



## MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS FOR THE THREE MONTHS ENDED FEBRUARY 28, 2019

### 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”. Viridium is the parent company of Experion Biotechnologies Inc. (“Experion”), a Health Canada licensed cultivation and processor of cannabis, based in Mission, British Columbia and EFX Laboratories Inc. (“EFX”), a medical products production and clinical research company based out of Calgary, Alberta.

This MD&A is dated April 26, 2019, 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 three months ended February 28, 2019; in addition to the Company’s audited consolidated financial statements for the year ended November 30, 2018, and the related notes thereto.

Additional information relevant to the Company and its activities can be found on SEDAR at [www.sedar.com](http://www.sedar.com), and on the Company’s website at [www.viridiumpacific.com](http://www.viridiumpacific.com).

### SIGNIFICANT OPERATING MILESTONES DURING THE INTERIM PERIOD

Over the first three months of fiscal 2019, the Company accomplished the following milestones:

#### **Amalgamation of EFX Laboratories Inc:**

- On February 11, 2019, the Company completed the acquisition of EFX by way of an amalgamation of EFX and 2163903 Alberta Ltd., a wholly owned subsidiary of Viridium, in accordance with the Business Corporations Act (Alberta). Under the terms of the amalgamation agreement among, Viridium acquired all of the issued and outstanding Class A voting shares of EFX on the basis of one common share of Viridium for every 2.57 EFX shares, resulting in the issuance of 49,412,781 Viridium shares (including all EFX shares issued in connection with the exercise of in-the-money EFX options). In addition, all out-of-the-money EFX stock options have been exchanged for an aggregate of 1,089,491 Viridium stock options.
- EFX is a Canadian biotech company located in Calgary focused on medical cannabis applications and treatments. It has developed several proprietary formulations for pain control, as well as a suite of value-added wellness products. Key products of EFX include a proprietary two-piece pill for postoperative pain control actively being prepared for a phase 3 clinical trial and over 50 market tested wellness formulas and products ranging from creams, tinctures, sprays and oils.

- The amalgamation enables Viridium to achieve its stated goal of producing a strong portfolio of cannabis brands and products for the Canadian medical and wellness markets; and that the financial and strategic benefits of the amalgamation are uniquely compelling to its shareholders. The amalgamation positions the Company for a strong go-forward strategy to create a long-term sustainable growth company focused on the "third wave" of cannabis investment, which will include biotech applications in the medical, retail and consumer wellness product markets. This merger fast-tracks the Company's business initiatives and creates a strong balance sheet with more than \$10 million in cash on hand. With this strategic combination, Viridium is now vertically integrated from seed to value-added product, with all of the necessary Health Canada licences required to execute its business strategy.

**Commercial distribution and sales update:**

- On December 18, 2018, the Viridium announced the launch of its first adult-use cannabis brand, Citizen Stash. Citizen Stash cannabis products are hand cultivated in Experion's indoor facility in Mission, to the highest standards to ensure quality and exceptional user experience.
- On February 14, 2019, the Company published that it signed a supply agreement with the British Columbia Liquor Distribution Branch ("BCLDB"). Experion supplies a variety of adult-use cannabis products throughout British Columbia through the BCLDB under the Citizen Stash brand.
- The Company announced on February 21, 2019, that it made its first shipment of Citizen Stash to the BCLDB. Citizen Stash's first retail strain, Lemon Zkittle, is a hybrid with approximately 60 per cent sativa with mid to high THC (tetrahydrocannabinol) levels. This strain offers recreational adult-users a product that is relaxing with a citrus aroma and a distinct lemon taste which is consistent in its quality and effect. Lemon Zkittle is available in dried flower. Experion is actively working on prerolls and oils to complement the offering. Citizen Stash products are available on-line and at select retail locations.
- On February 27, 2019, the Company revealed that it signed an exclusive supply agreement with Open Fields Distribution, a wholly owned subsidiary of Fire and Flower. Under the terms of the agreement, Experion will supply a variety of adult-use retail cannabis products throughout Saskatchewan exclusively through Open Fields. Open Fields is a wholesale distribution company located in Saskatchewan, specializing in supplying cannabis products throughout the province to registered retailers.
- On March 7, 2019, the Company announced it begun clone sales as starting materials to another licensed standard cultivators with several more sales, including a 1,200-clone shipment to Alberta, taking place recently. The buyers of Experion's clones are newly licensed standard cultivators looking for quality genetics to launch their cultivation at their facilities. Under the Cannabis Act, a cultivation licence can sell product to other licensed facilities fostering new business-to-business relationships and the ability to create quick strategic partnerships as the market becomes established. All starting materials sold as clones to other cultivators have a flower buyback program with Experion. As well, Experion can also sell clones for medical purposes to qualified individuals as a licensed medical supplier.
- The Company posted on April 1, 2019 that it made its first shipment of Lemon Zkittle to Open Fields in Saskatchewan, and Citizen Stash products are now available on-line and at selected retail locations throughout the province. Over eight kilograms were shipped, comprising approximately 3,500 units of 1.0 gram and 3.5 gram packages.



