LEVIATHAN NATURAL PRODUCTS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Three Months Ended November 30, 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 November 30, 2021 have been prepared in accordance with IFRS and are the responsibility of the Company's management.

The Company's independent auditors, Clearhouse LLP, have not performed a review of the unaudited condensed interim financial statements for the interim period ended November 30, 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
January 27, 2022

LEVIATHAN NATURAL PRODUCTS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT NOVEMBER 30, 2021 AND AUGUST 31, 2021

(Amounts Expressed in Canadian dollars)

		Novmeber 30 2021 (Unaudited)		August 31 2021 (Audited)
Assets				
Current Assets				
Cash	$	97,457	$	162,459
Other Receivable		101,363		108,286
Inventory (Note 5)		319,762		292,002
Prepaid Expenses		86,896		104,804
HST Recoverable		179,951		151,558
		785,430		819,109
Investment Property (Note 6)		4,425,000		4,425,000
Investment		25,000		25,000
License (Note 7)		91,638		107,881
Property, Plant & Equipment (Note 8)		3,816,210		3,945,135
	$	**9,143,278**	**$**	**9,322,125**
Liabilities				
Current Liabilities				
Accounts Payable & Accrued Liabilities	$	942,424	$	908,470
Deferred Revenue		529,205		605,670
Current portion of Long-Term Debt (Note 9)		5,840,626		1,694,841
		7,312,254		3,208,981
Long-Term Debt (Note 9)		6,825,258		10,566,636
		14,137,513		13,775,617
Non-Controlling Interest (Note 11)		(665,779)		(601,868)
Equity				
Share Capital (Note 10(a))		31,738,570		31,138,597
Warrants (Note 10(c))		2,328,407		2,477,380
Options (Note 10(b))		2,289,282		2,230,123
Deficit		(40,408,539)		(39,417,531)
Accumulated Other Comprehensive Loss		(276,174)		(280,193)
		(4,328,455)		(3,851,624)
Total Shareholders' Equity and non-controlling interest		(4,994,235)		(4,453,492)
	$	**9,143,278**	**$**	**9,322,125**

Going Concern (Note 1), Contingencies (Note 16), Subsequent Events (Note 17)

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

LEVIATHAN NATURAL PRODUCTS INC.

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

FOR THE THREE MONTHS ENDED NOVEMBER 30, 2021 AND 2020

(Unaudited)

(Amounts Expressed in Canadian dollars)

	Number of Shares	Share Capital	Warrants	Options	Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity	Non-Controlling Interest	Total Equity and Non-Controlling Interest
Balance, August 31, 2020	**84,743,603**	**$ 31,138,597**	**$2,477,380**	**$1,963,008**	**$(36,676,401)**	**$ (259,792)**	**$ (1,357,208)**	**$ (244,615)**	**$ (1,601,823)**
Net and Comprehensive (Loss)/Income for the Period	-	-	-	1,164	(897,639)	(10,687)	(907,161)	(75,117)	(982,278)
Balance, November 30, 2020	**84,743,603**	**$ 31,138,597**	**$2,477,380**	**$1,964,172**	**$(37,574,040)**	**$ (270,479)**	**$ (2,264,369)**	**$ (319,732)**	**$ (2,584,101)**
Balance, August 31, 2021	**84,743,603**	**$ 31,138,597**	**$2,477,380**	**$2,230,123**	**$(39,417,531)**	**$ (280,193)**	**$ (3,851,624)**	**$ (601,867)**	**$ (4,453,492)**
Vesting of Stock Options (Note 10(b))	**-**	**-**	**-**	59,159	**-**	**-**	59,159	-	59,159
Issuance of shares on exercise of warrants	**751,666**	**599,973**	**(148,973)**	-	**-**	**-**	451,000		451,000
Net and Comprehensive Loss for the Period	-	-	-	-	(991,007)	4,018	(986,989)	(63,911)	(1,050,900)
Balance, November 30, 2021	**85,495,269**	**$ 31,738,570**	**$2,328,407**	**$2,289,282**	**$(40,408,539)**	**$ (276,174)**	**$ (4,328,455)**	**$ (665,779)**	**$ (4,994,235)**

