LEVIATHAN NATURAL PRODUCTS INC.

(Formerly Leviathan Cannabis Group Inc.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Nine Months Ended May 31, 2021

(in Canadian Dollars)

NOTICE TO READER

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(2) issued by the Canadian Securities Administrators, if the auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating the financial statements have not been reviewed by the auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company for the interim period ended May 31, 2021 have been prepared in accordance with IFRS and are the responsibility of the Company's management.

The Company's independent auditors, MNP LLP, have not performed a review of the unaudited condensed interim financial statements for the interim period ended May 31, 2021 in accordance with the standards established by the Canadian Institute of Chartered Professional Accountants for a review of the interim financial statements by an entity's auditor.

Approved by the Board of Directors

Signed"Martin Doane"
Chief Executive Officer

Signed"Jayne Beckwith"
Interim Chief Financial Officer

Toronto,Ontario
July 29, 2021

LEVIATHAN NATURAL PRODUCTS INC. (Formerly Leviathan Cannabis Group Inc.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT MAY 31, 2021 AND AUGUST 31, 2020
(Amounts Expressed in Canadian dollars)

		May 31 2021		August 31 2020
Assets				
Current Assets				
Cash	$	37,734	$	24,840
Other Receivable		67,870		20,506
Inventory		240,754		-
Prepaid Expenses		146,301		107,275
HST Recoverable		627,031		528,919
		1,119,688		706,540
Investment Property (Note 5)		3,984,390		3,984,390
Investment		130,322		25,000
Property, Plant & Equipment (Note 6)		4,672,069		5,192,617
	$	**9,906,469**	**$**	**9,883,547**
Liabilities				
Current Liabilities				
Accounts Payable & Accrued Liabilities		935,174		778,249
Deferred Revenue		417,858		581,853
Current portion of Long-Term Debt		1,112,636		4,830,158
		2,465,668		6,190,260
Long-Term Debt (Note 7)		11,959,171		5,295,110
		14,424,840		11,485,370
Non-Controlling Interest (Note 9)		(461,413)		(244,615)
Equity				
Share Capital (Note 8(a))		31,138,597		31,138,597
Warrants (Note 8(c))		2,477,380		2,477,380
Options (Note 8(b))		2,030,952		1,963,008
Deficit		(39,461,939)		(36,676,401)
Accumulated Other Comprehensive (Loss)/Income		(241,949)		(259,792)
		(4,056,959)		(1,357,208)
Total Shareholders' Equity and non-controlling interest		(4,518,371)		(1,601,823)
	$	**9,906,469**	**$**	**9,883,547**

Going Concern (Note 1), Contingencies (Note 14), Subsequent Events (Note 15)

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

LEVIATHAN NATURAL PRODUCTS INC. (Formerly Leviathan Cannabis Group Inc.)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (DEFICIT)

FOR THE NINE MONTHS ENDED MAY 31, 2021 AND 2020

(Amounts Expressed in Canadian dollars)

	Number of Shares	Share Capital	Warrants	Options	Deficit	Accumulated Other Comprehensive (Loss)/Income	Total
Balance, August 31, 2019	**84,743,603**	**$ 31,138,597**	**$ 2,477,380**	**$ 3,514,465**	**$ (35,953,825)**	**$ (9,324)**	**$ 1,167,293**
Stock Options Issued (Note 8(b))	-	-	-	54,516	-	-	54,516
Net and Comprehensive (Loss)/Income for the Period	-	-	-	-	(1,828,101)	(167,752)	(1,995,853)
Balance, May 31, 2020	**84,743,603**	**$ 31,138,597**	**$ 2,477,380**	**$ 3,568,981**	**$ (37,781,926)**	**$ (177,076)**	**$ (774,044)**
Balance, August 31, 2020	**84,743,603**	**$ 31,138,597**	**$ 2,477,380**	**$ 1,963,008**	**$ (36,676,401)**	**$ (259,792)**	**$ (1,357,208)**
Stock Options Issued (Note 8(b))	-	-	-	67,944	-	-	67,944
Net and Comprehensive (Loss)/Income for the Period	-	-	-	-	(2,785,538)	17,843	(2,767,694)
Balance, May 31, 2021	**84,743,603**	**$ 31,138,597**	**$ 2,477,380**	**$ 2,030,952**	**$ (39,461,939)**	**$ (241,949)**	**$ (4,056,959)**

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

LEVIATHAN NATURAL PRODUCTS INC. (Formerly Leviathan Cannabis Group Inc.)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2021

(Amounts Expressed in Canadian dollars)

