VIRIDIUM PACIFIC GROUP LTD.
(formerly Morro Bay Resources Ltd.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED FEBRUARY 28, 2018 AND 2017

(UNAUDITED)

(IN CANADIAN DOLLARS)

VIRIDIUM PACIFIC GROUP LTD.
(formerly Morro Bay Resources Ltd.)
Condensed Interim Consolidated Financial Statements
For the three months ended February 28, 2018 and 2017

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Notice to Readers

Under National Instrument 51-102, Part 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of Viridium Pacific Group Ltd. for the three months ended February 28, 2018 have been prepared in accordance with International Accounting Standard 34 for Interim Financial Reporting under International Financial Reporting Standards. These condensed interim consolidated financial statements are the responsibility of the Company's management and have been approved by the Board of Directors. The Company's independent auditors have not performed an audit or a review of these condensed interim consolidated financial statements.

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on April 30, 2018. They are signed on the Company's behalf by:

TO BE SIGNED UPON BOARD APPROVAL BY

" Sean MacNeil"	"Dan Enchino"
Director	Director

VIRIDIUM PACIFIC GROUP LTD. (formerly Morro Bay Resources Ltd.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)

(Expressed in CDN Dollars)	**Note**	**As at February 28, 2018**	As at February 28, 2017
Assets			
Current assets			
Cash and cash equivalents		**$ 2,097,025**	$ 435,562
Amounts receivable	5	**76,767**	19,965
Biological assets	6	**27,687**	-
Prepaid expenses and deposits		**39,227**	38,953
		2,240,706	494,480
Property, plant and equipment	8	**3,084,076**	599,286
Total assets		**$ 5,324,782**	$ 1,093,766
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**$ 96,525**	$ 123,605
Due to related parties		**18,875**	14,633
		115,400	138,238
Shareholders' Equity			
Share capital	9	**8,252,956**	1,110,000
Share based compensation reserve		**984,483**	-
Warrant reserve		**841,983**	-
Deficit		**(4,870,040)**	(154,472)
Total shareholders' equity		**5,209,382**	955,528
Total liabilities and shareholders' equity		**$ 5,324,782**	$ 1,093,766

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See accompanying notes

VIRIDIUM PACIFIC GROUP LTD. (formerly Morro Bay Resources Ltd.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
FOR THE THREE MONTH PERIOD ENDED FEBRUARY 28, 2018 and 2017

(Expressed in CDN Dollars)	**2018**	2017
Expenses		
Amortization	**$ 36,176**	$ -
Consulting	**380,350**	-
Foreign exchange loss	**874**	-
Insurance	**9,605**	-
Laboratory testing	**3,218**	-
Licensing	**-**	7,750
Marketing and promotion	**3,560**	-
Office	**17,379**	726
Professional fees	**65,514**	32,229
Rent	**-**	20,681
Repairs and maintenance	**4,349**	-
Security	**32,294**	-
Share based compensation	**479,858**	-
Stock exchange and listing costs	**2,540**	-
Supplies	**21,923**	-
Travel	**13,070**	-
Utilities and communication	**11,555**	302
Wages and salaries	**91,044**	-
Operating Expenses and Net loss for period	**$ (1,173,309)**	$ (61,688)
Earnings per share, basic and diluted		
Net loss per share	**$ (0.03)**	$ (0.01)
Weighted average number of common shares	**45,756,186**	11,100,000

See accompanying notes

VIRIDIUM PACIFIC GROUP LTD. (formerly Morro Bay Resources Ltd.)
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
FOR THE THREE MONTH PERIOD ENDED FEBRUARY 28, 2018 AND 2017

(Expressed in CDN Dollars)	**Share capital**	**Share capital**	**Warrants reserve**	**Share based compensation reserve**	**Deficit**	**Total**
	#	**$**	**$**	**$**	**$**	**$**
Balance, November 30, 2015	10,000,000	10,000	-	-	(60,156)	(50,156)
Private placement November 2016	1,466,667	1,100,000	-	-	-	1,100,000
Net Loss for year ended November 30	-	-	-	-	(32,628)	(32,628)
Balance, November 30, 2016	**11,466,667**	**1,110,000**	-	-	**(92,784)**	**1,017,216**
Net Loss for three month period ended February 28	-	-	-	-	(61,688)	(61,688)
Balance February 28, 2017	**11,466,667**	**1,110,000**	-	-	**(154,472)**	**955,528**
Private placement, April 28, 2017	1,866,666	1,400,000	-	-	-	1,400,000
Purchase and cancellation of common shares	(2,500,000)	(2,500)	-	-	2,500	-
Subtotal	10,833,333	2,507,500	-	-	(151,972)	2,355,528
Reverse takeover share split	23,102,424	-	-	-	-	-
Reverse takeover shares issued	3,386,520	1,557,521	-	-	-	1,557,521
Shares and warrants to purchase convertible debentures	1,771,962	855,857	207,320	-	-	1,063,177
Private placement, September 28, 2017	5,500,000	2,970,000	330,000	-	-	3,300,000
Agent's warrants, September 28, 2017	-	-	79,107	-	-	79,107
Private placement, November 14, 2017	986,111	285,873	305,694	-	-	591,567
Issuance Costs	-	(318,842)	(41,889)	-	-	(360,731)
Share based compensation	-	-	-	606,422	-	606,422
Net Loss for nine month period ended November 30	-	-	-	-	(3,544,759)	(3,544,759)
Balance, November 30, 2017	**45,580,350**	**7,857,909**	**880,232**	**606,422**	**(3,696,731)**	**5,647,832**
Warrants exercised	318,750	293,250	(38,250)			255,000
Stock based compensation	174,625	101,797		378,061		479,858
Net Loss for three month period ended February 28					(1,173,309)	(1,173,308)
Balance February 28, 2018	**46,073,725**	**8,252,956**	**841,982**	**984,483**	**(4,870,040)**	**5,209,382**

