LEVIATHAN CANNABIS GROUP INC.

MANAGEMENT DISCUSSION & ANALYSIS

FOR THE YEAR AUGUST 31, 2018

Leviathan Cannabis Group Inc. (the "Company" or "Leviathan") is a publicly traded company, incorporated and domiciled in Canada. The Company's registered office is located at Suite 116, 250 The Esplanade, Toronto, Ontario M5A 4J6. Leviathan's common shares are traded on the Canadian Securities Exchange under the symbol "EPIC".

The following Management Discussion and Analysis provides a review of the financial condition and disclosures of the operations for Leviathan for the twelve months ended August 31, 2018 (the "MD&A"). This MD&A should be read in conjunction with the Company's audited consolidated financial statements and relevant notes for the twelve months ended August 31, 2018 (the "Financial Statements"). The financial information presented in this MD&A is derived from the Financial Statements.

This MD&A contains certain information regarding the Company that may constitute forward-looking statements within the meaning of applicable securities laws. Forward-looking statements may include estimates, plans, expectations, opinions, forecasts, projections, guidance or other statements that are not statements of fact. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. The Company cautions that actual performance will be affected by a number of factors, many of which are beyond the Company's control, and that future events and results may vary substantially from what the Company currently foresees. There can be no assurance that such information will prove to be accurate and readers are cautioned not to place undue reliance on such forward-looking information. The forward-looking statements contained in this document speak only as of the date of this document; in addition, the Company expressly disclaims any obligation to publicly update or alter its previously issued forward-looking information.

In this document and in the Company's audited consolidated financial statements, unless otherwise noted, all financial data is prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts, unless specifically identified as otherwise, both in the audited consolidated financial statements and in the MD&A, are expressed in Canadian dollars.

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.

The discussion and analysis in this MD&A is based on information available to management as of January 31, 2019.

NATURE OF BUSINESS

Leviathan Cannabis Group Inc. (the "**Company**" or "**Leviathan Cannabis**") (formerly Morgan Resources Corp) is a Canadian public cannabis company. The Company’s portfolio comprises of Jekyll + Hyde Brand Builders Inc. (“**Jekyll + Hyde”**), a cannabis-focused marketing services agency and Woodstock Biomed Inc. (“**Woodstock**”), a late stage applicant under the ACMPR (Access to Cannabis for Medical Purposes Regulations).

Jekyll + Hyde provides a full range of brand, design and marketing services to Leviathan Cannabis and its operating subsidiaries as well as emerging cannabis companies in Canada and the United States.

Woodstock is currently in the process of retrofitting its 29.5-acre hybrid greenhouse facility in Pelham, Ontario that will serve as the Company’s cornerstone for cannabis cultivation operations in Canada.

BUSINESS STRATEGY

Leviathan’s core business strategy is to create a diverse, product focused, vertically integrated company that serves medical and recreational cannabis markets globally.

The Company intends on executing a series of strategic acquisitions that extend across various vertical markets in Canada and international markets to support the Company’s proprietary brand strategy.

The Company is focused on becoming a leading domestic and international medical and recreational cannabis enterprise and is directing its efforts to creating a proprietary portfolio of cannabis brands that will leverage the Company’s expertise. By building a presence in cannabis markets in Canadian and international markets the Company expects to generate a sustained and suitable rate of return on equity for current and prospective investors.

In the near term, the Company intends to continue investing in the buildout of its state-of-the-art cannabis cultivation facility in Pelham, Ontario. The objective is to produce high-yield, pharma-grade and competitively priced cannabis within predictable and dependable timelines.

Concurrent with the build out, Leviathan is also investing in its internal operations, by hiring additional skilled personnel to supplement operations, infrastructure development, and corporate governance.

CORPORATE OVERVIEW

The Company was originally incorporated as Gideon Capital Corp. pursuant to the provisions of the Business Corporations Act (Ontario) on June 15, 2011 and was classified as a capital pool company as defined in Policy 2.4 of TSX Venture Exchange Inc. ("TSX-V").

