SUPREME PHARMACEUTICALS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NINE MONTHS ENDED MARCH 31, 2016

(Expressed in Canadian Dollars)

Management's Responsibility for Financial Reporting

To the Shareholders of Supreme Pharmaceuticals Inc. (the "Company"):

Management is responsible for the preparation and presentation of the accompanying condensed interim consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards ("IFRS"). This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the condensed interim consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of the consolidated financial statements.

The Board of Directors and the Audit Committee is composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the condensed consolidated interim financial statements. The Audit Committee has the responsibility of meeting with management and the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee is also responsible for recommending the appointment of the Company's external auditors.

We draw attention to Note 1 in the condensed consolidated interim financial statements, which indicates the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

May 30, 2016

(signed)	(signed)
/John Fowler/	/Scott Walters/
Director	Director

Notice of No Auditor Review of Condensed Interim Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of Supreme Pharmaceuticals Inc. (the “Company”) have been prepared by and are the responsibility of management and are approved by the Company Board of Directors.

The Company’s independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards of the Chartered Professional Accountants of Canada for a review of interim financial statements.

Supreme Pharmaceuticals Inc.

Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

As at:	Note		March 31, 2016		June 30, 2015
ASSETS					
Current assets					
Cash		$	2,750,829	$	570,170
Amounts held in trust	17		100,000		-
Receivables			43,085		42,524
Biological assets	4		12,832		-
Prepaid expenses			227,212		474,538
			3,133,958		1,087,232
Non-current assets					
Greenhouse facility, net	5		9,337,018		8,849,879
Licence acquisition cost, net	3		8,396,914		8,396,914
Equipment, net	5		75,397		84,138
Reclamation bonds	7		15,000		15,000
Resource exploration assets	6		-		1,700
		$	20,958,287	$	18,434,863
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		$	171,682	$	146,425
Shares issuance liability	12,17		136,500		-
Due to related parties	12		-		89,439
Flow-through share liability	11		171,646		165,367
Current portion of mortgage payable	8		3,500,000		3,636,724
			3,979,828		4,037,955
Long-term liabilities					
Convertible debt	9		534,422		809,555
			4,514,250		4,847,510
SHAREHOLDERS' EQUITY					
Share capital	10		31,430,821		26,391,482
Reserves			4,509,349		3,605,673
Accumulated deficit			(19,496,133)		(16,409,802)
Total Shareholders' Equity			16,444,037		13,587,353
		$	20,958,287	$	18,434,863

Nature and continuance of operations (Note 1)
Subsequent events (Note 17)

Approved and authorized by the Board of Directors on May 30, 2016:

"John Fowler" Director "Scott Walters" Director

The accompanying notes are an integral part of these condensed consolidated financial statements.

Supreme Pharmaceuticals Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

(Unaudited)

For the nine months ended March 31,	**Notes**		**Nine Months Ended March 31, 2016**		**Nine Months Ended March 31, 2015**		**Three Months Ended March 31, 2016**		**Three Months Ended March 31, 2015**
Operating Expenses									
Amortization	5	$	100,360	$	9,628	$	90,445	$	4,768
Consulting			27,651		-		12,579		-
General and administrative			181,867		1,229,442		65,397		73,087
Interest, accretion, and bank charges	9		273,967		-		72,536		-
Professional fees			185,312		484,127		16,489		107,560
Promotion and marketing			130,715		-		83,577		-
Rent and facilities			221,986		-		96,958		-
Share based payments	12		1,484,801		1,791,197		1,458,016		-
Wages, management fees and benefits			521,782		904,217		173,224		327,344
Loss before other items			(3,128,441)		(4,418,611)		(2,069,221)		(512,759)
Other Items									
Flow-through share interest and penalties	11		(6,601)		-		(2,119)		-
Mortgage interest			-		(93,188)		-		(31,865)
Impairment of option to purchase			-		(250,000)		-		-
Other gains and losses			50,411		5,112		42,000		-
Write off of exploration assets	6		(1,700)		(4,250)		-		(4,250)
			42,110		(342,326)		39,881		(36,115)
Net loss and comprehensive loss for the period		**$**	**(3,086,331)**	**$**	**(4,760,937)**	**$**	**(2,029,340)**	**$**	**(548,874)**
Basic and Diluted Loss per common share		**$**	**(0.03)**	**$**	**(0.07)**	**$**	**(0.02)**	**$**	**(0.01)**
Weighted average number of shares			**97,075,825**		**70,701,238**		**87,063,992**		**77,167,595**

The accompanying notes are an integral part of these condensed consolidated financial statements.

Supreme Pharmaceuticals Inc.

Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

For the nine months ended March 31,		**2016**		**2015**
Operating activities:				
Net loss for the period	$	(3,086,331)	$	(4,760,937)
Items not involving cash				
Amortization		100,360		9,628
Accrued interest and accretion		273,967		93,188
Flow-through share interest and penalties		6,601		-
Share based payments		1,484,801		1,905,272
Impairment of option to purchase		-		250,000
Changes in non-cash working capital:				
Biological assets		(12,832)		-
Receivables		(561)		(42,123)
Prepaid expenses		64,075		(88,825)
Due to related parties		(89,439)		(320,469)
Accounts payable and accrued liabilities		(301,177)		341,611
		(1,560,536)		(2,612,655)
Investing activities:				
Acquisition of equipment		(9,971)		(76,679)
Facility improvements		(490,330)		(3,731,016)
Reclamation bonds recovered		-		7,500
Write off of exploration and evaluation assets		-		4,250
		(500,301)		(3,975,945)
Financing activities:				
Common shares issued (net of issuance costs)		666,758		5,394,416
Warrants exercised		3,182,238		-
Stock options		392,500		-
		4,241,496		5,394,416
Net change in cash		2,180,659		(1,014,184)
Cash, beginning of period		570,170		1,121,249
Cash, end of period	**$**	**2,750,829**	**$**	**107,065**

Supplemental disclosure with respect to cash flows (Note 13)

The accompanying notes are an integral part of these condensed consolidated financial statements.

SUPREME PHARMACEUTICALS INC.
Condensed Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Common Shares					
	Number of Shares	**Share Capital**	**Subscription Receivable**	**Reserves**	**Deficit**	**Total Shareholders' (Deficiency) Equity**
Balance, June 30, 2014	57,554,137	$ 20,121,808	$ (50,000)	$ 921,955	$ (10,617,372)	$ 10,376,391
Private Placements	16,799,274	4,652,010	-	-	-	4,652,010
Subscriptions collected	-	-	50,000	-	-	50,000
Warrants exercised	2,008,000	502,000	-	-	-	502,000
Shares issued for debt	1,543,544	471,613	-	-	-	471,613
Stock options	1,200,000	493,181	-	(193,181)	-	300,000
Share based payments	-	-	-	1,516,747	-	1,516,747
Finder’s fee	-	(122,183)	-	-	-	(122,183)
Net loss for the period	-	-	-	-	(4,760,937)	(4,760,937)
Balance, March 31, 2015 (Total Restated)	79,104,955	26,118,429	-	2,245,521	(15,378,309)	12,985,641
Finders fees	-	(52,158)	-	-	-	(52,158)
Share issuance costs	-	(114,544)	-	56,818	-	(57,726)
Convertible debt and interest	3,834,837	439,755	-	617,917	-	1,057,672
Share based payments	-	-	-	685,417	-	685,417
Net loss for the period	-	-	-	-	(1,031,493)	(1,031,493)
Balance, June 30, 2015	82,939,792	26,391,482	-	3,605,673	(16,409,802)	13,587,353
Private Placements (net of fees)	4,026,469	314,842	-	351,916	-	666,758
Warrants exercised	15,923,879	2,692,636	-	489,602	-	3,182,238
Shares issued for debt	233,313	39,664	-	-	-	39,664
Share based payments	1,685,000	600,175	-	748,516	-	1,348,691
Debenture conversion	2,466,765	313,164	-	-	-	313,164
Convertible debt equity	-	374,608	-	(374,608)	-	-
Stock options exercised	1,250,000	704,250	-	(311,750)	-	392,500
Net loss for the period	-	-	-	-	(3,086,331)	(3,086,331)
Balance, March 31, 2016	**108,525,218**	**$ 31,430,821**	**$ -**	**$ 4,509,349**	**$ (19,496,133)**	**$ 16,444,037**

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of Operations:

Supreme is a federally incorporated Canadian medical marijuana company with its common shares publically traded on the Canadian Securities Exchange under the symbol “SL”. Supreme’s primary asset is 8528934 Canada Ltd. (“**7 Acres**”), a wholly owned subsidiary of Supreme. 7 Acres is a Canadian corporation that is a Licensed Producer (as such term is defined in the *Marihuana for Medical Purposes Regulations* (the “**MMPR**”)). 7 Acres intends to produce and sell medical marijuana from a seven-acre hybrid greenhouse facility (the “**Hybrid Greenhouse**”) located in Kincardine, Ontario. On December 9, 2015 7 Acres underwent a “pre-license inspection” (the “**Inspection**”) conducted by Health Canada for the purpose of determining if 7 Acres will become a Licensed Producer. The Inspection is the culmination of a multi-year application process commenced in 2013. On March 11, 2016, Supreme’s wholly owned subsidiary 7 Acres, was issued a license (the “**License**”) to cultivate medical marijuana pursuant to the *MMPR*. The License was obtained on a single inspection, without deficiencies. After issuance of the License, 7 Acres commenced cultivation of medical marijuana. 7 Acres will apply for permission to sell medical marijuana when its initial crops are harvested and prepared for sale.