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

LEVIATHAN NATURAL PRODUCTS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED NOVEMBER 30, 2021 AND 2020
(Unaudited)
(Amounts Expressed in Canadian dollars)

		2021		2020
Revenue				
Sales	$	139,606	$	-
Rent		88,531		55,196
		228,137		55,196
Cost of sales		170,719		-
		57,418		55,196
Expenses				
Salaries, Wages & Consulting Fees (Note 13)		304,246		351,990
Interest, net (Note 9)		465,380		300,265
Professional Fees		52,273		53,076
Office & General		67,452		104,515
Foreign Exchange (Gain) Loss		(904)		(168)
Travel & Promotion		8,066		407
Investor Relations & Fees		15,774		14,696
Share Based Compensation (Note 10(b) and Note 13)		59,159		1,164
Rent		7,914		(4,517)
Operational and utilities		4,966		29,694
Amortization (Note 8)		128,011		176,831
		1,112,337		1,027,953
Net Loss	**$**	**(1,054,920)**	**$**	**(972,756)**
Other Comprehensive Loss				
Foreign Currency Translation		4,018		(10,687)
Net Comprehensive Loss	**$**	**(1,050,901)**	**$**	**(983,443)**
Net Loss Attributable to:				
Non-controlling Interest (Note 11)	**$**	**(63,911)**	**$**	**(75,117)**
Shareholders of the Company	**$**	**(991,007)**	**$**	**(897,639)**
	$	**(1,054,920)**	**$**	**(972,756)**
Weighted Average Number of Common Shares Outstanding – Basic and Diluted (Note 12)		**85,092,284**		**84,743,603**
Basic and Fully Diluted Loss per Share	**$**	**(0.01)**	**$**	**(0.01)**

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

LEVIATHAN NATURAL PRODUCTS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED NOVEMBER 30, 2021 AND 2020
(Unaudited)
(Amounts Expressed in Canadian dollars)

		2021		2020
Cash Flow from Operating Activities				
Net Loss	$	(1,054,920)	$	(972,756)
Add-Back (Deduct) Non-Cash Items				
Amortization		145,168		176,831
Interest and accretion		414,108		300,265
Share Based Compensation		59,159		1,164
Rent revenue		(76,466)		(55,196)
Changes in Non-Cash Working Capital:				
Other Receivable		6,923		10,557
Prepaid Expenses		17,908		9,335
HST Recoverable		(28,393)		(34,973)
Inventory		(27,760)		-
Accounts Payable & Accrued Liabilities		33,954		(140,146)
		(510,319)		(704,919)
Cash Flow from Financing Activities				
Lease payments		(9,701)		(9,701)
Issuance of shares on exercise of warrants		451,000		-
Proceeds from Long-Term Debt		-		882,939
		441,299		873,238
Cash Flow from Investing Activities				
Purchase of property, plant & equipment		-		(92,619)
		-		(92,619)
Increase (Decrease) in Cash		**(69,020)**		**75,700**
Effect of foreign exchange translation		**4,018**		**(10,687)**
Cash, Beginning of period		**162,459**		**24,840**
Cash, End of period	**$**	**97,457**	**$**	**89,852**

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

1. NATURE OF BUSINESS AND GOING CONCERN

Nature of Business

Leviathan Natural Products 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.

In 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, management 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 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.

For the three months ended November 30, 2021, the Company reported a net loss of $1,054,920 (November 30, 2020 - $972,756) and, as at November 30, 2021, had a deficit of $40,408,539 (August 31, 2021 - $39,417,531) and a working capital deficiency of $6,526,825 (August 31, 2021 - $2,389,872). 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 2022 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 interim consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported revenues and expenses, and the condensed interim consolidated statements of financial position classifications used. Such adjustments may be material.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These condensed interim consolidated 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 January 27, 2022.

