

## FORM 7

### **MONTHLY PROGRESS REPORT**

Name of Listed Issuer: **Leviathan Natural Products Inc. (formerly Leviathan Cannabis Group Inc.)** (the "Issuer")

Trading Symbol: **EPIC**

Number of Outstanding Listed Securities: **84,743,603**

Date: **February 4, 2021**

This Monthly Progress Report must be posted before the opening of trading on the fifth trading day of each month. This report is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by Exchange Policies. If material information became known and was reported during the preceding month to which this report relates, this report should refer to the material information, the news release date and the posting date on the Exchange website.

This report is intended to keep investors and the market informed of the Issuer's ongoing business and management activities that occurred during the preceding month. Do not discuss goals or future plans unless they have crystallized to the point that they are "material information" as defined in the Policies. The discussion in this report must be factual, balanced and non-promotional.

#### **General Instructions**

- (a) Prepare this Monthly Progress Report using the format set out below. The sequence of questions must not be altered, nor should questions be omitted or left unanswered. The answers to the items must be in narrative form. State when the answer to any item is negative or not applicable to the Issuer. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

## Report on Business

1. Provide a general overview and discussion of the development of the Issuer's business and operations over the previous month. Where the Issuer was inactive disclose this fact.

### Leviathan US, Inc.

The Issuer announced by press release on February 4, 2021, that its 90% owned subsidiary, Leviathan US Inc., is accelerating its US business extracting and processing cannabinoid products from hemp biomass at its newly renovated 37,000 square foot facility on 9.75 acres in Carthage, Tennessee. The facility features a unique ethanol processing technique. This process involves chilling the ethanol and plant biomass to -80°C with liquid nitrogen. The ultra-low temperatures produce the precise formulations with superior potency and purity. The state-of-the-art facility includes 2,500 square feet of custom C1D2 extraction clean room space with foam fire suppression systems, security cameras and precision air handling.

Leviathan US plans to initially sell the following hemp-derived extracts for wholesale distribution across the United States: crude oil, THC-free crude, distillate, and THC-free distillate. In addition, the Company utilizes its leading-edge processes to produce highly sought after and valuable crystal-resistant distillate ("CRD"). Crystallization is unwanted in vape cartridges as suspended crystals can make the product difficult to use.

As Leviathan US moves forward, its business strategy in 2021 will focus on the highest margin products in the cannabinoid extraction segment through the manufacturing of finished products for the Company's own brands and through white labeling formulations for select customers. The Company is currently creating a proprietary portfolio of health and wellness-focused cannabinoid brands. The launch and distribution of branded products are projected for early in the 2nd calendar quarter of 2021, and will consist of tinctures, vape pens, and gummies.

Leviathan's unique high quality product formulations have already resulted in some early successes that include:

- The execution of split toll processing agreements with local Tennessee hemp farmers for recently harvested crops. Under these agreements, Leviathan US processes the farmers' biomass and in exchange for this service retains half of the extracted product.

- **Currently, the facility has approximately 60,000 pounds of hemp biomass on hand under split toll arrangements. This supply allows the facility to build its own inventory of crude oil, which can be further processed and sold without incurring the cost of purchasing hemp biomass.**
- **US\$120,000 order from a Las Vegas, Nevada distributor for 30,000 vape pens filled with crystal resistant CBD distillate.**
- **US\$59,000 order from a Smith County, Tennessee distributor for 132 liters of full spectrum distillate.**

**For further details please see the Issuers press release dated February 4, 2021 as posted on the SEDAR website at [www.sedar.com](http://www.sedar.com)**

**During May 2020, the Issuer engaged the services of an independent real estate appraiser to determine the fair market value of the Carthage property, originally purchased for \$312,000 USD. The appraisal indicated that the building and property have an estimated value of \$1,500,000 USD. Consequently, the Issuer initiated, and continues to have, discussions with financing parties to put in place an equipment and building refinancing arrangement. Management had expected that this arrangement would be in place by June 1, 2020 but due to COVID-19 the timing of completing this financing has been delayed. Management now expects this facility to be in place in February 2021 subject to final agreement on the terms and the completion of each parties' due diligence.**

**COVID-19 has had a limited effect on the Company's operations in Tennessee. Understandably, vendors were slower to fulfill some orders because of supply chain disruptions caused by the pandemic. Consequently, time delays pushed back the intended start date by approximately six months. Presently, subject to any unforeseen circumstances, Management believes that commercial production at the Tennessee facility will continue ramp up in February 2021. The Company continues to carefully monitor the evolving situation of the COVID-19 pandemic. The safety and protection of its staff remains a top priority**

