SUPREME PHARMACEUTICALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

For the year ended June 30, 2016

Date: October 26, 2016

SUPREME PHARMACEUTICALS INC.

Management Discussion and Analysis

The following Management Discussion and Analysis ("**MD&A**") should be read in conjunction with Supreme's consolidated financial statements and notes for the year ended June 30, 2016 (the "**Financial Statements**"). The Financial Statements, together with this MD&A are intended to provide investors with a reasonable basis for assessing the financial performance of Supreme Pharmaceuticals Inc. (the "**Company**" or "**Supreme**") as well as forward-looking statements relating to future performance. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**").

This MD&A contains disclosure of material changes occurring up to and including October 26, 2016.

Forward-Looking Statements

This MD&A contains certain information that may constitute "forward-looking information" and "forward-looking statements" (collectively, "**forward-looking statements**") which are based upon the Company's current internal expectations, estimates, projections, assumptions and beliefs. Such statements can be identified by the use of forward-looking terminology such as "expect," "likely", "may," "will," "should," "intend," or "anticipate", "potential", "proposed", "estimate" and other similar words, including negative and grammatical variations thereof, or statements that certain events or conditions "may" or "will" happen, or by discussions of strategy. Forward-looking statements include estimates, plans, expectations, opinions, forecasts, projections, targets, guidance, or other statements that are not statements of fact. The forward-looking statements included in this MD&A are made only as of the date of this MD&A. Forward-looking statements in this MD&A include, but are not limited to, statements with respect to:

- licensing risks;
- regulatory risks;
- change in laws, regulations and guidelines;
- market risks;
- expansion of facility;
- risks inherent in an agricultural business;
- history of net losses; and
- competition.

Certain of the forward-looking statements and forward-looking information and other information contained herein concerning the medical cannabis industry and the general expectations of Supreme concerning the medical cannabis industry and concerning Supreme are based on estimates prepared by Supreme using data from publicly available governmental sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which Supreme believe to be reasonable. While Supreme is not aware of any misstatement regarding any industry or government data presented herein, the medical cannabis industry involves risks and uncertainties that are subject to change based on various factors and the Company has not independently verified such third party information.

Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement. In particular, but without limiting the foregoing, disclosure in this MD&A under "*Overview of Supreme's Medical Cannabis Business*" as well as statements regarding the Company's objectives, plans and goals, including future operating results, economic performance and patient acquisition efforts may make reference to or involve forward-looking statements. A number of factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking statements. See "Risk Factors" for further details. The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. You should not place undue reliance on forward-looking statements contained in this MD&A. Supreme undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

Overview of Supreme's Medical Cannabis Business

Supreme is a federally incorporated Canadian company with its common shares publicly traded on the Canadian Securities Exchange under the symbol "SL". Supreme is focused on developing businesses in the emerging cannabis market, with a specific focus on the wholesale sector of the medical cannabis market in Canada. Supreme's primary asset is 8528934 Canada Ltd. d/b/a 7 ACRES ("**7 ACRES**")[1], a Canadian corporation, and wholly owned subsidiary of Supreme. 7 ACRES is a Licensed Producer (as such term is defined in the *Access to Cannabis for Medical Purposes Regulations* (the "ACMPR"), formerly the *Marihuana for Medical Purposes Regulations* (the "MMPR")) meaning it has obtained a federal license to produce medical cannabis pursuant to the ACMPR. 7 ACRES became a Licensed Producer on March 11, 2016 when it was issued a license to cultivate medical cannabis at its 7 Acre (342,000 sq. ft.) hybrid greenhouse (the "**Hybrid Greenhouse**") facility in Kincardine, Ontario. Management believes the Hybrid Greenhouse is the first of its kind in the world, combining the quality and yield benefits of indoor cannabis cultivation with the cost savings and sustainability of a greenhouse: the best of both worlds. As a result, Supreme (via 7 ACRES) is uniquely positioned to produce large quantities of high quality, low cost cannabis.

