TSXV:FIRE

THE SUPREME CANNABIS COMPANY, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

For the year ended June 30, 2018

Date: September 24, 2018

THE SUPREME CANNABIS COMPANY, INC.

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("**MD&A**") should be read in conjunction with The Supreme Cannabis Company, Inc. (the "**Company**" or "**Supreme**") consolidated financial statements and notes for the year ended June 30, 2018 (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 as well as forward-looking statements relating to future performance. The financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts are in Canadian dollars unless otherwise noted.

This MD&A contains disclosure of material changes occurring up to and including September 24, 2018.

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, in some cases, be identified by the use of forward-looking terminology such as "expect," "likely", "may," "will," "should," "intend," "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:

- performance of the Company's business and operations;
- intention and plans to grow the business and operations of the Company;
- licensing risks and expectations with respect to renewal and/or extension of the Company's licenses;
- regulatory risks and any commentary with respect to the legalization of medical or recreational cannabis and the timing related thereto;
- change in laws, regulations and guidelines;
- expectations with respect to the cannabis market and market risks;
- expansion and production capacity of the Company's facility and the timing related thereto;
- 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 believes 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 Cannabis Business & Corporate Strategy*" as well as statements regarding the Company's objectives, plans and goals, including future operating results and economic performance may refer 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 below under "Risks and Uncertainties" 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 Cannabis Business & Corporate Strategy

Supreme is a federally incorporated Canadian company with its common shares publicly traded on the TSX Venture Exchange ("**TSX.V**") under the symbol "**FIRE**", Over-the-Counter ("**OTCQX**") under the symbol "**SPRWF**", and on the Frankfurt Stock Exchange ("**FRA**") under the symbol "**53S1**".

Supreme is a Canadian-based producer and distributor of consumer-focused proprietary cannabis plant products globally. Supreme's mission is to make a positive impact on people and the planet by continuing to grow better cannabis businesses.

Strategy for Launch of the Canadian Cannabis Market

Early on, Supreme's strategic priority is to establish a distinctive competitive advantage in the Canadian cannabis market through its wholly-owned and federally incorporated corporation, 7ACRES. 7ACRES is a Licensed Producer (licensed as at March 11, 2016), operating a 342,000 sq. ft. cultivation facility located in Kincardine, Ontario (the "**Facility**"). The Facility combines the best aspects of indoor and greenhouse cultivation to execute on 7ACRES' mission to grow premium cannabis at a commercial scale.

Through 7ACRES, Supreme grows cannabis flower with unique qualities and utilizes proprietary growing methodology resulting in a "ladder of benefits" for consumers: genetics selected to maximize aroma and visual appeal, cultivation methodologies that prioritize quality over yield, and post-harvest drying and curing practices designed with the intention to maximize consumer enjoyment.

Supreme believes the premium product segment represents an opportunity to compete on quality and earn premium pricing versus competing in the lower cost and lower quality product segment of the market. Supreme believes high-quality cannabis is an essential product for the success of the legal recreational cannabis market and is necessary to combat competition from the illicit market and low-cost producers. Supreme believes that focusing on the premium product segment and cultivation at scale allows for the establishment of a valued brand, revenue growth, and development of intellectual property and proprietary value with respect to strictly regulated cannabis production – which can be applied to other markets and product segments.

Prior to October 17, 2018, Supreme's cannabis sales are restricted to the legal medical cannabis market. These cannabis sales are completed via Business to Business ("**B2B**") transactions with legal and licensed Canadian retailers, which is currently restricted to only Licensed Producers in Canada. The B2B model is designed to allow

7ACRES to grow its revenue through high-value bulk sales while maintaining its focus on cultivation, without the expense of patient acquisition and retention or retail order fulfillment and logistics.

Following the launch of the legal adult-use recreational market on October 17, 2018, sales will also be transacted with provincial distributors and retailers, and provincially-approved private retailers across the country. The current B2B model prepares 7ACRES for the B2B sales model in the recreational market.

To support product distribution, Supreme has built a regulated sales and marketing team that includes professionals from the beverage alcohol, tobacco and cannabis industries. Supreme's sales and marketing efforts with respect to the 7ACRES brand include a commitment to a quality consumer experience, collaborative demand planning with retail partners and investments in on-going corporate social responsibility and trade education.

Supreme's focus on premium quality cannabis flower cultivation and brand positioning has resulted in 7ACRES signing six provincial supply agreements with exclusive placement in the premium market segment. Supreme has achieved its goal of creating a major brand, 7ACRES, that has secured coast-to-coast distribution exclusively in the premium segment and, therefore, is poised to be the first exclusively premium brand for the recreational cannabis market in Canada.

Strategy for the International Medical Cannabis Market and Other Canadian Product Segments

Recognizing the opportunities presented by new product categories and the burgeoning global medical market, Supreme's strategic focus following the successful execution of the 7ACRES launch is to continue investing in other product and geographical segments. This may include strategic partnerships or developing additional productive assets and new brands for prospective Canadian adult-use market and existing medical markets in Canada and internationally. In particular, Supreme will continue identifying opportunities that provide distinct proprietary advantages.

To further strengthen its position in emerging global cannabis markets, Supreme made its first international investment during the year ended June 30, 2018, in Medigrow Lesotho (PTY) Limited ("**Medigrow**"), a licensed producer of cannabis in the Kingdom of Lesotho. Supreme anticipates Medigrow to become a leading supplier of GMP-Certified medical cannabis oil produced in Lesotho. Pursuant to its investment in Medigrow, more fully described below in *Highlights for the three and twelve months ended June 30, 2018*, Supreme and Medigrow formed a strategic alliance providing Supreme with long-term access to Medigrow's cannabis oil for distribution into legal international markets. Supreme believes the cannabis oil produced by Medigrow will be globally cost competitive and will be a key component of Supreme's future international medical cannabis strategy.

In addition to Canada and Lesotho, Supreme regularly considers opportunities in emerging cannabis markets, only where medical and/or recreational cannabis is federally legal.

Supreme does not, directly or indirectly, have any business operations in jurisdictions where cannabis is not federally legal, such as the United States of America.

Regulatory Background

Canada first legalized cannabis for medical purposes in 2001 with the creation of the *Marihuana Medical Access Regulations* (the "**MMAR**"). In 2013, the MMAR was replaced by the *Marihuana for Medical Purposes Regulations* (the "**MMPR**"). The MMPR created a federally legal and regulated framework for commercial cultivation, distribution and sale of medical cannabis by licensed entities ("**Licensed Producers**"). In 2016 the MMPR was replaced by the *Access to Cannabis for Medical Purposes Regulations* (the "**ACMPR**"), which maintained the class of Licensed Producers as the sole-cultivators of federally legal and regulated commercial cannabis in Canada.

The Canadian Federal Government tabled legislation ("**Bill C-45"**) on April 13, 2017, an Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts (the "**Cannabis Act**"), which aims to legalize regulated recreational to cannabis in Canada. On June 21, 2018, the Government of Canada announced that Bill C-45 received Royal Assent. Bill-C-45 will come into force on October 17, 2018. Federal legislation, once created, will enable provinces to distribute and retail Cannabis. Each Canadian province and territory is preparing for the sale and distribution of regulated recreational cannabis . To date, the provinces of New Brunswick, Quebec and PEI have announced that their provincial liquor control agencies will oversee the distribution and retail on non-medicinal cannabis. The provinces of Ontario, Manitoba, Saskatchewan, Alberta and British Columbia have announced that the provincial liquor control agency will be responsible for distribution and oversee the private retail of non-medicinal cannabis. The selection of Licensed Producers to supply cannabis for recreational retail sales by provincial governments or their cannabis control agencies, will be based on many factors, including product quality, cannabis inventory and production capacity, product variety, product branding, price and sales support.