	Three months		Nine months	
	2021	2020	2021	2020
Revenue				
Sales	$ 110,969	$ -	$ 161,391	$ -
Rent	54,997	-	163,995	-
	165,966	-	325,386	-
Expenses				
Salaries, Wages & Consulting Fees (Note 11)	299,555	328,514	991,902	943,009
Interest, net (Note 7)	333,480	164,501	970,131	387,770
Professional Fees	48,205	3,289	153,113	183,827
Office & General	52,197	35,734	226,988	167,947
Foreign Exchange (Gain) Loss	16	(112,334)	(143)	(68,206)
Travel & Promotion	72	3,239	490	33,724
Investor Relations & Fees	14,592	18,904	61,880	49,067
Share Based Compensation (Note 8(b))	66,768	11,169	67,944	54,516
Rent	10,498	18,039	13,681	47,779
Operational and utilities	165,505	84,268	318,050	136,862
Amortization (Note 6)	171,197	634	523,686	1,818
	1,162,085	555,958	3,327,721	1,938,113
Net Loss	**$ (996,119)**	**$ (555,958)**	**$ (3,002,335)**	**$ (1,938,113)**
Other Comprehensive Loss				
Foreign Exchange Translation	-	(134,398)	-	(167,752)
Net Comprehensive Loss	**$ (996,119)**	**$ (690,356)**	**$ (3,002,335)**	**$ (2,105,865)**
Net Loss Attributable to:				
Non-controlling Interest (Note 9)	**$ (71,227)**	**$ (29,794)**	**$ (216,798)**	**$ (110,012)**
Shareholders of the Company	**$ (924,891)**	**$ (526,164)**	**$ (2,785,538)**	**$ (1,828,101)**
	$ (996,119)	**$ (555,958)**	**$ (3,002,335)**	**$ (1,938,113)**
Weighted Average Number of Common Shares Outstanding – Basic and Diluted (Note 10)	**84,743,603**	**84,743,603**	**84,743,603**	**84,743,603**
Basic and Fully Diluted Loss per Share	**$ (0.01)**	**$ (0.01)**	**$ (0.03)**	**$ (0.02)**

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

LEVIATHAN NATURAL PRODUCTS INC. (Formerly Leviathan Cannabis Group Inc.)

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED MAY 31, 2021 AND 2020

(Amounts Expressed in Canadian dollars)

		2021		2020
Cash Flow from Operating Activities				
Net Loss	$	(3,002,335)	$	(1,938,113)
Add-Back (Deduct) Non-Cash Items				
Amortization		523,686		1,818
Interest and accretion		970,131		387,656
Share Based Compensation		67,944		54,516
Rent revenue		(163,995)		-
Changes in Non-Cash Working Capital:				
Other Receivable		(47,364)		(4,149)
Prepaid Expenses		(39,026)		(116,404)
Deposits		-		(13,984)
HST Recoverable		(98,112)		(86,365)
Inventory		(240,754)		-
Accounts Payable & Accrued Liabilities		156,925		283,460
		(1,872,899)		(1,431,564)
Cash Flow from Financing Activities				
Lease payments		(29,103)		-
Debt		2,005,511		-
		1,976,408		-
Cash Flow from Investing Activities				
Investment		(105,322)		-
Notes and deposit receivable		-		5,856,377
Purchase of property, plant & equipment		(3,137)		(4,765,382)
		(108,459)		1,090,995
Increase (Decrease) in Cash		**(4,949)**		**(340,569)**
Effect of foreign exchange translation		**17,843**		**(167,752)**
Cash, Beginning of period		**24,840**		**922,213**
Cash, End of period	**$**	**37,734**	**$**	**413,892**

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

1. NATURE OF BUSINESS AND GOING CONCERN

Nature of Business

Leviathan Natural Products Inc. (Formerly Leviathan Cannabis Group Inc.) (the "Company") is a cannabis focused, marketing services agency and is, through its subsidiaries, pursuing the goal of becoming a fully licensed cultivator, processor and distributor of cannabis and hemp products in Canada, United States & South America.

The Company is a publicly traded company incorporated and domiciled in Canada. The Company's registered office is Suite 116, 250 The Esplanade, Toronto, Ontario M5H 4J6. The Company's common shares are listed on the Canadian Securities Exchange (the "**CSE**") under the symbol EPIC.

Going Concern

These condensed interim 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.

During 2020 and 2021, there was a global outbreak of COVID-19 (coronavirus), which had a significant impact on businesses through restrictions put in place by federal, provincial, state and municipal governments regarding travel, business operations, and isolations/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. While the extent of the impact is unknown, we anticipate that this outbreak may cause reduced customer demand, supply chain disruptions, staff shortages and increased government regulations, all of which may negatively impact the Company's business and financial condition. COVID–19 has not had a material adverse effect on the Company's operations given it is pre-revenue nor has it had an immediate impact on the Company's ability to lease its investment property in Ontario. The pandemic has had a limited effect on the construction phase of its operations in Tennessee. Understandably, vendors were slower to fulfill some orders because of supply chain disruptions. Consequently, time delays pushed back the intended start date by approximately six months.