On December 31, 2013, the Company, 2396933 Ontario Inc., a wholly-owned subsidiary of the Company ("2396933 OntCo") and Bathurst Resources Corp. ("Bathurst") completed a three-cornered amalgamation whereby Bathurst amalgamated with 2396933 OntCo and the Company issued one common share for each common share of Bathurst outstanding ("Amalgamation"). The Amalgamation constituted the Company's Qualifying Transaction for the purposes of Policy 2.4 of the TSX Venture Exchange Corporate Finance Manual. Upon completion of the Amalgamation, the Company changed its name from Gideon Capital Corp. to Morgan Resources Corp.

From 2013 to 2016, the Company, as Morgan Resources Corp., was a mining exploration company with an option on certain volcanic-hosted massive sulphide properties in the Province of New Brunswick known as the Gloucester Project.

On October 12, 2017, the Company executed an agreement for a business combination with Jekyll & Hyde Brand Builders Inc. ("**Jekyll + Hyde**") a private Ontario corporation. Jekyll + Hyde was incorporated in Ontario on August 30, 2017. Jekyll + Hyde is a cannabis focused, marketing services agency focused solely on the cannabis sector.

On December 22, 2017, the Company completed the acquisition of Jekyll & Hyde after the Company delisted from the NEX Board of the TSX Venture Exchange. The Company then initiated a three-cornered amalgamation of Jekyll + Hyde Brand Builders, Morgan Resources and a wholly owned subsidiary of Morgan Resources. Under the terms of the acquisition, the Company issued 12,166,667 common shares to the shareholders of Jekyll + Hyde.

On January 23, 2018, the Company commenced trading on the Canadian Securities Exchange under the ticker symbol CSE: JH.

On March 28, 2018, the Company amended its articles to change its name to Leviathan Cannabis Group Inc. and shares began trading under the new name and symbol CSE: EPIC on April 15, 2018.

On June 18, 2018, the Company acquired the shares of Woodstock. Woodstock is a late stage ACMPR applicant that has received its Confirmation of Readiness from Health Canada's Office of Medical Cannabis. Woodstock owns a prime greenhouse production facility in Pelham, Ontario. This 29.5-acre property (the "**Property**") is intended to serve as the Company's cornerstone for cannabis cultivation operations in Canada. The Property features a 350,000 sq. ft. facility, which the Company is in the process of retrofitting into a state-of-the-art cannabis cultivation centre. Conversion construction on 114,000 sq. ft. is in progress with an expected completion date later in 2019. The cultivation facility is expected to produce high-yield, pharma-grade, and competitively priced cannabis. The total cost of the acquisition was contracted at $15,750,000, paid by $750,000 in cash and 30,000,000 common shares valued at $0.50 per common shares. 10 million of the common shares issued as consideration are to be held in escrow and released if Woodstock has obtained its license to produce cannabis under the ACMPR within a specified time frame.

On July 3, 2018, the Company announced its intention to acquire all of the issued shares of Pulse Rx Inc., also carrying on business under the business name Pulse Rx LTC Pharmacy ("Pulse Rx" or the "Transaction"), a boutique-style pharmacy providing specialized services to nursing and retirement homes. On September 2018, the Company advanced Pulse Rx an amount of $50,000 in a form of a Promissory Note. In January 2019, as a result of the due diligence process, the Company decided to not pursue the transaction and terminated the Letter of Intent. The Promissory Note is now repayable to the Company; however, no funds have been repaid.

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 $7,500.000. The Company paid a deposit of $225,000 USD held in escrow by United Escrow Company in order to complete its due diligence on the transaction. Upon completion of due diligence, the Company decided to terminate the agreement without penalty on August 2, 2018. The Company notified United Escrow Company of the cancellation on August 2, 2018 and incurred an immaterial cancellation fee of $500.00. The funds were received from United Escrow Company on September 11, 2018 through our Solicitors Trust account and deposited in to the Company's USD bank account October 4, 2018.

On October 15, 2018 Company announced that the Pelham Town Council ("Town") passed an interim control bylaw (the "Bylaw"). The By-Law purports to restrict the use of land in the Town for one (1) year to provide the Town with time to review its land use planning policies and regulations pertaining to cannabis related uses. The By-Law was prompted primarily by concerns expressed by some citizens about odour and light emissions from existing facilities in the municipality. "We are confident the By-Law will not ultimately materially affect our proposed build-out," stated Martin J. Doane, CEO of Leviathan. "Our demolition permits have already been approved and demolition will commence immediately. The Leviathan facility will be completely sealed with state-of-the-art, next generation technology, as a result of which there will be no material odour emissions whatsoever and light emissions will be effectively controlled. Our facility will set the standard for cannabis operations, and good neighbor principles in the region. We expect to receive the appropriate building permits, regardless of the By-law. A Town Hall meeting in Pelham will be held in early 2019 to introduce our design and build out specifics to the community and allay any of their concerns."