7 ACRES is currently the only Canadian Licensed Producer which is focused primarily on the Business-To-Business ("**B2B**") marketplace, supplying bulk cannabis to other legal sellers of cannabis. Management believes the B2B business model offers stable revenue growth via termed sales contracts while reducing the risk of competition at the point of retail sales.

[1] **Note:** 8528934 Canada Ltd. continues to operate as Advanced Medical Marihuana Canada ("AMMCan") and will continue to do so until such time as Health Canada approves its new trade name, 7 ACRES.

Highlights from the Year

Innovative Financing via Warrant Incentive Program: December 8, 2015 and February 16, 2016

In the year Supreme raised aggregate proceeds of $3,158,926 from two warrant incentive programs, an innovative financing model encouraging investment from existing security holders while greatly reducing the costs of raising capital. Supreme was the first issuer on the Canadian Securities Exchange to utilize this type of program.

Initial Licensing Obtained: March 11, 2016

Supreme's wholly owned subsidiary 7 ACRES became a Licensed Prouder on March 11, 2016 when it received a federal license to cultivate medical cannabis (the "License") at the 342,000 sq. ft. Hybrid Greenhouse located in Kincardine, Ontario. The License was granted after a single inspection. To date, Management has been pleased with the continued success of the 7 ACRES team to navigate the ACMPR to achieve business milestones while remaining in compliance with the ACMPR.

Commencement of Canada's Largest Cannabis Phenotyping Project: April 1, 2016

7 ACRES planted its first crop of cannabis on April 1, 2016. Supreme's management team made the decision to start with cannabis seeds and engage in a process called phenotyping. Phenotyping is the process by which specific genetic cultivars, also known as phenotypes, are selected from a larger genetic pool. Through the summer of 2016 7 ACRES completed what management believes to be the largest phenotyping project completed under the ACMPR. Phenotypes are selected for various economic characteristics: yield, potency, production time, pest resistance and salability. The cannabis cultivars selected in 2016 will form the basis for 7 ACRES' production for years to come. The additional time invested to phenotype will provide 7 ACRES production benefits going forward.

Strategic Partnership with Dinafem Seeds: April 5, 2016

As part of Supreme's commitment to establishing 7 ACRES as a leading producer, management entered into a strategic relationship with Dinafem Seeds. Based in San Sebastien, Spain, Dinafem Seeds is one of the world's leading developers of high-quality cannabis seeds. Through the Strategic Partnership, Supreme will be granted exclusive rights to consulting services provided by Dinafem Seeds to improve the Company's phenotypic selection process.

Strengthening of Management Team: November 19, 2015 and April 25, 2016

This year, Supreme's board of directors underwent substantial change to support the Company's continued growth. Additions to the board of directors include Mr. Michael La Brier, a successful Toronto-based real estate developer who provides a wealth of entrepreneurial and governance experience as well as specific expertise in executing complex construction projects; Mr. Scott Walters a former investment banker and hedge fund manager who is active in legal aspects of the US cannabis industry; and Mr. Navdeep Dhaliwal a Chartered Accountant with extensive capital markets experience. In addition, Mr. Dhaliwal was appointed Chief Financial Officer of the Company on April 25, 2016.

Validation of B2B Business Model via Multiple Wholesale Letters of Intent: May 20, 2016

Subsequent to 7 ACRES obtaining the ACMPR License, management identified that within the medical cannabis market, the patient population was growing at a greater rate than available supply. As a result, management determined to focus Supreme's business on B2B sales to other Licensed Producers rather than direct to consumer sales to capitalize on the perceived supply deficit within the ACMPR. Supreme entered into Letters of Intent ("**LOIs**") with six other ACMPR Licensees to provide each with bulk shipments of dried marihuana and trim. In aggregate, these LOIs represent substantially all of the expected annual output of "Phase 0" of the Hybrid Greenhouse. Management believes the six Licensees represent demand in excess of available supply.

Commencement of "Phase 1" Expansion: June, 2016

Following the strong demand leading to the LOIs, management decided to forthwith commence construction of "Phase 1" of the Hybrid Greenhouse. Once complete and approved by Health Canada, Phase 1 will add approximately an additional 80,000 sq. ft. to 7 ACRES' operating footprint and is forecasted to increase the Company's output capacity to 10,000 KG per annum. Construction commenced in June 2016 and is expected to be fully complete by June 2017.