See accompanying notes

VIRIDIUM PACIFIC GROUP LTD. (formerly Morro Bay Resources Ltd.)
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
FOR THE THREE MONTH PERIOD ENDED FEBRUARY 28, 2018 AND 2017

Expressed in CDN Dollars	**2018**	2017
Cash provided by (used in)		
Operations		
Net loss	**$ (1,173,309)**	$ (61,688)
Add (deduct) non-cash items		
Share based compensation	**479,858**	-
Amortization	**36,176**	-
	(657,275)	(61,688)
Net changes in working capital		
Amounts receivable	**113,584**	(7,509)
Biological assets	**(27,687)**	-
Subscription receivable	**-**	100,000
Prepaid expenses and deposits	**(13,705)**	(30,692)
Accounts payable and accrued liabilities	**(60,678)**	(121,584)
	(645,761)	(121,473)
Investing		
Purchase of property, plant and equipment	**(144,322)**	(347,521)
Financing		
Proceeds from exercise of warrants	**255,000**	-
Related parties	**35,000**	(2,852)
	290,000	(2,852)
Net cash provided by (used in) for the period	**(500,083)**	(471,846)
Cash and cash equivalents beginning of period	**2,597,108**	907,408
Cash and cash equivalents end of period	**$ 2,097,025**	$ 435,562
Components of cash and cash equivalents		
Cash	**$ 2,097,025**	$ 85,562
Cashable term deposit	**-**	$ 350,000

See accompanying notes

1. NATURE OF BUSINESS AND GOING CONCERN

Viridium Pacific Group Ltd. (formerly Morro Bay Resources Ltd.) (the "Company") is a publicly traded corporation, incorporated in Canada, with its head office located at 12556 Stave Lake Road, Mission, British Columbia with its common shares listed on the TSX-V, under the trading symbol "VIR".

The Condensed Interim Consolidated Financial Statements as at and for the three months ended February 28, 2018 include Viridium Pacific Group Ltd. and its subsidiaries (together referred to as the "Company"). The Company's wholly-owned subsidiaries include 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 and possession of medical cannabis as regulated by the Access to Cannabis for Medical Purposes Regulations ("ACMPR"). As at the date of these financial statements, Experion has a license to produce medical cannabis but has not received its license to sell and ship medical cannabis. Once Experion receives its license to sell and ship medical cannabis, these will also be its principal activities. The planned principal activity of Fish Trap is the ownership of land and leasing of land. The principal activity of Stave Lake is the hiring of personnel and providing contract services to Experion.

On September 28, 2017, Experion completed a reverse takeover of Morro Bay Resources Ltd. ("Morro Bay"). For accounting purposes, Experion was identified as the acquirer in the transaction. Morro Bay was not carrying on a business and therefore the transaction was accounted for as the reverse takeover that is not a business combination and the acquisition of a stock exchange listing, see Note 3. Accounting for the transaction includes the carry forward of the assets, liabilities and operations of Experion at their historical carrying value and the elimination of the shareholders' deficit of Morro Bay. The resulting listing expense consisting of the value of the dilution to Experion shareholders plus net monetary liabilities assumed, has been charged to income for the year ended November 30, 2017 and is included in the deficit of the Company on a go forward basis. On September 28, 2017 Morro Bay changed its name to Viridium Pacific Group Ltd. ("Viridium") and Experion became a wholly-owned subsidiary of Viridium.

These Condensed Interim Consolidated Financial Statements have been prepared on the going concern basis, which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. During the three months ended February 28, 2018, the Company did not generate any revenue and incurred a net loss and comprehensive loss of $(1,173,309) (2017 - $(61,688)) and cash flows used in operating activities of $(645,761) (2017 - $(121,473)). The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing, as the Company has not yet generated any revenue or received a license to sell medical cannabis as set out in the ACMPR. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. Further there is no assurance that the Company will be successful in obtaining its license to sell cannabis. As is common with development stage companies in the medical cannabis industry, these conditions indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern.

1. NATURE OF BUSINESS AND GOING CONCERN (Cont'd)

These Condensed Interim Consolidated Financial Statements do not reflect adjustments that would be necessary if the going concern basis was not appropriate. Consequently, adjustments would then be necessary to the carrying value of assets and liabilities, the expenses and the balance sheet classifications used. Such adjustments could be material.

2. BASIS OF PRESENTATION

The Condensed Interim Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

These Condensed Interim Consolidated Financial Statements were approved by the Board of Directors and authorized for issue by the Board of Directors on April 30, 2018.

These Condensed Interim Consolidated Financial Statements have been prepared in Canadian dollars on a historical cost basis. Historical cost is generally based upon the fair value of the consideration given in exchange for assets.