On May 29, 2014 Supreme acquired 100% of the total issued and outstanding shares of 7 Acres by issuing 18,642,213 of its shares to shareholders of 7 Acres pursuant to the terms of a share purchase agreement. As a result, the transaction is considered a business combination of 7 Acres by Supreme. For accounting purposes, Supreme is considered the acquirer and 7 Acres the acquiree. Accordingly, the consolidated financial statements are in the name of Supreme, and are a continuation of the financial statements of Supreme. Additional information on the transaction is disclosed in note 3.

Supreme changed its name from Supreme Resources Ltd. on February 13, 2014. To date, the Company has not yet generated revenues from its operations, has accumulated losses and a working capital deficit, and is considered to be in the development stage. These material uncertainties cast significant doubt on the ability of the Company to continue as a going concern. These financial statements do not give effect to adjustments, if any, which would be necessary should the Company be unable to continue as a going-concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the financial statements.

The Company’s head office and registered records office is located at Suite 202, 20 De Boers Drive, Toronto, Ontario, M3J 0H1.

The consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency.

2. Significant Accounting Policies:

a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance and compliance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

These consolidated financial statements have been prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss which have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

b) Significant accounting judgments, estimates and assumptions

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

2. Significant Accounting Policies (continued)

c) Intangible Assets Valuation

The values associated with intangible assets involve significant estimates and assumptions, including those with respect to future cash inflows and outflows, discount rates and asset lives. These estimates and assumptions could affect the Company's future results if the current estimates of future performance and fair values change. These determinations will affect the amount of amortization expense on definite life intangible assets recognized in future periods. The Company assesses impairment by comparing the recoverable amount of an intangible asset with its carrying value. There recoverable amount is defined as the higher of value in use, or fair value less cost to sell. The determination of the recoverable amount involves management estimates.

d) New and revised IFRS in issue but not yet effective

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 was issued by the International Accounting Standards Board ("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. Management is currently evaluating the impact of IFRS 9 on its financial statements.

IFRS 15, *Revenue from Contracts and Customers* ("IFRS 15") was issued by the IASB on May 28, 2014, and will replace IAS 18, revenue, IAS 11, construction contracts, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018.

The policies applied in these condensed interim consolidated financial statements are consistent with the policies disclosed in Notes 2 and 3 of the annual audited consolidated financial statements for the year ended June 30, 2015. These condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended June 30, 2015.

3. Acquisition of 8528934 Canada Ltd.

Effective June 1, 2014 Supreme acquired 100% of the total issued and outstanding shares of 7 Acres by issuing 18,642,213 of its shares to the shareholders of 7 Acres. The transaction is considered a business combination. For accounting purposes, Supreme is considered the acquirer and 7 Acres the acquiree. Accordingly, the consolidated financial statements are in the name of Supreme and are a continuation of the financial statements of Supreme.

The former shareholders of 7 Acres received 18,642,213 common shares in total of Supreme for their 7 Acres common shares held. Certain of these shares are held in escrow according to the terms of an escrow agreement and subject to a partial release every six months until the final release on June 1, 2017. In the event that a production license is not received by Health Canada to grow medical marijuana, half of these shares will be cancelled. On March 11, 2016, Supreme's wholly owned subsidiary 7 Acres, the License to produce medical marijuana pursuant to the *MMPR*.

(Expressed in Canadian Dollars)

3. Acquisition of 8528934 Canada Ltd (continued)

In connection with the acquisition of 7 Acres, 15,642,213 shares issued by the Company are held in escrow pursuant to an escrow agreement dated June 2, 2014. Pursuant to the agreement 10% of the shares were released on June 1, 2014 and 15% are to be released every 6 months thereafter. As at March 31, 2016 7,038,996 shares are held in escrow. Shares will be released from escrow as follows:

June 1, 2016	2,346,332
December 1, 2016	2,346,332
June 1, 2017	2,346,332
	7,038,996

The acquisition of 7 Acres by Supreme has been accounted for under IFRS 3, Business Combinations. The transaction has been accounted for at the fair value of the equity instruments granted by Supreme to the shareholders of 7 Acres which is $8,388,996.

The difference between the fair value of the consideration paid $8,388,996 and the net assets of 7 Acres has been recognized as license acquisition cost on the statement of financial position as at June 30, 2014. Fair value of the shares issued was based on the Company's closing market price on the last business day prior to the effective day of the acquisition. Legal costs of the transaction were expensed.