On January 17, 2019, the Company announced it had entered into a letter of intent to acquire all the issued and outstanding shares of MariGrow Inc. ("MariGrow"). MariGrow is a late stage applicant for a production license 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. The interior of the building is completely gutted. Leviathan plans to provide the necessary capital for the retrofit and to transform the building into an indoor cultivation facility. The property also offers efficient greenhouse and outdoor expansion capacity. Pursuant to the letter of intent, the Company would pay 2,000,000 common shares on closing and 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. The number of shares payable for each milestone achievement would be based on a 10% discount to the volume weighted average trading price of the shares on the Canadian Securities Exchange for the 10-days immediately preceding each particular milestone. 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. The Company would guarantee the Vendors would receive a minimum of 5,000,000 common shares if the Marigrow business hit all of the negotiated milestones. Leviathan is budgeting $3-3.5 million to complete the initial phase of the Marigrow buildout, with a target completion date in Q2, 2019. The transaction is targeted to close by February 15, 2019

RESULTS OF OPERATIONS

Overview of Operations

The operations for the Fiscal Year end August 31, 2018 primarily consisted of operations from Jekyll + Hyde and the acquisition and build out of Woodstock.

RESULTS OF OPERATIONS

Summary of Annual Financial Information

DESCRIPTION	Year ended August 31, 2018	Year ended August 31, 2017	Year ended August 31, 2016
	AMOUNT $	AMOUNT $	AMOUNT $
Revenues	82,266	-	-
Expenses	6,460,562	58,984	51,998
Net (loss) for the year	(6,378,296)	(58,984)	(51,998)
Basic & diluted loss per share	(0.13)	(0.00)	(0.00)
Cash flow from operating activities	(834,186)	(30,091)	18,537
Cash	2,869,583	15,239	45,330
Assets	44,868,094	24,096	47,204
Liabilities	4,869,135	227,085	191,209
Dividends	-	-	-

For the year ended August 31, 2018

Revenue for the year ended August 31, 2018 was $82,266 relating to Jekyll + Hyde consulting services. During the year, the officers of Jekyll + Hyde became officers of the Company and were heavily involved with the acquisition and operations of Woodstock. The Company anticipates similar revenue from the Jekyll + Hyde operations in 2019.

Expenditures during the year ended August 31, 2018 totaled $6,428,078 (August 31, 2017 – $58,984). These expenditures included:

- Professional fees $237,512 (Aug 2017 – $15,000). Because of the acquisition of Jekyll + Hyde and Woodstock, the company incurred significant professional fees consistent with management's expectations. Depending on the activities of the Company in fiscal 2019, similar professional fees may be incurred.
- Consulting fees of $410,800 (Aug 2017 - $30,000) paid to the Company's executive management team and various consultants who provided advisory services related to the operational activities of the Company. The Company anticipated these costs and is forecasting similar expenses in 2019.

- Office and general expenses of $117,641 (Aug 2017 - $13,984). With the acquisition of Jekyll + Hyde and Woodstock which resulted in expanded activities of the Company, office and general expenses rose accordingly. These expenses are expected to remain even in 2019.
- Marketing expenses totaled $69,906 (Aug 2017 - $Nil). The Company anticipates similar expenditures in 2019.
- Listing, promotions and shareholder relations totaled $184,582 (Aug 2017 - $Nil) associated with marketing its new acquisitions and capital funding activities. It is anticipated that these expenses will decrease in the first half of 2019 but see a slight increase in the second half as the Company begins to market and sell its cannabis products.
- Stock based compensation totaled $5,351,347 (Aug 2017 – $Nil) due to 9,200,000 options issued during the period. Given more than half of the options vested immediately, the Company anticipates lower stock based compensation in 2019.
- Rent expense totaled $42,633 (Aug 2017 - $Nil). The Company anticipates similar rent expenditures in 2019.
- Interest expense totaled $76,330 (Aug 2017 - $Nil). Interest expenses will be higher in 2019 as the Company acquired debt upon its acquisition of Woodstock.