Additional information relating to Supreme and other regulatory filings can be found on the SEDAR website at www.sedar.com.

Licensing Status

On March 11, 2016 Supreme's wholly owned subsidiary 7 ACRES became a Licensed Producer. As is Health Canada's customary practice, the initial license has a one-year term and is for "production only". Subsequent to the completion of the first two batches of dried marihuana being produced, packaged and approved for sale by the 7 ACRES' Quality Assurance Person, 7 ACRES will seek "sales approval" from Health Canada. At the end of the 2016 financial year, 7 ACRES was in the process of producing its first 9 batches of dried marihuana, which was harvested in August 2016. As of the date hereof, 7 ACRES was completing the final regulatory steps prior to requesting the sales approval from Health Canada.

The Hybrid Greenhouse

Supreme's cannabis business is currently focused on the continued development of 7 ACRES and the Hybrid Greenhouse facility. The Hybrid Greenhouse is the process of years of research and development conducted by management to develop an innovative way to produce cannabis: using the sun in a controlled environment. This involves modularizing the greenhouse structure to create manageable sized growing areas that can be fitted with mechanical ventilation, C02 enrichment, high intensity supplemental lighting, and automated climate and irrigation controls. Management expects to produce high quality cannabis that is also low cost. Supreme intends to exploit this advantage to build its B2B business through long-term sales contracts to other legal sellers of cannabis. When the Hybrid Greenhouse is fully operational and licensed, management expects to be able to produce at least 50,000 KG of dried marihuana per annum. Management believes the Hybrid Greenhouse will be one of the most productive cannabis facilities in Canada on a yield per sq. ft. basis.

The Hybrid Greenhouse is 342,000 sq. ft. located on approximately 16 acres of land in the Bruce Energy Centre in Kincardine, Ontario. The Bruce Energy Centre is specifically designed for high energy use businesses. As a result, 7 ACRES has access to the significant amounts of power required to operate the Hybrid Greenhouse. Similar access to power is not always available to agricultural greenhouse properties. The Hybrid Greenhouse was originally constructed for tomato production. The Hybrid Greenhouse is a Ven-lo structure designed to maximize light transmission into the greenhouse. The Hybrid Greenhouse was purchased by 7 ACRES in May 2014 for $4,500,000. Subsequent to the year end, the original vendor-takeback mortgage was refinanced by a $4,000,000 private mortgage with a term of one year bearing interest at 12% per annum.

Other Activities

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. After an extensive review of the market, management believes that CannSoft represents the most promising software provider in the space, going well beyond simple seed-to-sale inventory management by seeking to develop industry leading ERP tools to help 7 ACRES meet its business objectives.

Results of Operations

As at June 30, 2016, the Company has working capital surplus of $1,114,437 (June 30, 2015: (shortfall of $2,950,723)). During the year, the Company successfully completed two private placements and two warrant incentive programs.

During the year ended June 30, 2016, the Company incurred a net loss and comprehensive loss of $4,386,787 (June 30, 2015: $5,792,430). At June 30, 2016, the Company has an accumulated deficit of $24,074,273 (June 30, 2015: $16,409,802).

For the year ended June 30, 2016, the Company's total share based payments decreased to $1,673,860 (June 30, 2015 - $2,202,164). Share based payments were made in correspondence with the Employee Stock Option Plan ("**ESOP**") and represent incentives to employees for the positive achievements over the past fiscal year, and the strengthening of the management team. The ESOP grants are used by management to obtain and retain key employees and consultants.

For the year ended June 30, 2016, the Company's total salaries increased to $955,821 (June 30, 2015 - $561,437). The increase in salaries are due primarily to the change of the management team, increased reliance on employees rather than consultants and the increased staffing requirements needed following the grant of the License.

For the year ended June 30, 2016, the Company's total consulting fees decreased to $25,623 (June 30, 2015 - $980,598). The decrease in consulting fees is inversely related to the increase in salaries, described above.