### **Corporate development update:**

- The Company announced on December 27, 2018, that it has entered into an import and export relationship with INOPHA GmbH, a pharmaceutical distributor for the German market. INOPHA will partner with Viridium to import medical cannabis into Germany. This venture represents a significant step towards Viridium's international distribution efforts.
- Upon the completion of the amalgamation with EFX, Viridium's board of directors now comprises five existing Viridium directors and two former EFX directors. Viridium's management team is unchanged, comprising of Jay Garnett (President and Chief Executive Officer) and Jarrett Malnarick (Senior Vice-President and Chief Operating Officer).
- On February 25, 2019, the Company graduated from Tier 2 to Tier 1 of the TSX Venture Exchange. Tier 1 is reserved for the most advanced issuers with the most significant financial resources on the TSX Venture Exchange. Graduating to Tier 1 status provides Viridium with a more favorable regulatory environment, decreased filing requirements and increased opportunity for participation by institutional investors.
- On March 26, 2019, the Company appointed Kamini Hitkari to the position of Chief Financial Officer; Winnie Wong remains as the corporate secretary and strategic adviser to the Company during the transition.

All of the announcements above have been published as press releases on Viridium's website.

### **INTERIM PERIOD FINANCIAL CONDITION**

#### **Capital Resources**

During the three months ended February 28, 2019, the Company issued 49,412,781 common shares pursuant to the amalgamation with EFX.

During the interim period, the Company granted a total of 1,489,491 stock options at exercise prices ranging from \$0.64 to \$0.90 per share expiring between February 13, 2022 and November 1, 2023 to its directors, officers, employees and consultants. During the period, 149,625 options were forfeited, and the Company cancelled 149,625 RSUs.

Subsequent to February 28, 2019, the Company granted a total of 525,000 stock options to its employees and an officer at an exercise price of \$0.65 for a period of three years expiring between March 18, 2023 and March 26, 2023. The Company also granted a total of 181,250 RSUs to current and past directors at deemed prices ranging from \$0.51 to \$0.53 per RSU. Of these RSUs, 50,000 vested immediately into common shares of Viridium; while the remaining 131,250 RSUs will vest 12 months from the dates the directors resign.

Viridium's management team is aware of the current conditions in both the cannabis and financial markets; and has planned accordingly. The Company's current treasury along with its planned developments will allow its efforts to continue past fiscal 2019. If the market conditions change, the Company will make the necessary adjustments accordingly.



### Liquidity

As at February 28, 2019, the Company had working capital of \$12,425,873 (November 30, 2018 – \$1,730,567). As at February 28, 2019, cash totaled \$12,878,838, an increase of 11,270,888 from \$1,607,950 as at November 30, 2018; largely due to the amalgamation of EFX. The increase in cash is partially offset by increased accounts payable and accrued liabilities from professional fees incurred relating to the business combination.

### Operations

For the three months ended February 28, 2019, compared with the three months ended February 28, 2018:

During the current quarter, the Company harvested 87,352 grams (2018 – nil) of dry cannabis with a value of \$240,103 (2018 - \$nil) recorded as inventory. The Company obtained its license to sell in August 2018 and during the quarter in fiscal 2018, it did not have any sales.

The Company recognized an unrealized gain on change of fair value of biological assets of \$27,390 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 loss of \$88,400 during the three months ended February 28, 2019 (2018 – \$60,176).

Excluding the non-cash depreciation of \$6,819 (2018 - \$Nil) and share-based payments of \$268,038 (2018 - \$479,858), the Company's operating expenses were \$2,516,640 (2018 - \$633,275), an increase of \$1,883,365 mostly attributed to an increase in professional fees (\$1,705,678) from the amalgamation with EFX and in salaries in wages of \$201,638 from the hiring of key management employees; partially offset by a decrease in facility costs of \$71,704 as a result of cannabis sales starting in the period and a portion of these costs being captured in cost of sales.

### **SIGNIFICANT RELATED PARTY TRANSACTIONS**

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

### **COMMITMENTS, EXPECTED OR UNEXPECTED, OR UNCERTAINTIES**

Viridium's predecessor Morro Bay Resources Ltd. ("Morro Bay") has been named in a 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 consolidated financial statements as the plaintiff has not taken a step to move this matter forward since April 2017 and the matter had been dormant for close to two years.

The Company is committed to pay \$300,741 to an officer over a period of five years; or immediately upon resignation or termination of his services. As of February 28, 2019, the Company included a net present value of \$221,578 in the accrual liabilities.

The Company has capital project commitments of approximately \$200,000 to be paid within one year.

As of the date of the MD&A, the Company has no other 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 March 15, 2019, 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 February 28, 2019:

|   | Issued and outstanding |                |
|---|------------------------|----------------|
|   | February 28, 2019      | April 26, 2019 |
| Common shares outstanding               | 98,733,156             | 98,783,156     |
| Stock options                           | 5,027,188              | 5,552,188      |
| Restricted share units                  | 50,000                 | 181,250        |
| Fully diluted common shares outstanding | 103,810,344            | 104,516,594    |

**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.