In 2014, a limited number of countries in the world, in addition to Canada had established federally legal cannabis access regimes. Since 2014, the actions of governments around the world have signaled a significant change in attitudes towards cannabis. To date, national governments in at least 20 additional countries including Argentina, Austria, Australia, Brazil, Denmark, Chile, Colombia, Germany, Greece, Israel, Italy, Jamaica, Kingdom of Lesotho, Mexico, Netherlands, Norway, Poland, Puerto Rico, South Africa, Switzerland and Turkey have formally legalized medicinal cannabis access to either foster research into cannabis based medical treatments or towards increasing legal access to medical cannabis for their local citizens.

Highlights for the year ended June 30, 2018

Supreme changes name to The Supreme Cannabis Company, Inc.

On December 18, 2017, following the approval by the shareholders of the Company at the annual and special meeting of the shareholders, the Company changed its name to The Supreme Cannabis Company, Inc. The name change is intended to indicate Supreme's position as a diversified cannabis products company, with aspirations and assets in both the medical and emerging recreational channels.

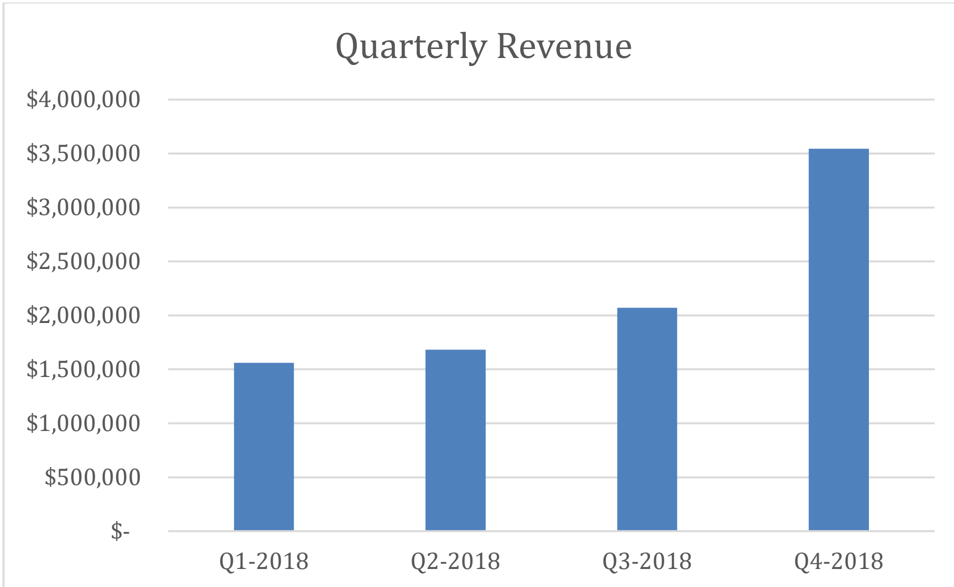
7ACRES Obtains permission to sell dried cannabis

On June 28, 2017, 7ACRES was granted permission to sell dried cannabis, after the completion of a review by Health Canada. The sales approval provided 7ACRES with the regulatory approvals needed to sell all of the dried cannabis flowers and dried cannabis trim produced since it became a Licensed Producer on March 11, 2016.

7ACRES Completes inaugural B2B transactions and realizes sustained quarterly revenue growth

As its inaugural B2B transaction, in September 2017, Supreme completed $1,519,877 in bulk sales transactions to two Licensed Producers: Aurora Cannabis Inc. and Emerald Health Therapeutics, Inc. (together, the "**Initial Retail Partners**"). Supreme chose the Initial Retail Partners based on their commitment to excellence, strong track record of quality assurance, and to provide broad exposure of the 7ACRES branded cannabis flowers to over 20,000 Canadian patients. The Initial Retail Partners recognized Supreme as a producer of high quality cannabis flowers, an important third-party validation for Supreme's premium focused cultivation strategy.

Since then, Supreme has added other multiple retail partners including International Herbs Medical Marijuana Ltd. d/b/a/ Zenabis, Terrascend Corp. d/b/a Solace Health, Puresinse Inc., Tidal Health Solutions Ltd., MediPharm Labs Inc. and ABcann Medicinals Inc. The B2B transactions have resulted in sustained quarterly revenue growth.



The strong B2B business has resulted in the realization of $8,854,714 in revenue in the first fiscal year after obtaining permission to sell dried cannabis.

Supreme secures multiple supply agreements

On January 25, 2018, Supreme, through its wholly-owned subsidiary 7ACRES, entered into a definitive supply agreement (the "**Canmart Supply Agreement**") with Cannmart, Inc. ("**Cannmart**"), a wholly-owned subsidiary of Namaste Technologies Inc. (TSX.V: N) (FRA: M5BQ) (OTCMKTS: NXTTF), whereby Cannmart has committed to purchase 1,000 kilograms of premium quality medical cannabis from 7ACRES in 2018, on a take or pay basis. The maximum aggregate value of the definitive supply agreement is estimated to be $6,000,000.

On February 26, 2018, Supreme, through its wholly-owned subsidiary 7ACRES, entered into a definitive supply agreement (the "**BlissCo Supply Agreement**") BlissCo Cannabis Corp. ("**BlissCo**"). 7ACRES will supply BlissCo with a minimum of 1,000 kilograms of premium quality dried cannabis on a take-or-pay basis over a twelve-month period starting July 1, 2018. The maximum aggregate value of the Supply Agreement is estimated to be $6,000,000.

Both the Canmart Supply Agreement and the BlissCo Supply Agreement are priced at $6 per gram.

Supreme completes strategic investment in BlissCo

On February 26, 2018, Supreme completed a $3,000,000 strategic equity investment in BlissCo, a Licensed Producer located in Vancouver, British Columbia traded on the Canadian Securities Exchange under the symbol BLIS. The investment is comprised of 10,000,000 common shares of BlissCo and 10,000,000 common share purchase warrants. The common share purchase warrants are exercisable until February 23, 2020 at $0.60 per common share.

Supreme completes first international strategic investment in Medigrow

On March 20, 2018, Supreme completed an approximate $10,000,000 strategic equity investment in Medigrow. Upon completion of the investment, Supreme held an approximate 10% ownership interest in Medigrow. Concurrent with the strategic equity investment, Supreme and Medigrow have agreed to enter into a long-term global distribution strategic alliance for medical cannabis oil (as defined in the ACMPR). The cannabis oil will be produced by Medigrow in Lesotho. Subject to all government and international regulatory approvals, the oil will be exported to international medical cannabis markets.

Strengthening of Management Team

Supreme strengthened its management team by promoting Mr. Navdeep Dhaliwal from Chief Financial Officer to President. Mr. Dhaliwal will continue his focus on capital markets and strategic expansion. The Company also appointed Mr. Omer Azeez as Vice President, Marketing and Regulatory Affairs, Mr. Dimitre Naoumov as Chief Financial Officer, Ms. Sony Gokhale as General Counsel, Mr. Chander Batra as Chief Information Officer, Mr. Steve Chan as Vice President, Investor Relations & Corporate Communications and Mr. Colin Moore as Independent Director of the Company.

In September 2017, Mr. Omer Azeez, MBA, was appointed as Vice President, Marketing and Regulatory Affairs. Mr. Azeez brings over 18 years of domestic and international marketing experience in highly government-regulated markets from his tenure at Philip Morris International. Mr. Azeez's track record of developing award-winning strategic initiatives targeting consumer and enterprise audiences strengthens Supreme's legal adult-use recreational distribution and marketing strategy.