3. REVERSE TAKEOVER

Effective September 28, 2017, Viridium acquired 100% of the issued and outstanding common shares of Experion in exchange for 34,437,979 common post-consolidation common shares of the Company. Each Experion shareholder received 3.13 shares of Viridium. The common shares acquired by Experion shareholders is comprised of 33,935,757 common shares issued from the treasury of Viridium and 502,222 common shares acquired directly from shareholders of Viridium. The resulting post-reverse takeover and post concurrent financing issued and outstanding common shares amounted to 42,822,277 consisting of: (i) Viridium shareholders 2,884,298 common shares, which excludes the 502,222 common shares acquired by Experion shareholders; (ii) Experion shareholders 34,437,979 common shares, which includes the 502,222 acquired from Viridium shareholders; and (iii) other shareholders 5,500,000 common shares. As a result of these share issuances, the shareholders of Experion obtained 80% of the post-consolidation common shares of Viridium and, consequently, control of Viridium.

Upon closing of the transaction, among other things, the Company:

- Issued 5,500,000 common shares and 2,750,000 common share purchase warrants in a $3,300,000 private placement.
- Issued 535,505 common share purchase options and warrants as a finance fee for the private placement.

(Expressed in CDN $)

3. REVERSE TAKEOVER (Cont'd)

- Issued 1,771,962 common shares and 1,771,962 common share purchase warrants in consideration of the purchase of Experion interest bearing convertible debentures.
- Morro Bay Resources Ltd. changed its name to Viridium Pacific Group Ltd.

The substance of the transaction is a reverse takeover of the non-operating company (Viridium) and no goodwill or intangible asset representing the stock exchange listing has been recorded. The transaction does not constitute a business combination as Viridium does not meet the definition of a business under IFRS 3. As a result, the transaction was recorded by the Company as a reverse takeover that is not a business combination with a recognition of a listing expense which represents the difference between the fair value of the Experion common shares to the Viridium shareholders plus the fair value of the Viridium net liabilities. Experion has been identified as the accounting acquirer, and Viridium, the legal parent. As Experion, was deemed to be the acquirer for accounting purposes, its assets, liabilities, and operations since incorporation are included in these Condensed Interim Consolidated Financial Statements at their historical carrying value. Viridium's results of operations have been included from September 28, 2017, the date of the completion of the transaction.

The amount assigned to listing expense of $1,652,137 is the sum of the fair value of the consideration and the net liabilities of Viridium deemed assumed by Experion and included in the deficit of the Company.

The fair value of the consideration of the transaction includes the fair value of the 2,884,298 common shares issued to the Company's shareholders, and was estimated to be $1,557,521 based on the value per common share in the private placement that closed concurrently with the closing of the transaction and the fair value of 24,975 options issued to the Company's pre-transaction option holders. The fair value of the options was estimated to be $2,865 and was determined using the Black-Scholes option pricing model with the following assumptions: a common share price of $0.54, a weighted average risk free rate of 1.62%, an expected volatility of 100%, an expected yield rate of nil and a weighted average expected life of 2.57 years.

The allocation of the fair value transferred is as follows:

Consideration	
Value of common shares issued	$ 1,557,521
Value of options deemed issued to former option holders of Viridium	$ 2,865
Total fair value of consideration	$1,560,836
Net liabilities assumed	$ 91,751
Reverse takeover listing expense	$ 1,652,137

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

These Condensed Interim Consolidated Financial Statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if and only if the Company has all the following:

(a) Power over the investee
(b) Exposure, or rights, to variable returns from its involvement with the investee; and
(c) the ability to use its power over the investee to affect the amount of the investor's returns

The table below lists the Company's subsidiaries and investments in affiliates and the ownership interests in each:

Subsidiary	% Ownership	Accounting Method
Experion Biotechnologies Inc.	100%	Consolidation
Fish Trap Ventures Ltd.	100%	Consolidation
Stave Lake Services Ltd.	100%	Consolidation
Northern Vine Canada Inc.	19.5% (2017)	Equity method

Intercompany balances and transactions are eliminated in preparing the consolidated financial statements.

Foreign Currency

All figures presented in the Condensed Interim Consolidated Financial Statements and tabular disclosures to the Condensed Interim Consolidated Financial Statements are reflected in Canadian dollars, which is the functional currency of the Company.

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to Canadian dollars at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains and losses are recognized through profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Property, Plant and Equipment

Property, plant and equipment is measured at cost less accumulated amortization and impairment losses. Depreciation is provided using the following methods and rates:

Building	20 year straight line
Production equipment	30 % declining balance
Computer hardware	30 % declining balance
Computer software	30 % declining balance
Office equipment	20 % declining balance

An asset's residual value, useful life and depreciation method are reviewed at the end of each financial year and adjusted if appropriate. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount of the item and recognized in profit or loss.

No depreciation is taken on assets under construction until it is available for use and land is not amortized.

Income Taxes

The Company uses the liability method to account for income taxes. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities for accounting purposes, and their respective tax bases. Deferred income tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in statutory tax rates is recognized in profit or loss in the year of change. Deferred income tax assets are recorded when their recoverability is considered probable and are reviewed at the end of each reporting period.

Share Based Compensation

The Company measures equity settled share based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate. For share based payments granted to non-employees the compensation expense is measured at the fair value of the good and services received except where the fair value cannot be estimated in which case it is measured at the fair value of the equity instruments granted.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Share Based Compensation (Cont'd)

The fair value of share-based compensation to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. Consideration paid by employees or non-employees on the exercise of stock options is recorded as share capital and the related share based compensation is transferred from share based compensation reserve to share capital.

The Company operates an equity-settled, restricted share unit plan, under which the Company pays equity instruments of the Company as consideration in exchange for employee services. The plan is also open to certain directors and consultants of the Company. The fair value of the grant of the restricted share unit is recognized as a share based compensation expense.