For the year ended June 30, 2016, the Company's total professional fees decreased to $508,599 (June 30, 2015 - $616,196). The majority of the professional fees represent legal fees related to the acquisition of the license, maintenance of the license, developing the 7 ACRES business and general legal services.

The weighted average number of common shares, basic and diluted, outstanding for the year ended June 30, 2016 is 97,413,831 (June 30, 2015; 73,529,936).

Selected Annual Information

	Year Ended June 30, 2016 (Audited) $	**Year Ended June 30, 2015 (Audited) $**	**Year Ended June 30, 2014 (Audited) $**
Net Income (loss) before taxes	(4,386,787)	(5,792,430)	(1,990,646)
Net Income (loss) after taxes	(4,386,787)	(5,792,430)	(1,990,646)
Basic and diluted income (loss) per share	(0.05)	(0.08)	(0.08)
Total assets	24,284,266	18,434,863	14,715,280
Total long-term liabilities	536,700	809,555	3,513,276
Dividends declared per share	Nil	Nil	Nil

Selected Financial Information - Summary of Quarterly Results

The following table sets out selected quarterly information for the last 8 completed fiscal quarters of the Company:

	June 30 2016	Mar 31 2016	Dec 31 2015	Sept 30 2015	June 30 2015	Mar 31 2015	Dec 31 2014	Sep 30 2014
Net Sales/ Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Income (Loss)	$(1,300,457)	$(2,029,340)	$(531,764)	$(525,226)	$(1,080,603)	$(499,764)	$(3,015,069)	$(1,196,994)
Basic and diluted Earnings (Loss) per share	$(0.02)	$(0.02)	$(0.00)	$(0.00)	$(0.01)	$(0.01)	$(0.06)	$(0.01)

Liquidity

Cash from (used in) operating activities during the year ended June 30, 2016 is ($2,201,812) (June 30, 2015: ($3,220,843)). Cash from (used in) investing activities during the year ended June 30, 2016 is ($2,760,213) (June 30, 2015: ($4,038,577)). Cash provided (used in) financing activities is $8,122,424 (June 30, 2015: $6,708,341).

Capital Resources

The Company constantly monitors and manages its capital resources to assess the liquidity necessary to fund operations and capacity expansion. As at June 30, 2016 the Company had a combined cash and short term investments balance of $4,930,569 and current liabilities of $4,383,012. The Company's current resources are sufficient to settle its current liabilities. Subsequent to year end, the Company successfully refinanced the mortgage in the 2017 fiscal year, and closed two additional private placement tranches for aggregate proceeds of $11,333,875. Management believes the current resources available should be sufficient to complete the sales licensing process, barring any unforeseen delays or complications. All of the Company's liabilities are due within the next twelve months, except its convertible debt which is due in 2018. The convertible debt was converted to common shares subsequent to year-end.

Related Party Transactions

The aggregate value of transactions and outstanding balances relating to key management personnel for the year ended June 30, 2016 were as follows:

Related party transactions Accrued at June 30	2016 $	2015 $
Management & consulting fees	60,814	718,754
Share based payments	981,742	1,251,629
Salaries and wages	581,901	329,870
Accounting fees	-	48,000
	1,624,457	2,348,253

Payable at June 30	2016 $	2015 $
Management and consulting fees	-	29,650
Expenses payable	-	12,687
Salaries and wages	-	47,102
	-	89,439

Risks and Uncertainties

Overview

Commercial medical cannabis production is a new industry in Canada and relies on obtaining and maintaining regulatory approvals. As a result, there is a high degree of risk. There is a significant risk that the expenditures made by the Company in developing its medical cannabis business, specifically the 7 ACRES business will not result in profitable operations. Ongoing expenditures will be required to complete the licensing process.