The results of operations of 7 Acres are included in the consolidated financial statements of Supreme from the date of acquisition on June 1, 2014 to the Company's year end June 30, 2014.

The following represents management's estimate of the fair value of the net assets acquired at June 1, 2014 as a result of the acquisition:

Fair value of share consideration paid (18,642,213 @ $0.45 per share)			$	8,388,996
Less net assets acquired:				
Cash	$	48,849		
Office equipment		5,933		
GST receivable		597		
Due to/from related parties and shareholders		(63,297)		
Net liabilities (assets)				7,918
Excess consideration allocated to licence acquisition costs			**$**	**8,396,914**

4. Biological assets

As at March 31, 2016, the Company's biological assets consisted of cannabis seeds and supplies which were recorded at cost with no change in fair value as the Company has not received its approval to sell under the MMPR. The Company commenced the process of growing medical cannabis in April, 2016. All of the plants are to be harvested as agricultural produce.

5. Property and equipment

On May 23, 2014 Supreme purchased a 342,000 square foot green house facility including adjacent buildings situated on approximately sixteen acres of land located in the Bruce Energy Park, in Kincardine, Ontario, approximately 100 miles outside of Toronto (the "**Facility**").

(Expressed in Canadian Dollars)

5. Property and equipment (continued)

The Facility was acquired for the purpose of producing medical marijuana pursuant to the MMPR. On March 11, 2016, Supreme's wholly owned subsidiary 7 Acres, was issued the License to cultivate medical marijuana pursuant to the MMPR. Although major construction is still required to prepare the Facility for the additional expansion of medical marijuana production, the components of the Facility currently completed and approved for medical marijuana production are amortized.

	Facility – Kincardine Greenhouse	Land – Kincardine Greenhouse	Total Greenhouse Facility	Equipment
Cost				
Balance, June 30, 2014	$ 3,571,617	$ 1,203,319	$ 4,774,936	$ 14,508
Additions	3,951,495	-	3,951,495	88,118
Interest on mortgage	92,586	30,862	123,448	-
Balance, June 30, 2015	7,615,698	1,234,181	8,849,879	102,626
Additions	490,330	-	490,330	9,971
Interest on mortgage	58,843	19,614	78,457	-
Balance, March 31, 2016	**$ 8,164,871**	**$ 1,253,795**	**$ 9,418,666**	**$ 112,597**
Accumulated Amortization				
Balance, June 30, 2014	$ -	$ -	$ -	$ 3,903
Amortization	-	-	-	14,585
Balance, June 30, 2015	-	-	-	18,488
Amortization	81,648	-	81,648	18,712
Balance, March 31, 2016	**$ 81,648**	**$ -**	**$ 81,648**	**$ 37,200**
Net carrying cost, June 30, 2015	$ 7,646,560	$ 1,203,319	$ 8,849,879	$ 84,138
Net carrying cost, March 31, 2016	**$ 8,083,223**	**$ 1,253,795**	**$ 9,337,018**	**$ 75,397**

6. Resource exploration assets

As at March 31, 2016, Supreme retains 8 mineral claims in the Copper Mountain and Law Camp areas of British Columbia totaling approximately 582 hectares, which have a nominal value. The Company expects to dispose of the remaining claims by way of sale, spin out or abandonment although no formal steps have been taken in furtherance of same. The Company is disposing of this asset class due to (a) its change of business and focus on the medical marijuana operations, (b) negative change in resource and resource property prices and (c) due consideration regarding the return on additional investment in the resource claims. Nominal amounts have been spent on these assets during fiscal 2016 and 2015; they have not produced any revenue and are in the exploration stage. Accordingly, the Company does not anticipate a material impact on operations from the disposition.

7. Reclamation bonds

As at March 31, 2016, total reclamation bonds of $15,000 (2015: $15,000) represent term deposits which have been pledged to the Province of British Columbia as security for reclamation obligations pursuant to the Mines Act of British Columbia. These deposits bear annual interest rates that ranged from 0.65% to prime rate less 2.00% with maturity dates from April 2016 to May 2016.

8. Mortgage Payable

(Expressed in Canadian Dollars)

The mortgage payable is for principal $3,500,000 with an amended 26 month term maturing on July 31, 2016. The mortgage bears no interest during the first year of the term and during the second year bears interest at the rate of 7% per annum, compounded monthly. Principal and interest is due on maturity. The Mortgage is open and may be repaid at anytime without notice, bonus or prepayment penalty. The mortgage is secured by first charge over the Facility as described including assignment of rents.

