



MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS FOR THE SIX MONTHS ENDED MAY 31, 2018

OVERVIEW AND INTRODUCTORY COMMENT

Viridium Pacific Group Ltd. (“Viridium” or the “Company”) is a publicly traded corporation listed on the TSX Venture Exchange under the trading symbol “VIR”. The Company operates through its wholly-owned subsidiaries, Experion Biotechnologies Inc. (“Experion”), Fish Trap Ventures Ltd. (“Fish Trap”) and Stave Lake Services Ltd. (“Stave Lake”). Experion is a licensed producer of medical cannabis in Canada. The principal activity of Experion is the production, possession, sale and shipping of medical cannabis as regulated by the Access to Cannabis for Medical Purposes Regulations (“ACMPR”). As at the date of this MD&A – Quarterly Highlights, Experion has a license to produce medical cannabis but has not received its license to sell and ship medical cannabis. The principle activity of Fish Trap is the ownership of land and leasing of land. The principle activity of Stave Lake is the hiring of personnel and providing contract services to Experion.

This MD&A is dated July 24, 2018 and discloses specified information up to that date. Unless otherwise noted, all currency amounts are expressed in Canadian dollars. The following information should be read in conjunction with the unaudited condensed consolidated interim financial statements and the related notes for the six months ended May 31, 2018 and the Company's audited consolidated financial statements for the year ended November 30, 2017 and the related notes thereto.

Additional information relevant to the Company and the Company's activities can be found on SEDAR at www.sedar.com, and/or on the Company's website at www.viridiumpacific.com.

MAJOR INTERIM PERIOD OPERATING MILESTONES

Licensing Update

Experion's initial sales licensing goal is to attain the License to Distribute, enabling the launch of commercial distribution and starting materials between other Licensed Producers, The Minister of Health and License Dealers. To this end, Experion applied for several license amendments in Q2, including an amendment to sell starter material (submitted April 2018), and an amendment to sell wholesale dried flower (submitted May 2018).

Having successfully completed its Annual Inspection by Health Canada in May 2018, Experion only needs to complete its final inspection specific to each sales amendment.

Cultivation Update

Obtaining its License to Produce in August 2017, Experion began cultivation in January 2018. During the second quarter, Experion completed its first harvest (late March 2018), one of two prerequisite harvests to obtain sales license approval, and completed the second prerequisite harvest in April 2018. Independent test results have since cleared the harvested and cured product establishing saleable inventory once a sales license has been issued.

Expansion Update

Experion's existing operation at its indoor facility in Mission BC, involves cultivation within a dedicated, pharma grade production space. In May 2018, Experion applied for approval to convert a portion of the



current non-production indoor space into cultivation space. This conversion will result in an increase of 20% in total production space.

Experion's Phase 2 expansion involves construction of two acres of purpose-built greenhouse canopy on the existing property in Mission, BC. Preparation for this expansion continued in the second quarter of fiscal 2018 with site clearing and foundation preparation completed in the period.

Genetics Update

One of Experion's strategic objectives is to build an industry leading genetics portfolio. To this end, Experion was granted its first import permit from Health Canada during the second quarter and received its first seed order (April 2018), increasing its strain selection from 2 to 27 varieties. In May 2018, Experion received a second import permit from Health Canada, and placed a follow-on seed order, which upon delivery (expected July 2018) will further increase Experion's strain selection from 27 to 44 varieties.

Furthering its genetics objective will require Experion to build upon its research relationships, and has engaged several research institutes to discuss proprietary strain and IP development allowing the Company to expand its R&D interest and genetic diversity outside of its local region.

Commercial Distribution Update

During the second quarter, Viridium entered into discussions with prospective wholesale buyers, domestically and internationally, in anticipation of the launch of Experion's commercial distribution efforts, and the advent of the recreational market in Canada, later in 2018. While discussions are in preliminary stages, the Company believes that the demand for its product will outstrip the Company's capacity to supply.

On July 16, 2018, the Company announced that Experion entered into a Memorandum of Understanding ("MOU") with the British Columbia ("BC") Liquor Distribution Branch ("LDB") to supply Experion branded cannabis products for sale in the province's adult use market once legalization takes effect on October 17, 2018. Experion is one of the 12 BC-based distributors to join the BC LDB platform. This agreement will allow the Company to improve awareness of Experion and its products as they are distributed in retail stores across BC. The Company is continuing discussions with additional potential supply partners and hopes to build upon this supply agreement win.