Unit Equity Financings

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value. The allocated value of the share component is credited to share capital and the allocated value of the warrant component is credited to warrants in the consolidated statement of changes in shareholders' equity. Upon exercise of the warrants, consideration paid by the warrant holder, together with the amount previously recognized in warrants, is recorded as an increase to share capital. Upon expiration of warrants, the amount applicable to expired warrants is recorded as an increase to other reserves.

Earnings (loss) Per Share

The Company presents basic and diluted earnings (loss) per share data for its common shares. Basic earnings (loss) per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise warrants and share options issued.

Financial Instruments

Financial Assets

The Company initially recognizes financial assets at fair value on the date that they are originated. All financial assets (including assets designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire,

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (Cont'd)

or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The Company classifies its financial assets as financial assets at fair value through profit or loss, available for sale ("AFS") or loans and receivables. A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as loans and receivables or financial assets at fair value through profit or loss. AFS financial assets are stated at fair value at the end of each reporting period. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in OCI is reclassified to profit or loss. AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Financial Liabilities

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company classifies its financial liabilities as either financial liabilities at fair value through profit or loss or other financial liabilities. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities at fair value are stated at fair value with changes being recognized in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments (Cont'd)

Classification of Financial Instruments

The Company classifies its financial assets and financial liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management intent as outlined below:

	Classification
Cash and cash equivalents	Loans and receivable
Amounts receivable	Loans and receivable
Subscription receivable	Loans and receivable
Due from related parties	Loans and receivable
Accounts payable and accrued liabilities	Other financial liabilities
Due to related parties	Other financial liabilities

Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Impairment of Financial Assets

Financial assets, other than those classified at fair value through profit or loss, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Critical Accounting Estimates and Judgments

The preparation of the Condensed Interim Consolidated Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Estimated Useful Lives and Depreciation and Amortization of Property, Plant and Equipment

Depreciation and amortization of property, plant and equipment are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Share Based Compensation

The fair value of options granted by the Company are calculated using the Black-Scholes valuation. In calculating the share based compensation expense, key estimates such as the rate of forfeiture of options granted, the expected life of the option, the volatility of the Company's stock price and the risk free interest rate are used. To calculate the share based compensation expense related to key employee performance milestones associated with the terms of an acquisition, the Company must estimate the number of shares that will be earned and when they will be issued based on estimated discounted probabilities.

Warrants

The fair value of warrants granted by the Company are calculated using the Black-Scholes valuation. In calculating the value of the warrants, the Company includes key estimates such as the volatility of the Company's stock price, the value of the common share, and the risk free interest rate.

New and Revised IFRS in Issue But Not Yet Effective

Amendments to IAS 12

Amends IAS 12 Income Taxes to clarify the following aspects:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use;
- The carrying amount of an asset does not limit the estimation of probable future taxable profits;
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences; and
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

This amendment is applicable to annual periods beginning on or after January 1, 2017.

4. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

New and Revised IFRS in Issue But Not Yet Effective (Cont'd)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued by the IASB in May 2014 and specifies how and when revenue should be recognized based on a five-step model, which is applied to all contracts with customers. On April 12, 2016, the IASB published final clarifications to IFRS 15 with respect to identifying performance obligations, principal versus agent considerations, and licensing. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

IFRS 9 Financial Instruments

IFRS 9 was issued by the IASB in November 2009 and October 2010 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard. The effective date of IFRS 9 is January 1, 2018.

IFRS 16 Leases

IFRS 16 was issued by the IASB in January 2016 and specifies the requirements to recognize, measure, present and disclose leases. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted.

The Company is assessing the impact of the new or revised IFRS standards in issue but not yet effective on its financial position and financial performance.

(Expressed in CDN $)

5. AMOUNTS RECEIVABLE

The Company's amounts receivable consists of goods and services tax ("GST") and harmonized sales tax ("HST") receivable. The amounts receivable balances were as follows:

	February 28, 2018	February 28, 2017
GST/HST receivable	**$ 76,767**	$ 19,965

6. BIOLOGICAL ASSETS

The Company accounts for biological assets in accordance with International Accounting Standard 41 – Agriculture. The Company capitalizes amounts paid for genetic assets such as seeds and mother plants. These amounts are carried at cost and will be amortized to the cost of commercial production over the useful life of the asset or charged to income in the event commercial production is no longer expected from the asset. The Company commenced cannabis cultivation during the three month period ended February 28, 2018, however such production is for the purpose procuring its license to sell cannabis pursuant to ACMPR regulations and further developing the genetic asset base of the Company. The Company's current stage of development is such that it will recognize the fair value of commercial cannabis harvests upon the completion of a commercial growth cycle, successful third party testing and the fair value of the harvest can be estimated with reasonable certainty.

7. INVESTMENTS

The Company's investments are comprised of an investment in an associate and investments in certain financial instruments held by one of its wholly-owned subsidiaries.

Investment in Associate

On April 14, 2014, Experion purchased a 25% equity interest in Northern Vine Canada Inc. ("Northern Vine") at a cost of $2,500. As at November 30, 2014, Experion recognized its share of Northern Vine losses to the extent of its investment, resulting in a nil carrying value. Northern Vine did not generate any income and Experion's equity interest was reduced to 19.5% during the 2015, 2016 and 2017 periods. On September 28, 2017 and concurrent with the reverse takeover transaction, Experion transferred its 19.5% interest in Northern Vine in consideration of 2,500,000 common shares of Experion. The Experion common shares were cancelled upon receipt. IFRS do not permit the recognition of any gain or loss as the result of the repurchase of Experion's previously issued common shares. A recovery of the previously reduced investment carrying value in the amount of $2,500 has been accounted for as a reduction of Experion's deficit. For income taxes purposes Experion has accounted for the transaction as a taxable capital gain of $198,750 during the year ended November 30, 2017.