For the nine months ended May 31, 2021, the Company reported a net loss attributable to common shareholders of $2,785,538 (nine months ended May 31, 2020 - $1,828,101) and, as at May 31, 2021, had a deficit of $39,461,939 (August 31, 2020 - $36,676,401) and a working capital deficiency of $1,345,980 (August 31, 2020 - working capital deficit of $5,483,720). Management has forecasted that the expected expenditure levels and contracted commitments will exceed the Company's net cash inflows and working capital for the fiscal year 2021 unless further financing is obtained. Additional sources of funding will be required 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 realized, or such sources of funds will be available or obtained on favourable terms or obtained at all. Historically, the Company has obtained funding via the issuance of shares and warrants and short-term borrowings. 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 may cast significant doubt on the Company's ability to continue as a going concern.

These condensed interim consolidated financial statements do not reflect the adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these condensed 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 condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting, using accounting policies consistence with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and do not include all of the information required for full annual consolidated financial statements

These condensed interim consolidated financial statements were approved by the Board of Directors on July 29, 2021.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(b) Basis of presentation and consolidation

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments carried at fair value.

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. Additional information on the Company's interest in subsidiaries is provided in Note 9.

(c) Functional and presentation currency

The condensed interim consolidated financial statements of the Company are presented in Canadian dollars. The functional currency of the Company and its subsidiaries is the Canadian dollar, except for Leviathan US, which has a US dollar functional currency, and Grupo LCG SAS, which has a Colombian peso functional currency.

Transactions in currencies other than the functional currency are translated to the functional currency at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange prevailing at the consolidated statements of financial position date. Exchange gains and losses on settlement of transactions, and the translation of monetary assets and liabilities other than in functional currency are recorded in the consolidated statements of operations and comprehensive loss.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument to another entity. Financial assets and financial liabilities are recognized on the Statements of Financial Position at the time the Company becomes a party to the contractual terms and provisions of the financial instrument.

Financial assets

Non-derivative financial assets within the IFRS 9 are classified as "financial assets at fair value" (either as Fair Value through Other Comprehensive Income ("FVTOCI") or as fair value through profit or loss ("FVTPL")), and "financial assets at amortized costs" as appropriate. The Company determines the classification of its financial assets at initial recognition based on the Company's business model and contractual terms of cash flows.

All financial assets are recognized initially at fair value plus, in the case of investments not at FVTPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Where the fair values of financial assets recorded on the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values.

Financial assets at FVTPL

Financial assets measured at FVTPL include financial assets management intends to sell and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVTPL are carried at fair value in the consolidated statements of financial position with changes in fair value recognized in other income or expense in the consolidated statements of operations and comprehensive loss. The Company's investment is designated at FVTPL.

Financial assets at FVTOCI

Financial assets measured at FVTOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVTOCI. After initial measurement, investments measured at FVTOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the consolidated statements of operations and comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss. The Company has no financial assets designated at FVTOCI.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company transfers substantially all the risks and rewards of ownership of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(d) Financial instruments - continued

Impairment of financial assets

The impairment model under IFRS 9 is applicable to financial assets measured at amortized cost where any expected future credit losses are provided for, irrespective of whether a loss event has occurred as at the reporting date. The Company's only financial assets subject to impairment are amounts receivable and note receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized. The Company has measured the lifetime expected credit losses taking into consideration historical credit loss experience and financial factors specific to debtors and other relevant factors.

Financial liabilities

Non-derivative financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVTPL. The Company's financial liabilities include accounts payable & accrued liabilities, purchase price payable, and long-term debt, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

Financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR accretion is included in finance cost in the consolidated statements of earnings (loss).

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gains or losses reported in other income or expense in the consolidated statements of loss and comprehensive loss.

Determination of fair value

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies; however, considerable judgment is required to develop these estimates. The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements of the fair value of financial assets and liabilities.

- Level one includes quoted prices in active markets for identical assets or liabilities.
- Level two includes inputs that are observable other than quoted prices included in level one.
- Level three includes inputs that are not based on observable market data.

The following table summarizes the classification of the Company's financial instruments:

	IFRS 9 Classification
Financial assets	
Cash	Amortized cost
Other receivable	Amortized cost
Investment	FVTPL
Financial Liabilities	
Accounts payable	Amortized cost
Long-term debt	Amortized cost

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(e) Revenue recognition

Revenue is recognized when the services have been performed and collection of the receivable is reasonably assured. The Company may enter into sales agreements with customers that have multiple performance obligations. When an individual performance obligation within the agreement is satisfied, the relative fair value of the individual performance obligation is recognized as revenue.

(f) 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	N/A	N/A
Building	Declining Balance	4%
Equipment	Declining Balance	30%
Growing Equipment	Declining Balance	30%

Depreciation of the Company's buildings will begin when the facilities are ready for use.

(g) Intangible assets

Intangible assets are recorded at cost less any accumulated amortization and accumulated impairment losses. Intangible assets acquired through a business combination are measured at fair value at the acquisition date.

