LEVIATHAN NATURAL PRODUCTS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

For the Three and Six Months Ended February 28, 2022 and 2021

(Expressed in Canadian Dollars)

LEVIATHAN NATURAL PRODUCTS INC.

NOTICE TO READER

Pursuant to National Instrument 51-102, Part 4, Subsection 4.3(3a) issued by the Canadian Securities Administrators, if the auditor of the Company has not performed a review of the condensed interim consolidated 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 three and six months ended February 28, 2022 have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor, Clearhouse LLP, has not performed a review of the unaudited condensed interim consolidated financial statements for the three and six months ended February 28, 2022.

Toronto,Ontario
April 28, 2022

LEVIATHAN NATURAL PRODUCTS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT FEBRUARY 28, 2022 AND AUGUST 31, 2021

(Amounts Expressed in Canadian dollars)

		February 28 2022		August 31 2021
		(Unaudited)		(Audited)
Assets				
Current Assets				
Cash	$	59,761	$	162,459
Other receivable		101,561		108,286
Inventory (Note 5)		349,393		292,002
Prepaid expenses		99,386		104,804
HST recoverable		93,142		151,558
		703,243		819,109
Investment property (Note 6)		4,425,000		4,425,000
Investment		25,000		25,000
License (Note 7)		78,665		107,881
Property, plant & equipment (Note 8)		3,687,501		3,945,135
	$	**8,919,409**	**$**	**9,322,125**
Liabilities				
Current Liabilities				
Accounts payable & accrued liabilities	$	1,436,517	$	908,470
Deferred revenue		457,437		605,670
Current portion of long-term debt (Note 9 and 13)		5,399,628		1,694,841
		7,293,582		3,208,981
Long-term debt (Note 9)		7,725,775		10,566,636
		15,019,357		13,775,617
Non-Controlling Interest (Note 11)		(738,180)		(601,868)
Equity				
Share capital (Note 10(a))		31,713,741		31,138,597
Warrants (Note 10(c))		-		2,477,380
Options (Note 10(b))		2,252,334		2,230,123
Deficit		(39,057,284)		(39,417,531)
Accumulated other comprehensive loss		(270,559)		(280,193)
		(5,361,768)		(3,851,624)
Total shareholders' equity and non-controlling interest		(6,099,948)		(4,453,492)
	$	**8,919,409**	**$**	**9,322,125**

Going Concern (Note 1), Contingencies (Note 15), 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 SIX MONTHS ENDED FEBRUARY 28, 2022 AND 2021

(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 for the period	-	-	-	1,176	(1,860,646)	(25,800)	(1,885,269)	(145,570)	(2,030,839)
Balance, February 28, 2021	**84,743,603**	**$ 31,138,597**	**$2,477,380**	**$1,964,184**	**$(38,537,047)**	**$ (285,592)**	**$ (3,242,477)**	**$ (390,185)**	**$ (3,632,662)**
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))	-	-	-	86,673	-	-	86,673	-	86,673
Expiry of stock options (Note10(b))	-	-	-	(64,464)	64,464	-	-	-	-
Issuance of shares on exercise of warrants (Note 10(c))	751,666	575,144	(124,144)	-	-	-	451,000	-	451,000
Expiry of warrants (Note10(c))	-	-	(2,353,236)	-	2,353,236	-	-	-	-
Net and comprehensive loss for the period	-	-	-	-	(2,057,452)	9,634	(2,047,818)	(136,312)	(2,184,130)
Balance, February 28, 2022	**85,495,269**	**$ 31,713,741**	**$ -**	**$2,252,334**	**$(39,057,284)**	**$ (270,559)**	**$ (5,361,768)**	**$ (738,180)**	**$ (6,099,948)**

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 AND SIX MONTHS ENDED FEBRUARY 28, 2022 AND 2021

(Unaudited - Amounts Expressed in Canadian Dollars)