(Expressed in CDN $)

7. INVESTMENTS (Cont'd)

Investment in Experion Convertible Debentures

On August 1, 2017, Experion issued 1,056 convertible debentures having an aggregate face value of $1,056,000 at par value. On September 28, 2017 and concurrent with the reverse takeover transaction, Viridium acquired 100% of the Experion convertible debentures plus accrued interest, in consideration of the issuance of 1,771,962 common share units of Viridium (See Share Capital Note 9). The investment, liability and share capital reserve balances of Viridium and Experion have been eliminated in the Company's Condensed Interim Consolidated Financial Statements due to their intercorporate nature. Viridium currently holds the Experion convertible debentures as an investment and may hold or dispose of the investment or potion thereof, prior to their maturity. Experion convertible debentures mature July 31, 2019 and bear interest at 8% per annum, payable July 31 each year. Each convertible debenture is convertible into one debenture unit at the earlier of September 30, 2017 or a change in control and no later than January 31, 2019. Each debenture unit consists of 533 common shares of Experion and 533 common share purchase warrants, exercisable at a price of $2.50 per share and expiring May 31, 2018.

8. PROPERTY, PLANT AND EQUIPMENT

A continuity of property, plant and equipment for the three month periods ended February 28, 2018 and February 28, 2017 is as follows:

Cost	December 1, 2017	Additions	February 28, 2018
Land	$ 1,018,900	$ 25,025	$ 1,043,925
Building	1,791,959	107,038	1,898,997
Production equipment	96,864	12,259	109,123
Computer hardware	47,153	-	47,153
Computer software	12,082	-	12,082
Office equipment	17,828	-	17,828
	$ 2,984,786	**$ 144,322**	**$ 3,129,108**

Accumulated Depreciation	December 1, 2017	Depreciation	February 28, 2018
Land	$ -	$ -	$ -
Building	-	23,737	23,737
Production equipment	-	7,725	7,725
Computer hardware	7.073	3,006	10,079
Computer software	-	906	906
Office equipment	1,783	802	2,585
	$ 8.856	**$ 36,176**	**$ 45,032**

(Expressed in CDN $)

8. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Cost	**December 1, 2016**	**Additions**	**February 28, 2017**
Land	$ -	$ -	$ -
Building	251,765	347,521	599,286
Production equipment	-	-	-
Computer hardware	-	-	-
Computer software	-	-	-
Office equipment	-	-	-
	$ 251,765	**$ 347,521**	**$ 599,286**

Accumulated Depreciation	**December 1, 2016**	**Depreciation**	**February 28, 2017**
Land	$ -	$ -	$ -
Building	-	-	-
Production equipment	-	-	-
Computer hardware	-	-	-
Computer software	-	-	-
Office equipment	-	-	-
	$ -	$ -	$ -

Net Book Value	**November 30, 2017**	November 30, 2016
Land	$ 1,043,925	$ -
Building	1,875,260	599,286
Production equipment	101,398	-
Computer hardware	37,074	-
Computer software	11,176	-
Office equipment	15,243	-
	$ 3,084,076	**$ 599,286**

The Company began utilizing the building, production equipment and computer software for cannabis cultivation activities on January, 1, 2018.

9. SHARE CAPITAL

Authorized

Unlimited number of common voting shares.
Unlimited number of preferred shares, without nominal or par value.

Equity Raises

The Company did not complete any equity financing during the three month period ended February 28, 2017.

On April 28, 2017 the Company completed a private placement of 1,866,666 common shares (5,847,390 common shares on a post reverse takeover basis) for gross proceeds of $1,400,000. The offering price was $0.75 per common share ($ 0.24 per common share on a post reverse takeover basis). No share issuance costs were incurred with the offering.

On September 28, 2017 and concurrent with the reverse takeover, the Company completed a private placement of 5,500,000 common share units, which included an over-allotment of 500,000 common share units for gross proceeds of $3,300,000. Each common share unit consisted of one common share and one-half common share purchase warrant, exercisable at $0.80 per common share and expiring June 27, 2018. The relative fair value of the warrants was estimated to be $330,000 and was determined using the Black-Scholes option pricing model with the following assumptions: common share price of $0.54, a risk free rate of 1.295%, an expected volatility of 100%, an expected yield rate of nil and an expected life of 0.75 years. Cash share issuance costs of $267,668 were incurred and were allocated against share capital ($240,900) and share capital warrant reserve ($26,768) based on the relative fair value. Non cash share issuance costs included the issuance of 355,670 broker options with an exercise price of $0.60 per share and 177,835 broker warrants having an exercise price of $0.80 per share. The broker options and warrants expire June 27, 2018. The fair value of broker options and warrants was estimated to be $79,107 and was determined using the Black-Scholes option pricing model with the following assumptions: common share price of $0.54, a risk free rate of 1.295%, an expected volatility of 100%, an expected yield rate of nil and an expected life of 0.75 years. The non-cash share issuance costs were allocated against share capital ($71,196) and share capital warrant reserve ($7,911) based on relative fair value.