Amortization begins when assets become available for use. The estimated useful life, amortization method, and rate are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(h) Investment Property

Investment properties are held to earn rental income or for capital appreciation, or both. A key characteristic of an investment property is that it generates cash flows largely independently of the other assets held by an entity. Investment properties are initially measured at cost including transaction costs. Transaction costs include various professional fees, land transfer tax and initial leasing commissions to bring the property up to the condition necessary for it to be capable of operating. Subsequent to initial recognition, investment properties are recorded at fair value and related gains or losses arising from changes in fair value are recognized in net comprehensive income in the period of change. The determination of fair value is based upon, among other things, rental income from current leases and other assumptions that market participants would use when pricing investment property under current market conditions. An investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of operations and comprehensive income in the period of retirement or disposal. Gains or losses on the disposal of an investment property are determined as the difference between the net disposal proceeds and the carrying value of the asset on the date of disposal. All property operating expenses in the consolidated statements of operations and comprehensive income pertain to properties which earn rental income. Investment property may also be transferred if the Company changes its use to owner-occupied property in which case the carrying value is transferred to property, plant, and equipment.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(i) Impairment of non-financial assets

The carrying values of non-financial assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may exceed its recoverable amount. Additionally, the carrying values of goodwill, indefinite life intangibles, and intangibles not yet ready for use are assessed for indications of impairment at the end of every financial reporting period. Events or changes in circumstances which may indicate impairment include: a significant change to the Company's operations, significant decline in performance, or a change in market conditions which adversely affect the Company. The recoverable amount is determined as the higher of the fair value less costs of disposal ("FVLCD") and its value in use ("VIU") based on discounted cash flows.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its FVLCD and its VIU. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded.

(j) 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 May 31, 2021.

(k) Share-based payment transactions

The fair value of stock 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, incorporating 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 or actually vested.

(l) Loss per share

Basic loss per share is calculated using the weighted-average number of common shares outstanding during the period excluding contingently issuable or returnable shares. 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.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(m) Significant accounting estimates, judgments, and assumptions

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.

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

Warrants and stock options

Warrants and stock options are initially valued at fair value, based on the application of the Black-Scholes option pricing model. This pricing model requires management to make various assumptions and estimates which are susceptible to uncertainty, including the volatility of the share price, expected dividend yield, expected term of the warrant or stock option and expected risk-free interest rate.

Useful lives and impairment of long-lived assets

Long-lived assets are defined as property, plant, and equipment and intangible assets with finite lives. Depreciation and amortization are dependent upon estimates of useful lives and impairment is dependent upon estimates of recoverable amounts. These are determined through the exercise of judgment and are dependent upon estimates that consider factors such as economic and market conditions, frequency of use, anticipated changes in laws, and technological improvements. Refer to Notes 4 and 6.

Income taxes

Income taxes and tax exposures recognized in the consolidated financial statements reflect management's best estimate based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Company becomes aware of this difference. In addition, when the Company incurs losses for income tax purposes, it assesses the probability of taxable income being available in the future based on its budgeted forecasts. These forecasts are adjusted to consider certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate that sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences. Refer to Note 13.

Business combinations

In determining the appropriate basis of accounting for an acquisition, judgment is used to determine if an acquisition is a business combination or an asset acquisition. Refer to Note 4.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(n) Recent and future accounting pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. Updates that are not applicable or are not consequential to the Company have been excluded.

IFRS 16 – Leases (“**IFRS 16**”)

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the statement of financial position with a “right of use” asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease.

The date of initial application of IFRS 16 is annual periods beginning on or after January 1, 2019. The Company has elected to adopt IFRS 16 using the modified retrospective approach. Under this approach, the Company will not restate its comparative figures but will recognize the cumulative effect of adopting IFRS 16 as an adjustment to opening retained earnings at the beginning of the 2020 fiscal year, September 1, 2019. The Company leases its head office building. At September 1, 2019, the Company’s office lease extends to September 30, 2020. On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases and apply IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 Leases will not be reassessed for whether a lease exists. The Company will elect to not recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and for leases of low-value assets. The Company will also account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases. The impact of the adoption of IFRS 16 is disclosed in Note 7(d).

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.

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 May 31, 2021, the Company has current assets of $1,119,688 (August 31, 2020 - $706,540) to settle current financial liabilities of $2,465,668 (August 31, 2020 - $6,190,260) (Note 1).

$705,164 of the current financial liabilities relates to a mortgage on the Company’s Colombian property (Note 7(c)) which is to be fully repaid by July 2021.

Additional details relating to the repayment dates of the Company’s long-term debt are included in Note 7.

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 ofthese 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 hemp activities and the future profitability of the Company is directly related to the market price of cannabis and hemp.

4. AQUISITIONS

COLOMBIA

On November 18, 2019 the Company, through its subsidiary Grupo LCG SAS, acquired a farm property in Carmen de Viboral, Colombia. The purchase price for the facility was 3.225 billion Colombian pesos (CAD $1.29 million). The Company has determined that the assets acquired do not constitute a business under IFRS 3 Business Combinations and the transaction has been accounted for as an asset acquisition.

