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

CONSOLIDATED
FINANCIAL STATEMENTS

(Unaudited)

Three Months ended November 30, 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 interim consolidated financial statements prior to submitting the consolidated financial statements to the Board for approval.

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

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

Toronto, Ontario
January 31, 2019

NOTICE TO READER

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of management. The unaudited condensed interim financial statements as at and for the three months ended November 30, 2018 has not been reviewed by the Company's auditors.

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(presented in Canadian dollars)

as at		November 30 2018		August 31 2018
Assets				
Current Assets				
Cash	$	3,494,957	$	2,869,583
Trade Receivable		37,948		18,875
Financing Proceeds Receivable (Note 8)		396,531		103,030
Prepaid Expenses		554,425		162,345
Notes and Deposit Receivable (Note 5)		148,013		388,745
HST Recoverable		249,571		188,987
	$	4,881,445	$	3,731,565
Property, Plant and Equipment (Note 6)		4,560,078		4,539,337
License in Progress (Note 4)		36,597,192		36,597,192
	$	**46,038,715**	**$**	**44,868,094**
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities	$	609,920	$	731,579
Purchase price payable		704,271		688,132
		1,314,191		1,419,711
Long Term Debt (Note 7)		3,549,897		3,449,424
	$	4,864,088	$	4,869,135
Equity				
Share capital (Note 8)		43,746,367		42,415,746
Shares to be issued (Note 8)		-		25,000
Warrants reserve		2,477,380		1,822,000
Options reserve		5,608,856		5,351,347
Deficit		(10,657,976)		(9,615,134)
		41,174,627		39,998,959
	$	**46,038,715**	**$**	**44,868,094**

The accompanying notes are an integral part of these 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 three months ended November 30,	2018	2017
Revenue		
Branding Service	$ 57,100	$ -
Expenses		
Professional fees	$ 99,026	$ 22,500
Utilities	17,910	-
Consulting	263,492	-
Salaries and Wages	169,349	-
Office and General	47,622	4,455
Marketing	40,767	-
Listing, Promotions and Shareholder Relations	70,677	-
Stock based compensation (Note 9)	257,509	-
Rent	24,537	-
Interest & accretion	116,612	
Foreign Exchange (Gain) Loss	(7,559)	-
	$ 1,099,942	$ 26,955
Net loss and comprehensive loss for the period	**($1,042,842)**	**$ (26,955)**
Weighted average number of common shares outstanding – basic and diluted (Note 11)	**94,497,427**	**37,426,936**
Basic and fully diluted loss per share	**(0.01)**	**(0.00)**

The accompanying notes are an integral part of these 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, August 31, 2017	**37,426,936**	**$ 3,024,769**	**$ -**	**$ -**	**$ 492,288**	**$ (3,720,046)**	**$ (202,989)**
Acquisition of J&H	12,166,667	121,667	-	-	-	-	121,667
Acquisition of Woodstock	30,000,000	35,581,281	-	-	-	-	35,581,281
Private Placement, Net of Issue Costs	11,027,998	3,656,449	25,000	1,822,000	-	-	5,503,449
Stock Options Exercised	150,000	31,580	-	-	(9,080)	-	22,500
Stock Options Expired	-	-	-		(483,208)	483,208	-
Stock Options Issued	-	-	-	-	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**
Stock Options Issued (Note 9)	-	-	-	-	257,509	-	257,509
Private Placement (Note 9)	3,972,002	1,330,621	(25,000)	655,380	-	-	1,961,001
Comprehensive loss for the period	-	-	-	-	-	(1,042,842)	(1,042,842)
Balance, November 30, 2018	**94,743,603 $**	**43,746,367 $**	**- $**	**2,477,380 $**	**5,608,856 $**	**(10,657,976) $**	**41,174,627**

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

LEVIATHAN CANNABIS GROUP INC. (Formerly Morgan Resources Corp.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(presented in Canadian dollars)