In October 2017, Mr. Dimitre Naoumov, CPA, CA was appointed as Chief Financial Officer. Mr. Naoumov has spent 9 years at KPMG LLP. Mr. Naoumov was a key member of the Technology, Media and Telecommunications practice based out of Toronto, Canada where he assisted some of Canada's largest and most respected public companies with financial reporting, regulatory compliance and corporate transactions. Mr. Naoumov also has extensive experience helping “small cap” companies during the growth stage with corporate governance, disclosure and accounting best practice.

In January 2018, Ms. Sony Gokhale, BBA, LLB, was appointed as the Company's General Counsel. Ms. Gokhale was most recently a senior member of the Commercial and Technology group at Osler, Hoskin & Harcourt, LLP in Toronto, Ontario. Ms. Gokhale's practice included advising on general corporate and commercial matters with a focus on assisting regulated and non-regulated companies with the launch of new products and services in the Canadian and international markets. Additionally, Ms. Gokhale has provided ongoing advice to leading Canadian and international companies on strategic commercial contracting issues.

In February 2018, Mr. Chander Batra, MBA, MSc, was appointed as the Company’s Chief Information Officer. Mr. Batra was most recently global head of Information Services at Apotex Pharmachem Inc. where he was responsible for the strategic alignment of business and IT, IT transformation, technology strategy and global program management for delivering enterprise resource planning and other enterprise applications. Previously, Mr. Batra led McCain Foods Ltd. global IT systems development, providing solutions for ecommerce, supply chain optimization, enterprise resource planning revitalization and business intelligence.

In May 2018, Mr. Colin Moore was appointed as Independent Director of the Company. Mr. Moore is the former President of Starbucks Coffee Canada and previously held senior management and marketing positions at PepsiCo, KFC and Yum! Brands in the United States and Canada. Under Mr. Moore’s leadership at Starbucks, the Canadian business grew from 315 stores to 1,180 retail locations and over $1 billion in annual revenue. He also led new brand and business initiatives such as the launch of Starbuck's "Blonde" roast coffee and was instrumental in selling consumers on the "Starbucks experience." Mr. Moore holds an Honors Business Administration degree from the Richard Ivey School of Business at the University of Western Ontario in London, Canada.

In June 2018, Mr. Steve Chan was appointed as Vice President, Investor Relations and Corporate Communications. Mr. Chan was most recently a Principal of Hugessen Consulting in Toronto, Ontario. For over a decade, Mr. Chan has served as a trusted advisor to boards and senior management teams across North America, advising on complex strategic performance, governance and shareholder interests. Mr. Chan has worked closely with global institutional investors, pension funds, sovereign wealth funds, private equity funds, and major family offices. He has worked with major public and private companies, including companies in high growth sectors and regulated industries. Previously, Mr. Chan was a capital markets strategist at TD Securities.

7ACRES Completes Construction of three 10,000 sq. ft. flowering rooms and receives Health Canada cultivation approval

During the year, 7ACRES completed construction of three new flowering rooms. Each room represents 10,000 sq. ft. of gross flowering area and the next step in the development of the 7ACRES cultivation platform. The new flowering rooms were designed to improve the quality and consistency of the 7ACRES cannabis flowers based on operational data collected since 7ACRES became a licensed producer in March 2016. Additional investments were made in air and water quality systems to reduce the risk of crop loss and/or crop contamination and improve the working life of the facility. The Company anticipates the additional flowering rooms will boost its annual production capacity to 5,000 kilograms of dried cannabis flowers. On October 23rd, 2017, the Company received the necessary approvals from Health Canada to commence cultivation at the recently completed 30,000 sq. ft. flowering rooms. Cultivation of premium cannabis flower began in November 2017 in the new state-of-the-art flowering rooms.

Supreme anticipates construction of all the 7ACRES flowering rooms to be complete by the end of calendar 2018.

7ACRES Purchases adjacent land for Ultra-Premium cannabis facility

In December 2017, Supreme purchased an approximately six-acre property adjacent to the 7ACRES facility in Kincardine, Ontario. Supreme intends to build an indoor cultivation facility ("**Lot 16**") to produce high quality, "California-Style" cannabis for the premium product segment on such property.

Supreme intends to build a facility that, once fully operational and subject to licensing by Health Canada, will produce approximately 10,000 kilograms per year of premium "California-Style" indoor cannabis. Supreme intends on using lighting, HVAC and irrigation infrastructure ideally suited to cultivating premium cannabis. Lot 16 is expected to utilize Supreme's proprietary post-harvest processes to produce dried cannabis flower that is slow-dried, artisanal cured and finished by hand. Supreme intends to build Lot 16 to international GMP standards. Supreme intends to market the Lot 16 dried cannabis flower as an ultra-premium consumer product and pursue favorable pricing economics with current and future retail partners.

Currently management is in the process of completing the design and project plan for Lot 16. Management has not determined the optimal timeline or level of investment for the Lot 16 construction project.

Private placement closed November 14, 2017

On November 14, 2017, the Company closed a bought deal private placement of 40,250 convertible debenture units (the "**Convertible Debenture Units**") with a syndicate of underwriters, led by Canaccord Genuity Corp., including Beacon Securities Limited, Cormark Securities Inc., Eight Capital, GMP Securities L.P., and PI Financial Corp., for gross proceeds of $40,250,000.

Each Convertible Debenture Unit, at a price of $1,000, is comprised of $1,000 principal amount of 8.0% senior unsecured convertible debentures (the "**8% Convertible Debentures**") and 313 common share purchase warrants (the "**Warrants**") of the Company. The 8% Convertible Debentures bear interest payable annually in arrears on December 30, 2018 and thereafter semi-annually on the last day of June and December in each year and will mature on November 14, 2019. Each Warrant is exercisable to acquire one Common Share at an exercise price of $1.80 per Common Share until November 14, 2020, subject to customary adjustments.

Settlement of debt

On January 22, 2018 Supreme completed the conversion of an aggregate principal amount of $14,665,000 outstanding 10% unsecured convertible debentures due 2019 to 11,280,758 common shares of the Company reducing its debt load.

Subsequent Events

7ACRES Completes Construction of additional 50,000 sq. ft. flowering rooms and receives Health Canada cultivation approval

In July and September of 2018, 7ACRES obtained Health Canada approval for additional 30,000 square feet and 20,000 square feet of additional flowering rooms, respectively, bringing the total operational capacity at 7ACRES to 90,000 square feet. The additional cultivation capacity, assuming a current yield, increases 7ACRES' annual production potential to 13,330 kilograms. This flowering room expansion continues to increase the Company's capacity and improves the Company's ability to meet the demand of cannabis enthusiasts upon legalization of adult use cannabis in Canada.

Further Strengthening of Management Team

In August 2018, Mr. Barinder Bhullar, was appointed Vice President, Government Relations and International Affairs. Mr. Bhullar will guide Supreme's international and emerging markets strategy to take advantage of the global market opportunity for medical cannabis. Mr. Bhullar will also lead government relations across Canada for the Company. Mr. Bhullar is a public affairs strategic advisor with over a decade of experience in public policy, strategic communications and politics. Mr. Bhullar has served in a variety of senior roles within Government, including, Director of Policy in the office of the B.C. Premier, where he worked to ensure specific policy development aligned with the broader objectives of government. In this role, Mr. Bhullar led a team responsible for strategic planning and cross-government coordination. As Senior Director of International Missions for the British Columbia Government, Mr. Bhullar identified and led the execution of targeted international trade missions and events, ensuring missions delivered trade and investment outcomes for BC. Mr. Bhullar engaged with external parties both in Canada and in International Markets to encourage business to business, and business to government relationships. His experience dealing with major International companies brings a tremendous value to the Company.