	Three months		Six months	
	2022	2021	2022	2021
Revenue				
Sales	$ 241,091	$ 50,422	$ 380,697	$ 50,422
Rent and deferred revenue	59,702	53,802	148,233	108,998
	300,793	104,224	528,930	159,420
Cost of sales (Note 16)	320,068	51,567	490,787	75,621
	(19,275)	52,657	38,143	83,799
Expenses				
Salaries, wages & consulting fees (Note 13)	308,953	316,602	613,199	657,317
Interest, net (Note 9)	467,794	336,386	933,174	636,651
Professional fees	114,968	51,832	167,241	104,908
Office & general	47,249	135,481	114,701	239,995
Foreign exchange (gain) loss	2	8	(902)	(159)
Travel & promotion	3	12	8,069	418
Investor relations & fees	19,228	32,592	35,002	47,287
Share based compensation (Note 10(b) and Note 13)	27,514	13	86,673	1,176
Rent	(461)	7,700	7,453	3,183
Operational and utilities	5,273	37,386	10,239	54,303
Amortization (Note 8)	129,047	168,106	257,058	344,937
	1,119,570	1,086,118	2,231,907	2,090,016
Net Loss	**$ (1,138,845)**	**$ (1,033,461)**	**$ (2,193,764)**	**$ (2,006,217)**
Other Comprehensive Loss				
Foreign currency translation	5,616	-	9,634	-
Net Comprehensive Loss	**$ (1,133,229)**	**$ (1,033,461)**	**$ (2,184,130)**	**$ (2,006,217)**
Net Loss Attributable to:				
Non-controlling interest (Note 11)	**$ (72,400)**	**$ (70,454)**	**$ (136,312)**	**$ (145,571)**
Shareholders of the Company	**$ (1,066,445)**	**$ (963,007)**	**$ (2,057,452)**	**$ (1,860,646)**
	$ (1,138,845)	**$ (1,033,461)**	**$ (2,193,764)**	**$ (2,006,217)**
Weighted Average Number of Common Shares Outstanding – Basic and Diluted (Note 12)	**85,495,269**	**84,743,603**	**85,292,663**	**84,743,603**
Basic and Fully Diluted Loss per Share	**$ (0.01)**	**$ (0.01)**	**$ (0.02)**	**$ (0.02)**

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 SIX MONTHS ENDED FEBRUARY 28, 2022 AND 2021
(Unaudited - Amounts Expressed in Canadian Dollars)

		2022		2021
Cash Flow from Operating Activities				
Net loss	$	(2,193,764)	$	(2,006,217)
Add-back (deduct) non-cash items				
Amortization (note 16)		286,852		360,041
Interest and accretion		846,046		636,651
Share based compensation		86,673		1,176
Deferred revenue		(148,233)		(108,998)
Changes in non-cash working capital:				
Other receivable		6,725		(11,749)
Prepaid expenses		5,418		17,503
HST recoverable		58,416		(70,336)
Inventory		(57,391)		(211,460)
Accounts payable & accrued liabilities		528,047		62,749
		(581,211)		(1,330,638)
Cash Flow from Financing Activities				
Lease payments		(17,121)		(19,402)
Issuance of shares on exercise of warrants		451,000		-
Proceeds from related party loans and long-term debt (note 9 and 13)		35,000		1,431,684
		468,879		1,412,282
Cash Flow from Investing Activities				
Investment		-		(38,720)
Purchase of property, plant & equipment		-		(959)
		-		(39,679)
Increase (decrease) in cash		**(112,332)**		**41,966**
Effect of foreign exchange translation		**9,634**		**(25,800)**
Cash, Beginning of period		**162,459**		**24,840**
Cash, End of period	**$**	**59,761**	**$**	**41,006**

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" or "Leviathan") is a multi-jurisdictional cannabis company, focused on becoming a leader in the Cannabis industry. The Company is focused on expanding its current operations through organic growth and by way of merger and acquisition transactions.

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 under the symbol EPIC and on the OTCQB under the symbol "LVCNF".

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.

Since 2020, there was a global outbreak of the novel strain of coronavirus ("COVID-19"), a pandemic, which has 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 six months ended February 28, 2022, the Company reported a net loss of $2,193,764 (February 28, 2021 - $2,006,217) and, as at February 28, 2022, had a deficit of $39,057,284 (August 31, 2021 - $39,417,531) and a working capital deficiency of $6,590,339 (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 to become cash flow positive. 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 from the issuance of common shares, proceeds from the exercise of share purchase warrants, and short and long term debt issuances, however, there can be no assurances that the Company will be achieve this. 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 Standards ("IAS") 34 - Interim Financial Reporting, prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). These condensed interim consolidated financial statements 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 April 28, 2022.

(b) Basis of presentation and consolidation

These condensed interim consolidated financial statements have been prepared on a historical cost basis except where otherwise disclosed. These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. Additional information on the Company's 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.

