listing, Promotions and Shareholder Relations	184,582	-
Stock-Based Compensation (Notes 8 and 11)	5,351,347	-
Rent	42,633	-
Interest (Note 7)	76,330	-
Foreign Exchange (Gain) Loss (Note 5)	8,540	-
Gain on Bargain Purchase (Note 4)	(126,509)	-
	$ 6,460,562	$ 58,984
Net loss and comprehensive loss for the year	**$ (6,378,296)**	**$ (58,984)**
Weighted average number of common shares outstanding – basic and diluted (Note 10)	**50,846,481**	**37,426,936**
Basic and fully diluted loss per share	**$ (0.13)**	**$ (0.00)**

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

LEVIATHAN CANNABIS GROUP INC. **(formerly Morgan Resources Corp.)**
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(presented in Canadian dollars)

	Number of Shares	Share Capital	Shares to be Issued	Warrants Reserve	Options Reserve	Deficit	Total
Balance, September 1, 2016	**37,426,936**	**$ 3,024,769**	**$ -**	**$ -**	**$ 492,288**	**$ (3,661,062)**	**$ (144,005)**
Comprehensive loss for the year	-	-	-	-	-	(58,984)	(58,984)
Balance, August 31, 2017	**37,426,936**	**3,024,769**	**-**	**-**	**492,288**	**(3,720,046)**	**(202,989)**
Acquisition of J&H (Note 4)	12,166,667	121,667	-	-	-	-	121,667
Acquisition of Woodstock (Note 4)	30,000,000	35,581,281	-	-	-	-	35,581,281
Private Placement, Net of Issue Costs (Note 8)	11,027,998	3,656,449	25,000	1,822,000	-	-	5,503,449
Stock Options Exercised (Note 8)	150,000	31,580	-	-	(9,080)	-	22,500
Stock Options Expired (Note 8)	-	-	-		(483,208)	483,208	-
Stock Options Issued (Note 8)	-	-	-	-	5,351,347	-	5,351,347
Comprehensive loss for the year	-	-	-	-	-	(6,378,296)	(6,378,296)
Balance, August 31, 2018	**90,771,601**	**$ 42,415,746**	**$ 25,000**	**$ 1,822,000**	**$ 5,351,347**	**$ (9,615,134)**	**$ 39,998,959**

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

LEVIATHAN CANNABIS GROUP INC. (formerly Morgan Resources Corp.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(presented in Canadian dollars)

For the years ended August 31,	2018	2017
Cash Flow from Operating Activities		
Net loss for the year	$ (6,378,296)	$ (58,984)
Amortization	9,634	-
Stock Based Compensation	5,351,347	-
Gain on Bargain Purchase (Note 4)	(126,509)	-
Accrued Interest	33,188	-
Accretion	42,712	-
Unrealized foreign exchange loss	8,857	-
Changes in non-cash working capital:		
Trade Receivable	(18,875)	-
Prepaid Expenses	(162,345)	-
HST Recoverable	(188,987)	(6,983)
Accounts Payable and Accrued Liabilities	504,494	35,876
Working Capital Acquired	90,594	-
	(834,186)	(30,091)
Cash Flow from Financing Activities		
Private Placement, Net of Issue Costs (Note 8)	5,400,419	-
Exercise of Stock Options	22,500	-
Repayment of Advances Payable Acquired (Note 4)	(1,250,000)	-
	4,172,919	-
Cash Flow from Investing Activities		
Cash Acquired on Acquisitions (Note 4)	52,035	-
Acquisition Costs	(147,679)	
Loans and Deposits (Note 5)	(388,745)	-
	(484,389)	-
Increase (Decrease) in Cash	2,854,344	(30,091)
Cash, Beginning of Year	15,239	45,330
Cash, End of Year	**$ 2,869,583**	**$ 15,239**

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

1. NATURE OF BUSINESS AND GOING CONCERN

(a) Nature of Business

Leviathan Cannabis Group Inc. (the "Company" and formerly “Morgan Resources Corp.”) is a cannabis focused, marketing services agency and is, through one of its wholly owned subsidiaries, pursuing the goal of becoming a fully licensed cultivator and distributor of cannabis products. On March 28, 2018, the Company amended its articles of incorporation to change its name to Leviathan Cannabis Group Inc.