In August 2018, Mr. Scott Walters was appointed Vice President, Corporate Development. Mr. Walters is a Director of Supreme and is the founder and former CEO of Molecular Science Corporation. Mr. Walters will focus on execution of the Company's growth strategy, work closely with business units to deliver top line growth, drive productivity to enable this growth, and invest in new areas of disruptive innovation. Mr. Walters brings more than 20 years of capital markets experience and has focused on legal cannabis industries since 2013. In his most recent position, Mr. Walters took a mobile cannabis testing business from concept to dealer licensed status and multi-year contracted revenue with Canopy Growth (TSX: WEED) (NYSE: CGC) in under 18 months. Mr. Walters also has developed successful cannabis start-up's focused on providing medical sales channels, cannabis products and scalable services to the sector. Mr. Walters previously developed and led THC BioMed (now TSX-V: THC), Canabo Medical (now TSX-V: ALEF) and Empower Clinics (now CSE: EPW).

In August 2018, Mr. Craig Young, BBA, was appointed as Vice President, Sales. Mr. Young will continue evolving Supreme's sales strategy, building a top-tier sales team, forming strong relationships with provincial cannabis boards and private retailers to position Supreme's current and future brands for retail success. Mr. Young has been instrumental in developing strong relationships with provinces coast-to-coast and securing supply agreements with four provinces to-date. Mr. Young comes to Supreme with over 15 years of experience in the beverage alcohol industry. Mr. Young has held senior roles with both the New Brunswick Liquor Corporation and The Nova Scotia

Liquor Corporation. For the past ten years, Mr. Young was a senior manager for Treasury Wine Estates, the world's largest publicly traded wine company (ASX: TWE) leading sales efforts across Canada, with a focus on the premium brand categories.

Supreme upgrades to OTCQX® Best Market in the United States

On August 29, 2018 Supreme was approved and began trading on the OTCQX® Best Market operated by the OTC Market Group. The OTCQX market is reserved for established U.S. and global companies that meet high financial standards, provide timely news and disclosure to investors, and have a professional third-party sponsor introduction.

Supreme signs six provincial supply agreements

Subsequent to June 30, 2018, Supreme, through 7ACRES, has entered in six provincial supply agreements with Ontario, British Columbia, Alberta, Manitoba, Nova Scotia and Prince Edward Island. The provincial supply agreements position 7ACRES as the only major producer to be listed exclusively as a premium offering coast to coast.

Supreme signs cannabis supply agreement with Tilray®

On September 10, 2018, Supreme, through 7ACRES, entered into a supply agreement to provide dried cannabis to Tilray Canada Ltd., a subsidiary of Tilray Inc. (NASDAQ: TLRY), a global leader in cannabis research, cultivation, processing and distribution currently serving tens of thousands of patients in 11 countries spanning 5 continents. The value of this initial supply agreement is estimated to be in excess of $2,000,000. Dried cannabis provided to Tilray by 7ACRES will be used primarily to support medical cannabis patients in Canada, including Tilray's robust patient population.

About 7ACRES, the Facility and 7ACRES Unique Cultivation Methodology

7ACRES is a Canadian Licensed Producer, focused on cultivating premium dried cannabis flowers on a commercial scale. 7ACRES is a leading Canadian B2B Licensed Producer, a cannabis business model it pioneered in 2016. Currently, 7ACRES operates 90,000 sq. ft. of operational capacity which is expected to have an average output of approximately 13,330 kilograms of dried cannabis per annum. The Company does not have any Canadian operations independent of 7ACRES.

The 7ACRES Facility is located in Kincardine, Ontario. It is expected that the Facility, once complete, will span more than 342,000 sq. ft. Management expects the Facility will be able to produce 50,000 kilograms of premium dried cannabis per year once it is able to operate at full capacity. The Facility has been developed to produce premium dried cannabis, at scale. Management believes the Facility is unique in Canada for combining what management believes to be the best aspects of indoor and greenhouse cannabis cultivation. The Facility is intended to combine the science, standardization and quality of indoor cultivation with the benefits of full-spectrum sunlight. The Company expects that the Facility will be fully completed in early 2019.

Results of Operations for the three and twelve months ended June 30, 2018 and 2017

During the three months and twelve months ended June 30, 2018, the Company reported a net comprehensive income of $234,361 (June 30, 2017: $4,661,748) and net comprehensive loss of $7,347,130 (June 30, 2017: $14,422,540), respectively.

The decrease in net comprehensive income for the three months ended June 30, 2018 as compared to prior year was primarily a result of increases in production costs, increases in operating expenses and share-based payments, decreases in deferred tax recovery, offset by the recognition of revenues and gain on fair value of biological assets.

The decrease in net comprehensive loss for the twelve months ended June 30, 2018 as compared to prior year was primarily a result of revenue generated after the Company received sales approval on June 28, 2017, increase in gain on fair value of biological assets, lower share-based payments and increase in unrealized gains on investments, offset by an increase in productions costs, operating expenses, losses recognized on disposal of fixed assets and deferred taxes.

Revenue

During the three and twelve months ended June 30, 2018 the Company generated revenues of $3,545,043 (June 30, 2017: nil) and $8,854,714 (June 30, 2017: nil), respectively. On June 28, 2017 the Company, through its wholly-owned subsidiary 7ACRES, was granted permission to sell under the ACMPR regime. As a result, commercial sales and execution of the Company’s B2B business model commenced.

The realization of revenue in the current fiscal year is due to various retail partners being added throughout the year and the increased capacity of the Company’s Facility. The increase of $1,476,011 or 71% in revenues for the three months ended June 30, 2018 as compared to the three months ended March 31, 2018 are due to an increase in the quantity of cannabis sold by 51% and an increase in the average price of cannabis flower by 29%.

Changes in fair value of biological assets

In accordance with IFRS, the Company is required to record its biological assets at fair value less cost to sell. At each reporting period each harvest is adjusted to full fair value less costs to sell based on the actual yield in grams for completed harvests and estimated yield for harvests in progress. Medical cannabis which has been harvested is transferred to inventory at the full fair value less costs to sell. Additional costs incurred after harvest related to processing and other finishing costs are capitalized to inventory until such time that the medical cannabis is ready for sale and recorded as finished inventory.

During the three and twelve months ended June 30, 2018, the Company recognized a gain of $6,174,506 (June 30, 2017: $459,519) and $12,460,812 (June 30, 2017: $459,519), respectively, related to the fair value adjustments of biological assets.

The biological assets as at June 30, 2018, of $3,283,233 (June 30, 2017: $459,519) are comprised of 8,364 (June 30, 2017: 2,070) cannabis plants that are estimated to be 65% (June 30, 2017: 43%) complete to harvest. Once harvested the cannabis plants produce is transferred to inventory. During the year ended June 30, 2018, the Company transferred approximately 2,374 kilograms (June 30, 2017: nil) of cannabis to inventory.

Realized fair value changes on inventory sold or impaired

Realized fair value changes on inventory sold or impaired is the fair value less cost to sell recognized during the biological transformation process related to cannabis sold during the period and impairment charges related to cannabis inventory.

During the three and twelve months ended June 30, 2018, the Company recognized realized fair value changes on inventory sold or impaired of $2,962,836 (June 30, 2017: nil) and $5,712,631 (June 30, 2017: nil), respectively, as a result of cannabis sold during the period and impairment charges. During the year ended June 30, 2018, a portion of cannabis sold was not recognized as inventory when harvested as a result of the Company’s previous accounting policy to expense costs related to cannabis inventory and not recognize the related biological assets as the Company did not have permission to sell cannabis. Under the current policy, which was implemented by the Company after obtaining permission to sell cannabis, the Company would have recognized approximately $2,157,162 of additional realized fair value changes on inventory sold or impaired related to revenue generated during the twelve months ended June 30, 2018. During the year ended June 30, 2018, net effect of changes in fair value of biological assets and inventory include; $6,748,181 of unrealized changes in fair value of biological assets and $5,712,631 of realized fair value increments on inventory sold or impaired.