On November 14, 2017, the Company completed a private placement of 986,111 common share units for gross proceeds of $591,567. Each common share unit consisted of one common share and one-half common share purchase warrant, exercisable at $0.80 per common share and expiring June 27, 2018. The relative fair value of the warrants was estimated to be $305,694 and was determined using the Black-Scholes option pricing model with the following assumptions: common share price of $1.29, a risk free rate of 1.05%, an expected volatility of 100%, an expected yield rate of nil and an expected life of 0.62 years. Cash share issuance costs of $13,956 were incurred and were allocated against share capital ($6,746) and share capital warrant reserve ($7,210) based on relative fair value.

8. SHARE CAPITAL (Cont'd)

During the three months ended February 28, 2018, the Company received $255,000 upon the exercise 318,750 common shares upon the exercise common share purchase warrants at $ 0.80 per common share.

Other

On September 28, 2017 and concurrent with the reverse takeover, the Company issued 1,771,962 common share units at a price of $0.60 per unit (total consideration of $1,063,177) for the purchase of 100% of the issued Experion convertible debentures having a face value of $1,056,000 plus accrued interest. Each common share unit issued consisted of one common share and one common share purchase warrant having an exercise price of $0.80 and expiring on June 27, 2018. The fair value of the warrants was estimated to be $207,320 and was determined using the Black-Scholes option pricing model with the following assumptions: common share price of $0.54, a risk free rate of 1.295%, an expected volatility of 100%, an expected yield rate of nil and an expected life of 0.75 years.

On September 28, 2017 and concurrent with the reverse takeover, Experion purchased 2,500,000 (pre reverse takeover common shares) of its previously issued common shares from Northern Vine Canada Inc. ("Northern Vine"). This transaction was a non cash transaction with Experion exchanging its investment in Northern Vine for Northern Vine's investment in Experion. Experion issued common shares to Northern Vine on April 14, 2014 for proceeds of $2,500. The common shares issued have been cancelled and a $2,500 reduction in share capital and deficit has been recorded. (See Note 6 – Investment in associate)

(Expressed in CDN $)

8. SHARE CAPITAL (Cont'd)

Common Shares and Warrant Reserves
The following is a schedule of share capital and warrant reserves:

	Share Capital Number #	**Share Capital CDN Dollars** $	**Warrants Number** #	**Warrant Reserve CDN Dollars** $	**Total CDN Dollars** $
Balance November 14, 2014 and 2015	10,000,000	10,000	-	-	$ 10,000
Private placement November, 2016	1,466,667	1,100,000	-	-	1,100,000
Balance November 30, 2016 and February 28, 2017	**11,466,667**	**1,110,000**	**-**	**-**	**1,110,000**
Private placement April, 2017	1,866,666	1,400,000	-	-	1,400,000
Purchase of common shares	(2,500,000)	(2,500)	-	-	(2,500)
Subtotal	10,833,333	2,507,500	-	-	2,507,500
Reverse takeover share split	23,102,424		-	-	
Reverse takeover shares deemed to be issued to non Experion shareholders	3,386,520	1,557,521	-	-	1,557,521
Private placement to purchase Experion convertible debentures	1,771,962	855,857	1,771,962	207,320	1,063,177
Private placement September 28, 2017	5,500,000	2,970,000	2,750,000	330,000	3,300,000
Agent's Option	-	-	533,505	79,107	79,107
Private placement November 14, 2017	986,111	285,873	493,506	305,694	591,567
Issuance Costs	-	(318,842)	-	(41,889)	(360,731)
Balance November 30, 2017	45,580,350	7,857,909	5,548,973	880,233	8,738,141
Warrants exercised	318,750	293,250	(318,750)	(38,250)	255,000
Stock based compensation exercised	174,625	101,797	-	-	101,797
Balance February 28, 2018	**46,073,725**	**8,252,956**	**5,230,223**	**841,983**	**9,094,938**

The following is a summary of outstanding warrants:

Number Outstanding at November 30, 2017	**Remaining Contractual Life (Years)**	**Exercise Price**
355,670	0.33	$0.60
4,911,473	0.33	$0.80
Weighted Average	0.33	$0.79

Subsequent to the three month period ended February 28, 2018, 184,750 warrants were exercised for gross proceeds of $138,900.

(Expressed in CDN $)

8. SHARE CAPITAL (Cont'd)

Share Based Compensation

The Company has a Stock Option Plan that is administered by the Board of Directors of the Company who establish the number of options granted, exercise prices, at not less than market price at the date of grant, expiry dates, and vesting conditions. The Company also has a Restricted Share Unit Plan that is administered by the Board of Directors of the Company who establish the number of restricted share units granted, expiry dates and vesting conditions. Restricted share units have no exercise price. The maximum number of common shares reserved for issuance for options and restricted stock units that may be granted under the plan is 10% of the common shares outstanding, which amounts to 4,607,372 at February 28, 2018. The vesting terms on the issued options are as following:

i) Upon a specified future date – service condition
ii) At the discretion of the Compensation Committee
iii) Upon receipt of a license to sell pursuant to the ACMPR – non-market performance condition
iv) 1/365th per day, during the employment period – service condition

The following is a summary of the changes in options pursuant to the Company's Stock Option Plan during the period:

	Options Issued	Average Exercise Price
Balance outstanding at November 30, 2014, 2015 and 2016 and February 28, 2017	$ Nil	$ Nil
Assumed upon reverse takeover	24,975	$4.20
Options granted	1,274,625	$0.60
Options exercised	-	-
Options forfeited/cancelled	-	-
Balance outstanding November 30, 2017	1,299,600	$ 0.60
Options issued December, 2017	50,000	$ 1.31
Balance outstanding February 28, 2018	1,349,600	$0.60
Balance vested, February 28, 2017	849,600	$ 0.60