Significant accounting estimates, judgments, and assumptions

The preparation of the 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 condensed interim consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

Value of investment property

Investment properties are initially measured at cost including transaction costs. 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 the statement of operations and comprehensive loss during the reporting period. 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.

Valuation 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 life of the share purchase warrant or stock option and 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.

Deferred tax assets

The Company recognizes deferred tax assets only to the extent that it considers it probable that those assets will be recoverable. The Company makes assumptions about when deferred tax assets are probable to reverse, the extent to which it is probable that temporary differences will reverse and whether or not there will be sufficient taxable profits available to realize the tax assets when they do reverse. In making these judgments, the Company continually evaluates the magnitude and duration of any past losses, current profitability and whether it is sustainable, and earnings forecasts.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Recent and future accounting pronouncements

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

The amendments clarify the requirements relating to determining if a liability should be presented as current or non-current on the statement of financial position. Under this new requirement, the assessment of whether a liability is presented current or non-current is based on the contractual arrangements in place as at the reporting date and does not impact the amount or timing of recognition.

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 on the Company's financial statements has not yet been determined.

Amendments to IAS 37: Onerous Contracts and the Cost of Fulfilling a Contract

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 on the Company's financial statements 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

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due within one year. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

As at February 28, 2022, there is substantial doubt about the Company's ability to continue as a going concern primarily due to its history of losses and negative working capital. Liquidity risk continues to be a key concern in the development of future operations.

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

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rates on all of the Company's existing debt are fixed, and there not currently subject to any significant interest rate risk.

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. 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 with the entire amount allocated to the cannabis licenses (Note 7).

(Unaudited – Amounts Expressed in Canadian Dollars)

5. INVENTORY

The components of inventory are as follows:

		February 28, 2022		August 31 2021
Hemp, raw material	$	85,992	$	30,281
Packaging		263,401		261,721
Total	**$**	**349,393**	**$**	**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 Company last completed a valuation as at August 31, 2021.

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

		February 28, 2022		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 $78,665 (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 February 28, 2022	**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	26,070	19,402	200,721	11,438	257,633
At February 28, 2022	**86,556**	**97,808**	**763,781**	**47,613**	**995,760**
Net Book Value					
At August 31, 2021	2,510,219	22,636	1,338,489	73,791	3,945,135
At February 28, 2022	**2,484,149**	**3,234**	**1,137,768**	**62,353**	**3,687,501**

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 based on assumptions derived 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 February 28, 2022. Accordingly, no amortization was charged on these assets.

(Unaudited – Amounts Expressed in Canadian Dollars)

9. LONG-TERM DEBT

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

		February 28, 2022		August 31, 2021
Woodstock (a)	$	4,551,218	$	4,403,728
Bridge Loan (b)		7,184,085		6,485,345
Colombia Mortgage (c)		680,326		701,586
Lease Liability (d)		1,162		17,564
Government Loan (e)		69,996		64,892
US Loan (f)		604,430		588,362
Related party loan (g)		34,186		-
	$	13,125,403	$	12,261,477
Less: current portion		5,399,628		1,694,841
	$	7,725,775	$	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.

		February 28 2022		August 31 2021
Opening balance	$	4,403,728	$	4,070,781
Interest expense		147,490		294,540
Accretion expense		-		38,407
Payments		-		-
Closing balance	**$**	**4,551,218**	**$**	**4,403,728**
Less: current portion		4,551,218		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%. On December 31, 2021, $738,045 of interest payable was capitalized.

(Unaudited – Amounts Expressed in Canadian Dollars)

9. LONG-TERM DEBT - continued

b) Bridge Loan - continued

		February 28 2022		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		382,539		699,093
Accretion expense		316,201		461,413
Payments		-		(210,521)
Closing balance	**$**	**7,184,085**	**$**	**6,485,345**
Less: current portion		132,736		738,610
Non-current portion	**$**	**7,051,349**	**$**	**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%.