Production costs

Production costs consist of direct and overhead costs attributable to cannabis production activities during the biological transformation process up to the point of harvest as well as direct and overhead costs attributable to post-harvest cannabis processing activities that have been initially capitalized to inventory and subsequently expensed to production costs as cannabis inventory is sold.

Production costs related to cannabis production activities during the biological transformation process up to the point of harvest consist of direct and overhead allocation for wages and benefits, facilities, materials, supplies and facility amortization expense for production, sanitation, record keeping, quality assurance, utilities, security and facility maintenance activities. These costs are expensed to production costs in the period they are incurred.

Production costs related to cannabis processing activities after harvest consist of direct and overhead allocation for wages and benefits, facilities, materials, supplies and facility amortization expense for drying, trimming, packaging, sanitation, record keeping, quality assurance, utilities, security and facility maintenance activities. These costs are initially capitalized to inventory in the period incurred and subsequently expensed to production costs as cannabis is sold.

Production costs for the year ended June 30, 2018 and 2017 includes the following direct and overhead costs:

Production costs incurred during the pre-harvest biological transformation process:

For the year ended		June 30, 2018		June 30, 2017
Wages and benefits expense	$	2,688,945	$	-
Facilities, materials and supplies expense		2,260,451		-
Amortization expense		743,793		-
Total	**$**	**5,693,189**	**$**	**-**

Post-harvest production costs incurred related to cannabis inventory sold:

For the year ended		June 30, 2018		June 30, 2017
Wages and benefits expense	$	638,676	$	-
Facilities, materials and supplies expense		246,652		-
Amortization expense		100,208		-
Total	**$**	**985,536**	**$**	**-**

Profits before operating expenses and other charges

During the three and twelve months ended June 30, 2018 the Company generated profits before operating expenses and other charges of $4,343,864 (June 30, 2017: $459,519) and $8,924,170 (June 30, 2017: $459,519), respectively. The increase in profits before operating expenses and other charges for the three months ended June 30, 2018 as compared to prior year is a result of the Company generating revenues $3,545,043 and recognizing a net impact of $3,211,670 due to non-cash changes in fair value of biological assets, offset by production costs of $2,412,849. The increase in profits before operating expenses and other charges for the twelve months ended June 30, 2018 as compared to the prior year is a result of the Company generating revenues $8,854,714 and recognizing a net impact of $6,748,181 due to changes in non-cash fair value of biological assets, offset by production costs of $6,678,725.

Operating expenses

During the three and twelve months ended June 30, 2018, total operating expenses increased to $5,113,626 (June 30, 2017: $2,411,294) and decreased to $15,865,812 (June 30, 2017: $18,615,831), respectively. The operating expenses contributing to the overall movement for the period are due to the following:

- For the three and twelve months ended June 30, 2018, the Company's share-based payments expense amounted to $1,640,752 (June 30, 2017: $nil) and $5,554,597 (June 30, 2017: $12,208,564), respectively. Share based payments were made in correspondence with the Employee Stock Option Plan ("**ESOP**") and represent incentives to employees and directors 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 executives, employees and consultants. The increase in share-based payment expense for the three months ended June 30, 2018 as compared to prior year is due to vesting of incentive options during the current year, there were no options vested in the prior year comparative period. The decrease in share-based payment expense for the twelve months ended June 30, 2018 as compared to prior year is due to a decrease in the total amount of incentive options issued to employees during the year and the increase in the vesting period of incentive options issued resulting in a decrease of the share-based payments expense recognized during the year.

- For the three and twelve months ended June 30, 2018, the Company's total wages and benefits expense increased to $1,419,787 (June 30, 2017: $1,159,255) and $4,697,820 (June 30, 2017: $3,146,276), respectively. Wages and benefits expense are net of $1,274,092 (June 30, 2017: nil) and $3,327,622 (June 30, 2017: nil) of wages and benefits expenses that have been recorded as production costs during the three and twelve months ended June 30, 2018, respectively. The total increase in wages and benefits expense for the three and twelve months ended June 30, 2018, including amounts recorded as production costs, are due primarily to the additions to the management team and the increased staffing requirements at 7ACRES as a result of the increased cannabis cultivation efforts at the Company's Facility.

- For the three and twelve months ended June 30, 2018, the Company's total rent and facilities expense increased to $479,705 (June 30, 2017: $324,537) and $1,534,238 (June 30, 2017: $1,078,417), respectively. Rent and facilities expense are net of $806,619 (June 30, 2017: nil) and $2,507,103 (June 30, 2017: nil) of rent and facilities expenses that have been recorded as production costs during the three and twelve months ended June 30, 2018, respectively. The total increase in rent and facilities expense for the three and twelve months ended June 30, 2018, including amounts recorded as production costs, is due to the increase in the number of employees requiring more office space and the expansion of the Company's Facility requiring more utilities, security and other related occupancy costs.

- For the three and twelve months ended June 30, 2018, the Company's total professional fees expense decreased to $246,659 (June 30, 2017: $289,413) and increased to $1,031,280 (June 30, 2017: $621,939), respectively. Professional fees expense decreased for the three months ended June 30, 2018 as compared to prior year due to higher legal and regulatory fees in the prior year as additional fees were incurred as part of the TSX.V up listing. Professional fees expense increased for the twelve months ended June 30, 2018 as compared to prior year due to additional legal costs related to supply agreements and investments.

- For the three and twelve months ended June 30, 2018, the Company's total sales, marketing and business development expense increased to $807,428 (June 30, 2017: $155,991) and $1,602,405 (June 30, 2017: $513,455), respectively. The marketing expense increased due to sales, marketing and business development related travel expenses and additional brand development expenses in preparation for the legalization of recreational cannabis in Canada.

- For the three and twelve months ended June 30, 2018, the Company's total general and administrative expense increased to $365,848 (June 30, 2017: $224,834) and $1,118,122 (June 30, 2017: $463,613), respectively. The general and administrative expense increased due to the additional information technology, training and other general expenses as a result of the increased number of employees and the expansion of the Facility.

Construction of the 7ACRES Facility

For the three and twelve months ended June 30, 2018, the Company's total capitalized expenditure related to the Facility increased to $27,390,264 (June 30, 2017: $7,561,251) and $67,408,641 (June 30, 2017: $11,916,110), respectively. In addition, for the three and twelve months ended June 30, 2018, the Company capitalized borrowing costs of $1,782,054 (June 30, 2017: $4,324,489) and $5,525,833 (June 30, 2017: $4,792,082) directly attributable to the constructions of the Facility. The increase in aggregate capitalized expenditure related to the Facility is a result of accelerated constructions efforts aimed at the rapid expansion of the Facility including the newly licensed growing rooms.