The following sets out the principal risks faced by the Company:

Licensing Risk. 7 ACRES business is dependent on maintaining its status as a Licensed Producer (as defined in the ACMPR). Although 7 ACRES was successful in obtaining the status of License Producer, there is no guarantee that 7 ACRES will retain such status as licensing is beyond the control of Supreme and/or 7 ACRES and the sole discretion lies with Health Canada. The current License is valid for 1 year, and licenses may only be granted for a maximum of 3 years thereby requiring frequent and continuing approval by Health Canada. Supreme and 7 ACRES must strictly adhere to the regulations and applicable law in order to maintain the License and to secure necessary renewals. At this point in time, the License does not permit 7 ACRES to sell medical cannabis.

Regulatory Risks. Supreme operates in a new industry which is highly regulated and is in a market which is very competitive and evolving rapidly. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. 7 ACRES ability to grow, store and sell medical cannabis in Canada is dependent on the License from Health Canada and the need to maintain the License in good standing. Failure to comply with the requirements of the License or any failure to maintain this License would have a material adverse impact on the business, financial condition and operating results of Supreme.

Supreme will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with regulations may result in additional costs for corrective measures, penalties or in restrictions of our operations. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to Supreme's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond Supreme's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce Supreme's earnings and could make future capital investments or Supreme's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

Supreme's business as a Licensed Producer under the ACMPR represents a new industry and new market resulting from the ACMPR and its regulated regime. In addition to being subject to general business risks and to risks inherent in the nature of an early stage business, a business involving an agricultural product and a regulated consumer product, Supreme will need to continue to build brand awareness in the industry and market through significant investments in its strategy, its production capacity, quality assurance, and compliance with regulations. These activities may not promote the Supreme brand and products as effectively as intended. This new market and industry into which management is entering will have competitive conditions, consumer tastes, patient requirements and unique circumstances, and spending patterns that differ from existing markets.

Change in Laws, Regulations, and Guidelines. Supreme's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of medical cannabis but also including laws and regulations relating to health and safety, privacy, the conduct of operations and the protection of the environment. While to the knowledge of Supreme's management, Supreme is currently in compliance with all such laws, changes to such laws, regulations and guidelines due to matters beyond the control of Supreme may cause adverse effects to Supreme's operations and the financial condition of Supreme.

On March 21, 2014 the Federal Court of Canada issued an interim order affecting the repeal of the Marihuana Medical Access Regulations ("**MMAR**") and the application of certain portions of the MMPR which are inconsistent with the MMAR in response to a motion brought by four individuals in the Allard case. Prior to the trial, the Federal Court of Canada ordered injunctive relief (the "**Injunction**") in favour of certain individuals licensed to use medical cannabis pursuant to the MMAR. As a result, (i) individuals who held a license to possess cannabis under the MMAR on March 21, 2014 can continue to possess cannabis in accordance with the terms of that license, except that the maximum quantity of dried cannabis authorized for possession shall be the lessor of that which is specified by their licence or 150 grams; and (ii) individuals who held a valid license to produce cannabis under the MMAR as of September 30, 2013, or were issued one thereafter may continue to produce medical cannabis in accordance with the terms of that license. Individuals covered by the injunction who wish to change the terms of their license, such as a change in address or designated producer, will be able to do so by registering with Health Canada under the new regulations, the ACMPR.

On June 11, 2015 the Supreme Court of Canada, in a case titled *R v. Smith*, held that the restriction on the use of non-dried forms of cannabis for medical cannabis users violates the right to liberty and security of individuals in a manner that is arbitrary and not in keeping with the principles of fundamental justice. As a result, the Supreme Court of Canada declared Sections 4(1) and 5(2) of the CDSA, which prohibit the possession and trafficking of non-dried forms of cannabis, are of no force and effect to the extent that they prohibit a person with medical authorization from possessing cannabis other than dried cannabis. This ruling means medical cannabis patients authorized to possess and use medical cannabis are not limited to using dried forms of cannabis and may consume cannabis other than dried cannabis for medical purposes. On July 8, 2015 Health Canada issued certain exemptions under the CDSA, permitting Licensed Producers to produce and sell cannabis oil and fresh cannabis buds and leaves, in addition to dried cannabis (this did not permit Licensed Producers to sell plant material that can be used to propagate cannabis).