		February 28 2022		August 31 2021
Opening balance	$	701,586	$	723,149
Interest expense		25,436		64,699
Accretion expense		-		18,616
Payments		(25,436)		(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 February 28, 2022, 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:

		February 28 2022		August 31 2021
Opening balance	$	17,564	$	56,693
Interest expense		719		3,673
Lease payments		(17,121)		(42,802)
Closing balance	**$**	**1,162**	**$**	**17,564**
Less: Current portion		1,162		17,564
Non-current portion	**$**	**-**	**$**	**-**

(Unaudited – Amounts Expressed in Canadian Dollars)

9. LONG-TERM DEBT - continued

e) Government Loan

As at February 28, 2022, the Company had a $120,000 (August 31, 2021 - $120,000) loan outstanding from the Canada Emergency Business Account ("CEBA"). The CEBA loan is an interest-free loan provided by the Canadian Government through the Company's bank in the context of the COVID-19 pandemic outbreak to finance operating costs. The CEBA loan had an initial repayment date of December 31, 2022 which was extended to December 31, 2023 on January 12, 2022. The repayment of the CEBA loan on or before December 31, 2023 will result in an aggregate forgiveness of $40,000 of the total $120,000 loan. If the CEBA loan is not repaid by December 31, 2023, it will automatically extend for three additional years with an interest rate of 5%.

		February 28 2022		August 31 2021
Opening balance	$	64,892	$	40,000
Draws		-		80,000
Discount		-		(60,357)
Accretion expense		5,104		5,249
Closing balance	**$**	**69,996**	**$**	**64,892**
Less: Current portion		-		-
Non-current portion	**$**	**69,996**	**$**	**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.

		February 28 2022		August 31 2021
Opening balance	$	588,362	$	-
Draws		-		629,588
Discount		-		(52,397)
Interest expense		44,014		40,885
Accretion expense		12,486		11,411
Payments		(40,940)		(41,125)
Effect of changes in foreign exchange rate		508		-
Closing balance	**$**	**604,430**	**$**	**588,362**
Less: current portion		-		-
Non-current portion	**$**	**604,430**	**$**	**588,362**

g) Related party loans

In December 2021, the Company entered into loan agreements with two officers of the Company for $27,000 and $8,000. The loans bears interest at a rate of 10% per annum, payable on April 20, 2022, August 31, 2022 and on December 31, 2022. The $27,000 loan issue due and payable in full on December 8, 2022 and the $8,000 loan is due and payable on December 23, 2022.

(Unaudited – Amounts Expressed in Canadian Dollars)

9. LONG-TERM DEBT - continued

g) Related party loans - continued

	February 28, 2022	August 31, 2021
Opening balance	$ -	$ -
Draws	35,000	-
Discount	(1,880)	-
Interest expense	753	-
Accretion expense	313	-
Closing balance	**$ 34,186**	**$ -**
Less: current portion	34,186	-
Non-current portion	**$ -**	**$ -**

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:

Six months ended February 28, 2022

During the period ended February 28, 2022, 751,666 warrants were exercised at a price of $0.60 per share (see Note 10(c)).

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:

Six months ended February 28, 2022

The total share-based compensation during the six months ended February 28, 2022 is $86,673 (February 28, 2021 - $1,176).

A summary of the Company's stock option activity for the period ended February 28, 2022 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	(200,000)	0.60
Outstanding, February 28, 2022	6,800,000	0.64

(Unaudited – Amounts Expressed in Canadian Dollars)

10. SHARE CAPITAL AND RESERVES – continued

b. Stock options - continued

The weighted average remaining contractual life and weighted average exercise price of options outstanding and of options exercisable as at February 28, 2022 are as follows:

Date of Grant	Exercise Price ($)	Number Outstanding	Number Exercisable	Remaining Life (Years)
Nov 8, 2018	0.60	150,000	225,000	0.31
May 22, 2019	0.60	100,000	125,000	0.48
Mar 21, 2021	0.60	1,000,000	750,000	2.07
Aug 27, 2021	0.65	5,550,000	5,550,000	2.49
		6,800,000	6,550,000	

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 February 28, 2022, 751,666 warrants were exercised at a price of $0.60 per share and 14,248,334 warrants expired.

(Unaudited – Amounts Expressed in Canadian Dollars)

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 six months ended February 28, 2022 was based on the net loss and comprehensive loss attributable to common shareholders of $2,057,452 (February 28, 2021 – $1,860,646) and the weighted average number of common shares outstanding of 85,292,663 (February 28, 2021 – 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:

Six Months Ended		February 28, 2022		February 28, 2021
Salaries, consulting and benefits (a)	$	336,000	$	249,000
Share based compensation		-		1,164
	$	**336,000**	**$**	**250,164**

Three Months Ended		February 28, 2022		February 28, 2021
Salaries, consulting and benefits (a)	$	168,000	$	93,000
Share based compensation		-		1,164
	$	**168,000**	**$**	**94,164**

(a) As at February 28, 2022 $306,095 (August 31, 2021 - $156,150) due to directors, officers and shareholders is included in accounts payable and accrued liabilities.