Purchase Price:

Present value of cash payments	$	1,217,730
Acquisition costs		27,055
	$	**1,244,785**

Net Assets acquired:

Land	$	975,905
Buildings		268,870
	$	**1,244,775**

See Note 7(c) for additional payment details.

WOODSTOCK BIOMED INC.

On June 18, 2018, the Company acquired 100% of the issued and outstanding shares of Woodstock Biomed Inc. (“Woodstock”) in Pelham, Ontario. The 29.5-acre property (the “Property”) was to serve as the Company’s cornerstone for cannabis cultivation operations in Canada.

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.

IN addition to other fixed payments, the purchase price included a $750,000 cash payment contingent on receipt of a cultivation license for the facility and 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.

On October 15, 2018, the Pelham Town Council imposed an interim control bylaw (“ICB”) prohibiting any further development of all land within the Town for any type of cannabis cultivation and/or processing for up to one year.

On May 21, 2019, after extensive, good faith appeals to the Pelham Town Council for relief from the ICB, the Company’s wholly-owned subsidiary Woodstock Biomed Inc. announced its intention to initiate legal action against the Town to mitigate the Company’s damages as a result of Council’s decision to uphold the ICB.

On September 23, 2019, the Town of Pelham Council voted in favour extending the ICB to July 15, 2020.

Woodstock was not awarded a cannabis cultivation and sales licence by Health Canada before August 14, 2019; therefore, the 10,000,000 contingently returnable common shares were cancelled, and the contingent cash payment was no longer payable. The value originally assigned to the contingent escrowed shares and the contingent cash payment of $750,000 has been recorded as a gain in the consolidated statement of operations and comprehensive loss during the year ended August 31, 2019.

The material uncertainties attributable to the Town Council’s imposition of its ICB and the outcome of any legal recourse were considered indicators of impairment in managements’ annual assessment of the cash generating unit containing the licence-in-progress during the year ended August 31, 2019. As there was no reasonable expectation of being able to use the license in the future, management could not reliably determine any future cash-flows expected from the assets in either a value in use or a fair value less costs to sell model and, therefore, management fully impaired the License-in-Progress. This resulted in an impairment charge to the consolidated statement of operations and comprehensive loss in the year ended August 31, 2019 of $23,314,616, net of the recoveries for the cancelled contingent cash and escrowed share payments.

Impact on the year ended August 31, 2019	**Amount**
Impairment of License-in-Progress	$36,597,192
Recovery of contingent cash consideration	(674,806)
Recovery of contingent share deferred consideration (Note 8(a))	(12,607,770)
Impairment/disposal of associated property, plant and equipment (Note 6)	587,354
Total impairment	**$23,901,970**

5. INVESTMENT PROPERTY

During the previous fiscal year, the Company executed a lease for the Woodstock property (Note 4) that was previously owner-occupied. The property was measured at cost until the change of use of the property to investment property. The Company measures the investment property at fair value. The fair value is based on a valuation by an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. Operation costs of the investment property after its reclassification to investment property were approximately $7,300.

The following is a reconciliation of the carrying value of the Company's investment property:

		May 31 2021		**August 31 2020**
Opening balance	$	3,984,390	$	-
Transfer from owner-occupied property		-		3,322,552
Expenditure recognized in the carrying value		-		654,585
Fair value adjustments		-		7,253
Closing balance	**$**	**3,984,390**	**$**	**3,984,390**

6. PROPERTY, PLANT AND EQUIPMENT

	Land and Building	**Right of Use Asset**	**Growing Equipment**	**Furniture**	**Total**
Cost					
At August 31, 2019	**3,817,387**	**-**	**10,000**	**5,171**	**3,832,558**
Adoption of IFRS 16	-	43,076	-	-	43,076
Transfer to investment property (Note 6)	(3,322,552)	-	(7,448)	-	(3,330,000)
Additions	2,886,306	-	1,949,445	108,738	4,944,489
Additions - right of use asset	-	57,966	-	-	57,966
Effect of foreign exchange	(248,231)	-	(59,659)	(3,943)	(311,833)
At August 31, 2020	**3,132,910**	**101,042**	**1,892,338**	**109,966**	**5,236,256**
Additions	4,612	-	(19,696)	27,979	12,895
At May 31, 2021	**3,137,522**	**101,042**	**1,872,642**	**137,945**	**5,249,151**
Accumulated Amortization					
At August 31, 2019	**-**	**-**	**6,374**	**2,135**	**8,509**
Amortization for the period	-	39,602	1,675	1,301	42,578
Transfer to investment property (Note 6)	-	-	(7,448)	-	(7,448)
At August 31, 2020	**-**	**39,602**	**601**	**3,436**	**43,639**
Amortization for the period	60,478	29,103	418,101	25,761	533,443
At May 31, 2021	**60,478**	**68,705**	**418,702**	**29,197**	**577,081**
Net Book Value					
At August 31, 2020	3,132,910	61,440	1,891,737	106,530	5,192,617
At May 31, 2021	**3,077,044**	**32,337**	**1,453,940**	**108,748**	**4,672,070**