### **Leviathan Colombia**

**The Issuer announced by press release on February 4, 2021, that LCG Holdings Inc. ("LCG"), 65% owned by the Issuer, will begin cultivation of specialized strains of hemp with high concentrations of CBD, CBG & CBN in the next few weeks, for extract and manufacturing of cannabinoid products. In addition, LCG plans on cultivating medicinal mushrooms for nutraceutical uses and for medical R&D, and plans to sell to authorized biotechs and other**

research groups around the world.

To realize this objective, LCG intends to shortly complete the acquisition of a property comprised of 22.43 flat acres of land in the Municipality of Carmen de Viboral, Colombia (the “Property”). In addition to the land itself, all infrastructure on the Property will be acquired by LCG, including green house infrastructure, office space, workers’ quarters, and drying rooms. Pursuant to an option and purchase agreement with an arm’s length vendor (the “Agreement”), LCG is required to make five installment payments over eighteen months. The fourth scheduled payment of US\$354,330, which triggers the transfer of title, is due the first calendar quarter of 2021.

LCG will continue to retrofit the Property, as needed, to meet its various operational requirements. LCG is continuing to work towards obtaining all applicable permits and expects to be operational in the 2nd calendar quarter of 2021.

Concurrent with the acquisition of the above noted Property, LCG has executed a non-binding letter of agreement to acquire a Colombian company for US\$173,088 that has been granted psychoactive and non-psychoactive hemp and cannabis licenses. The Company has negotiated four installment payments over fifteen months. Management will press release final terms once a definitive agreement has been reached and the payment schedule has been successfully concluded.

For further details please see the Issuers press release dated February 4, 2021 as posted on the SEDAR website at [www.sedar.com](http://www.sedar.com)

### Leviathan Canada

The Issuer’s other strategic investments currently include Jekyll+Hyde Brand Builders Inc. (a marketing services agency specializing in cannabis-hemp) and Woodstock Biomed Inc (“Woodstock”), which owns a 30-acre property with greenhouse infrastructure in Pelham, Ontario.

On November 26, 2020, the Company announced that Woodstock finalized a three-year lease agreement (the “Agreement”) with Medical Saints. The Agreement was entered into pursuant to the previously announced joint venture between Woodstock and Medical Saints. The Agreement allows for important research and development (“R&D”) in the industrial hemp sector at Woodstock’s greenhouse facility. The R&D focuses on the development of superior strains of hemp, distinct from the cannabis plant category, owing to the absence of material amounts of THC. The process involves the

examination of various cultivation methods, analyzing soil conditions, studying the speed of plant maturation, and identifying the best retention methods of desirable terpenes. A test crop was planted in the summer of 2020 and the harvest of this test crop was recently completed.

Medical Saints invested a total of \$655,000 in Woodstock's Pelham property and the R&D project for security fencing and modest repairs to existing soft-sided greenhouse structures necessary to maintain operational functionality. Depending on the success of this project, and if revenue streams are ultimately realized, Medical Saints will recoup its original investment based on a revenue sharing arrangement with Woodstock. If revenues are realized, 100% of net revenues will be used to repay Medical Saints' initial investment, and then Medical Saints and Woodstock will share revenues on a 50-50 basis with respect to any ongoing proceeds.

For further details please see the Issuers press releases dated November 26, 2020 and February 4, 2021 as posted on the SEDAR website at [www.sedar.com](http://www.sedar.com)

#### **COVID-19 – Government of Canada Programs**

As a result of the COVID-19 pandemic, the Government of Canada introduced a number of programs to support individuals and companies. The Issuer has reviewed these programs and determined that they qualified for CEBA (Canadian Emergency Benefit Account). This program provides up to a \$40,000 interest free loan to a company to assist in covering eligible expenses. The Issuer applied for and received the loan during the fiscal quarter ended May 31, 2020. If the loan is repaid in full on or before December 31, 2022, 25% (\$10,000) of the loan will be forgiven. For additional information on this program please see <https://ceba-cuec.ca/>