(Expressed in CDN $)

8. SHARE CAPITAL (Cont'd)

The following is a summary of the outstanding stock options as at February 28, 2018:

Number Outstanding at February 28, 2018	Options Weighted Average Remaining Contractual Life (years)	Outstanding Range of Exercise Prices	Options Number Exercisable at February 28, 2018	Exercisable Range of Exercise Prices
24,975	2.3	$1.80-$7.20	24,975	$1.80-$7.20
1,274,625	3.3	$0.60	824,625	$0.60
50,000	1.75	$1.31	-	
1,299,600	3.3		849,600	

At February 28, 2018 the weighted average exercise price of options outstanding and options exercisable was $0.60.

Share Based Compensation (Cont'd)

The Company recorded $80,701 for the three months ended February 28, 2018 (for the three months ended February 28, 2018 - $nil) in share based compensation expense related to options.

In determining the amount of share-based compensation, the Company used the Black-Scholes option pricing model to establish the fair value of options granted during the three month period ended February 28, 2018 by applying the following assumptions:

	Two Year Options
Share price	$1.31
Risk free interest rate	1.52%
Expected life of options	2 years
Expected annualized volatility	100%
Expected dividend yield	Nil
Black-Scholes value of each option	$0.69

The Company has insufficient trading history to estimate its own share price volatility. The Company reviewed other companies in the industry with similar stage of development to determine a reasonable estimate of share price volatility. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate was based on the Bank of Canada interest rates with a term equal to the expected life of the options.

8. SHARE CAPITAL (Cont'd)

Restricted Share Unit Plan ("RSU's")

The Company recorded $399,158 for the three months ended February 28, 2018 (for the three months ended February 28, 2018 - $nil) in share based compensation expense related to RSU's.

The Company issued 50,000 RSU's at a deemed common share price of $0.84 per RSU during the three month period ended February 28, 2018. RSU's granted during the three months ended February 28, 2018 have a term of one year and are exercisable under the satisfaction of certain financial statement filing requirements. RSU's granted prior to the three month period ended February 28, 2018 have a term of one year and a remaining term of 0.58 years as at February 28, 2018. The RSU vesting terms are as follows: (a) 50% ("Tranche 1") shall vest once the following conditions have been satisfied: (i) the Company's common shares are trading on an acceptable stock exchange, (ii) the completion of the first harvest of cannabis product from the ACMPR license, and (iii) the volume weighted average trading price over a period of twenty days prior to the granted RSU's shall be greater than $0.50 per common share, and (b) 50% shall vest 180 days after the vesting of the Tranche 1 granted RSU's and upon the following conditions having been satisfied: (a) the Company's common shares are trading on an acceptable stock exchange, and (b) the volume weighted average trading price over a period of twenty days prior to the granted RSU's shall be greater than $0.50 per common share.

During the three month period ended February 28, 2018, the Company issued 174,625 common shares in consideration of exercised RSU's and recorded $101,797 as a reduction to share based compensation reserve and an increase in share capital. As at February 28, 2018 no other RSU's has vested.

(Expressed in CDN $)

10. INCOME TAXES

Income Tax Expense

Effective January 1, 2018, the provincial income tax rate in British Columbia, Canada increased from 11% to 12%.

The following table reconciles income taxes at the expected combined Canadian federal/provincial tax rates with the income tax expense in the consolidated financial statements:

	February 28, 2018	February 28, 2017
Expected tax rate	**27.0%**	26.9%
Loss before income taxes	**$(1,173,309)**	$(61,688)
Expected income tax recovery	**(316,793)**	(16,594)
Permanent differences		
Share based compensation	**129,562**	-
Other	**590**	-
Deferred taxes not recognized	**186,639**	16,594
Income tax expense	**$ Nil**	$ Nil

Deferred Incomes Taxes

The differences that give rise to deferred income tax assets and deferred income tax liabilities are presented below:

	February 28, 2018	February 28, 2017
Amounts related to tax loss carry forwards	**$534,449**	$41,553
Amounts related to cash share issuance costs	**60,831**	-
Net deferred tax asset	**595,280**	41,553
Less: Deferred tax asset not recognized	**(595,280)**	(41,553)
Net deferred tax asset	**$ Nil**	$ Nil

Loss Carryforwards and Share Issuance Costs

	February 28, 2018	February 28, 2017
Losses carried forward	**$1,979,441**	$154,472
Share issuance costs	**225,300**	Nil
Total	**$2,204,741**	$154,472

(Expressed in CDN $)

10. INCOME TAXES (Cont'd)

Loss Carryforwards and Share Issuance Costs (Cont'd)

As at February 28, 2018, the Company has non-capital losses of $1,979,441 expiring as follows:

Year	Amount
2033	$ 1,250
2034	32,922
2035	25,983
2036	32,628
2037	1,195,694
2038	690,964
Total	$ 1,979,441

11. RELATED PARTIES

Compensation paid and the value of stock options and RSU's vested to executive officers and board members during the three month period ended February 28, 2018 is as follows:

	Cash Compensation	Share Based Compensation Stock Options	Share Based Compensation RSU's	Total
Management	$ 234,680	$ 59,850	$ 101,798	$396,328
Board of Directors	3,000	Nil	Nil	3,000
	$ 237,680	$ 59,850	$ 101,798	$ 399,328

During the three month period ended February 28, 2018, the C.F.O. of the Company resigned resulting in additional cash payments and the acceleration of the vesting period for RSU's. The cash compensation and the value of RSU's vested during the period to the former C.F.O. of the Company was $84,680 and $80,798 respectively.