(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 11.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(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 and Natural Origins SAS, which have 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 condensed interim 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 condensed interim 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 condensed interim consolidated statements of financial position with changes in fair value recognized in other income or expense in the condensed interim 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 condensed interim 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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(d) Financial instruments

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 condensed interim 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 condensed interim 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

(e) Revenue recognition

The Company earns revenue from the extraction and processing of hemp oil-based products – both through processing its own biomass hemp and proving the same services to its customers. Revenue is measured at the fair value of the consideration received or receivable, net of estimated returns and discounts. The Company considers the terms of the sales contras as well as industry practices, taking into consideration the type of customer, the nature of the transaction and the specific circumstances of each arrangement. Revenue from product sales and the related cost of goods sold are recognized on delivery of goods to the customer. Processing fee revenue is recognized on completion of services.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(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 have begun or begin when the facilities are ready for use. The Company's facility in Tennessee is currently in use and the Company's facility in Colombia is not 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 condensed interim 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 condensed interim 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 November 30, 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. Warrant modifications are not recognized to the extent they originated in a financing transaction.

(l) Inventories

Inventories consist of finished goods, work-in-process and raw materials and is valued at the lower of cost and net realizable value. Cost is determined using the standard cost method, which is updated regularly to reflect current conditions and approximate cost based on the weighted average formula. Cost of inventories includes cost of purchase (purchase price, transport, handling, and other costs directly attributable to the acquisition of inventories), cost of conversion, and other costs incurred in bringing the inventories to their present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

All inventories are reviewed for impairment due to slow moving and obsolete inventory. The provision for obsolete, slow moving and defective inventories are recognized in profit or loss. Previous write downs to net realizable value are reversed to the extend there is a subsequent increase in the net realizable value of the inventory.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(m) Leases

IFRS 16 introduced a single, on-balance sheet accounting model for leases. The Company, as a lessee, has recognized right-of use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

A right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation or impairment losses and adjusted for certain re-measurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company primarily uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has furthermore applied judgment to determine the applicable discount rate. The discount rate is based on the Company's incremental borrowing rate and reflects the current market assessments of the time value of money and the associated risks for which the estimates of future cash flows have not been adjusted for.

(n) Non-controlling interests

Non-controlling interest is measured at its proportionate share of the acquirer's identifiable net assets or liabilities. Net income or loss and comprehensive income or loss, for the period, are allocated between non-controlling interest and owners of the parent. Non-controlling interest in subsidiaries must be presented in the statement of financial position within equity, separately from the equity of the owners of the parent.

(o) 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.

(p) 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:

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(p) Significant accounting estimates, judgments, and assumptions - continued

Value of investment property

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 fair value is estimated by independent professionally qualified valuers who hold a recognised relevant professional qualification and have recent experience in the locations and segments of the investment properties valued.

Value of inventory

All inventories are reviewed for impairment due to slow moving and obsolete inventory. The provision for obsolete, slow moving and defective inventories are recognized in profit or loss. Previous write downs to net realizable value are reversed to the extend there is a subsequent increase in the net realizable value of the inventory.

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 8.

Going concern assumption

Going concern presentation of the financial statements which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

Income taxes

Income taxes and tax exposures recognized in the condensed interim 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 15.

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.

Functional and presentation currency

In determining the functional currency of the parent and its subsidiary, the Company considers the currency that mainly influences sales and the cost of providing goods and services in each jurisdiction in each the Company operates. The Company also considered secondary indicators including the currency in which funds from financing activities are denominated, the currency in which funds are retained and whether the activities of the subsidiaries are carried out as an extension of the Company or if they are carried out with a degree of autonomy.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

(q) Recent and future accounting pronouncements

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB has published Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) which clarifies the guidance on whether a liability should be classified as either current or non-current. The amendments:

- clarify that the classification of liabilities as current or non-current should only be based on rights that are in place at the end of the reporting period;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability;
- make clear that settlement includes transfers to the counterparty of cash, equity instruments, other assets or services that result in extinguishment of the liability.

This amendment is effective for annual periods beginning on or after January 1, 2022. There is currently a proposal in place to extend effective date for annual periods beginning on or after January 1, 2023. Earlier application is permitted. The extent of the impact of adoption of this amendment has not yet been determined.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) Amendments

The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022. The extent of the impact of adoption of this amendment has not yet been determined.

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 November 30, 2021, the Company has current assets of $785,430 (August 31, 2020 - $819,109) to settle current financial liabilities of $7,312,254 (August 31, 2021 - $3,208,981) (Note 1).

Additional details relating to the repayment dates of the Company’s long-term debt are included in Note 9.