The Government of Canada recently expanded the CEBA to include an additional interest-free \$20,000 loan, 50% of which would be forgivable if repaid by December 31, 2022. Applicants who have received the \$40,000 CEBA loan may apply for the \$20,000 expansion, which provides eligible businesses with an additional \$20,000 in financing. All applicants have until March 31, 2021, to apply for \$60,000 CEBA loan or the \$20,000 expansion. Management has reviewed all program details and submit its application for consideration. It is not clear whether the Issuer will be successful in receiving the loan expansion. For additional information on this program please see <https://ceba-cuec.ca/>

The Issuer has applied for and received rent reduction under CECRA (Canadian Emergency Commercial Rent Assistance). Over the course of the program, the property owners reduced rent by 75% for the months of April,

May, June, July, August and September 2020. CECRA covered 50% of the rent, with the Issuer paying 25% and the property owner forgiving 25%. For additional information on this program please see [www.canada.ca/en/department-finance/economic-response-plan.html](http://www.canada.ca/en/department-finance/economic-response-plan.html)

The Government of Canada has implemented a new rent subsidy program, Canada Emergency Rent Subsidy (CERS). CERS picks up where the previous program left off, delivering direct rent support to qualifying organizations affected by COVID-19 without the need to work through their landlords. The maximum rent subsidy rate is 65% for the months of October 2020 through June 2021. Applications must be filed no later than 180 days after the end of each claim period. The Issuer intends to review all program details and submit its application for consideration. It is not clear whether the Issuer will be successful in receiving a rent subsidy.

For additional information please see <https://www.canada.ca/en/revenue-agency/services/subsidy/emergency-rent-subsidy.html>

The Issuer will continue to monitor and review federal and provincial programs for additional support that the Issuer may be eligible for.

2. Provide a general overview and discussion of the activities of management.

**As described above in response to Item 1.**

3. Describe and provide details of any new products or services developed or offered. For resource companies, provide details of new drilling, exploration or production programs and acquisitions of any new properties and attach any mineral or oil and gas or other reports required under Ontario securities law.

**New product development as described above in response to Item 1.**

4. Describe and provide details of any products or services that were discontinued. For resource companies, provide details of any drilling, exploration or production programs that have been amended or abandoned.

**N/A**

5. Describe any new business relationships entered into between the Issuer, the Issuer's affiliates or third parties including contracts to supply products or services, joint venture agreements and licensing agreements etc. State whether the relationship is with a Related Person of the Issuer and provide details of the relationship.

**The Issuer announced by press release on February 4, 2021, that it has retained the services of Renmark Financial Communications Inc. ("Renmark") to manage its investor relations activities. Renmark is a leading full-service investor relations firm representing publicly traded companies listed on all major North American markets. In consideration for services provided, Leviathan will pay a monthly fee of up to C\$8,000, starting January 2021 for a period of six months ending on June 30th, 2021, after which the agreement can be terminated at any time by either providing 30 days notice to the other party. Renmark does not have any interest, directly or indirectly, in Leviathan or its securities, or any right or intent to acquire such an interest.**

**For further details please see the Issuers press release dated February 4, 2021 as posted on the SEDAR website at [www.sedar.com](http://www.sedar.com)**

6. Describe the expiry or termination of any contracts or agreements between the Issuer, the Issuer's affiliates or third parties or cancellation of any financing arrangements that have been previously announced.

**N/A**

7. Describe any acquisitions by the Issuer or dispositions of the Issuer's assets that occurred during the preceding month. Provide details of the nature of the assets acquired or disposed of and provide details of the consideration paid or payable together with a schedule of payments if applicable, and of any valuation. State how the consideration was determined and whether the acquisition was from or the disposition was to a Related Person of the Issuer and provide details of the relationship.

**For further details please review the Issuer's Management Discussion & Analysis for the three months ended November 30, 2020, dated January 28, 2021 for disclosure of "Corporate Structural History" which may be reviewed on the SEDAR website at [www.sedar.com](http://www.sedar.com)**

8. Describe the acquisition of new customers or loss of customers.

**As described above in response to Item 1.**

9. Describe any new developments or effects on intangible products such as brand names, circulation lists, copyrights, franchises, licenses, patents, software, subscription lists and trademarks.