The Company is incorporated and domiciled in Canada and its registered office is Suite 116, 250 The Esplanade, Toronto, Ontario M5H 4J6. The Company’s common shares are listed on the Canadian Securities Exchange under the symbol “EPIC”.

(b) Going Concern

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

Management has forecasted the expected expenditure levels and contracted commitments will exceed the Company's net cash inflows and working capital during the fourth quarter of fiscal 2019 unless further financing is obtained. Additional sources of funding will be required during fiscal 2019 to carry on operations and/or to realize on investment opportunities. The Company's future operations are dependent upon its ability to secure additional funds and generate product sales. While the Company is striving to achieve these plans, there is no assurance that these and other strategies will be achieved or such sources of funds will be available or obtained on favorable terms or obtained at all. Historically, the Company has obtained funding via the issuance of shares and warrants. If the Company cannot secure additional financing on terms that would be acceptable to it or otherwise generate product sales, the Company will have to consider additional strategic alternatives which may include, among other strategies, cost curtailments and delays of product launch, as well as seeking to license and/or divest assets or a merger, sale or liquidation of the Company. These material uncertainties cast significant doubt about the Company's ability to continue as a going concern.

These consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported revenues and expenses, and the consolidated statements of financial position classifications used.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations of the IFRS Interpretations Committee ("IFRIC").

These consolidated financial statements were approved by the Board of Directors on January 31, 2019.

(b) Basis of presentation and consolidation

These financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments that have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: Jekyll and Hyde Brand Builders Inc. ("J&H"); Bathurst Resources Corp. ("Bathurst'); and Woodstock Biomed Inc. ("Woodstock").

(c) Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category of financial asset is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statements of loss and comprehensive loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the consolidated statements of loss and comprehensive loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at the end of each reporting period. Financial assets are impaired when there is any objective evidence that the future cash flows associated with a financial asset or a group of financial assets have been negatively impacted. Different criteria to determine impairment are applied for each category of financial assets described above.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

Financial liabilities
The Company's accounting policy for each category of financial liability is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in the consolidated statements of loss and comprehensive loss.

Other financial liabilities - This category includes accounts payables and accrued liabilities which are recognized at amortized cost.

The Company's financial instruments and classification are as follows:

Financial Instrument	Classification
Assets	
Cash	Loans and receivables
Trade receivables	Loans and receivables
Financing proceeds receivable	Loans and receivables
Notes and deposit receivable	Loans and receivables
Liabilities	
Accounts payable and accrued liabilities	Other financial liabilities
Purchase price payable	Other financial liabilities
Long term debt	Other financial liabilities

(d) Revenue recognition

Revenue during the year ended August 31, 2018 was derived from branding services performed under Jekyll and Hyde Brand Builders Inc.

Revenue from services is measured by reference to the fair value of consideration received or receivable for services rendered. Revenue is recognized when the specific performance requirements as outlined in the client engagement letter have been performed and when there is reasonable assurance of collection.

The Company may enter into sales agreements with customers that have multiple element arrangements. When these multiple elements have standalone value to the customer, the components are accounted for separately, based on the relative selling prices, using the appropriate revenue recognition criteria as described above.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The Company had no material provisions as at August 31, 2018 and 2017.

(f) Share based payment transactions

The fair value of share options granted to employees is recognized as an expense over the vesting period with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company.

The fair value is measured at grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

(g) Loss per share

Basic loss per share is calculated using the weighted-average number of common shares outstanding during the period. Diluted loss per share is computed using the treasury stock method. Stock options and warrants outstanding are not included in the computation of diluted loss per share if their inclusion would be anti-dilutive.

(h) Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Significant accounting judgments and estimates (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. The following are the key estimate and assumption uncertainties:

- Valuation of purchase price consideration and net assets acquired (Note 4)
- Stock-based compensation (Note 8)
- No impairment of non-financial assets (Note 9)

(i) Future Accounting Pronouncements

Standards issued but not yet effective up to the date of issuance of the Company's financial statements, but which may affect the financial statements are listed below. The Company intends to adopt those standards when they become effective.

