



## MANAGEMENT'S DISCUSSION AND ANALYSIS – QUARTERLY HIGHLIGHTS FOR THE SIX MONTHS ENDED MAY 31, 2019

### OVERVIEW AND INTRODUCTORY COMMENT

Experion Holdings Ltd. (formerly Viridium Pacific Group Ltd.) (“Experion” or the “Company”) is a publicly traded corporation listed on the TSX Venture Exchange (TSX-V: EXP), the OTCQB Venture Exchange (OTCQB: EXPFF) and the Frankfurt Stock Exchange (FSE: MB31). Experion is the parent company of Experion Biotechnologies Inc., a Health Canada licensed cultivator and processor of cannabis, focused on a portfolio of products in the Medical, Adult-use, and Wellness and Therapeutic consumer markets.

### Our Brands

#### Citizen Stash:

Since February 2019, Experion's sought-after retail flower intended for the Adult-use market is available in British Columbia, Saskatchewan and Manitoba. Initial orders for both provinces sold out quickly with a 400-per-cent increase in reorders, which were shipped in early April. Experion is actively working with several provincial government distributors in three other provinces with the aim of expanding retail sales.

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.

#### Kanabé:

With the Value-Add Products regulations by Health Canada coming into force October 17, 2019 and product availability at the earliest on December 16, 2019, Experion is well positioned with its wellness centric brand Kanabé Goods Co. (“Kanabé”). Kanabé will take advantage of Health Canada's final regulations and proposal of creating a new category (cannabis health products) for therapeutic treatment of minor ailments, such as sleeplessness and pain management, paving the way for a large new, untapped market.

Kanabé creates therapeutic health and wellness products containing cannabis and has over 50 formulations in its portfolio, including topical salves, lotions, oils, as well as edible oils and capsules. Kanabé products were developed to target and soothe various ailments by combining cannabinoids, terpenes and aromatherapy, with a focus on discretion and ease of use by developing products that are already found in consumers everyday life.

Experion is in continued development of our 50-plus existing formulations of Kanabé, which the Company can produce in its facility, and is working with key strategic partners for large-scale commercial rollout. These health and wellness products such as non-intoxicating topicals and micro-dosed oils are an entry point for new consumers, broadening the market potential. The Experion management team has decades of experience in consumer-packaged goods and is well positioned to be a first mover in this category, which in turn will enable Experion to stand firm in its commitment of unlocking value for its shareholders.



EFX Labs:

EFX Labs ("EFX") is our medical brand and a leader in Clinical Research. EFX is a contract manufacturer of cannabis oil capsules for Canadian Licensed Producers. A proprietary two-piece pill is actively being prepared for a phase III clinical trial with our strategic partners on post-operative pain management.

This MD&A is dated July 24, 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 interim consolidated financial statements and the related notes for the six months ended May 31, 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.experionwellness.com](http://www.experionwellness.com).

**SIGNIFICANT OPERATING MILESTONES DURING THE THREE MONTHS ENDED MAY 31, 2019, TO THE DATE OF THE MD&A**

**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 Experion, in accordance with the Business Corporations Act (Alberta). Under the terms of the amalgamation agreement, Experion acquired all of the issued and outstanding Class A voting shares of EFX on the basis of one common share of Experion for every 2.57 EFX shares, resulting in the issuance of 49,412,781 Experion 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 Experion 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 Experion to achieve its stated goal of producing a strong portfolio of cannabis brands and products for the 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 a very healthy cash position. With this strategic combination, Experion is vertically integrated from seed to value-added product, with all the necessary Health Canada licences required to execute its business strategy.

EFX commenced medical two-piece capsule sales through its strategic partnership with Broken Coast Cannabis Ltd. ("BCC"), a wholly owned subsidiary of Aphria Inc in April 2019. EFX commercially manufactures the medical two-piece capsules on behalf of Aphria through a revenue-sharing agreement. This product offering contains various tetrahydrocannabinol and cannabidiol concentrations and gives medical clients a dose-controlled, predictive, tasteless, odorless and discreet option for consuming cannabis oil. Additionally, the whole-flower, full-spectrum capsule is one of few available in the Canadian cannabis market, resulting in a unique selling position. The product is available to medical clientele through BCC's on-line sales portal.