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

4. AQUISITIONS

Natural Origins SAS

On August 13, 2021 the Company, through its subsidiary Grupo LCG SAS, acquired 100% of the issued and outstanding shares of Natural Origins SAS for total consideration of 486 million Colombian pesos (CAD$137,303). The only asset owned by Natural Origins SAS were cannabis licenses received from the Colombian Ministry of Health and Social Welfare (Note 7). Natural Origins SAS was determined not to meet the definition of a business as per IFRS 3 as substantially all of the fair value of Natural Origins SAS was concentrated in one asset: its cannabis licenses. Accordingly, the acquisition was treated as an asset acquisition.

5. INVENTORY

The components of inventory are as follows:

	November 30 2021	August 31 2021
Hemp, raw material	$ 54,411	$ 30,281
Packaging	265,351	261,721
Total	**$ 319,762**	**$ 292,002**

6. 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.

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

	November 30 2021	August 31 2021
Opening balance	$ 4,425,000	$ 3,984,390
Expenditure recognized in the carrying value	-	280,957
Fair value adjustments	-	159,653
Closing balance	**$ 4,425,000**	**$ 4,425,000**

7. LICENSE

The Company owns three (August 31. 2021 – three) licenses received from the Colombian Ministry of Health and Social Welfare with a cost of $137,303. The licenses are considered to be an intangible asset with a definite life. The licenses are being amortized straight-line over a three year period which reflects the duration of the license term and have net book value of $91,638 (August 31, 2021 - $107,881).

8. PROPERTY, PLANT AND EQUIPMENT

	Land and Building (b)	Right of Use Asset	Growing Equipment	Furniture	Total
Cost					
At August 31, 2020	**3,132,910**	**101,042**	**1,892,338**	**109,966**	**5,236,256**
Additions	4,284	-	9,211	-	13,495
Impairment (a)	(566,489)	-	-	-	(566,489)
At August 31, 2021	**2,570,705**	**101,042**	**1,901,549**	**109,966**	**4,683,262**
At November 30, 2021	**2,570,705**	**101,042**	**1,901,549**	**109,966**	**4,683,262**
Accumulated Amortization					
At August 31, 2020	**-**	**39,602**	**601**	**3,436**	**43,639**
Amortization for the period	60,486	38,804	562,459	32,739	694,488
At August 31, 2021	**60,486**	**78,406**	**563,060**	**36,175**	**738,127**
Amortization for the period	13,035	9,701	100,359	5,827	128,925
At November 30, 2021	**73,521**	**88,107**	**663,419**	**42,002**	**867,052**
Net Book Value					
At August 31, 2021	2,510,219	22,636	1,338,489	73,791	3,945,135
At November 30, 2021	**2,497,184**	**12,935**	**1,238,130**	**67,964**	**3,816,210**

a) During the year ended August 31, 2021, the Company recorded an impairment of $569,489 on its facility in Tennessee. The impairment was based on the fair value less disposal costs of the Tennessee facility prepared from a third party valuator.

b) The Company's facility in Colombia representing $1,120,562 of land and buildings, was not in use during the period ended November 30, 2021.

9. LONG-TERM DEBT

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

		November 30 2021		August 31 2021
Woodstock (a)	$	4,477,880	$	4,403,728
Bridge Loan (b)		6,829,774		6,485,345
Colombia Mortgage (c)		680,326		701,586
Lease Liability (d)		7,848		17,564
Government Loan (e)		67,480		64,892
US Loan (f)		602,575		588,362
	$	12,665,884	$	12,261,477
Less: current portion		5,840,626		1,694,841
	$	6,825,258	$	10,566,636

a) Woodstock

The Company has two mortgages of equal rank secured against the facility in Woodstock. Both mortgages bear interest of 7% per annum, compounded monthly. During the year ended August 31, 2021, the mortgages were extended from February 22, 2021 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.

		November 30 2021		August 31 2021
Opening balance	$	4,403,728	$	4,070,781
Interest expense		74,152		294,540
Accretion expense		-		38,407
Payments		-		-
Closing balance	**$**	**4,477,880**	**$**	**4,403,728**
Less: current portion		4,477,880		237,081
Non-current portion	**$**	**-**	**$**	**4,166,647**

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. Due to the extension of the due date of the loan, a gain on modification was recorded and the Company discounted the future cash flows of the modified loan at an effective rate of 16%.