IFRS 9, Financial Instruments ("IFRS 9") was issued by the IASB in its final version in July 2014, and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company will adopt this standard for the period beginning September 1, 2018. The Company does not expect a significant impact upon the adoption of this standard.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15") was issued in May 2014 and clarifies the principles for recognizing revenue from contracts with customers. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (i.e. service revenue and contract modifications), and improve guidance for multiple-element arrangements. IFRS 15 is effective for years beginning on or after January 1, 2018. The Company will adopt this standard for the period beginning September 1, 2018. The impact of adoption of IFRS 15 will have no significant impact on the Company's financial results as reported, however, may require additional disclosure breaking down revenue by element.

IFRS 16 – Leases sets out a new model for lease accounting, replacing IAS 17. "Leases" and related interpretations. Under this new standard, which provides a single model for leases abolishing the current distinction between finance leases and operating leases, most leases will be recognized in the consolidated statement of financial position. Certain exemptions will apply for short-term leases and leases of low-value assets. IFRS 16 will be effective for accounting years beginning on or after January 1, 2019. The Company has not yet completed its impact assessment for the adoption of this standard.

3. FINANCIAL RISK FACTORS

The Company's risk exposure and the impact on its financial instruments are summarized below:

Credit Risk
Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment/contractual obligations. The Company has deposited its cash with reputable Canadian financial institutions, from which management believes the risk of loss is minimal. The Company has Notes and Deposit Receivable and Financing Proceeds Receivable were received subsequent to the end of the reporting period.

Liquidity Risk
The Company's approach to managing liquidity risk is to ensure that it has sufficient liquidity to meet liabilities when due. As at August 31, 2018, the Company had current assets of $3,731,565 to settle current financial liabilities of $1,419,711 (Note 1).

Market Risk
Market risk is the risk of loss that may arise from changes in market factors such as interest rates and commodity and equity prices.

Interest Rate Risk
The Company's current policy is to invest excess cash in investment-grade short term deposit certificates issued by its banking institutions. The Company monitors the investments it makes and is satisfied with the credit ratings of its banks. The risk the Company will realize a loss as a result of a decline in the fair value of short-term deposits is limited due to the short-term nature of these investments.

The Company's Long-Term Debt carries a fixed rate of interest payable together with the principal at maturity.

Commodity Price Risk

The ability of the Company to develop its cannabis properties and the future profitability of the Company is directly related to the future market price of cannabis.

4. ACQUISITIONS

JEKYLL & HYDE BRAND BUILDERS INC.

Acquisition Details
On December 22, 2017, the Company completed the acquisition of Jekyll & Hyde Brand Builders Inc. ("J&H") via a three-cornered amalgamation with a wholly owned subsidiary created solely for this purpose. J&H is a cannabis focused, marketing services agency. Under the terms of the acquisition, the Company issued one common share for each common share of J&H outstanding resulting in a total issuance of 12,166,667 common shares at a value of $0.01 per share to the shareholders of J&H.

(presented in Canadian dollars)

4. ACQUISITIONS (continued)

JEKYLL & HYDE BRAND BUILDERS INC. (continued)

The acquisition of Jekyll & Hyde Brand Builders ("J&H") was accounted for as a business combination. The total purchase was allocated to the net assets of J&H acquired as follows:

Purchase Price:		
Fair value of 12,166,667 common shares	$	121,667
Net Assets Acquired:		
Cash	$	47,191
Accounts receivable		133,832
HST receivable		13,553
Prepaid expenses		53,462
Equipment		5,171
Trade payables		(5,033)
	$	248,176
Gain on Bargain Purchase	**$**	**126,509**

J&H accounts for $297,897 of the Company's loss for the year ended August 31, 2018.

WOODSTOCK BIOMED INC.

On June 18, 2018, the Company acquired 100% of the shares issued and outstanding of Woodstock Biomed Inc. ("Woodstock"), a stage 5 Access to Cannabis for Medical Purposes ("ACMPR") applicant which owns a greenhouse production facility in Pelham, Ontario. The 29.5-acre property (the "Property") will serve as the Company's cornerstone for cannabis cultivation operations in Canada. The Property features a 350,000 sq. ft. facility, which the Company will transform into a state-of-the art cannabis cultivation center.