## **Domestic and International Market Development**

### **Domestic Market:**

In January 2019, the Company began to sell clones to newly licensed Standard Cultivators looking for quality genetics to launch their cultivation process. The sales expand Experion's product line with clones exhibiting the desired specifications and attributes for both the medical and Adult-use market. Under the Cannabis Act, a cultivation license 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 buy back program with Experion. As well, Experion can also sell clones for medical purposes to qualified individuals as a licensed medical supplier.

### **International Market:**

In June 2019, Experion signed a non-binding letter of intent ("LOI") with a Polish import and distribution company to export medical flower products to Poland. Under the executed LOI, Experion will export medical flower products to Poland for scientific purposes enabling the Polish company to test and develop Experion's flower products. After the successful completion of this testing, Experion will export its flower products to Poland for consumer medical use. Experion is currently working towards European Union Good Manufacturing Practice ("GMP") certification of its Mission facility in British Columbia, which will allow the export of cannabis to the EU for medical consumption. Experion is actively seeking export opportunities in Europe and plans to continue to build its international distribution chain.

### **Corporate Development:**

During the current period, Experion continued to strengthen its executive team and appointed Kamini Hitkari to the position of Chief Financial Officer. The Company also hired Judy-Ann Pottinger to provide comprehensive investor relations and corporate communications services.

On June 10, 2019, Experion changed its name from Viridium Pacific Group Ltd. to Experion Holdings Ltd. and changed its trading symbol from "VIR" to "EXP" on the TSXV. A focused brand strategy, under one corporate brand, will bring alignment to the market and our shareholders. It will allow Experion to better communicate its value proposition as management works to unlock value and communicate our accomplishments to the market and stakeholders. On June 19, 2019, the Company began trading on the U.S. listing OTCQB Venture Market under the trading symbol "EXPPF".

Also, in June 2019, Experion welcomed Joel Dumaresq and Bill Dickie to the Board of Directors; while accepting at the same time the resignations of Sean MacNeil, Michael Kohut and Ben Eastwood. Management is confident that Experion's Board will bring substantial financial oversight and business advisory experience to help the Company grow and achieve its strategic objectives.

All of the Experion's developments and announcements above have been published as press releases on Experion's website at [www.experionwellness.com](http://www.experionwellness.com).

## **INTERIM PERIOD FINANCIAL CONDITION**

### **Capital Resources**

During the six months ended May 31, 2019, the Company issued 49,412,781 common shares pursuant to the amalgamation with EFX and 75,000 common shares pursuant to the vested RSUs. The Company granted a total of 2,014,491 stock options at exercise prices ranging from \$0.64 to \$0.90 per share expiring between February 13, 2022 and November 1, 2023 to Directors, Officers, employees and consultants. During the period, 250,000 options were forfeited. Subsequent to May 31, 2019, another 441,633 options were forfeited.



The Company granted a total of 181,250 RSUs to its current and past Directors during the interim period, of which 50,000 RSUs vested immediately into common shares; while the remaining 131,250 RSUs will vest 12 months from the resignation dates of the current Directors. Another 25,000 RSUs were vested during the period and converted into common shares while 149,625 RSUs were cancelled. Subsequent to May 31, 2019, the Company granted 156,250 RSUs to its current and past Directors that will vest 12 months.

Experion'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 May 31, 2019, the Company had working capital of \$10,250,901 (November 30, 2018 – \$1,730,567). Cash totaled \$10,072,134, an increase of \$8,464,184 from November 30, 2018; largely due to the cash provided by EFX after the amalgamation.

### Operations

For the three months ended May 31, 2019, compared with the three months ended May 31, 2018:

During the current quarter, the Company harvested 83,227 grams (2018 – 63,675 grams) of dry cannabis with a value of \$389,418 and 42,380 equivalent dry grams recently harvested cannabis with a value of \$101,183 (2018 - \$239,015) recorded as inventory. The Company obtained its license to sell in August 2018 and did not have any sales in the that quarter in fiscal 2018.