**N/A**

10. Report on any employee hiring, terminations or lay-offs with details of anticipated length of lay-offs.

**N/A**

11. Report on any labour disputes and resolutions of those disputes if applicable.

**N/A**

12. Describe and provide details of legal proceedings to which the Issuer became a party, including the name of the court or agency, the date instituted, the principal parties to the proceedings, the nature of the claim, the amount claimed, if any, if the proceedings are being contested, and the present status of the proceedings

**The Issuer announced by press release on September 9, 2019 that its wholly owned subsidiary, Woodstock Biomed Inc., initiated legal proceedings against The Corporation of the Town of Pelham (the “Town”). This litigation, filed through the Ontario Superior Court of Justice, follows Town Council’s decision to deny the Issuer 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 September 23, 2019, Pelham Town Council voted to extend the Interim Control By-law to July 15, 2020. Leviathan asserts that this bylaw violates the Issuer’s lawful right to develop its property located on 770 Foss Road in Fonthill, Ontario. The litigation follows an exhaustive process in which Leviathan worked cooperatively and transparently with town officials.**

**On July 13, 2020 the Town of Pelham Council passed by-laws to amend the Official Plan By-Law (4251(2020)) and Zoning By-Law (4252(2020)) that may restrict cannabis and hemp operations. The amendments replace the Interim Control By-law (4046). The Issuer has initiated legal proceedings against the Local Planning Appeal Tribunal to challenge the Town’s recent Zoning Bylaw and Official Plan amendments.**

**On August 20, 2020 the Issuer announced via press release that it continues to challenge the legal and procedural roadblocks implemented by the Town of Pelham. The most recent roadblock follows a charge under the Provincial Offences Act for allegedly failing to comply with the Town’s Cannabis Interim**



**Control By-law. However, the Town ignored the fact that no cannabis is being grown at the Woodstock site, which is being utilized solely in accordance with Medical Saints' Health Canada license to research and produce industrial hemp. The Issuer's legal representatives attended a preliminary hearing on November 27, 2020 with Pelham's counsel. No significant issues arose or were resolved and the case was subsequently adjourned until February 16, 2021. The Issuer remains committed to protecting its stakeholders' interests and remains committed to pursuing legal remedies against the Town of Pelham.**

13. Provide details of any indebtedness incurred or repaid by the Issuer together with the terms of such indebtedness.

**Management secured a \$5 million debt facility on October 15, 2019 from a current shareholder which was to be drawn down, as required, to facilitate the final buildout of the Leviathan US facility in Tennessee. The debt facility does not have any covenants and pays an interest charge of 10% on amounts drawn down. Interest payments are due three times per year, April 30, August 31, and December 31. The debt facility matures on October 15, 2021. The Company may, at its discretion, repay the balance of principal and / or interest owing at any time without penalty. This financing is meant to be non-dilutive. Pursuant to the loan agreement, interest was paid on December 31, 2019 and on April 30, 2020.**

**On July 24, 2020, the Company increased the value of the credit facility with the same shareholder for up to \$5,500,000 at the same terms and conditions as the original agreement.**

**On September 24, 2020 the value of the credit facility was increased to \$7,500,000 at the same terms and conditions as the original agreement. The Company will use the funding to advance its operations and allow time to complete the refinancing of the building and equipment at its facility in Carthage, Tennessee.**

**In December 2020, the Issuer received draws of \$250,000 on December 1, 2020 and \$300,000 on December 23, 2020. The interest payment due on December 31, 2020 was deferred to the first calendar quarter of 2021.**

14. Provide details of any securities issued and options or warrants granted.

**N/A**

15. Provide details of any loans to or by Related Persons.

**N/A**

16. Provide details of any changes in directors, officers or committee members.

**N/A**

17. Discuss any trends which are likely to impact the Issuer including trends in the Issuer's market(s) or political/regulatory trends.

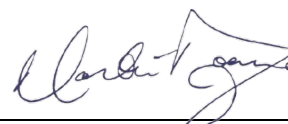
**The Issuers' business involves certain risks and uncertainties inherent to the Issuers' industry. For further details on this please review the Issuers Management Discussion & Analysis for the three months ended November 30, 2020, dated January 28, 2021 for disclosure of "Risk & Uncertainties" which may be reviewed on the SEDAR website at [www.sedar.com](http://www.sedar.com)**

## Certificate of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Certificate of Compliance.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 7 Monthly Progress Report is true.

Date **February 4, 2021**



**Martin J. Doane**  
CEO & Board Chair

Name of Issuer <b>Leviathan Natural Products Inc. (formerly Leviathan Cannabis Group Inc.)</b>	For Month End <b>January 2021</b>	Date of Report YY/MM/DD <b>21/02/04</b>
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