Net loss for the period was $6,378,296 (Aug 2017 – ($58,984)) or a loss of $0.13 per share (Aug 2017 - ($0.00)).

Summary of Quarterly Financial Information

For the three months ended	$ 31 Aug 18	$ 31 May 18	$ 28 Feb 18	$ 30 Nov 17
Revenues	57,655	22,124	2,487	-
Expenses	4,243,710	2,058,635	131,262	26,955
Net loss for the period	(4,186,055)	(2,036,511)	(128,775)	(26,955)
Basic & diluted loss per share	(0.09)	(0.04)	(0.00)	(0.00)

For the three months ended	$ 31 Aug 17	$ 31 May 17	$ 28 Feb 17	$ 30 Nov 16
Revenues	-	-	-	-
Expenses	14,797	10,650	13,099	20,438
Net loss for the period	(14,797)	(10,650)	(13,099)	(40,438)
Basic & diluted loss per share	(0.00)	(0.00)	(0.00)	(0.00)

For the quarter ended August 31, 2018

Revenue for the quarter ended August 31, 2018 was $57,655 relating to Jekyll + Hyde consulting services. During the year, the officers of Jekyll + Hyde became officers of the Company and or were heavily involved with the acquisition and operations of Woodstock. The Company anticipates similar revenue from the Jekyll + Hyde operations in 2019.

Expenditures during the quarter ended August 31, 2018 totaled $4,211,226 (August 31, 2017 – $14,797). These expenditures included:

- Professional fees $137,853 (Aug 2017 – $7,500). Because of the acquisition of Jekyll +

Hyde and Woodstock, the company incurred significant professional fees consistent with management's expectations. Depending on the activities of the Company in fiscal 2019, similar professional fees may be incurred.

- Consulting fees of $249,700 (Aug 2017 - $5,000) paid to the Company's executive management team and various consultants who provided advisory services related to the operational activities of the Company. The Company anticipated these costs and is forecasting similar expenses in 2019.
- Office and general expenses of $81,950 (Aug 2017 - $2,296). With the acquisition of Jekyll + Hyde and Woodstock which resulted in expanded activities of the Company, office and general expenses rose accordingly. These expenses are expected to remain even in 2019.
- Marketing expenses totaled $69,906 (Aug 2017 - $Nil). The Company anticipates similar expenditures in 2019.
- Listing, promotions and shareholder relations totaled $146,738 (Aug 2017 - $Nil associated with marketing its new acquisitions and capital funding activities. It is anticipated that these expenses will decrease in the first half of 2019 but see a slight increase in the second half as the Company begins to market and sell its cannabis products.
- Stock based compensation totaled $3,494,208 (Aug 2017 – $Nil) due to 4,250,000 options issued during the period. Given more than half of the options vested immediately, the Company anticipates lower stock based compensation in 2019.
- Rent expense totaled $17,736 (Aug 2017 - $Nil). The Company anticipates similar rent expenses in 2019.
- Interest expense totaled $76,330 (Aug 2017 - $Nil). Interest expenses will be higher in 2019 as the Company acquired debt upon its acquisition of Woodstock.

Net loss for the period was $4,186,055 (Aug 2017 – ($14,797)) or a loss of $0.05 per share (Aug 2017 - ($0.00)).

TRENDS AND OTHER INFORMATION

The Company has limited financial resources and there are no assurances that additional funding will be available for working capital unless the Company is successful in its efforts to complete its financing objectives.

LIQUIDITY AND CAPITAL RESOURCES

The Company had a working capital surplus of approximately $2,311,854 as at August 31, 2018 including cash of $2,869,583.

OFF BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

PROPOSED TRANSACTIONS

Aside from what has been disclosed above, the Company has arranged to enter into a Construction Loan Agreement which at the time of preparation of this report was not an executed arrangement, however, the transaction is considered to be of a material nature.

SUBSEQUENT EVENTS

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

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

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.

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.

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.

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).

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.

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.

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.

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.

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.

SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares.