The Federal Court's decision on the *Allard* case was delivered on February 24, 2016. In the decision, the Federal Court declared the MMPR invalid as it unconstitutionally violated patients Charter protected rights to liberty and security. However, the Court suspended the operation of the declaration of invalidity for six months to permit Canada to enact a Charter-compliant regime. The government choose not to appeal the decision to the Federal Court of Appeal. On August 24, 2016, the ACMPR replaced the MMPR. The ACMPR is Canada's response to the Federal Court of Canada's February 2016 decision in Allard.

Overall, the ACMPR contain four parts:

- Part 1 is similar to the framework under the MMPR. It sets out a framework for commercial production by Licensed Producers responsible for the production and distribution of quality-controlled fresh or dried marijuana or cannabis oil or starting materials (i.e., marijuana seeds and plants) in secure and sanitary conditions.

- Part 2 is similar to the former MMAR regime. It sets out provisions for individuals to produce a limited amount of cannabis for their own medical purposes or to designate someone to produce it for them.

- Parts 3 and 4 include:

  - Transitional provisions, which mainly relate to the continuation of MMPR activities by Licensed Producers;

  - Consequential amendments to other regulations that referenced the MMPR (i.e., *Narcotic Control Regulations*, *New Classes of Practitioners Regulations*) to update definitions and broaden the scope of products beyond dried marijuana; and

  - Provisions repealing the MMPR and setting out the coming into force of the ACMPR on August 24, 2016.

As of August 24, 2016, Health Canada commenced accepting applications from individuals who wish to register to produce a limited amount of cannabis for their own medical purposes or to designate someone to produce cannabis for them. Individuals who were previously authorized to possess and produce cannabis under the MMAR remain authorized to do so by virtue of a Federal Court injunction order.

Under the ACMPR, Health Canada will continue to accept and process applications to become a Licensed Producer that were submitted under the former MMPR. Further, all Licenses and security clearances granted under the MMPR will continue under the ACMPR, which means that Licensed Producers can continue to register and supply clients with cannabis for medical purposes. New applicants can continue to apply for Licenses to produce under the ACMPR.

The risks to the business of Supreme represented by this or similar actions are that they might lead to court rulings or legislative changes that allow those with existing licenses to possess and/or grow medical cannabis, perhaps allow others to opt out of the regulated supply system implemented through the ACMPR by growing their own medical cannabis, or potentially even legitimize illegal areas surrounding cannabis dispensaries. This could significantly reduce the addressable market for Supreme's products and could materially and adversely affect the business, financial condition and results of operations for Supreme.

While the impact of any of such changes are uncertain and are highly dependent on which specific laws, regulations or guidelines are changed and on the outcome of any such court actions, it is not expected that any such changes would have an effect on Supreme's operations that is materially different than the effect on similar-sized companies in the same business as Supreme.

In addition, the industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond Supreme's control and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce Supreme's earnings and could make future capital investments or Supreme's operations uneconomic.

Market Risks. Supreme's securities trade on public markets and the trading value thereof is determined by the evaluations, perceptions and sentiments of both individual investors and the investment community taken as a whole. Such evaluations, perceptions and sentiments are subject to change, both in short term time horizons and longer term time horizons. An adverse change in investor evaluations, perceptions and sentiments could have a material adverse outcome on the Company and its securities.

Commodity Price Risks. Cannabis is a developing market, likely subject to volatile and possibly declining prices year over year, as a result of increased competition. Because medical cannabis is a newly commercialized and regulated industry, historical price data is either not available or not predictive of future price levels. There may be downward pressure on the average price for medical cannabis and has arranged its proposed business accordingly, however, there can be no assurance that price volatility will be favorable to Supreme. Pricing will depend on general factors including, but not limited to, the number of licenses granted by Health Canada and the supply such licensees are able to generate, the number of patients who gain physician approval to purchase medical cannabis. An adverse change in the cannabis prices, or in investors' beliefs about trends in those prices, could have a material adverse outcome on the Company and its securities.