The effective rate of interest for the life of the loan is 3.55%. Interest is accrued during the life of the loan based on the effective rate of interest. As at March 31, 2016, all accrued interest has been paid (March 31, 2015: $106,464).

Long-term debt is repayable as follows:

Year due:		**Principal**		**Interest**	**Total payable**
2016	$	3,500,000	$	-	$3,500,000

9. Convertible Debentures

During the year ended June 30, 2015, the Company received proceeds of $1,465,850 from a private placement issuance of 10% coupon, unsecured debentures, which are convertible into common shares at a rate of $0.17 per share at any time and mature April 23, 2018. Concurrently, the lenders received 8,622,647 warrants exercisable at $0.17 to April 23, 2020, subject to accelerated expiry in some circumstances.

The Company has prepaid the 10% coupon interest on the debentures by the issuance of 3,834,837 units, where each unit is comprised of a common share and a warrant exercisable at $0.17 for a period of 5 years. The units were valued at the amount of interest obligation settled, $439,755, and included in prepaid expenses. The amount will be expensed over the term of the debentures, and if converted or settled early any remaining balance will be expensed.

The convertible debentures were determined to be compound instruments, comprising liability, conversion feature, and warrants. As the debentures are convertible into common shares, the liability and equity components are presented separately. The initial carrying amount of the financial liability was determined by discounting the stream of future payments of interest and principal at a market interest rate of 29.9%. Using the residual method, the carrying amount of the conversion feature and the warrants issued is the difference between the principal amount and the initial carrying value of the financial liability. The equity component, and warrants are recorded in reserves on the statement of financial position. The debentures, net of the equity components and issue costs are accreted using the effective interest rate method over the term of the debentures, such that the carrying amount of the financial liability will equal the principal balance at maturity.

The Company incurred cash finders' fees of $50,766 and issued 298,753 finders' warrants valued at $41,021, these transaction costs have been allocated to the liability and equity components based on their pro-rata fair values.

Convertible debentures consist of the following:

		Proceeds		**Debt component**		**Equity component**
Balance June 30, 2014	$	-	$	-	$	-
Issue of convertible debt		1,465,850		850,417		615,433
Transaction costs, cash and warrants		(91,787)		(53,250)		(38,537)
Accretion		-		12,388		-
Balance, June 30, 2015	$	1,374,063	$	809,555	$	576,896
Accretion		-		38,440		-
Conversion		(419,350)		(313,573)		(105,777)
Balance, March 31, 2016	$	954,713	$	534,422	$	471,119

10. Share capital

a) Authorized:

Unlimited common shares without par value.
10,000,000 Class “A” preference shares with a par value of $10 each.
10,000,000 Class “B” preference shares with a par value of $50 each.

b) Common shares issued and outstanding:

Transactions during the period ended September 30, 2015

On July 30, 2015, the Company closed a private placement for an aggregate of $684,450. Pursuant to the private placement, the Company issued 4,026,469 units, at a price of $0.17.

On July 30, 2015, the Company issued 233,315 shares of common stock to employees of the Company at a price of $0.17 per share having a fair value of $39,663.

In September 2015, $240,000 of convertible debt principal was converted to shares at $0.17. The company issued 1,411,764 in shares in connection with this.

Transactions during the period ended December 31, 2015

On October 9, 2015 various debt holders converted $17,000 of convertible debt principal to shares at $0.17 per share. A total of 100,000 shares were issued.

On October 22, 2015 the Company issued 215,000 shares of common stock to certain Employees and Consultants of the Company at a price of $0.125 per share having a fair market value of $26,850. The debts were owing in light of reduced cash compensation accepted by such Employees and Consultants for 7 Acres pre-license operations, which were expected to have concluded in the prior period.

On December 22, 2015, 250,000 stock options were exercised generating proceeds of $62,500.

On December 23, 2015, 500,000 stock options were exercised generating proceeds of $205,000.

On December 31, 2015 various debt holders converted $34,850 of convertible debt principal to shares at $0.17 per share. A total of 205,000 shares were issued.

Transactions during the period ended March 31, 2016

On January 6, 2016, 200,000 stock options were exercised generating proceeds of $50,000.

On January 8, 2016, 200,000 stock options were exercised generating proceeds of $50,000.

On January 13, 2016 the Company issued 2,135,000 of incentive options to employees, officers, directors and consultants at a price of $0.50 per share expiring on January 10, 2021.

On January 21, 2016, debt holders converted $25,000 of convertible debt principal to shares at $0.17 per share. A total of 147,059 shares were issued.

On January 27, 2016, debt holders converted $21,500 of convertible debt principal to shares at $0.17 per share. A total of 126,471 shares were issued.

On February 3, 2016, debt holders converted $30,000 of convertible debt principal to shares at $0.17 per share. A total of 176,471 shares were issued.