See news releases on April 3, 2018, April 25, 2018, May 7, 2018, June 14, 2018 and July 16, 2018.

INTERIM PERIOD FINANCIAL CONDITION

Capital Resources

On April 4, 2018, the Company issued 44,118 common shares at \$0.85 per common share for a fair value of \$37,500 in lieu of settlement fee.

During the six months ended May 31, 2018, the Company issued common shares pursuant to the exercise of 880,167 warrants and 47,330 finder's options for cash proceeds of \$732,533.

Subsequent to May 31, 2018, the Company issued 1,347,693 common shares upon the exercise of warrants and 306,660 common shares upon the exercise of agent's options for total gross proceeds of \$1,262,150. The remaining 2,966,674 warrants and finder's options expired.

During the six months ended May 31, 2018, the Company issued 498,875 common shares at a deemed value of \$284,393 pursuant to the Restricted Share Unit Plan to its consultants.



During the six months ended May 31, 2018, the Company granted a total of 125,000 stock options at exercise prices ranging from \$0.94 to \$1.31 per share expiring between December 1, 2019 and March 21, 2020 to its employees.

Subsequent to May 31, 2018, a total of 1,259,250 options were granted to its directors, officers and consultants at exercise prices ranging from \$0.81 and \$0.91, expiring on June 14, 2021 to June 21, 2021. 349,625 RSUs were also granted to its consultants after May 31, 2018 and these RSUs were immediately vested and exercised into common shares at \$0.81 per share. The Company also vested another 199,625 RSUs after May 31, 2018 and issued the common shares.

The amounts received from the exercise of warrants and agent's options are to fund the Company's general administration and operations, including the cannabis production, expanding capacity and associated cost with the application for the license to sell cannabis with Health Canada.

The Company is aware of the current conditions in the financial markets and has planned accordingly. The Company's current treasury and the future cash flows from equity issuances and the potential exercise of warrants, finders' options and options, along with the planned developments within the Company will allow its efforts to continue throughout 2018. If the market conditions prevail or improve, the Company will make adjustment to budgets accordingly.

Liquidity

As at May 31, 2018, the Company had working capital of \$1,979,192 (November 30, 2017 – \$2,671,902). As at May 31, 2018, cash totaled \$1,824,548, a decrease of \$772,560 from \$2,597,108 as at November 30, 2017. The decrease was due to: (a) purchase of property, plant and equipment of \$387,356; (b) operating activities of \$1,117,737; while being offset by (c) net proceeds from the financing activities of \$732,533.

Operations

For the three months ended May 31, 2018 compared with the three months ended May 31, 2017:

Given that Bill C-45 (known as the *Cannabis Act* (Canada)) received royal assent in June 2018 and the Company's successful completion in its annual inspection and pre-sales inspection by Health Canada in May and June 2018 towards its sales licensing application, the Company strongly believed that getting the sales license is imminent and therefore, decided to capitalize its inventory costs effective at the beginning of the second quarter of the current fiscal year.

During the current quarter, the Company harvested 63,675 grams (2017 – nil) of dry cannabis with a value of \$239,015 (2017 - \$nil). Given that the Company is still waiting for its license to sell, the Company did not have any sales.

The Company recognized an unrealized gain on change of fair value of biological assets of \$63,438 which is the amount of cannabis plants at fair value less costs to sell up to the point of harvest during the period. As a result of this unrealized gain on change of fair value of biological assets, the Company had a gross profit of \$63,438 during the three months ended May 31, 2018.

Excluding the non-cash depreciation of \$987 (2017 - \$Nil) and share-based payments of \$313,932 (2017 - \$Nil), the Company's other expenses amount to \$519,049 (2017 - \$93,787), an increase of \$425,262. The increase was mainly due to the Company being fully operational under its license to grow cannabis during the current period while during the same period last year, the Company was in the process of



obtaining the License to Produce with Health Canada and working towards negotiating a public listing with a shell entity. As a result, all expense categories increased substantially compared to last year.

For the six months ended May 31, 2018 compared with the six months ended May 31, 2017:

The Company only began capitalizing the inventory costs in the second quarter of this fiscal year. As a result, the Company incurred production cost of sales of \$60,176 during the six months ended May 31, 2018, with all such costs relate to the first quarter of the fiscal year.

During the six months ended May 31, 2018, the Company harvested 63,675 grams (2017 – nil) of dry cannabis with a value of \$239,015 (2017 - \$nil). Given that the Company is still waiting for its license to sell, it did not have any sales, but it recognized an unrealized gain on change of fair value of biological assets of \$63,438.