Financing Risks. Entering the ACMPR regulated medical cannabis marketplace requires substantial outlay of capital. The Company currently generates no operating revenues; therefore, for the foreseeable future, it will be dependent raising capital through a combination of debt and/or equity offerings. There can be no assurance that the capital markets will remain favorable in the future, and/or that the Company will be able to raise the financing needed to continue its business at favorable terms, or at all. Restrictions on the Company's ability to finance could have a material adverse outcome on the Company and its securities.

Expansion of Facility. Expansion of the Hybrid Greenhouse is subject to Health Canada regulatory approvals. While management does not anticipate significant issues receiving any necessary approvals in the future, the delay or denial of such approvals may have a material adverse impact on the business and may result in Supreme not meeting anticipated or future demand when it arises.

Risks Inherent in an Agriculture Business. Supreme's business involves the growing of medical cannabis, which is an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as pests, plant diseases, crop failure and similar agricultural risks. Although Supreme grows its products indoors under climate controlled conditions, and carefully monitors the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the volume, quality and consistency of its products.

Share Price Volatility and Price Fluctuations. In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market prices of securities of many corporations have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Such volatility has been particularly evident with regards to the share price of medical cannabis companies, which are public issuers in Canada.

Key Personnel Risks. The Company's efforts are dependent to a large degree on the skills and experience of certain of its key personnel, including the board of directors. The Company does not maintain "key man" insurance policies on these individuals. Should the availability of these persons' skills and experience be in any way reduced or curtailed, this could have a material adverse outcome on the Company and its securities.

Competition. On October 19, 2015, the Liberal Party of Canada ("**Party**") obtained a majority government in Canada. The Party has committed to the legalization of recreational cannabis in Canada, though no model for this regulatory change has been publicly disclosed or timeline for implementation put forward. This regulatory change may not be implemented at all. The introduction of a recreational model for cannabis production and distribution may impact the medical cannabis market. The impact of this potential development may be negative for the Company and could result in increased levels of competition in its existing medical market and/or the entry of new competitors in the overall cannabis market in which the Company operates.

There is potential that Supreme will face intense competition from other companies, some of which can be expected to have more financial resources, industry, manufacturing and marketing experience than Supreme. Additionally, there is potential that the industry will undergo consolidation, creating larger companies that may have increased geographic scope and other economies of scale. Increased competition by larger, better-financed competitors with geographic or other structural advantages could materially and adversely affect the business, financial condition and results of operations of Supreme.

The government has only issued to date a limited number of licenses, under the MMPR/ACMPR, to produce and sell medical cannabis. There are, however, several hundred applicants for licenses. The number of licenses granted could have an impact on the operations of the Company. Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. According to Health Canada there were 36 Licensed Producers as of October 26, 2016. If the number of users of medical cannabis in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Environmental and Other Regulatory Requirements. The current or future operations of the Company, including development activities and commencement of production within the Hybrid Greenhouse, may require permits from various governmental authorities and such operations are and may be subject to laws and regulations governing disposal, growing, record keeping, disposal, sales and similar. Companies engaged in the medical cannabis business need to comply with applicable laws, regulations and permits. There can be no assurance that approvals and permits required to commence production will be obtained on a timely basis, or at all. Additional permits and studies, which may security and growing systems and record keeping are necessary prior to operation of the facilities. There can be no assurance that the Company will be able to obtain or maintain all necessary permits that may be required to commence construction, development or operation of cannabis facilities on terms which enable operations to be conducted at economically justifiable costs.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, potentially including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in medical cannabis operations may be required to compensate those suffering loss or damage by reason of such activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

History of Net Losses; Accumulated Deficit; Lack of Revenue from Operations. The Company has incurred net losses to date. The Company has not yet had any revenue from exploration or cannabis activities. Even if the 7 Acres becomes a Licensed Producer and commences growing, the Company may continue to incur losses. There is no certainty that the Company will produce revenue, operate profitably or provide a return on investment in the future.

Uninsurable risks. The Company may become subject to liability for pollution, fire and explosion, against which it cannot insure or against which it may elect not to insure. Such events could result in substantial damage to property and personal injury. The payment of any such liabilities may have a material, adverse effect on the Company's financial position.