The purchase price was:

(a) $750,000 in cash, payable upon receipt of the cultivation license;

(b) 20,000,000 common shares of the Company subject to an escrow agreement to be released as follows:
- (i) 3,000,000 (15%) 6 months from closing;
- (ii) 3,000,000 (15%) 12 months from closing;
- (iii) 3,000,000 (15%) 18 months from closing;
- (iv) 3,000,000 (15%) 24 months from closing;
- (v) 3,000,000 (15%) 30 months from closing;
- (vi) 5,000,000 (25%) 36 months from closing;

(c) 10,000,000 common shares of the Company subject to an escrow agreement to be released if Woodstock receives its cultivation license prior to August 14, 2019. If the license is not received before August 14, 2019, these shares will be returned to the Company for cancellation.

(presented in Canadian dollars)

4. ACQUISITIONS (continued)

WOODSTOCK BIOMED INC. (continued)

The acquisition of Woodstock Biomed was accounted for as an asset acquisition because it was determined that Woodstock did not meet the definition of a business under IFRS 3. The total purchase was determined and allocated to the net assets of Woodstock acquired as follows:

The Company calculated the theoretical put option value for each tranche of common shares issued based on their restriction period and net this value against the fair value of the common shares on the date of issuance. Put option variables were $1.97 stock price and exercise price, 90% volatility, 1.84% - 1.94% discount rate, and expected life ranging between 6 to 36 months.

The $750,000 cash payment was expected to be made on August 14, 2019 and was discounted using a 9.45% discount rate. A change in this discount rate by 1% would impact the valuation by approximately $7,500. The values assigned to the Company's land and building were based on a 3rd party appraisal commissioned by the Company. The Advances payable were due on demand and paid immediately after acquisition. The Long-Term Debt, which bears interest of 7%, payable at maturity (Note 7), was valued by discounting the future cash flows at an estimated commercial lending rate of 9.45% (prime + 6%). A change in this discount rate by 1% would impact the valuation by approximately $80,000. The license-in-progress was determined as the excess of the purchase price over the other identified assets.

Purchase Price:		
Present value of cash payable on receipt of cultivation license	$	674,806
Fair value of 20,000,000 escrowed common shares		22,973,511
Fair value of 10,000,000 contingently issuable common shares		12,607,770
Acquisition costs		147,679
	$	**36,403,766**

Net Assets Acquired:		
Cash	$	4,844
HST receivable		7,826
Prepaid expenses		1,170
Equipment		18,800
Land		860,000
Building		3,665,000
License-in-progress		36,597,192
Trade payables		(114,216)
Advances payable		(1,250,000)
Long-Term Debt		(3,386,850)
	$	**36,403,766**

Woodstock accounts for $133,666 of the Company's loss for the year ended August 31, 2018.

(presented in Canadian dollars)

5. NOTES AND DEPOSIT RECEIVABLE

Fountain Wellbeing (i)	$290,732
I Feel Good Cannabis Company Ltd. (ii)	98,013
	$388,745

(i) Fountain Wellbeing
On July 23, 2018, the Company entered into an Agreement to purchase Fountain Wellbeing, a cooperative corporation situated in North Hollywood Los Angeles California for $7.5 million. The Company paid a deposit of $225,000 USD which was held in escrow. During the permitted due diligence period the Company decided to terminate the agreement without penalty on August 2, 2018. The Company notified escrow agent of the cancellation and the funds were returned in October 2018 (Note 14(f)). The Company recognized and expensed $8,540 of unrealized foreign exchange loss during the period from July 23, 2018 to August 31, 2018.

(ii) I Feel Good Cannabis Company Ltd.
During the year, the Company advanced a total of $98,013 to a I Feel Good Cannabis Company Ltd. ("IFG"), a company with key management personnel in common (Note 11), which was due on demand and had no set terms of repayment at August 31, 2018.

On November 23, 2018, the Company exchanged the balance due for a promissory note issued in the amount of $98,013 at a 12% interest per annum. The funds were received to fully discharge this note on January 24, 2019 (Note 14(i)).