The number of stock options and restricted share units granted and vested to executive officers and board members during the three month period ended February 28, 2018 is as follows:

	Stock Options Granted #	Stock Options Vested #	RSU's Granted #	RSU's Vested #
Management	Nil	149,625	50,000	174,625
Board of Directors	Nil	Nil	Nil	Nil
	Nil	149,625	50,000	174,625

Two shareholders perform services for the Company. The Company paid $55,000 in cash compensation to the shareholders during the three month period ended February 28, 2018 (2017 – $ Nil). The Company is also indebted the two shareholders in the amount of $18,875 as at February 28, 2018 (2017 - $14,633).

12. CONTINGENCIES AND COMMITMENTS

1. 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 harvest on its initial cultivation of medical cannabis. Experion remains subject to additional Health Canada inspections and has not received its license to sell or ship medical cannabis. Although management anticipates a license to sell be issued, there can be no assurance of same until the license to sell is issued.

2. Viridium's predecessor Morro Bay Resources Ltd. has been named in two legal actions. Dundeal 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 C.E.O. 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. Ezra Jimenez is seeking damages of $35,000 plus costs (Small Claims Court, Provincial Court of British Columbia File #C17188) as a result of a dispute over consulting fees relating to a non-operational subsidiary of the Company. No amount has been recorded in these Condensed Interim Consolidated Financial Statements.

13. FINANCIAL INSTRUMENTS

Foreign Currency Risk

As at February 28, 2018, less than 7% of the Company's financial assets are denominated in a currency other than Canadian dollars. The Company has very limited currency risk.

Interest Rate Risk

The Company's exposure to interest rate risk only relates to any investments of surplus cash, investments and the convertible debentures issued by Experion, which currently 100% owned by Viridium. The Company may invest surplus cash in highly liquid investments with short terms to maturity that would accumulate interest at prevailing rates for such investments.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade accounts receivable. The Company is exposed to credit-related losses in the event of non-performance by the counterparties.

The carrying amount of cash and cash equivalents, and amounts receivable represents the maximum exposure to credit risk and this amounted to $2,097,025 (2017 - $435,562). Since the inception of the Company, no losses have been suffered in relation to cash held by the bank.

13. FINANCIAL INSTRUMENTS (Cont'd)

At February 28, 2018 and 2017, the receivables from government agencies was 100% of total amounts receivable.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. During the three month period ended February 28, 2018 the Company received $255,000 in proceeds from the exercise of warrants. During the most recently completed fiscal year ended November 30, 2018, the Company completed several equity financings for gross cash proceeds of $5,291,567 and a convertible debenture offering for cash proceeds of $906,000.

In addition to the commitments disclosed in Note 11, the Company is obligated to the following contractual maturities of undiscounted cash flows, which are due within a year: Accounts payable and accrued liabilities $115,400 (2017 - $138,238).

Fair Values

The carrying values of cash and cash equivalents and accounts payable and accrued liabilities approximate their fair values due to their short-term to maturity.

Fair Value Hierarchy

Financial instruments recorded at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

During the year, there were no transfers of amounts between levels.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

13. FINANCIAL INSTRUMENTS (Cont'd)

The Company's other financial instruments, including amounts receivable, accounts payable and accrued liabilities, and other liabilities are carried at cost which approximates fair value due to the relatively short maturity of those instruments.

14. SEGMENTED INFORMATION

The Company operates in one segment, the production of medical cannabis. All property, plant and equipment are located in Canada.

15. CAPITAL MANAGEMENT

The Company's objective is to maintain sufficient capital base so as to maintain investor, creditor and customer confidence and to sustain future development of the business and provide the ability to continue as a going concern. Management defines capital as the Company's shareholders' equity and debt. The Board of Directors does not establish quantitative return on capital criteria for management; but rather promotes year over year sustainable profitable growth. The Company currently has not paid any dividends to its shareholders.

As at February 28, 2018 total managed capital was comprised of shareholders' equity and debt of $5,234,782 (February 28, 2017 - $1,093,766).

The Company's approach to capital management includes the maintenance of sufficient cash, cash equivalents and credit capacity to execute its business plan over the next fiscal year.

The Company is not subject to externally imposed restrictions.

16. SUBSEQUENT EVENTS

Subsequent to the three month period ended February 28, 2018 the Company issued 184,750 common shares upon the exercise of share purchase warrants, 44,118 common shares pursuant to a private placement and 623,500 common shares upon the exercise of restricted share units. The total number of common share outstanding as at the date of these Condensed Interim Consolidated Financial Statements, April 30, 2018, is 46,926,093.

Subsequent to the three month period ended February 28, 2018 the Company granted 75,000 stock options and 125,000 restricted share units.

On March 16, 2018, upon the resignation of Mr. Serenas as C.E.O., Chairman of the Board and Director, the Company appointed Mr. Malnarich as C.E.O. and Mr. Steele became Chairman of the Board.

16. SUBSEQUENT EVENTS (Cont'd)

On April 4, 2018, Mr. MacNeil and Mr. Enchino were appointed to the Board of Directors. On April 17, 2018, Mr. MacNeil was appointed chairman of the compensation committee and Mr. Enchino was appointed chairman of the audit committee.