Financial Instruments & Other Instruments

The Company's financial instruments consist of cash, short term investments, reclamation bonds, accounts payable and accrued liabilities and due to related parties, convertible debt and mortgage payable. Cash is classified as fair value through profit or loss and recorded at fair value. Reclamation bonds are classified as held-to-maturity and are measured at amortized cost using the effective interest method. Accounts payable and accrued liabilities, due to related parties and shareholder's loan are classified as other financial liabilities, which are measured at amortized cost. The fair value of cash, reclamation bonds, accounts payable and accrued liabilities, and due to related parties are equal to their carrying value due to their short-term maturity. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair value of arms-length financial instruments approximates their carrying value due to the relatively short-term to maturity.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements that would potentially affect current of future operations or the financial condition of the Company.

Investor Relations

On March 21, 2016, the Company engaged Market One Media Group Inc. for media and marketing services. The engagement ceased in June 2016. The Company has not entered into any other investor relations contracts and primarily all investor relation activity is carried out by the directors and officers of the Company.

Critical accounting estimates

The preparation of the 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 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.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the statements of financial position date, could result in a material adjustment to the carry amounts of assets or liabilities. In the event that actual results differ from the assumptions made, relate to, but are not limited to the following:

a) The inputs used in accounting for share based payments in the statements of operations and comprehensive loss;

b) The inputs used in assessing the recoverability of deferred tax assets to the extent that the deductible temporary differences will reverse in the foreseeable future and that the Company will have future taxable income; and

c) The amounts recorded related to flow-through share commitments are based on management's assessment of eligible expenditures, which qualify for renouncement under the applicable income tax legislation and are subject to review by the Canadian Revenue Agency ("CRA").

d) Bifurcation of the convertible debt.

Significant judgments used in the preparation of these financial statements include, but are not limited to those relating to the assessment of the Company's ability to continue as a going concern and matters related to the acquisition of 7 Acres.

e) Impairment of Intangible Assets

Judgement involved in determining whether an intangible assets useful life is finite or indefinite. The inputs used in assessing the potential impairment of indefinite life intangibles.

New accounting standards and interpretations not yet adopted

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The Company does not expect the impact of such changes on the financial statements to be material.

- IFRS 9 'Financial Instruments: Classification and Measurement' – effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.

- IAS 32 'Offsetting Financial Assets and Liabilities – the IASB amended IAS 32 to clarify certain aspects because of diversity in application of the requirements on offsetting.

Other MD&A Requirements

As specified by National Instrument 51-102, the Company advises readers of this MD&A that important additional information about the Company is available on the SEDAR website – www.sedar.com.

The Company's President & Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting for the Company.

Outstanding share data

The authorized capital of the Company consists of an unlimited number of common shares without par value, 10,000,000 Class "A" preference shares with a par value of $10 each and 10,000,000 Class "B" preference shares with a par value of $50 each. The Company had 166,950,186 common shares issued and outstanding as at October 26, 2016. For following table sets out the number of stock options granted as at October 26, 2016:

	Number of options	**Exercise price**	**Expiry date**
	325,000	$0.25	May 5, 2019
	1,875,000	$0.41	October 14, 2019
	1,840,050	$0.50	January 10, 2021
	800,000	$0.75	April 25,2021
	4,023,733	$0.75	August 29, 2021
	100,100	$0.77	September 14, 2021
Total	**8,993,783**		

For following table sets out the number of share purchase warrants issued and outstanding as at October 26, 2016:

	Number of Warrants	Exercise price	Expiry date
	765,606	$0.50	November 5, 2016
	3,200,000	$0.50	July 2, 2017
	691,613	$0.50	November 17, 2016
	181,498	$0.50	January 23, 2017
	7,457,567	$0.32	April 23, 2020
	962,822	$0.32	July 27, 2017
	2,858,821	$0.55	July 28,2018
	9,171,650	$0.50	June 20, 2019
	1,832,500	$0.50	July 15, 2019
	27,130,338	$0.50	September 2, 2019
Total	**54,252,415**		