7. LONG-TERM DEBT

The Company's long-term debt agreements are summarized below:

	May 31 2021	August 31 2020
Woodstock (a)	$ 4,328,761	$ 4,070,784
Bridge Loan (b)	7,392,690	5,234,642
Colombia Mortgage (c)	705,164	723,149
Lease Liability (d)	27,708	56,693
Government Loan (e)	60,000	40,000
US Loan (f)	557,484	-
	$ 13,071,807	$ 10,125,268
Less: current portion	1,112,636	4,830,158
	$ 11,959,171	$ 5,295,110

a) Woodstock

On the acquisition of Woodstock (Note 4), the Company inherited two mortgages of equal value and rank. Both mortgages bear interest of 7% per annum, compounded monthly. Interest is accumulated and repayable together with the principal on February 22, 2021 less any accumulated interest paid during the term. During the period, the mortgage was extended to September 1, 2022, at which the principal balance and any accrued interest will be due and payable. All accrued interest up to February 22, 2021 was capitalized and the interest plus the outstanding principal will pay interest at the rate of 7.00% per annum, calculated and compounded monthly, on the first day of each and every month, in arrears

	May 31 2021	August 31 2020
Opening balance	$ 4,070,781	$ 3,717,089
Interest added to principal	178,124	-
Interest expense	79,856	277,518
Accretion expense	-	76,180
Closing balance	$ 4,328,761	**$ 4,070,781**
Less: current portion	79,856	4,070,781
Non-current portion	$ 4,248,905	**$ -**

.

7. LONG-TERM DEBT - continued

b) Bridge Loan

On October 15, 2019 the Company signed an agreement with a shareholder to provide unsecured financing of up to $5,500,000 bearing interest at a rate of ten percent (10%) per annum from the date of each advance, payable three times per year: April 30, August 31, and December 31. The Company may, at its discretion, repay the balance of principal and/or interest owing at any time without penalty. In October 2020, the agreement was increased to $7,500,000. The Company determined that the interest rate was preferential and has discounted the future cash flows at an effective rate of 16%. The resulting discount on initial recognition is recognized directly in equity as a shareholder contribution. In February 2021, the due date was extended to December 31, 2023 with annual interest payments payable on December 31 of each year.

		May 31 2021		August 31 2020
Opening balance	$	5,234,642	$	-
Draws		1,755,521		5,568,082
Discount		(80,172)		(486,376)
Interest expense		510,429		285,589
Accretion expense		182,792		152,936
Payments		(210,521)		(285,589)
Closing balance	**$**	**7,392,690**	**$**	**5,234,642**
Less: current portion		299,908		-
Non-current portion	**$**	**7,092,782**	**$**	**-**

c) Colombia Mortgage

On November 18, 2019 the Company, through its subsidiary Grupo LCG SAS, acquired a farm property located on 22.43 flat acres land in Carmen de Viboral, Colombia. The purchase price for the facility was 3.225 billion Colombian pesos (CAD $1.29 million). The Company paid C$429,000 during the period. A first ranking mortgage is secured against the property with an interest rate of 0.625% per month. The Company discounted the future principal and interest payments using an effective rate of 13.39%.

		May 31 2021		August 31 2020
Opening balance	$	723,149	$	1,285,730
Discount		-		(68,000)
Interest expense		39,167		44,835
Accretion expense		13,064		43,735
Payments		(9,736)		(462,960)
Effect of changes in foreign exchange rates		(60,480)		(120,191)
Closing balance	**$**	**705,164**	**$**	**723,149**
Less: current portion		705,164		723,149
Non-current portion	**$**	**-**	**$**	**-**

As at May 31, 2021, the remaining principal payments are COL $860,000,000 (CAD $283,800) in June 2021 and COL $1,250,000,000 (CAD $412,500) in July 2021.

7. LONG-TERM DEBT - continued

d) Lease Liability

Upon adoption of IFRS 16 Leases on September 1, 2019, a lease liability of $36,228 was recognized, prepaid lease payments of $6,848 were derecognized, and a right of use asset of 43,076 was recognized. The following is a summary of the impact of the adoption of IFRS 16:

		September 1 2019		August 31 2019
Assets				
Prepaid expenses	$	59,771	$	66,619
Property, plant, and equipment, net		3,867,125		3,824,049
	$	**3,926,896**	**$**	**3,890,668**
Liabilities				
Current portion of long-term debt	$	36,228	$	-
	$	**36,228**	**$**	**-**

During the period, the lease was extended and the liability and right of use asset were both increase by $57,966. The following is a reconciliation of the lease liability:

		May 31 2021		August 31 2020
Opening balance	$	56,693	$	-
Adoption of IFRS 16		-		36,228
Extension of lease		-		57,966
Interest expense		3,129		1,876
Lease payments		(25,856)		(39,377)
Closing balance	**$**	**27,708**	**$**	**56,693**
Less: Current portion		27,708		39,129
Non-current portion	**$**	**-**	**$**	**17,564**

e) Government Loan

During fiscal year 2020, the Company received a $40,000 loan from Canada Emergency Business Account (“CEBA”). During the period, the Company received an additional $20,000 in CEBA. This interest free loan was offered by the Canadian Government through the Corporation’s bank in the context of the Covid-19 pandemic outbreak to finance operating costs. Repayment of the loan balance on or before December 31, 2022 will result in a loan forgiveness of $20,000. As at January 1st, 2023, the Corporation will have the option to extend the repayment of the capital for 3 years and will benefit from an interest rate of 5%.

f) US Loan

On March 5, 2021, the Company entered into a loan and security agreement with an arm’s-length lender for a loan of US$499,000. The loan bears interest at a rate of 12.99% per annum, paid monthly, and is secured against certain assets of Leviathan US. The Loan comes due and payable in full on March 1, 2023. Partially-amortized payments are payable in consecutive monthly installments of US$5,433 on the first day of each month, beginning April 1, 2021.

8. SHARE CAPITAL AND RESERVES

a. Share Capital

Authorized:

Unlimited number of common shares.

Issued and outstanding:

84,743,603 (August 31, 2020 – 84,743,603)

Activity:

No activity.

b. Stock options

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 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 common shares.

Activity:

The total share-based compensation during the nine months ended May 31, 2021 was $67,944 (nine months ended May 31, 2020 - $54,516).

A summary of the Company's stock option activity for the period ended May 31, 2021 is as follows:

	Number of Options	Weighted-Average Exercise Price ($)
Outstanding, August 31, 2019	7,109,360	0.69
Cancelled/Expired	(1,359,360)	2.00
Outstanding, August 31, 2020	5,750,000	0.60
Issued	1,000,000	0.60
Expired	5,200,000	0.60
Outstanding, May 31, 2021	1,550,000	0.60

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at May 31, 2021 are as follows:

Date of Grant	Exercise Price ($)	Number Outstanding	Number Exercisable	Remaining Life (Years)
Nov 8, 2018	0.60	375,000	375,000	0.69
May 22, 2019	0.60	175,000	175,000	0.98
March 21, 2021	0.60	1,000,000	-	2.81
		1,550,000	550,000	

8. SHARE CAPITAL AND RESERVES - continued

c. Warrants

Between June 2018 and September 2018, the Company issued 15,000,000 share purchase warrants as part of a $0.50 per unit private placement financing. Each warrant entitles the holder thereof to purchase one common share at an exercise price of $1.00 per common share for 24 months. 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 expected life, 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 $2,477,380 of the net proceeds of the financing.

On June 19, 2020, the Company repriced and extended the expiry date of the 15,000,000 share purchase warrants expiring between July 2020 and September 2020. The warrants were repriced from $1.00 to $0.75 and the expiry date extended to December 31, 2020. All other terms of the warrants remain unchanged.

On December 11, 2020, the Company repriced and extended the expiry date of the 15,000,000 share purchase warrants expiring on December 31, 2020. The warrants were be repriced from $0.75 to $0.60 and the expiry date extended to December 31, 2021. All other terms of the warrants remain unchanged.

9. INTEREST IN SUBSIDIARIES

These consolidated financial statements incorporate the activities of the Company's subsidiaries from the date the Company acquires control to the date control is relinquished.

The Company's subsidiaries and relative ownership interests are as follows:

Subsidiary	Domicile	Ownership Interest	Date Control Acquired
Bathurst Resources Corp.	Canada	100%	December 31, 2013
Jekyll and Hyde Brand Builders Inc.	Canada	100%	December 22, 2017
Woodstock Biomed Inc.	Canada	100%	August 14, 2019
Leviathan US, Inc. (90%)	USA	90%	April 15, 2019
LCG Holdings Inc. (65%) (i)	Canada	65%	August 1, 2019
Grupo LCG SAS	Colombia	65% (ii)	August 21, 2019

(i) The Company has established LCG Holdings Inc. as a business venture to cultivate hemp and manufacture cannabidiol ("CBD") isolate and other extracted products in the rich agricultural region of Republic of Colombia, South America.

(ii) A 100% interest of Grupo LCG SAS is held through LCG Holdings Inc.

10. LOSS PER SHARE

The calculation of basic and diluted loss per share for the nine months ended May 31, 2021 was based on the net loss and comprehensive loss attributable to common shareholders of $2,785,538 (nine months ended May 31, 2020 – $1,828,101) and the weighted average number of common shares outstanding of 84,743,603 (May 31, 2020 – 84,743,603).