6. PROPERTY, PLANT, AND EQUIPMENT

Recognition and measurement
Items of property and equipment are measured at cost less accumulated amortization and accumulated impairment losses. When parts of an item of property, plant, and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The costs of the day to day servicing of property, plant and equipment are recognized in the consolidated statements of net loss and comprehensive loss in the period in which they are incurred.

Amortization
Amortization is recognized in profit or loss over the estimated useful lives of each part of an item of property and equipment in a manner which most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are presented in the table below:

Asset	**Basis**	**Rate**
Land	Not depreciated	N/A
Building	Declining Balance	4%
Equipment	Declining Balance	30%
Furniture	Declining Balance	30%

The building was acquired through the acquisition of Woodstock (Note 4). Depreciation will begin when the facility is ready for use.

(presented in Canadian dollars)

6. PROPERTY, PLANT, AND EQUIPMENT (continued)

	Land	Building	Equipment	Furniture	Total
Cost					
Balance, August 31, 2017 and 2016	$ -	$ -	$ -	$ -	$ -
Additions through acquisitions (Note 4)	860,000	3,665,000	18,800	5,171	4,548,971
Balance, August 31, 2018	**$ 860,000**	**$ 3,665,000**	**$ 18,800**	**$ 5,171**	**$ 4,548,971**
Accumulated Depreciation					
Balance, August 31, 2017 and 2016	$ -	$ -	$ -	$ -	$ -
Depreciation	-	-	8,800	834	9,634
Balance, August 31, 2018	**$ -**	**$ -**	**$ 8,800**	**$ 834**	**$ 9,634**
Net Book Value					
Balance, August 31, 2017	-	-	-	-	-
Balance, August 31, 2018	**$ 860,000**	**$ 3,665,000**	**$ 10,000**	**$ 4,337**	**$ 4,539,337**

7. LONG TERM DEBT

On the acquisition of Woodstock (Note 4), the Company inherited two mortgages of equal value and ranking for a total of approximately $3.6 million. The mortgages bear interest of 7% per annum, compounded monthly. Interest is accumulated and repayable together with the principle on February 22, 2021. As of August 31, 2018, the total balance owed was $3,628,076. The Company recognized interest expense of $33,188 and accretion expense of $29,386 during the year ended August 31, 2018.

8. SHARE CAPITAL AND RESERVES

(a) Share Capital

Authorized:	unlimited common shares
Issued and outstanding:	90,771,601
Escrow:	30,000,000 (Note 4)

Activity:

On December 22, 2018, the Company issued 12,166,667 common shares at $0.01 per share relating to the acquisition of J&H (Note 4).

On May 31, 2018, the Company issued 150,000 common shares upon the exercise of stock options. Total cash proceeds were $22,500 and the Company reallocated $9,080 of the value previously assigned to the options.

On June 18, 2018, the Company issued 30,000,000 common shares relating to the acquisition of Woodstock (Note 4).

Between June 27 to August 15, 2018, the Company issued a total of 11,027,998 Units for $0.50 per Unit for total cash proceeds of $5,513,999. Each unit comprised one common share and one common share purchase warrant exercisable at $1.00 for 24 months. In addition, the Company received a subscription deposit for $25,000 for which the 50,000 shares were issued in September 2018. The Company incurred $35,550 of costs related to the financing. The warrants were allocated net proceeds of $1,822,000 based on their relative fair value within the Unit (Note 8(c)).

(presented in Canadian dollars)

8. SHARE CAPITAL AND RESERVES (continued)

(b) Stock option plan

The Company has a stock option plan (the "Plan") under which the directors of the Company may grant options to qualified directors, officers, employees, and consultants of the Company. The exercise price of the options cannot be less than the closing price of the Company's shares on the trading day preceding the date of grant and the maximum term of any option cannot exceed ten years. The maximum aggregate number of common shares under option at any time under the Plan cannot exceed 10% of the issued and outstanding shares.