On March 2, 2016, debt holders converted $51,000 of convertible debt principal to shares at $0.17 per share. A total of 300,000 shares were issued.

10. Share capital (continued)

On March 8, 2016, 100,000 stock options were exercised generating proceeds of $25,000.

On March 18, 2016 the Company issued 1,470,000 shares of common stock to certain Employees and Consultants of the Company at a price of $0.39 per share having a fair market value of $573,300 to fill success based contracts upon the granting of the MMPR.

On March 31, 2016 the company had 108,525,218 common shares issued and outstanding.

c) Share purchase warrants:

<u>Transactions during the period ended September 30, 2015</u>

On July 30, 2015, the Company closed a private placement for an aggregate of $684,450. Pursuant to the private placement, the Company issued 4,026,469 purchase warrants exercisable for one common share at a price of $0.32 per share prior to July 27, 2017. All purchase warrants issued pursuant to this private placement are subject to certain acceleration provisions. The Company paid finders' fees of $17,680 and issued 103,999 finders warrants in the connection with the financing.

In August 2015, the Company extended 5,563,944 warrants with expiry dates of September 22, 2015 and October 5, 2015 to September 22, 2016 and October 5, 2016, respectively.

<u>Transactions during the period ended December 31, 2015</u>

On October 29, 2015 various warrant holders exercised 137,123 warrants generating proceeds of $23,311.

On December 2, 2015 the Company implemented a limited time incentive program commencing December 7, 2015 to exercise 12,607,349 outstanding common share purchase warrants. Pursuant to the Incentive Program, holders who exercise such warrants before January 8, 2016 shall, in addition to the common share the holder would have received pursuant to the original terms of the Warrants, receive an additional common share purchase warrant. Each Incentive Warrant shall entitle the holder to purchase one common share of the Company at an exercise price of $0.32 before April 23, 2020, subject to accelerated expiry in certain circumstances.

On December 16, 2015 various warrant holders exercised 2,615,931 warrants generating proceeds of $444,708.27 in connection with the warrant incentive program.

On December 23, 2015 various warrant holders exercised 1,310,266 warrants generating proceeds of $222,745.22 in connection with the warrant incentive program.

On December 31, 2015 various warrant holders exercised 4,137,192 warrants generating proceeds of $703,322.64 in connection with the warrant incentive program.

<u>Transactions during the period ended March 31, 2016</u>

On January 6, 2016 various warrant holders exercised 1,028,310 warrants generating proceeds of $174,812.70 in connection with a warrant incentive program, where by in addition to the common share the holder would have received pursuant to the original terms of the Warrants, receive an additional common share purchase warrant. Each Incentive Warrant shall entitle the holder to purchase one common share of the Company at an exercise price of $0.32 before April 23, 2020, subject to accelerated expiry in certain circumstances.

On January 7, 2016 various warrant holders exercised 150,000 warrants generating proceeds of $25,500 in connection with a warrant incentive program, where by in addition to the common share the holder would have received pursuant to the original terms of the Warrants, receive an additional common share purchase warrant. Each Incentive Warrant shall entitle the holder to purchase one common share of the Company at an exercise price of $0.32 before April 23, 2020, subject to accelerated expiry in certain circumstances.

10. Share capital (continued)

(Expressed in Canadian Dollars)

On January 8, 2016 various warrant holders exercised 3,377,411 warrants generating proceeds of $574.159.87 in connection with a warrant incentive program, where by in addition to the common share the holder would have received pursuant to the original terms of the Warrants, receive an additional common share purchase warrant. Each Incentive Warrant shall entitle the holder to purchase one common share of the Company at an exercise price of $0.32 before April 23, 2020, subject to accelerated expiry in certain circumstances.

On March 18, 2016 various warrant holders exercised 3,167,646 warrants generating proceeds of $1,013,678.73 in connection with a warrant incentive program, where by in addition to the common share the holder would have received pursuant to the original terms of the Warrants, receive an additional common share purchase warrant. Each Incentive Warrant shall entitle the holder to purchase one common share of the Company at an exercise price of $0.55 before July 28, 2018, subject to accelerated expiry in certain circumstances.

On March 31, 2016 the company had 28,785,019 share purchase warrants outstanding.