11. RELATED PARTY BALANCES AND TRANSACTIONS

The remuneration expense of directors and other members of key management personnel, or companies under their control, are as follows:

	May 31 2021	May 31 2020
Salaries, consulting and benefits	$ 373,500	$ 347,563
Share based compensation	1,176	54,516
	$ 374,676	**$ 402,079**

12. OPERATING SEGMENTS

The Company currently operates in three business segments:

1) Cannabis focused marketing services ("Marketing");
2) Cultivation, processing, and distribution of cannabis and hemp products in Canada and hemp products in the United States & South America ("Cultivation") and
3) Investment Property ("Investment").

The Company manages its reporting segments based on a combination of geographic and operational information as follows:

	Corporate	Cultivation				Marketing	Total
	Canada	Canada	USA	Colombia	Total Cultivation	Canada	
Revenue	$ -	$ 163,995	$ 161,391	$ -	$ 325,386	$ -	$ 325,386
Share-based compensation	67,944	-	-	-	-	-	67,944
Interest expense, net of discount	613,048	257,978	27,882	68,094	353,954	3,129	970,131
Amortization	-	-	494,201	91	494,292	29,394	523,686
All other expenses	651,915	79,298	791,106	222,152	1,092,556	21,489	1,765,960
Net Loss	**$ (1,332,907)**	**$ (173,280)**	**$(1,151,799)**	**$ (290,337)**	**$ (1,615,416)**	**$ (54,012)**	**$ (3,002,335)**
Current Assets	523,596	93,382	423,925	12,407	529,714	66,379	1,119,688
Investments	-			105,322	105,322	25,000	130,322
Investment property	-	3,984,390	-	-	3,984,390	-	3,984,390
Property, plant, and equipment		-	3,517,727	1,120,562	4,638,289	33,780	4,672,069
Total Assets	**$ 523,596**	**$ 4,077,772**	**$ 3,941,651**	**1,238,292**	**$ 9,257,715**	**$ 125,159**	**$ 9,906,469**
Current liabilities	751,036	569,653	270,378	825,599	1,665,630	49,003	2,465,668
Intercompany payable (receivable)	(9,553,519)	2,746,800	5,213,209	905,567	8,865,577	687,942	-
Long-term debt	7,152,782	4,248,905	557,484	-	4,806,389	-	11,959,171
Total liabilities	**$ (1,649,701)**	**$ 7,565,359**	**$ 6,041,071**	**$1,731,166**	**$ 15,337,596**	**$ 736,945**	**$ 14,424,840**

13. INCOME TAXES

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

14. CONTINGENCIES

The Company has been charged under section 24 of the Provincial Offences Act for allegedly violating the Town of Pelham's Cannabis Interim Control Bylaw (ICB). If found guilty under section 67 of the Planning Act there may be a maximum fine of $50,000 for a first conviction, a surcharge to any fine of up to 25% of the fine amount, and, in some cases, a special fine may arise if there was an economic gain obtained due to the violation in an amount of the economic gain. Any potential liability cannot be reliably estimated and no provision has been recorded in these consolidated financial statements.

The Company has initiated legal proceedings against of the Town of Pelham. This litigation, filed through the Ontario Superior Court of Justice, follows the Town of Pelham Council's decision to deny the Company an exemption to its Interim Control By-law (4046), which placed a one-year moratorium on the building of new cannabis facilities and the expansion of existing operations.

The Company, along with two other cannabis companies operating in the Town of Pelham, appealed to the Local Planning Appeal Tribunal regarding the Town of Pelham's amendments to its agricultural zoning by-law and official plan following its land review study of cannabis cultivation and processing issues.

15. SUBSEQUENT EVENTS

a. On June 2, 2021, the Company made a $150,000 draw against the $7.5M loan facility (Note 7(b)) bringing balance drawn to $7,473,603 as of July 28, 2021.

b. In response to COVID-19, the Company applied for and received a $60,000 Canadian Emergency Benefit Account (CEBA) interest free loan for its wholly owned subsidiary, Jekyll & Hyde Brand Builders Inc. The loan was received on June 9, 2021. If $40,000 is repaid on or before December 31, 2022, $20,000 would be forgivable.

c. Subsequent to May 31, 2021, the Company recovered $462,062.30 in HST Recoverable.

d. On June 16, 2021, the Company announced that Leviathan US secured a supply agreement (the " Supply Agreement") with Veridia USA LLC ("Veridia USA") to supply full spectrum cannabidiol ("CBD") crude hemp oil ("Product"), serving as Veridia USA's primary supplier of this Product. Pursuant to the terms and conditions of the Supply Agreement, Leviathan US expects to initially sell Veridia USA 2,000-3,000 kilograms of the Product per month with an intention to increase its production capacity to 5,000-6,000 kilograms per month in order to meet Veridia USA's demand. The price per kilogram will be based on a mutually agreed price that corresponds with the prevailing average U.S. wholesale market price at the time of each individual sale.