There was no stock option activity during the year ended August 31, 2017. A summary of the Company's stock option activity for the year ended August 31, 2018 is as follows:

	Number Of Options		Weighted-Average Exercise Price
Outstanding, August 31, 2017 and 2016	1,950,000	$	0.15
Forfeited, expired or cancelled	(1,800,000)	$	0.15
Exercised	(150,000)	$	0.15
Issued	4,950,000	$	0.60
Issued	3,000,000	$	2.00
Issued	500,000	$	1.50
Issued	150,000	$	1.53
Issued	600,000	$	1.50
Outstanding August 31, 2018	9,200,000	$	1.18

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at August 31, 2018 are as follows:

		OPTIONS OUTSTANDING			OPTIONS EXCERSIABLE	
Exercise Price	Date Option Issued	Number Outstanding	Weighted-Average Exercise Price	Average Remaining Contractual Life (years)	Number Exercisable	Weighted-Average Exercise Price
$0.60	18-May-18	4,600,000	$0.60	2.71	4,600,000	$0.60
$0.60	18-May-18	350,000	$0.60	1.71	87,500	$0.60
$2.00	19-Jun-18	3,000,000	$2.00	2.80	2,750,000	$2.00
$1.50	20-Jul-18	500,000	$1.50	1.89	500,000	$1.50
$1.53	25-Jul-18	150,000	$1.53	1.90	18,750	$1.53
$1.50	08-Aug-18	600,000	$1.50	1.94	37,500	$1.94
Total		9,200,000	$1.18	2.59	7,993,750	$1.15

8. SHARE CAPITAL AND RESERVES (continued)

(b) Stock option plan (continued)

On April 19, 2018, 1,800,000 options previously issued at $0.15 were cancelled.

On May 31, 2018, 150,000 options were exercised at $0.15 (Note 8(a)).

On May 18, 2018, 4,600,000 options were issued exercisable at $0.60 and expiring on May 17, 2021, vesting immediately. The value of the options was determined to be $1,522,848 using 90% volatility, 2-year term, 2.14% discount rate and 0% expected dividend. $1,522,848 has been recorded as stock-based compensation during the year.

On May 18, 2018, 350,000 options were issued exercisable at $0.60, vesting quarterly, in advance, in 8 equal installments, with a two-year expiry date after each vesting date. The value of the options was determined to be $112,957 using 90% volatility, 2 to 3.75-year term, 2.03% discount rate and $0 expected dividend. As of August 31, 2018, 87,500 of the options had vested. A total of $50,984 has been recorded as stock-based compensation expense during the year.

On June 19, 2018, 2,750,000 options were issued exercisable at $2.00 and expiring on June 19, 2021, vesting immediately. The value of the options was determined to be $3,258,948 using 90% volatility, 3-year term, 1.91% discount rate and 0% expected dividend. $3,258,948 has been recorded as stock-based compensation during the year.

On June 19, 2018, 250,000 options were issued exercisable at $2.00, vesting annually for five years, with a three-year expiry date after each vesting date. The value of the options was determined to be $377,277 using 90% volatility, 4 to 8-year term, 2.03% discount rate and 0% expected dividend. $32,809 has been recorded as stock-based compensation during the year.

On July 20, 2018, 500,000 options were issued exercisable at $1.50 and expiring on July 20, 2020, vesting immediately. The value of the options was determined to be $398,635 using 90% volatility, 2-year term, 1.97% discount rate and 0% expected dividend. $398,635 has been recorded as stock-based compensation during the year.

On July 25, 2018, 150,000 options were issued exercisable at $1.53, vesting quarterly, in advance, in 8 equal installments, with a two-year expiry date after each vesting date. The value of the options was determined to be $136,539 using 90% volatility, 2 to 3.75-year term, 2.05% discount rate and 0% expected dividend. 18,750 of the options has vested as of August 31, 2018, $32,173 has been recorded as stock-based compensation during the year.

On August 8, 2018, 600,000 options were issued exercisable at $1.50. 300,000 options vest quarterly, in advance, in 8 equal installments, with a two-year expiry date after each vesting date. 300,000 options vest in six different tranches based on performance conditions expected to be achieved between August 2019 and August 2021. The value of the options was determined to be $519,488 using 90% volatility, 2 to 5-year term, 2.13% discount rate and 0% expected dividend. 37,500 of the options has vested as of August 31, 2018, $54,950 has been recorded as stock-based compensation during the year.