	Warrants Outstanding		Weighted Average Exercise Price
Outstanding, June 30, 2014	3,806,400		$0.25
Granted	24,791,678		0.33
Exercised	(2,008,000)		(0.25)
Expired/cancelled	(1,798,400)		(0.25)
Outstanding, June 30,2015	24,791,678	$	0.33
Granted	19,780,097		0.33
Exercised	(15,786,756)		(0.20)
Expired/cancelled	-		-
Outstanding, March 31, 2016	**28,785,019**	**$**	**0.42**

As at March 31, 2016, the Company had outstanding warrants as follows:

Exercise Price		Expiry Date	Number of Warrants	Weighted Average Remaining Life (years)
$	0.50	July 2, 2017	3,200,000	1.25
$	0.50	September 22, 2016	4,615,744	0.48
$	0.50	October 6, 2016	948,200	0.52
$	0.50	November 5, 2016	1,529,483	0.60
$	0.50	November 17, 2016	1,342,864	0.63
$	0.50	January 23, 2017	399,150	0.82
$	0.32	April 23, 2020	12,619,110	4.07
$	0.32	July 27, 2017	962,822	1.32
$	0.55	July 28,2018	3,167,646	2.33
			28,785,019	**2.39**

10. Share capital (continued)

(Expressed in Canadian Dollars)

The warrants were valued using the Black-Scholes option pricing model using the following weighted average assumptions. The Company has determined that its own historical volatility is not relevant to the current business activity, due to the change in business as discussed in Note 1. The company has estimated volatility for the options issued in the current year by using the historical volatility of other companied that the Company considers comparable to its current business actives:

	2016
Share price	$0.47 - $0.55
Expected dividend yield	0.00%
Stock price volatility	103%
Expected life of options	2.25 – 4.25 years
Forfeiture rate	-
Risk free rate	0.51 – 0.71%

d) Stock options:

As at March 31, 2016 and 2015, the Company had outstanding and exercisable stock options as follows:

	Options Outstanding		**Weighted Average Exercise Price**
Outstanding, June 30, 2014	2,400,000	$	0.25
Granted	4,500,000		0.41
Exercised	(1,200,000)		0.25
Outstanding and exercisable, June 30, 2015	**5,700,000**	**$**	**0.38**
Granted	2,135,000		0.50
Exercised	(1,250,000)		0.31
Outstanding and exercisable, March 31, 2016	**6,585,000**	**$**	**0.43**

As at March 31, 2016, the Company had outstanding and exercisable stock options as follows:

Exercise Price	**Expiry Date**	**Number of Options**	**Weighted Average Remaining Life (years)**
$ 0.25	May 5, 2019	450,000	3.10
$ 0.50	July 14, 2016	400,000	0.29
$ 0.41	October 14, 2016	250,000	0.54
$ 0.41	October 14, 2019	3,350,000	3.54
$ 0.50	January 10, 2021	2,135,000	4.78
		6,585,000	**3.65**

e) Share based payments

During the nine month period ended March 31, 2016, the Company granted 2,135,000 stock options with a fair value of $748,516.58 or $0.3608 per option. All options granted during the year vested immediately and therefore the full fair value was expensed during the period.

(Expressed in Canadian Dollars)

The options were valued using the Black-Scholes option pricing model using the following weighted average assumptions. The Company has determined that its own historical volatility is not relevant to the current business activity, due to the change in business as discussed in Note 1. The company has estimated volatility for the options issued in the current year by using the historical volatility of other companied that the Company considers comparable to its current business actives:

	2016	**2015**
Share price	$0.50	$0.44 - $0.50
Expected dividend yield	0.00%	0.00%
Stock price volatility	103%	120%
Expected life of options	4.8 years	4.57 years
Forfeiture rate	-	-
Risk free rate	0.51%	1.37%

f) Reserves:

Reserves are comprised of share based payments, the equity component of convertible debt and fair value of warrants.

11. Flow-through share liability

The Company has issued flow-through common shares to finance part of its past exploration expenditures. The Company incurred a shortfall of qualifying expenditures of $276,256 to 2012. Pursuant to the terms of the flow-through share agreements, the Company had agreed to indemnify subscribers for the amount of tax benefits lost in the event the amount of qualifying expenditures renounced to subscribers was reduced. Accordingly, at June 30, 2014, the Company recorded a commitment of $120,000 related to the flow-through shares, representing the estimated amount payable to indemnify the subscribers for the reduced renouncements. The Company also made a provision of $7,875 (2014 -$37,942) in additional Part XII.6 tax and penalties relating to the shortfall. The total liability for flow-through share commitments as at March 31, 2016 is $171,646 (2015 - $157,492).

12. Related party transactions

The aggregate value of transactions and outstanding balances to related parties for the nine month period ended March 31, were as follows:

Related party transactions		**2016**		**2015**
Management and consulting fees	$	-	$	532,512
Share based payments		1,484,801		1,481,978
		1,484,801	**$**	**2,014,490**

Payable at March 31,		**2016**		**2015**
Share issuance liability	$	136,500	$	64,763
	$	**136,500**	**$**	**64,763**

13. Supplemental disclosure with respect to cash flows

The Company had the following significant non-cash transactions during the nine month period ended March 31, 2016:

Issued 233,315 shares for the settlement of debt, total fair value $39,663.