For the three months ended November 30		2018		2017
Cash flow from operating activities				
Net loss for the period		(1,042,842)		(26,955)
Amortization		325		-
Interest and accretion		116,612		-
Notes and Deposit Receivable (Note 5)				-
Stock based compensation		257,509		-
Changes in non-cash working capital:				-
Prepaid Expenses		(392,080)		-
Trade Receivable		(19,073)		-
HST recoverable		(60,584)		(2,492)
Accounts payable and accrued liabilities		(121,659)		39,998
		(1,261,792)		10,551
Cash flow from financing activities				
Private Placement		1,564,470		-
Financing Proceeds Receivable		103,030		-
		1,667,500		-
Cash flow from investing activities				
Property, Plant and Equipment		(21,066)		-
Notes and Deposit Receivable		240,732		-
		219,666		-
Decrease in cash		625,374		(10,551)
Cash, beginning of period		2,869,583		15,239
Cash and cash equivalents, end of period	$	3,494,957	$	4,688

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

1. NATURE OF BUSINESS AND GOING CONCERN

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 to change its name to Leviathan Cannabis Group Inc.

Leviathan Cannabis is a publicly traded company incorporated and domiciled in Canada. The Company’s registered office is as follows: 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.

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 Interpretation Committee ("IRFSIC") and do not include all of the information required for full annual consolidated financial statements.

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 ("Bathurst') and Woodstock Biomed Inc. ("Woodstock").

(c) Financial instruments

<u>Financial assets</u>

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 statement of financial position at fair value with changes in fair value recognized in the statement 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 statement 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 statement of financial position at fair value with changes in fair value recognized in the statement 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 classifications 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	Other financial liabilities
Purchase price payable	Other financial liabilities
Long-term debt	Other financial liabilities

(d) Revenue recognition

Revenue during the three months ended November 30, 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 November 30, 2018.

(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 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 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:

- No impairment of intangible asset (Note 9)
- Stock-based compensation (Note 8)

(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 November 30, 2018, the Company has current assets of $4,881,445 to settle current financial liabilities of $1,314,191 (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 market price of cannabis.

4. LICENSE IN PROGRESS

The acquisition of Woodstock Biomed Inc. on June 18, 2018 resulted in an intangible asset attributable to the value of the license designated as a Stage 5 Application gained through a readiness certification from Health Canada. The Company also recorded a contingent liability of $750,000 to be paid to the original owner/seller upon successfully completing and gaining a Cultivation License. The $750,000 cash payment was expected to be made on August 14, 2019, and was discounted using a 9.45% discount rate.

5. NOTES AND DEPOSIT RECEIVABLE

Pulse RX Inc.
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.

I Feel Good Cannabis Company Ltd.
During fiscal 2018, 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).

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).

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 statement 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 as follows:

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

The building is related to the property acquired through the acquisition of Woodstock Biomed Inc. Depreciation begins when the property is ready for use.

	Building	Land	Equipment	Furniture	Total
Cost					
At August 31, 2018 and 2017	$ 3,665,000	$ 860,000	$ 20,000	$ 5,691	$ 4,550,691
Additions	21,066	-	-	-	21,066
At November 30, 2018	**$ 3,686,066**	**$ 860,000**	**$ 20,000**	**$ 5,691**	**$ 4,571,757**
Accumulated Depreciation					
At August 31, 2018 and 2017	$ -	$ -	$ 10,000	$ 1,355	$ 11,355
Amortization			-	325	325
At November 30, 2018	**$ -**	**$ -**	**$ 10,000**	**$ 1,680**	**$ 11,680**
Net Book Value					
At August 31, 2018 and 2017	3,665,000	860,000	10,000	4,336	4,539,336
At November 30, 2018	**$ 3,686,066**	**$ 860,000**	**$ 10,000**	**$ 4,011**	**$ 4,560,077**

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 November 30, 2018, the total balance owed was $3,691,938. The Company recognized interest expense of $63,862 and accretion expense of $36,611 during the three months ended November 30, 2018.

8. SHARE CAPITAL AND RESERVES

(a) Share Capital

Authorized: unlimited common shares

Issued and outstanding: 94,743,903

Escrow: 30,000,000

Activity:

During the quarter ended November 30, 2018, the Company issued a total of 3,972,002 Units for $0.50 per Unit for total cash proceeds of $1,986,001. Each unit comprised one common share and one common share purchase warrant exercisable at $1.00 for 24 months. The warrants were allocated net proceeds of $655,380 based on their relative fair value within the Unit (Note 8(c)).