9. LONG-TERM DEBT - continued

b) Bridge Loan - continued

		November 30 2021		August 31 2021
Opening balance	$	6,485,345	$	5,234,642
Draws		-		1,905,521
Discount		-		(507,549)
Gain on modification		-		(1,097,254)
Interest expense		186,328		699,093
Accretion expense		158,101		461,413
Payments		-		(210,521)
Closing balance	**$**	**6,829,774**	**$**	**6,485,345**
Less: current portion		674,571		738,610
Non-current portion	**$**	**6,155,203**	**$**	**5,746,735**

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%.

		November 30 2021		August 31 2021
Opening balance	$	701,586	$	723,149
Interest expense		14,602		64,699
Accretion expense		-		18,616
Payments		(14,602)		(64,699)
Effect of changes in foreign exchange rates		(21,260)		(40,179)
Closing balance	**$**	**680,326**	**$**	**701,586**
Less: current portion		680,326		701,586
Non-current portion	**$**	**-**	**$**	**-**

As at November 30, 2021, the remaining principal payments are COP 2,110,000,000 (CAD $680,326) (August 31, 2021 - COP 2,110,000,000 (CAD $701,586) that were payable in June/July 2021.

d) Lease Liability

The following is a reconciliation of the lease liability:

		November 30 2021		August 31 2021
Opening balance	$	17,564	$	56,693
Interest expense		557		3,673
Lease payments		(10,273)		(42,802)
Closing balance	**$**	**7,848**	**$**	**17,564**
Less: Current portion		7,848		17,564
Non-current portion	**$**	**-**	**$**	**-**

9. LONG-TERM DEBT - continued

e) Government Loan

During the period, the Company had a $120,000 (August 31, 2021 - $120,000) loan from Canada Emergency Business Account ("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 $10,000. 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%. On January 12, 2022, the Canadian Government extended the due date from December 31, 2022 to December 31, 2023.

		November 30 2021		August 31 2021
Opening balance	$	64,892	$	40,000
Draws		-		80,000
Discount		-		(60,357)
Accretion expense		2,588		5,249
Closing balance	**$**	**67,480**	**$**	**64,892**
Less: Current portion		-		-
Non-current portion	**$**	**67,480**	**$**	**64,892**

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.

		November 30 2021		August 31 2021
Opening balance	$	588,362	$	-
Draws		-		629,588
Discount		-		(52,397)
Interest expense		22,848		40,885
Accretion expense		6,068		11,411
Payments		(20,470)		(41,125)
Effect of changes in foreign exchange rate		5,767		-
Closing balance	**$**	**602,575**	**$**	**588,362**
Less: current portion		-		-
Non-current portion	**$**	**602,575**	**$**	**588,362**

10. SHARE CAPITAL AND RESERVES

a. Share Capital

Authorized:

Unlimited number of common shares.

Issued and outstanding:

85,495,269 (August 31, 2021 – 84,743,603)

Activity:

<u>Three months ended November 30, 2021</u>

During the period ended November 30, 2021, 751,666 warrants were exercised at a price of $0.60 per share (see Note 10(c)).

10. SHARE CAPITAL AND RESERVES – continued

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:

Three months ended November 30, 2021

The total share-based compensation during the three months ended November 30, 2021 is $59,159 (November 30, 2020 - $1,164).

A summary of the Company's stock option activity for the period ended November 30, 2021 and the year ended August 31, 2021is as follows:

	Number of Options	Weighted-Average Exercise Price ($)
Outstanding, August 31, 2020	5,750,000	0.60
Expired	(5,300,000)	0.60
Issued	6,550,000	0.64
Outstanding, August 31, 2021	7,000,000	0.64
Expired	(100,000)	0.60
Outstanding, November 30, 2021	6,900,000	0.64

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at November 30, 2021 are as follows:

Date of Grant	Exercise Price ($)	Number Outstanding	Number Exercisable	Remaining Life (Years)
Nov 8, 2018	0.60	225,000	225,000	0.43
May 22, 2019	0.60	125,000	125,000	0.73
Mar 21, 2021	0.60	1,000,000	500,000	2.32
Aug 27, 2021	0.65	5,550,000	5,550,000	2.74
		6,900,000	6,400,000	

10. 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 repriced from $0.75 to $0.60 and the expiry date extended to December 31, 2021. All other terms of the warrants remain unchanged.