(b) In December 2021, the Company entered into loan agreements with two officers of the Company for $27,000 and $8,000. The loans bear interest at a rate of 10% per annum, payable on April 20, 2022, August 31, 2022 and on December 31, 2022. The $27,000 loan is due and payable in full on December 8, 2022 and the $8,000 loan is due and payable on December 23, 2022 (see Note 9(g)).

(Unaudited – Amounts Expressed in Canadian Dollars)

14. OPERATING SEGMENTS

The Company currently has three business segments:

1) Corporate and other, which relates to general public company costs and expenses associated with other subsidiaries with insignificant operations ("Corporate and Other");
2) Cultivation, processing, and distribution division in Canada, United States & South America ("Cultivation"). As at February 28, 2022, 100% of the Company's cultivation operations are in the development stage; and
3) Investment Property ("Investment"), which is solely relates to the investment property as per Note 6.

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

	Corporate and Other	Cultivation			Investment Property	Total
	Canada	USA	Colombia	Total Cultivation	Canada	
Revenue	$ -	$ 352,841	$ -	$ 352,841	$ 176,089	$ 528,930
Share-based compensation	86,673	-	-	-	-	86,673
Interest expense, net of discount	703,749	56,500	25,436	81,936	147,489	933,174
Amortization	19,836	211,275	25,947	237,222	-	257,058
All other expenses	552,364	740,489	150,816	891,305	2,120	1,445,789
Net Loss	**$ (1,362,622)**	**$ (655,423)**	**$ (202,199)**	**$ (857,622)**	**$ 26,480**	**$ (2,193,764)**
Current Assets	137,486	436,251	16,006	452,257	113,499	703,242
Investments	25,000	-	-	-	-	25,000
Investment property	-	-	-	-	4,425,000	4,425,000
License	-	-	78,665	78,665	-	78,665
Property, plant, and equipment	3,234	2,563,705	1,120,562	3,684,267	-	3,687,501
Total Assets	**$ 165,720**	**$ 2,999,956**	**1,215,233**	**$ 4,215,189**	**$4,538,499**	**$ 8,919,409**
Current liabilities	825,943	488,106	957,540	1,445,646	5,021,993	7,293,582
Intercompany payable (receivable)	(9,353,612)	5,630,190	980,527	6,610,717	2,742,895	-
Long-term debt	7,121,345	604,430	-	604,430	-	7,725,775
Total liabilities	**$ (1,406,324)**	**$ 6,722,726**	**$1,938,067**	**$ 8,660,793**	**$7,764,888**	**$ 15,019,357**

15. CONTINGENCIES

The Company, through its wholly owned subsidiary, Woodstock Biomed Inc. ("Woodstock"), initiated legal proceedings against the Town of Pelham (the "Town"). This litigation, filed through the Ontario Superior Court of Justice, follows Town 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.

On March 25, 2022, the matter was adjourned until April 1, 2022 for procedural and scheduling matters, whereupon a trial date has been scheduled for June 20, 2022 and June 21, 2022. The Company remains committed to protecting its stakeholders' interests and remains committed to pursuing legal remedies against the Town. As at the date of these condensed interim consolidated financial statements, it is not practical to determine whether or not there will be any outflow and, if so, the amount of the outflow. Accordingly, no provision has been recorded in the Company's statement of financial position.

16. COMPARATIVE INFORMATION

Certain profit and loss items from the prior year have been reclassified for consistency with the current year presentation. The result of these reclassifications did not have an impact on the reported net loss and comprehensive loss for all presented periods.

17. SUBSEQUENT EVENTS

a) On March 7, 2022, the Company announced that it intends to enter into subscription agreements to issue 8,333,333 common shares of the Company at a price of $0.60 per common share for total gross proceeds of $5,000,000 in a non-brokered private placement with an expected closing date on or prior to April 30, 2022. On March 11, 2022, the Company issued 5,000,000 common shares at a price of $0.60 per common share for gross aggregate proceeds of $3,000,000.

b) On March 21, 2022, the Company granted stock options to purchase an aggregate 2,000,000 common shares of the Company at a price of $0.82 per common share to a director of the Company. 1,000,000 of the stock options vest on March 21, 2023 and expire on March 21, 2025 and 1,000,000 of the stock options vest on March 21, 2024 and expire on March 21, 2026.