(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 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 five 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.

A summary of the Company's stock option activity for the three months ended November 30, 2018 is as follows:

	Number Of Options		Weighted-Average Exercise Price
Outstanding, August 31, 2018	9,200,000	$	1.18
Forfeited, expired or cancelled	-390,640	$	2.00
Forfeited, expired or cancelled	-350,000	$	1.50
Issued	400,000	$	1.50
Issued	600,000	$	0.60
Outstanding November 30, 2018	9,459,360	$	1.11

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at November 30, 2018 are as follows:

8. SHARE CAPITAL AND RESERVES (continued)

		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	2.46	4,600,000	$0.60
$0.60	18-May-18	350,000	$0.60	1.46	131,250	$0.60
$2.00	19-Jun-18	2,609,360	$2.00	2.55	2,609,360	$2.00
$1.50	20-Jul-18	500,000	$1.50	1.64	500,000	$1.50
$1.53	02-Aug-18	150,000	$1.53	2.65	37,500	$1.53
$1.50	08-Aug-18	600,000	$1.50	1.69	75,000	$1.50
$1.50	04-Oct-18	50,000	$1.50	0.25	50,000	$1.50
$0.60	08-Nov-18	600,000	$0.60	1.94	75,000	$0.60
Total		9,459,360	$1.11	2.31		

On September 26, 2018, 150,000 options that were issued to a director and officer on June 19, 2018 at $2.00 were cancelled. This had no effect on stock-based compensation during the period.

On October 2, 2018, 400,000 options were issued to a director at $1.50 expiring two years after each quarterly vesting period. The director subsequently resigned from the board on November 8, 2018, thus forfeiting 350,000 options. 50,000 options vested are exercisable within 90 days of resignation. The value of the options was determined to be $15,459.02 using 90% volatility, a four-month term, 1.63% discount rate and $0 expected dividend. Given the 50,000 options vested upon issuance, $15,459.02 has been recorded as stock-based compensation during the period.

On November 8, 2018, 600,000 options were issued to two directors at $1.50, vesting in advance on a quarterly basis for a period of two years. The value of the options was determined to be $179,421.15 using 90% volatility, 2-year term, 2.37% discount rate and $0 expected dividend. 75,000 options vested immediately upon issuance, $20,280.07 has been recorded as stock-based compensation during the period.

On November 8, 2018, 240,640 options that were issued to a director and officer on June 19, 2018 at $2.00 were cancelled. This had no effect on stock-based compensation during the period.

The total stock-based compensation during the period including all options that vested during the period is $257,508.73.

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 period.

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 three months ended November 30, 2018 was based on the loss attributable to common shareholders of $997,651 (Nov 30, 2017 – $26,955) and the weighted average number of common shares outstanding of 94,497,427 (Nov 30, 2017 – 37,426,936).

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 period was as follows:

Three months ended November 30		2018		2017
Salaries, consulting and benefits	$	213,975	$	15,000
Stock based compensation		103,834		-
	$	317,809	$	15,000

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 (expiry date). The Company has the right to extend the lease no later than three months prior to expiration date of the lease. Rent expense is noted on the Financial Statements as an annual amount recorded monthly.

Future annual minimum lease payments are:

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

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.

14. SUBSEQUENT EVENTS

(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.

(ii) 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 and terminated the Letter of Intent.

A promissory note, issued on September 10, 2018 for the advance of $50,000 will now become a demand letter for the repayment of funds received.

(iii) On January 7, 2019, the Company was granted a Management Cease Trade Order ("MCTO") by the OSC because the Company suffered a delay in filing its Annual Financial Statements for August 31, 2018 by December 31, 2018. The Company has filed its annual financial statements on January 31, 2019 and believes this satisfies the OSC conditions. Consequently the Company expects the MCTO to be lifted shortly.

(iv) On January 17, 2019, the Company announced that it had entered into a 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 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, Leviathan will 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. 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. Leviathan would guarantee the Vendors would receive a minimum of 5,000,000 EPIC common shares if the MariGrow business achieves 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.