The total stock-based compensation recorded for the year ending August 31, 2018 based on all options vesting during the year is $5,351,347.

8. SHARE CAPITAL AND RESERVES (continued)

(c) Warrants

Between June 27 to August 15, 2018, the Company issued 11,027,998 share purchase warrants as part of the private placement financing described in Note 8(a). Each Warrant will entitle the holder thereof to purchase one Common Share at an exercise price of $1.00 per Common Share for 24 months. The Warrant may not be exercised before the date that is 120 days from July 9, 2018. The Company may require the holders of the Warrants, upon 15 days' notice, to exercise their right to purchase Common Shares at any time after 120 days from July 9, 2018, if the Common Shares close at or above $1.50 per Common Share for 20 consecutive trading days.

The value of a warrant was determined using 90% volatility, 2-year term, 1.94% discount rate, 0% expected dividend. The resulting value represented approximately 33% of the value of the Unit with the remaining 67% attributed to the value of the Common share within the Unit. The warrants were allocated $1,822,000 of the net proceeds of the financing.

9. IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable except for indefinite life intangible assets and intangible assets that are not yet ready for use which are tested for impairment annually. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflect current market assessments of the time value of money and the risk specific to the asset. If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the reduction is included in comprehensive loss for the year.

After initial recognition of the license-in-progress acquired on the Woodstock acquisition (Note 4) the Company performed an impairment analysis and determined the value of the license-in-progress was not impaired. The impairment calculation was prepared using a future cash flow forecast including the following significant assumptions: growing capacity of 162,000 square feet; 250g of cannabis per square foot per year; future wholesale cannabis price per gram between $2.75 to $3.75 and retail cannabis price per gram of $7.50; growing costs between $1.07 - $1.55 per gram; $29.8M to complete facility development.

10. LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended August 31, 2018 was based on the loss attributable to common shareholders of $6,378,296 (August 31, 2017 – $58,984) and the weighted average number of common shares outstanding of 50,876,481 (Aug 31, 2017 – 37,426,936). Concerning the shares issued on the Woodstock acquisition (Note 4) subject to escrow restrictions, the Company included 20,000,000 common shares under escrow in the determination of the weighted average number of common shares outstanding because their release is based solely on the passage of time. The Company did not include the 10,000,000 common shares under escrow in the determination of the weighted average number of common shares outstanding because they are contingently returnable and are not considered outstanding until the date the shares are no longer subject to recall.

(presented in Canadian dollars)

11. RELATED PARTY BALANCES AND TRANSACTIONS

Compensation of key management personnel:

The remuneration expense of directors and other members of key management personnel, or companies under their control, during the years was:

Year ended August 31		2018		2017
Salaries, consulting and benefits	$	461,837	$	89,000
Stock based compensation		5,351,347		-
	$	5,813,184	$	89,000

As described in Note 5, the Company made a series of advances to IFG which were repaid to the Company in January 2019. In total three executive management team members are directors or key management personnel of IFG.

12. COMMITMENTS

Lease Obligation

The Company is under a lease obligation related property used as headquarters in Toronto. The period covered under the lease is September 15, 2017 to September 30, 2020. The Company has the right to extend the lease for an additional three years.

The future annual minimum* lease payments are:

August 31, 2019:	$41,089*
August 31, 2020:	$41,089*
August 31, 2021:	$41,089*

*plus variable common area costs averaging approximately $2,000 per month.

13. INCOME TAXES

Income tax expense comprises current and deferred tax and are recognized in profit or loss except to the extent that they relate to a business combination or are recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences relating to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.
Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, and the Company intends to settle tax liabilities and assets on a net basis or to realize the tax assets and liabilities simultaneously.