SHARE CAPITAL OUTSTANDING	**Aug 31, 2017**	**Aug 31, 2018**	**Jan 29, 2019**
Shares	37,426,936	90,771,601	94,743,603
Options [(a)]	1,950,000	9,200,000	9,409,360
Warrants [(b)]	-	11,027,998	15,000,000

(a)			
$0.10 options expiring January 27, 2022	350,000	-	-
$0.15 options expiring August 1, 2019	1,600,000	-	-
$0.60 options expiring May 17, 2021	-	4,950,000	4,950,000
$2.00 options expiring June 19, 2021	-	3,000,000	2,609,360
$1.50 options expiring July 20, 2020	-	500,000	500,000
$1.53 options expiring July 25, 2020	-	150,000	150,000
$1.50 options expiring August 8, 2020	-	600,000	600,000
$1.50 options expiring November 8, 2020	-	-	600,000
Total	1,950,000	9,200,000	9,409,360

(b) Each warrant is exercisable at $1.00 per share until July 9, 2020. The Company may require the holders of 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.

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 (Aug 31, 2017 – ($58,984)) and the weighted average number of common shares outstanding of 50,846,481 (Aug 31, 2017 – 37,426,936). Diluted loss per share did not include the effect of 9,200,000 stock options for the year ended August 31, 2018 (August 31, 2017 – 1,950,000) and 15,000,000 warrants for the year ended August 31, 2018 (August 31, 2017 – nil) as they are anti-dilutive.

RELATED PARTY TRANSACTIONS

During the twelve months ended August 31, 2018 the Company entered into transactions and had outstanding balances with various related parties. The details of the related party transactions are summarized as follows:

Related Party Transaction

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

I Feel Good Cannabis Company Ltd.

The Company approved a Promissory Note to I Feel Good Cannabis Company Inc. ("IFG"). The Promissory Note was issued in the amount of $98,013 at a 12% interest per annum entered into on November 23, 2018 with a repayment on January 24, 2019. A director and officer of the Company is also a director of IFG and in total three executive management team members are related to IFG.

RISKS AND UNCERTAINTIES

Risks arising from financial instruments and risk management:

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange and interest rate risks), credit risk and liquidity risk. The Company identifies, evaluates and, where appropriate, mitigates financial risks. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The audit committee of the board is responsible to review the Company's risk management policies.

Market Risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings or financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Foreign exchange risk

The Company operates primarily within Canada although a portion of its expenses are incurred in other countries primarily the United States dollars ("**US dollar**"). Foreign exchange risk arises because the cost of transactions denominated in foreign currencies may vary due to changes in exchange rates. The Company has not entered into foreign exchange derivative contracts. A significant change in the currency exchange rates between the Canadian dollar relative to the US dollar would not have a significant effect on the Company's results of operations, financial position or cash flows.

Interest Rate Risk

The Company is subject to interest rate risk on its cash and cash equivalents and long term debt. The Company believes that interest rate risk is low as the Company does not hold any term deposits and interest earned on cash equivalents is variable.

Credit Risk

Credit risk is the risk of financial loss to the Company if a counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's accounts receivable. The carrying amount of financial assets represents the maximum credit exposure. The Company believes there is insignificant credit risk associated with its accounts receivable based on the nature of the counterparties.

Financial instruments that potentially expose the Company to significant concentrations of credit risk consist principally of cash. The Company has investment policies to mitigate against the deterioration of principal and to enhance the Company's ability to meet its liquidity needs.

Liquidity and Funding Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due and to fund future operations. The Company manages its liquidity risk by forecasting its cash needs on a regular basis and seeking additional financing based on those forecasts.

Funding risk is the risk that market conditions will impact the Company's ability to raise capital through equity markets under acceptable terms and conditions. The Company manages its funding risk by forecasting its cash needs on a regular basis and continuously monitoring the stock price and other market conditions.

Capital management

The Company's objectives when managing capital are:

To safeguard the Company's ability to continue as a going concern in order to pursue the development of its products and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable level; and to provide an adequate return to shareholders commensurate with the level of risk associated with an early stage company.

The capital structure of the Company consists of cash, long term debt and equity comprising, issued capital, contributed surplus, warrants, and stock options.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issuance, granting of stock options, the issuance of debt or by undertaking other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements. In order to maximize ongoing research and development of its products, the Company does not pay out dividends.