Selected Annual Information

	June 30, 2018 (Audited)	June 30, 2017 (Audited)	June 30, 2016 (Audited)
Revenue	$ 8,854,714	$ -	$ -
Net loss before taxes	(6,600,087)	(18,332,089)	(4,386,787)
Net loss after taxes	(7,347,130)	(15,267,175)	(4,386,787)
Net comprehensive loss after taxes	(7,347,130)	(14,422,540)	(4,386,787)
Basic and diluted loss per share	(0.03)	(0.09)	(0.05)
Total assets	199,784,069	95,903,338	24,284,266
Total long-term liabilities	31,721,913	31,705,456	536,700
Dividends declared per share	-	-	-

During the years ended June 30, 2016 and 2017, the Company did not generate revenues as its license to sell cannabis was granted on June 28, 2017. The increase in net loss after tax from the year ended June 30, 2016 to June 30, 2017 is mainly due to an increase in share-based payments and other operating expenses offset by deferred tax recovery. During the year ended June 30, 2018, the Company generated its first revenue from the cultivation and sale of cannabis. The decrease in net comprehensive loss from the year ended June 30, 2017 to June 30, 2018 is mainly due to the Company generating revenues, increase in fair value gains on biological assets, increase in unrealized gains on investments, decrease in operating expenses offset by increase in production costs, the recognition of losses due to disposal of assets, higher finance costs and deferred tax.

Total assets increased each year ended June 30, 2016, 2017 and 2018. The increase in net assets is mainly due to the increase in investments made to property, plant and equipment related to the Facility, equity investments and an increase in biological assets and inventory as the Company increased the cultivation capacity of cannabis at its Facility.

The increase in long term liabilities from the year ended June 30, 2016 to June 30, 2017 is due to the issuance of convertible debentures in December 2016. Since June 30, 2017, the Company settled the convertible debentures issued in December 2016 and issued additional convertible debentures in November 2017 that are partially outstanding as at June 30, 2018.

The weighted average number of common shares, basic and diluted, outstanding for the twelve months ended June 30, 2018 is 223,827,154 (June 30, 2017: 164,793,131).

Selected Financial Information – Quarterly Highlights

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

	30-Jun-18	31-Mar-18	31-Dec-17	30-Sep-17	30-Jun-17	31-Mar-17	31-Dec-16	30-Sep-16
Net Sales / Revenue	$3,545,043	$ 2,069,032	$ 1,680,641	$ 1,559,998	Nil	Nil	Nil	Nil
Net Income (Loss) after tax	$ 234,361	$(3,367,730)	$(2,034,615)	$(2,179,146)	$3,817,113	$(3,777,437)	$(12,104,805)	$(3,202,046)
Basic and diluted Earnings (Loss) per share	$ 0.00	$ (0.01)	$ (0.01)	$ (0.01)	$ 0.04	$ (0.03)	$ (0.08)	$ (0.02)

The annual variation in operating results has been discussed above in *Results of Operations for the three and twelve months ended June 30, 2018 and 2017*. The Company's results of operations are not exposed to seasonal variations.

Liquidity

As at June 30, 2018, the Company has working capital surplus of $50,599,141 (June 30, 2017: $54,195,849).

Cash generated by operating activities during the twelve months ended June 30, 2018 is $1,327,548 (June 30, 2017: cash used of $2,831,588). The cash inflows from operating activities mainly relates to non-cash expenses and gains of $115,344, cash inflows from working capital changes of $8,559,334 and a loss for the period of $7,347,130.

Cash used in investing activities during the twelve months ended June 30, 2018 is $85,055,891 (June 30, 2017: $14,063,079). The increase in cash used for investing activities is mainly related to investments made to the Facility to increase capacity, develop proprietary designs and increase ultimate efficiency and investments made in BlissCo and Medigrow. Some of the Company's investments are not traded on active markets which may negatively impact the liquidity of these investments.

Cash provided from financing activities during the twelve months ended June 30, 2018 is $81,942,786 (June 30, 2017: $70,845,652). The cash inflows from financing activities are due to proceeds from the private placement of 8% Convertible Debentures and warrant and option exercises.

Capital Resources and Liquidity Risk

The Company constantly monitors and manages its capital resources to assess the liquidity necessary to fund operations and capacity expansion. As at June 30, 2018 the Company had a cash balance of $55,895,997 and current liabilities of $22,916,874. The Company's current resources are sufficient to settle its current liabilities. Management believes the current resources available will provide for a substantial expansion of the Facility, barring any unforeseen delays or complications. All of the Company's liabilities are due within 12 months, except for its convertible debt, which is due November 14, 2019. Subsequent to June 30, 2018, $1,725,000 of the convertible debt was converted into 1,078,125 common shares.

The Company believes, that after the substantial completion of the Facility, positive operating cash flows will be generated. Should additional capital requirements or the replacement of debt be necessary, the Company expects it could satisfy these requirements through capital raises, debt restructurings, or asset sales. However, the outcome of these matters cannot be predicted with certainty at this time.

Related Party Transactions

As at June 30, 2018, a total of $85,000 of convertible debentures were held by related parties. $50,000 was held by John Fowler (CEO), and $35,000 was held by Navdeep Dhaliwal (President). The convertible debentures issued to related parties are at arm's length terms and generate 8% interest with payments due December 31, 2018, June 30, 2019 and November 14, 2019. The interest payment due to related parties as at June 30, 2018 is $4,288.

Risks and Uncertainties

Overview

Commercial medical cannabis production is a new industry in Canada and relies on, among other things, obtaining and maintaining regulatory approvals. As a result, there is a high degree of risk associated with the Company's business. There is a significant risk that the expenditures made by the Company in developing its medical cannabis business, specifically the 7ACRES business, will not result in profitable operations.

There are a number of risk factors that could cause future results to differ materially from those described herein. The following sets out the principal risks faced by the Company. Additional risks and uncertainties, including those that the Company does not know about or that it currently deems immaterial, could also adversely affect the Company's business and results of operations.

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 executive team and 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, due to departure or other reasons, this could have a material adverse outcome on the Company and its securities.

Low Quality Cannabis Risk. Supreme currently operates in an early stage market which has a small representation of Canadian cannabis consumers. Should the Company be unable to grow a quality product demanded by the consumers, this could have a material impact on the Company's revenues and average price per gram.

Licensing Risk. 7ACRES business is dependent on maintaining its status as a Licensed Producer (as defined in the ACMPR). Although 7ACRES was successful in obtaining the status of a License Producer and seller, there is no guarantee that 7ACRES will retain such status as licensing is beyond the control of Supreme and/or 7ACRES and the sole discretion lies with Health Canada. The Company's current License is valid until the third quarter of fiscal 2019, and licenses may only be granted for a maximum of 3 years thereby requiring frequent and continuing approval by Health Canada. Supreme and 7ACRES must strictly adhere to the regulations and applicable law in order to maintain the License and to secure necessary renewals. There can be no guarantee that Health Canada will extend or renew the License. Failure to comply with the requirements of the License or any failure to maintain its License would have a material adverse impact on the business, financial condition and operating results of the Company.

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. 7ACRES 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 may 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, sale and disposal of medical cannabis as well as 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, regulations and guidelines, changes to such laws, regulations and guidelines due to matters beyond the control of Supreme may have an adverse effect on Supreme's operations and the financial condition of Supreme.

On August 24, 2016, the ACMPR replaced the MMPR as the governing regulations in respect of the production, sale and distribution of medical cannabis and related oil extracts. The replacement regulations were implemented as a result of the ruling by the Federal Court of Canada in the case of *Allard v Canada* (the "**Allard Decision**") which found the MMPR unconstitutional in violation of the plaintiffs' rights under section 7 of the Charter of Rights and Freedoms due to the restrictions placed on a patient's ability to reasonably access medical cannabis.

The ACMPR effectively combines the regulations and requirements of the MMPR, the *Marihuana Medical Access Regulations* ("**MMAR**") and the Section 56 Exemptions relating to cannabis oil under the Controlled Drugs and Substances Act ("**CDSA**") into one set of regulations. In addition, among other things, the ACMPR sets out the process patients are required to follow to obtain authorization from Health Canada to grow cannabis and to acquire seeds or plants from Licensed Producers to grow their own cannabis. Under the ACMPR, patients have three options for obtaining cannabis:

(a) continue to access quality-controlled cannabis by registering with Licensed Producers;
(b) register with Health Canada to produce a limited amount of cannabis for their own medical purposes; or
(c) designate someone else to produce it for them.