Experion had production sales of \$445,545 (2018 – nil) mostly relating to flower sales through its retail and wholesale channels, and clone sales. During the period, the Company recognized an unrealized loss on change of fair value of biological assets of \$98,302 (2018 - \$63,438) which is the fair value of cannabis plants on hand at the end of the period less costs to sell up to the point of harvest. The Company had a gross loss of \$129,750 during the three months ended May 31, 2019 compared to a gross profit in the second quarter of 2018 of \$63,438, equal to the unrealized gain on the change of fair value of biological assets.

Excluding non-cash items such as amortization of \$7,453 (2018 - \$987) and share-based payments of \$113,718 (2018 - \$313,932), Experion's operating expenses were \$1,619,656 (2018 - \$519,049), an increase of \$1,100,607 compared to the second quarter of 2018; mostly attributed to an increase in salaries and wages of \$761,981 from the hiring of key personnel, milestone bonuses and severance payments, as well as an increase in general and administrative expense of \$185,464 mostly due to fees related Experion being listed on the OTCQB.

For the six months ended May 31, 2019, compared with the six months ended May 31, 2018:

During the six months ended May 31, 2019, the Company harvested 170,579 grams (2018 – 63,675 grams) of dry cannabis with a value of \$499,702 (2018 - \$239,015) recorded as finished inventory and 42,380 equivalent dry grams recently harvested cannabis with a value of \$101,183. The Company obtained its license to sell in August 2018 and did not have any sales during the quarter in fiscal 2018.

Experion had production sales of \$762,434 (2018 – nil) mostly relating to flower sales through its retail and wholesale channels, and clone sales. The Company recognized an unrealized loss on change of fair value of biological assets of \$70,912 (2018 – 63,438) which is the fair value of cannabis plants on hand less costs to sell up to the point of harvest during the period. Experion had a gross loss of \$218,150



during the six months ended May 31, 2019, compared to a gross profit in the comparable period in 2018 of \$3,262.

Excluding non-cash items such as depreciation of \$14,272 (2018 - \$987) and share-based payments of \$381,816 (2018 - \$793,790), Experion's operating expenses were \$4,136,296 (2018 - \$1,152,324), an increase of \$2,983,972 mostly attributed to increased professional fees of \$1,774,088 from the amalgamation with EFX; salaries and wages of \$963,619 from the hiring of key management personnel, milestone bonuses and severance payments; and increased sales and marketing expenditures of \$175,977 to brand building and website design; partially offset by a decrease in facility costs of \$66,522 as a result of being captured in production cost of sales.

### **SIGNIFICANT RELATED PARTY TRANSACTIONS**

During the quarter, there was no significant transaction between related parties that has not been disclosed.

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

Experion'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 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.

Experion Holdings Ltd. and its wholly owned subsidiary, Experion Biotechnologies Inc., together with one of its directors and several other named defendants were named in a civil claim filed by an ex-CEO of Viridium Pacific Group Ltd. Mr. Steven Serenas is seeking damages among other remedies, for breach of contract and wrongful dismissal for his employment as CEO of Viridium in the form of 10,270,437 shares of Experion, or, alternatively, \$5,546,035 as cash in lieu of the shares; in addition to 149,625 restricted stock units fully vested in Experion. Management considers this claim to be without merit. The litigation process will continue into the foreseeable future unless settled, and no amount has been recorded in these condensed interim consolidated financial statements.

The Company is committed to pay \$284,484 to an officer over a period of five years; or immediately upon resignation or termination of his services. As of May 31, 2019, the Company included a net present value of \$209,601 in the accrual liabilities.

As at May 31, 2019, the Company has capital project commitments of approximately \$1.5m to be paid within one year.

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 Experion. 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, 2019:

	Issued and Outstanding	
	May 31, 2019	July 24, 2019
Common shares outstanding	98,808,156	98,808,156
Stock options	5,451,813	5,010,180
Restricted share units	156,250	312,500
Fully diluted common shares outstanding	104,416,219	104,130,836

### 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.