Other Risks and Uncertainty

The Company operates in a highly competitive environment that involves significant risks and uncertainties, some of which are outside of the Company's control, which could have a material adverse effect upon the Company, its business and future prospects. Investors should carefully consider the risks and uncertainties described below. The risks and uncertainties described below are not exhaustive. There may be risks and uncertainties not presently known to the

Company or that the Company believes to be immaterial which could adversely affect the Company and its business in the future.

Risks Related to the Company’s Financial Condition

The Company has mainly relied on equity and debt financing to support operations and will continue to need significant amounts of additional capital. The Company intends to raise additional financing, as required, through research, partnering and licensing arrangements, the exercise of warrants and options, and through equity and/or debt financing. However, there can be no assurance that these financing efforts will be successful or that the Company will continue to be able to meet ongoing cash requirements. It is possible that financing will not be available or, if available, may not be on favourable terms. The Company may fail to obtain additional financing and be unable to fund operations and commercialize its product candidates. The availability of financing will be affected by the results of scientific and clinical research, the Company’s ability to attain regulatory approvals, the market acceptance of the Company's products, the state of the capital markets generally (with particular reference to pharmaceutical, biotechnology and medical companies), the status of strategic alliance agreements, and other relevant commercial considerations. Any future equity financing could result in significant dilution to existing shareholders.

Risks Related to the Company’s Business and Operations

Regulatory

Changes to government policies and the current regulatory framework is outside of the Company’s control, and hence the Company is subject to any changes in the framework that may cause the Company to adjust its operations or cut into the Company’s profit margins.

Limited Operating History

The Company’s subsidiary Jekyll + Hyde commenced operations on August 31, 2017 and Woodstock currently does not have operations, and as such is an early stage business and subject to the risks any early stage business faces. The Company has incurred operating losses since commencing operations. The success, among other things, is dependent on profitability of operations, ability to raise funds when necessary in a timely manner, and senior management’s ability to execute on its strategy. The Company may incur losses in the future and may not achieve profitability.

Reliance on Management

The Company is reliant on senior management’s ability to execute on its strategy. This exposes the Company to management’s ability to perform, and as well the risk of management leaving the Company. To mitigate this risk, the Company has implemented incentive plans for all members of the senior management team.

Risks Relating to the Cannabis Industry Change in Law, Regulations and Guidelines

Operations in Cannabis are subject to a variety of laws, regulations and guidelines relating to marketing, acquisition, manufacture, management, transportation, storage, sale and disposal of medical marijuana but also laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines may cause adverse effects to the Company's operations. On October 17, 2018, Canada introduced a new national cannabis reporting and tracking system launched concurrently with the coming into force of the Cannabis Act. The Cannabis Tracking and Licensing System (CTLS) applies to public and private parties that are authorized to sell cannabis under provincial legislation, as well as to holders of federally issued licences for cultivation, processing and sale for medical or non-medical purposes. The CTLS could potentially decrease the size of the market for the Company's business, and potentially materially and adversely affect the Company's business, its results of operations and financial condition.

Regulatory Risk

Achievement of the Company's business objectives are contingent, in part, upon compliance with the regulatory requirements, including those imposed by Health Canada, enacted by these government authorities and obtaining all regulatory approvals, where necessary, for the sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by government authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the Company's business, results of operation and financial condition.

Unfavourable Publicity or Consumer Perception

The medical marijuana industry is an early-stage business that is constantly evolving with no guarantee of viability. The market for medical marijuana is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion relating to the consumption of medical marijuana may have a material adverse effect on our operational results, consumer base and financial results.

Risks Relating to the Company's Common Shares

The Company has not paid any cash dividends on its common shares and, for the foreseeable future, the Company does not intend to pay any cash dividends on its common shares and therefore its shareholders may not be able to receive a return on their shares unless they sell them. The policy of the Board of Directors of the Company is to retain all available funds in operations. The Board of Directors may reassess this policy from time to time. Any decision to pay dividends on the common shares of Leviathan Cannabis will be made by the Board of Directors based on the assessment of, among other factors, earnings, capital requirements and the operating and financial condition of the Company.

The market price and trading volume of the Company's common shares have been volatile, and may continue to be volatile in the future. Variations in earnings estimates by securities analysts and the market prices of the securities of competitors may also lead to fluctuations in the trading price of the common shares. In addition, the financial markets may experience significant price and volume fluctuations that affect the market price of the Company's common shares that are not related to the Company's operating performance. Broad market fluctuation and economic conditions generally, and in the medical device sector specifically, may adversely affect the market price of the Company's common shares.