On November 27, 2017, the House of Commons passed Bill C-45 (the proposed Cannabis Act) and on June 21, 2018, the Government of Canada announced that Bill C-45 received Royal Assent. The Cannabis Act will come into force on October 17, 2018. On July 11, 2018, the regulations issued pursuant to the Cannabis Act (the "**Cannabis Regulations**") were released by the government setting forth:

1. Licenses, Permits and Authorizations;
2. Security Clearances
3. Cannabis Tracking System;
4. Cannabis Products;
5. Packaging and Labelling;
6. Cannabis for Medical Purposes; and
7. Health Products and Cosmetics Containing Cannabis.

Generally speaking, the majority of laws relevant to the regulation of cannabis in Canada shall be regulated under the Cannabis Act and its regulations. The CDSA shall be amended to remove cannabis from being regulated as a controlled substance and two regulations under the CDSA, i.e., the ACMPR and the current Industrial Hemp Regulations, will be repealed. At the time the Cannabis Regulations were introduced, new Industrial Hemp Regulations and two other regulations, the Qualifications for Designation as Analyst Regulations and Cannabis Act (Police Enforcement) Regulations, were introduced. Certain regulations under the *Food and Drugs Act* were also amended: the Cannabis Exemption (Food and Drugs Act) Regulations and the Natural Health Products Regulations.

Licenses, Permits and Authorizations:

The Regulations establish different types of authorizations based on the activity being undertaken and, in some cases, the scale of the activity. The types of authorizations include: (i) cultivation; (ii) processing; (iii) sale to the public for medical purposes; (iv) analytical testing; (v) import/export; and (vi) research. The authorization under part (iii) may include sales for non-medical purposes in provinces and territories that have not enacted a retail cannabis framework. Rules and requirements for different categories of authorized activities are intended to be proportional to the public health and safety risks posed by each category of activity. For example, many of the security clearance requirements under the Cannabis Regulations do not apply to entities holding licenses for research or analytical testing.

Cultivation licenses would allow for both large-scale (standard) and small-scale (micro) cultivation of cannabis, subject to a stipulated threshold. Nursery licenses are also a subset of cultivation licenses. Health Canada is considering a number of options for establishing and defining a "micro-cultivator" threshold, such as plant count, size of growing area, total production, or gross revenue. Part of the stated purpose of the Regulations is to solicit feedback from interested stakeholders regarding the most appropriate basis for determining what such threshold should be.

The Regulations provide that all licenses issued under the Cannabis Act would be valid for a period of no more than five years and that no licensed activity could be conducted in a dwelling-house. The Regulations would also permit both outdoor and indoor cultivation of cannabis. The implications of the proposal to allow outdoor cultivation are not yet known, but such a development could be significant as it may reduce start-up capital required for new entrants in the cannabis industry. It may also ultimately lower prices as capital expenditure requirements related to growing outside are typically much lower than those associated with indoor growing.

Generally, the Cannabis Act generally provides that licenses issued under the ACMPR that are in force immediately before the Cannabis Act coming into force will be deemed to be licenses issued under the corresponding provisions of the Cannabis Act and any such licenses will continue in force until it is revoked or expires. For example, a license for production and sale of dried cannabis flower, cannabis resin, cannabis seeds, cannabis plants and cannabis oil under the ACMPR will be deemed to be licenses for cultivation, processing and sale for medical purposes under the Cannabis Act, provided that the license holder meets certain requirements.

Similarly, the Cannabis Act generally provides that licenses pertaining to cannabis or its derivatives issued under the Narcotic Control Regulations that are in force immediately before the Cannabis Act comes into force will be deemed to be licenses issued under the corresponding provisions of the Cannabis Act and any such licenses will continue in force until it is revoked or expires. For example, a license issued under the NCR authorizing cultivation of cannabis for scientific purposes shall be a research license under the Cannabis Act.

Security Clearances:

The ACMPR require certain individuals to hold security clearances. For a corporation, this includes officers and directors of the corporation. The Cannabis Regulations broaden the scope of individuals required to hold security clearances, including all individuals occupying key positions, individuals, such as shareholders, that have direct control over a license holder, and the officers and directors of any corporation having direct control over a license holder (e.g., officers and directors of a parent corporation). The Cannabis Regulations provide a three-month grace period for current license holders to identify those individuals that require security clearances and to apply for such security clearances (i.e., until January 17, 2019). Security clearances issued under the ACMPR are considered to be security clearances for the purposes of the Cannabis Act and Regulations.

Cannabis Tracking System:

Under the Cannabis Act, the Minister of Health would be authorized to establish and maintain a national cannabis tracking system. The purpose of this system would be to track cannabis throughout the supply chain to help prevent diversion of cannabis into, and out of, the legal market. The Regulations provide the Minister of Health with the authority to make a ministerial order that would require certain persons named in such order to report specific information about their authorized activities with cannabis, in the form and manner specified by the Minister. The Minister of Health has introduced the Cannabis Tracking and Licensing System (CTLS). License holders are required to use the CTLS to submit monthly reports to the Minister of Health, among other things.

Cannabis Products:

The Regulations would permit the sale to the public of dried cannabis, cannabis oil, fresh cannabis, cannabis plants, and cannabis seeds. The sale of edible cannabis products and concentrates (such as hashish, wax and vaping products) are currently prohibited by expected to be permitted within one year following the Cannabis Act coming into force.

The Regulations acknowledge that a range of product forms should be enabled to help the legal industry displace the illegal market. Additional product forms that are mentioned under the Regulations include “pre-rolled” cannabis and vaporization cartridges manufactured with dried cannabis. Specific details related to these new products are to be set out in a subsequent regulatory proposal.

Packaging and Labelling:

The Regulations require plain packaging for cannabis products, including strict requirements for logos, colours and branding. The Regulations further require mandatory health warnings, standardized cannabis symbol and specific product information. The Regulations provide a six-month transitional period to allow licensed holders to sell cannabis products labelled in accordance with the ACMPR.

Advertising:

The Cannabis Act introduces restrictions regarding the promotion of cannabis products. Subject to a few exceptions, all promotions of cannabis products are prohibited unless authorized by the Cannabis Act.

Cannabis for Medical Purposes:

The medical access regulatory framework under the Cannabis Act and the Cannabis Regulations will remain substantively the same as currently exists under the ACMPR, with adjustments to create consistency with rules for non-medical use, improve patient access, and reduce the risk of abuse within the medical access system.

Provincial Regulatory Framework:

While the Cannabis Act provides for the regulation of the commercial production of cannabis for recreational purposes and related matters by the federal government, the Cannabis Act proposes that the provinces and territories of Canada will have authority to regulate other aspects of recreational cannabis (similar to what is currently the case for liquor and tobacco products), such as sale and distribution, minimum age requirements, places where cannabis can be consumed, and a range of other matters.

There are essentially two general frameworks that the provinces and territories have proposed: (i) private cannabis retailers licensed by the province; and (ii) government run retail stores. In both cases, the recreational cannabis market will ultimately be supplied by cultivators and processors licensed under the Cannabis Act. In many cases, the provinces that are proposing to have privately licensed retailers will have a government run wholesaler. Such retail stores will be required to obtain their cannabis products from the wholesalers.