Issued 215,000 shares for the settlement of debt, total fair value $26.875.

Capitalized mortgage interest of $78,457 to the greenhouse facilities.

Issued 1,470,000 shares to Employees, Directors and consultants in settlement of contractual obligations, total fair value $573,300.

Fair value of the options exercised during the period of $392,500.

The Company had the following significant non-cash transactions during the year ended June 30, 2015:

Issued 469,532 shares for the settlement of debt, total fair value $135,538.

Issued 999,670 shares to former Directors and consultants in settlement of contractual obligations, total fair value $307,825.

Issued 74,342 shares at $0.38 for an advertising and sponsorship agreement, fair value of $28,250.

Capitalized mortgage interest of $123,448 to the greenhouse facilities.

Fair value of the convertible debt conversion feature of $268,422.

Fair value of the warrants issued concurrently with the convertible debt of $308,474.

Fair value of the finders' fee warrants issued in relation to the convertible debt of $41,021.

Issued shares valued at $439,755 for the prepaid interest on the convertible debt.

Fair value of the options exercised during the year of $193,181.

14. Capital management

Capital is comprised of the Company's shareholder's equity and any debt it may issue. As at March 31, 2016, the Company's shareholders' equity was $16,444,037 (March 31, 2015 - $13,026,687). The Company's objective when managing capital is to safeguard its accumulated capital in order to provide adequate return to shareholders by maintaining a sufficient level of funds, in order to support its ongoing activities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company is dependent on external financing to fund its activities. The Company will spend its existing working capital and raise additional amounts as needed. The Company is not subject to any externally imposed capital requirements. There have been no changes in the Company's approach to capital management during the period ended March 31, 2016.

15. Financial risk management

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

15. Financial Risk Management (continued)

(Expressed in Canadian Dollars)

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
Level 3 – Inputs that are not based on observable market data.

At June 30, 2015, the Company's financial instruments consist of cash, reclamation bonds, accounts payable and accrued liabilities, mortgage payable, convertible debt and due to related parties. The fair values of cash, reclamation bonds, accounts payable and accrued liabilities, and due to related parties approximate their carrying values due to the relatively short-term to maturity. The Company classifies its cash as FVTPL, reclamation bonds as loans and

receivables and accounts payable and accrued liabilities, mortgage payable, convertible debt and due to related parties as other financial liabilities. The fair value of cash is based on level 1 inputs of the fair value hierarchy. The Company is exposed to a variety of financial instrument related risks. The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places these instruments with a high credit quality financial institution of Canada.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company typically settles its financial obligations out of cash and from time to time will settle liabilities with the issuance of common shares. The ability to do this relies on the Company raising financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. As at March 31, 2016 the Company had a cash balance of $2,750,829 and current liabilities of $3,979,828. The Company's current resources are not sufficient to settle its current liabilities. Management believes the current resources available should be sufficient to complete the sales licensing process, barring any unforeseen delays or complications**.** Management is confident that the mortgage will be successfully refinanced in the 2016 fiscal year as the asset value of the Hybrid Greenhouse exceeds the mortgage liability.

The Company's accounts payable and accrued liabilities are due in the short term. The Company's mortgage payable is due in fiscal 2016 and any remaining convertible debt will be due in 2018.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The flow-through share commitments interest and penalties bear interest at the Canada Revenue Agency's prescribed rates. The Company's mortgage payable has a fixed rate of 7% per annum.

16. Commitments

The Company signed a lease agreement dated December 2, 2014 for office space. Under the agreement, the company is committed to pay the following amounts:

Fiscal 2016	$42,009
Fiscal 2017	$49,656
Fiscal 2018	$25,959

17. Subsequent events

On April 5, 2016 Supreme entered into a Strategic Alliance Agreement with Dinafem Seeds, one of the world's leading manufacturers of high quality cannabis seeds.

17. Subsequent events (continued)

On April 25, 2016 Supreme issued 800,000 options to purchase common shares of the Company to certain directors pursuant to the terms of the Company's Option Plan at a price of $0.75 per share expiring on April 25, 2021.

On April 25, 2016 the Company issued an additional 350,000 shares of common stock to certain Employees and Consultants of the Company in relation to the March 18, 2016 share issuance to fill success based contracts upon the granting of the License, at a price of $0.39 per share having a fair market value of $136,500.

On April 22, 2016 Supreme closed an investment in CannSoft Inc. ("CannSoft") a development stage software company focused on providing enterprise resource planning (ERP) solutions to the cannabis industry. Amounts are held in trust at quarter end.