Excluding the non-cash depreciation of \$987 (2017 - \$Nil) and share-based payments of \$793,790 (2017 - \$Nil), the Company's other expenses amount to \$1,152,324 (2017 - \$155,475), an increase of \$996,849. The increase was mainly due to the Company being fully operational as a licensed producer during the current period while during the same period last year, the Company was in the process of obtaining the License to Produce with Health Canada and working towards negotiating a public listing with a shell entity. As a result, all expense categories increased substantially compared to last year.

SIGNIFICANT RELATED PARTY TRANSACTIONS

During the quarter, there was no significant transaction between related parties.

COMMITMENTS, EXPECTED OR UNEXPECTED, OR UNCERTAINTIES

- a) The Company's wholly owned subsidiary, Experion, has received its license to produce under the ACMPR on August 17, 2017. On January 30, 2018, Experion completed Stage 4 of the licensing process. On March 28, 2018, Experion commenced its initial harvest of medical cannabis. Between April 30, 2018 and May 3, 2018, Health Canada performed an annual inspection on Experion and between June 25, 2018 and June 27, 2018, Health Canada performed a pre-sales inspection, both of which were required prior to Experion receiving its license to sell. Experion remains subject to additional Health Canada inspections and has not received its license to sell or ship medical cannabis. Although management anticipates that a license to sell be issued, there can be no assurance of same until the license to sell is issued.
- b) Viridium's predecessor Morro Bay Resources Ltd. ("Morro Bay") has been named in one legal action. Dundee Canada (GP) Inc. is seeking damages of \$167,781 (Alberta Court of Queen's Bench Action # 1601-14620) from Morro Bay and a company affiliated with the former Chief Executive Officer of Morro Bay, as a result of a sublease for office space. The litigation process will continue into the foreseeable future unless settled and no amount has been recorded in these condensed interim consolidated financial statements.

As of the date of the MD&A, the Company has no outstanding commitments.

Other than disclosed in this MD&A – Quarterly Highlights, the Company does not have any commitments, expected or unexpected, or uncertainties.



RISK FACTORS

In our MD&A filed on SEDAR April 2, 2018, in connection with our annual financial statements (the “Annual MD&A”), we have set out our discussion of the risks and uncertainties which we believe are the most significant risks faced by Viridium. An adverse development in any one risk factor or any combination of risk factors could result in material adverse outcomes to the Company’s undertakings and to the interests of stakeholders in the Company including its investors. Readers are cautioned to take into account the risk factors to which the Company and its operations are exposed. To the date of this document, there have been no significant changes to the risk factors set out in our Annual MD&A.

DISCLOSURE OF OUTSTANDING SHARE DATA

The authorized share capital of the Company consists of an unlimited number of common shares without par value. The following is a summary of the Company’s outstanding share data as at May 31, 2018:

	Issued and outstanding	
	May 31, 2018	July 24, 2018
Common shares outstanding	47,050,859	49,254,462
Stock options	1,424,975	2,675,900
Restricted share units	1,573,500	274,625
Warrants	4,158,516	-
Agent's Options	308,340	-
Warrants associated with Agent's Options	154,170	-
Fully diluted common shares outstanding	<u>54,670,360</u>	<u>52,204,987</u>

Cautionary Statements

This document contains “forward-looking statements” within the meaning of applicable Canadian securities regulations. All statements other than statements of historical fact herein, including, without limitation, statements regarding the Company’s application for the cannabis sales license, and our other future plans and objectives, are forward-looking statements that involve various risks and uncertainties. Such forward-looking statements include, without limitation, our estimates of the timing of such cannabis sales license, the scope of our business and operations, and our expectations of ongoing administrative costs. There can be no assurance that such statements will prove to be accurate, and future events and actual results could differ materially from those anticipated in such statements. Important factors that could cause actual results to differ materially from our expectations are disclosed in the Company’s documents filed from time to time via SEDAR with the Canadian regulatory agencies to whose policies we are bound. Forward-looking statements are based on the estimates and opinions of management on the date the statements are made, and we do not undertake any obligation to update forward-looking statements should conditions or our estimates or opinions change, except as required by law. Forward-looking statements are subject to risks, uncertainties and other factors, including risks associated with the legalization of recreational use of cannabis in Canada, price volatility in the cannabis industry, and competitive conditions of the cannabis industry along with the government regulatory regimes. Readers are cautioned not to place undue reliance on forward-looking statements.