The significant costs that the Company will incur as a result of being a public company in Canada could adversely affect its business.

Legalization of Regulated Recreational Cannabis in Canada

The Cannabis Act and Cannabis Regulations came into force on October 17, 2018.

The recreational regulatory framework for cannabis production, distribution and sale is a significant new market for the Company's products. However, it is still uncertain how these developments may impact the medical cannabis market. The impacts may also be negative for the Company and could result in increased levels of competition in the existing medical market and/or the entry of new competitors in the overall cannabis market in which the Company operates.

Transition of Licenses under the Cannabis Act

Pursuant to the Cannabis Fees Order, SOR/2018-198, the Company's licenses will be subject to certain annual regulatory fees and reporting requirements. The annual regulatory fees allow the Minister of Health to recover the aggregate costs of administering the cannabis regulatory program and are payable annually by certain license holders. The annual regulatory fee is based on a percentage of the license holder's actual revenue in the previous year from the sale of cannabis less the amount purchased from another license holder subject to the fee, or a minimum flat fee. Specifically, standard cultivation, standard processing and certain medical sales license holders will be subject to a fee of 2.3% of cannabis revenue or $23,000, whichever is higher, in addition to any other fees that may be payable.

Leviathan's positioning for the cannabis regulated recreational market

When selecting Licensed Producers to supply cannabis for retail distribution, provincial governments and/or their liquor control agencies, many factors, including production capacity, product quality, product variety, product branding, and price are expected to influence product demand and supplier selection. With Leviathan, strong customer and online communication, substantial product variety, management believes consumer demand for the Company's products will be strong. On the cannabis supply side, with a licensed platform in the sector, at over 114,000 sq. ft. management believes the Company is well positioned to supply a significant portion of the regulated recreational market in Canada. With licensed cultivation and production operations in Ontario and announced development plans Leviathan has made meaningful commitments to invest in Ontario. Management believes Licensed Producers are well positioned to support the province of Ontario or other provinces. The Company, with comprehensive standard operating procedures for secure cultivation, production, storage and transportation of Cannabis and significant, highly secure vault storage capacity in place or under development in the province of Ontario, is well positioned to assist retail stores and dispensaries with the provisioning of secure cannabis storage and transportation. Leviathan can offer provincial agencies/crown corporations/retailers with significant consumer product demand intelligence to assist with product selection.

Management Growth

The Company may be subject to growth related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth that may have a material adverse effect on the Company's business, financial condition, results of operation and prospects.

Acquisition and Development Risks

The Company expects to selectively seek strategic acquisitions. The Company's ability to consummate and to integrate effectively any future acquisitions on terms that are favourable to it may be limited by the number of attractive acquisition targets, internal demands on the Company's resources and, to the extent necessary, the Company's ability to obtain financing on satisfactory terms, if at all. Acquisitions may expose the Company to additional risks including difficulties in integrating administrative, financial reporting, operational and information systems and managing newly acquired operations and improving their operating efficiency, difficulties in maintaining uniform standards, controls, procedures and policies through all of the Company's operations, entry into markets in which the Company has little or no direct experience; difficulties in retaining key employees of the acquired operations; and disruptions to the Company's ongoing business. In addition, future acquisitions could result in the incurrence of additional debt, costs, and contingent liabilities to the Company. The Company may also incur costs for and divert management attention to potential acquisitions that are never consummated. For acquisitions that are consummated, expected synergies may not materialize. The Company's failure to effectively address any of these issues could have a material adverse effect on the Company's business, financial condition, results of operations and cash flows in the future.

Reputational Risk to Third Parties

The parties with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company's marijuana business activities. While the Company has other banking relationships and believes that the services can be procured from other institutions, the Company may in the future have difficulty establishing or maintaining bank accounts or other business relationships. Failure to establish or maintain business relationships could have a material adverse effect on the Company.

ADDITIONAL INFORMATION

(1) Additional information may be found on SEDAR at www.sedar.com;
(2) Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities authorized for issuance under equity compensation plans will be included in the information circular for the Company's next annual meeting of security holders;
(3) Additional information relating to the Company can be requested by calling Cheryl Sarnavka, CFO at 416 806-0591.