(presented in Canadian dollars)

13. INCOME TAXES (continued)

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2017 - 26.5%) to the effective tax rate is as follows:

	2018	2017
Pre-Tax Loss	$ (6,378,296)	$ (58,984)
Rate	26.5%	26.5%
Recovery	(1,690,250)	(15,630)
Stock-Based Compensation	1,418,110	-
Non-Deductible Expenses and Other Items	(33,890)	-
Change in Tax Benefits Not Recognized	306,030	15,630
Income Tax (Recovery) Expense	$ -	$ -

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences because it is not yet probable that future taxable profit will be available against which the group can utilize the benefits therefrom:

	2018	2017
Property, Plant, and Equipment	$ 10,830	$ -
Share issuance Costs	$ 31,610	$ 15,480
Non-Capital Losses Carried Forward	$ 4,061,120	$ 1,449,610
Investment Tax Credits	$ 7,150	$ 7,150
Exploration Expenditures	$ 554,410	$ 544,410

The net capital loss carry-forward may be carried forward indefinitely but can only be used to reduce capital gains. Share issue and financing costs will be fully amortized in 2022. Investment tax credit expire in 2033. The remaining deductible temporary differences may be carried forward indefinitely. The Company's Canadian non-capital income tax losses expire between 2031 and 2038.

14. SUBSEQUENT EVENTS

a. In September 2018, the Company issued 50,000 common shares ($25,000) that were classified as shares to be issued at August 31, 2018.

b. In November 2018, the Company collected the full $103,030 of Financing Proceeds Receivable as at August 31, 2018.

c. Between September 2018 and January 2019, the Company issued an additional $3,922,002 common shares pursuant to the terms of the private placement described in Note 8(a) for total proceeds of $1,961,001 of which $211,001 has not yet been received.

d. On September 26, 2018, the Company cancelled 150,000 stock options previously issued to a director and officer of the Company on June 19, 2018.

e. On October 4, 2018, the Company granted stock options to a director exercisable for up to 400,000 Common Shares at $1.50 per share with expiry dates ranging from October 4, 2020 to July 2, 2022. Those stock options have since been cancelled as the Director left the Company on November 8, 2018.

f. On October 4, 2018, the Company received US $224,474, which was receivable upon the termination of an agreement to purchase Fountain Wellbeing (Note 5).

g. On November 8, 2018, the Company granted stock options to certain officers, directors and consultants exercisable for up to 600,000 Common Shares at $0.60 per share with expiry dates ranging from November 8, 2020 to August 8, 2022.

h. On November 8, 2018, the Company cancelled 240,640 stock options previously issued to a director and officer of the Company on June 19, 2018.

i. On December 4, 2018 the Company issued a Promissory Note in the amount of $98,013 bearing interest at 12% per annum to I Feel Good Cannabis Company Ltd.

j. On July 3, 2018, the Company signed a Letter of Intent to acquire all of the issued shares of Pulse Rx Inc., a boutique-style pharmacy providing specialized services to nursing and retirement homes. In January 2019, the Company decided to no longer pursue the acquisition of Pulse Rx Inc. and terminated the Letter of Intent.

   A promissory note of $50,000 was issued September 10, 2018, pursuant to the Letter of Intent which will now become a demand letter for $50,000.

14. SUBSEQUENT EVENTS (continued)

k. On January 17, 2019, the Company signed a Non-Binding Letter of Intent to purchase all issued and outstanding shares of MariGrow Inc. ("MariGrow"), a stage 5 applicant that has received its Confirmation of Readiness from Health Canada's Office of Medical Cannabis. MariGrow has secured a 5-acre property with an existing 32,000 square foot building in a remote industrial park in Haldimand County just outside Port Dover, Ontario.

   Pursuant to the Letter of Intent, the Company would pay the following consideration to the Vendors;

   1. 2,000,000 common shares on closing; and
   2. Up to $4 million worth of common shares from time to time based on milestone achievements to be negotiated and finalized in conjunction with the definitive agreement of purchase and sale.

   It is anticipated that the negotiated milestone achievements triggering payment of consideration will include the granting of a cultivation license by Health Canada, the granting of a sales license by Health Canada, and the realization of various revenue and EBITDA targets following the granting of the licenses. Leviathan would guarantee the Vendors would receive a minimum of 5,000,000 the Company's common shares if the MariGrow business achieve all of the negotiated milestones.

   The transaction is targeted to close by February 15, 2019, subject to satisfactory completion of the Company's due diligence procedures.