During the period ended November 30, 2021, 751,666 warrants were exercised at a price of $0.60 per share.

11. INTEREST IN SUBSIDIARIES

These condensed interim 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
Natural Origins SAS	Colombia	65% (iii)	August 17, 2021

(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.

(iii) A 100% interest of Natural Origins SAS is held through Grupo LCG SAS.

12. LOSS PER SHARE

The calculation of basic and diluted loss per share for the three months ended November 30, 2021 was based on the net loss and comprehensive loss attributable to common shareholders of $991,007 (November 30, 2020 – $897,639) and the weighted average number of common shares outstanding of 85,092,284 (November 2020 – 84,743,603).

13. 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:

	November 30 2021	November 30 2020
Salaries, consulting and benefits (a) and (b)	$ 168,000	$ 156,000
Share based compensation	-	1,164
	$ 168,000	**$ 157,164**

(a) As at November 30, 2021 $124,924 (August 31, 2021 - $156,150) due to directors, officers and shareholders is included in accounts payable and accrued liabilities.

14. 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"). As at November 30, 2021, 100% of the Company's cultivation operations are in the development stage; and
3) Investment Property ("Investment").

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

	Corporate	Cultivation			Investment Property	Marketing	Total
	Canada	USA	Colombia	Total Cultivation	Canada	Canada	
Revenue	$ -	$ 139,606	$ -	$ 139,606	$ 88,531	$ -	$ 228,137
Share-based compensation	59,159	-	-	-	-	-	59,159
Interest expense, net of discount	345,723	28,916	14,738	43,655	74,152	1,851	465,380
Amortization	-	105,011	12,974	117,984	-	10,026	128,011
All other expenses	251,142	295,626	72,050	367,676	2,043	9,647	630,506
Net Loss	**$ (656,023)**	**$ (289,947)**	**$ (99,761)**	**$ (389,709)**	**$ 12,336**	**$ (21,524)**	**$ (1,054,920)**
Current Assets	208,521	426,275	14,991	441,266	124,577	11,067	785,430
Investments	-	-	-	-	-	25,000	25,000
Investment property	-	-	-	-	4,425,000	-	4,425,000
License	-	-	91,638	-	-	-	91,638
Property, plant, and equipment	-	2,682,604	1,120,562	3,803,166	-	13,043	3,816,210
Total Assets	**$ 208,521**	**$ 3,108,879**	**1,227,191**	**$ 4,244,432**	**$ 4,549,577**	**$ 49,110**	**$ 9,143,278**
Current liabilities	1,092,885	277,449	893,891	1,171,340	5,038,445	9,583	7,312,254
Intercompany payable (receivable)	(9,953,114)	5,591,924	972,630	6,564,553	2,751,664	636,897	-
Long-term debt	6,188,943	602,575	-	602,575	-	33,740	6,825,258
Total liabilities	**$ (2,671,287)**	**$ 6,471,948**	**$ 1,866,521**	**$ 8,338,469**	**$ 7,790,109**	**$ 680,220**	**$ 14,137,513**

15. 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.

16. 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 condensed interim 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.

17. SUBSEQUENT EVENTS

a) On October 25, 2021 the Company announced that it entered into a definitive agreement (the "Agreement") to acquire all of the issued and outstanding shares of Tirthankar Ltd. and related companies (the "Tirthankar Entities"), which operate 10 retail cannabis stores in Ontario, and have 5 more locations in development. Pursuant to the Agreement, the Company will acquire all of the issued and outstanding shares of the Tirthankar Entities in consideration for $1.8 million cash and 15,750,000 common shares of the Company. Leviathan will also issue 250,000 common shares to certain employees of the Tirthankar Entities as a retention bonus. All the common shares of Leviathan issuable under the Agreement will be subject to contractual restrictions on trading.

b) On January 12, 2022, the Canadian Government extended the due date on the Company's $120,000 CEBA loan from December 31, 2022 to December 31, 2023 (Note 3(e)).