The impact of changes in the regulatory enforcement by Health Canada under the Cannabis Act and its regulations, particularly in respect of product packaging, labelling, marketing, advertising and promotions and product approvals and its impact on the Supreme's business are unknown at this time. In addition, when the Cannabis Act comes into effect, there is no guarantee that provincial legislation regulating the distribution and sale of cannabis for adult use purposes will be enacted according to the terms announced by such provinces, or at all, or that any such legislation, if enacted, will create the opportunities for growth anticipated by Supreme. For adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately or as directed.

This evolving legal regime presents a risk to Supreme in that legislators or the court may adopt changes that would have a negative impact on the business, financial condition or results of operations of Supreme. For example, judicial rulings or legislative changes that allow those without existing licenses to possess and/or grow medical cannabis, allow others to opt out of the regulated supply system implemented through the ACMPR by growing their own medical cannabis, or legitimize illegal areas surrounding cannabis dispensaries, 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 potential impact of any of such changes is highly uncertain and fact dependent, 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 and long-term 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 and 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 Supreme has arranged its proposed business accordingly. However, there can be no assurance that price volatility will be favorable to Supreme or in line with expectations. 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 and 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 a substantial outlay of capital. 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 raise financing could have a material adverse outcome on the Company and its securities.

Expansion of Facility. Expansion of the Facility is subject to Health Canada regulatory approvals. 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.

Reliance on a Single Location. Supreme's current and future production is expected to take place at the Facility in Kincardine, Ontario. Adverse changes or developments affecting the Facility could have a material adverse effect on Supreme's ability to continue producing medical cannabis, its financial condition and prospects.

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.

Brand Perception. Supreme is targeting making 7ACRES a premium cannabis producer that is recognized as such by retailers and consumers. Any negative changes to 7ACRES' brand as a quality cannabis producer could have a material adverse effect on Supreme's sales, profitability and financial condition.

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 the medical cannabis companies that are public issuers in Canada.

Competition. On October 19, 2015, the Liberal Party of Canada (the "**Liberal Party**") obtained a majority government in Canada. The Liberal Party has committed to the legalization of recreational cannabis in Canada, and in April 2017 introduced Bill C-45, the Cannabis Act. The Government of Canada has announced that cannabis would be legal by October 17, 2018. 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. Due to 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 118 Licensed Producers as of September 21, 2018. 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.

Intellectual Property. The ownership and protection of trademarks, patents, trade secrets and intellectual property rights are significant aspects of the Company's future success. Unauthorized parties may attempt to replicate or otherwise obtain and use the Company's products and technology. Policing the unauthorized use of the Company's current or future trademarks, patents, trade secrets or intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others.

In addition, other parties may claim that the Company's products infringe on their proprietary and perhaps patent protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, injunctions, temporary restraining orders and/or require the payment of damages. As well, the Company may need to obtain licenses from third parties who allege that the Company has infringed on their lawful rights. Such licenses, however, may not be available on terms acceptable to the Company or at all. In addition, the Company may not be able to obtain or utilize on terms that are favorable to it, or at all, licenses or other rights with respect to intellectual property that it does not own.

Environmental and Other Regulatory Requirements. The current or future operations of the Company, including development activities and production within the Facility, may require permits from various governmental authorities and such operations are and may be subject to laws and regulations governing disposal, growing, storage, transportation, record keeping, sales and similar activities. Companies engaged in the medical cannabis business need to comply with numerous laws, regulations and permits. There can be no assurance that the Company will be able to obtain or maintain all approvals and permits that may be required to develop or operate the Facility on terms which enable operations to be conducted at economically justifiable costs.

Environmental regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. Such regulations also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which may require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

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.

Product Liability. As a distributor of products designed to be ingested by humans, Supreme faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of Supreme's products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of Supreme's products alone or in combination with other medications or substances could occur. Supreme may be subject to various product liability claims, including, among others, that Supreme's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against Supreme could result in increased costs, could adversely affect Supreme's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of Supreme.

Product Recalls. Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of Supreme's products are recalled due to an alleged product defect or for any other reason, Supreme could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. Supreme may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all.

Results of Future Clinical Research. Research regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Future research studies and clinical trials may reach negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to medical cannabis, which could have a material adverse effect on the demand for the Company's products with the potential to lead to a material adverse effect on the Company's business, financial condition and results of operations.

Litigation. The Company may become party to litigation from time to time in the ordinary course of business, which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the value of its securities and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources, including the time and attention of management and available working capital. Litigation may also create a negative perception of the Company's brand.

Uncertain tax burden. Tax regimes, including excise taxes and sales taxes, can disproportionately affect the price of our products, or disproportionately affect the relative price of our products versus other cannabis products. Because our products are targeted at the premium cannabis market, tax regimes based on sales price can place us at a competitive disadvantage in certain price-sensitive markets. As a result, our volume and profitability may be adversely affected in these markets.

History of Net Losses; Accumulated Deficit; Revenue from Operations. The Company has incurred net losses to date and the Company may continue to incur losses. There is no certainty that the Company will continue to produce revenue or operate profitably in the future. There is also no certainty that the Company will provide a return on investment in the future.

Breaches of security. Given the nature of the Company's product and the concentration of inventory in its facilities, despite meeting or exceeding Health Canada's security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of the Company's facilities could expose the Company to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Company's products.

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 Performance of Subsidiary. Supreme is a holding company that conducts its business through 7ACRES which generates substantially all revenues. As a result, our financial performance and ability to meet financial obligations is dependent on the operating results and revenues of 7ACRES, and the distribution of those earnings to Supreme. In the event of a liquidation or bankruptcy of 7ACRES, lenders and trade creditors will generally be entitled to payment of their claims from the assets of 7ACRES before any assets are made available for distribution to Supreme.

Expansion into Foreign Jurisdictions. The Company's expansion into jurisdictions outside of Canada is subject to risks. In addition, in jurisdictions outside of Canada, there can be no assurance that any market for the Company's products will develop. The Company may face new or unexpected risks or significantly increase its exposure to one or more existing risk factors, including economic instability, changes in laws and regulations, and the effects of competition. These factors may limit the Company's ability to successfully expand its operations into such jurisdictions and may have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's Operations in Emerging Markets are Subject to Political and Other Risks Associated with Operating in a Foreign Jurisdiction. The Company has operations in various emerging markets and may have operations in additional emerging markets in the future. Such operations expose the Company to the socioeconomic conditions as well as the laws governing the cannabis industry in such countries. Inherent risks with conducting foreign operations include, but are not limited to: high rates of inflation; extreme fluctuations in currency exchange rates, military repression; war or civil war; social and labour unrest; organized crime; hostage taking; terrorism; violent crime; expropriation and nationalization; renegotiation or nullification of existing licenses, approvals, permits and contracts; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political norms, banking and currency controls and governmental regulations that favour or require the Company to award contracts in, employ citizens of, or purchase supplies from, the jurisdiction.

Governments in certain foreign jurisdictions intervene in their economies, sometimes frequently, and occasionally make significant changes in policies and regulations. Changes, if any, in marijuana industry or investment policies or shifts in political attitude in the countries in which the Company operates may adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, importation of product and supplies, income and other taxes, royalties, the repatriation of profits, expropriation of property, foreign investment, maintenance of concessions, licenses, approvals and permits, environmental matters, land use, land claims of local people, water use and workplace safety. Failure to comply strictly with applicable laws, regulations and local practices could result in loss, reduction or expropriation of licenses, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The Company continues to monitor developments and policies in the emerging markets in which it operates and assess the impact thereof to its operations; however such developments cannot be accurately predicted and could have an adverse effect on the Company's operations or profitability.

Corruption and Fraud in Certain Emerging Markets Relating to Ownership of Real Property May Adversely Affect the Company's Business. There are uncertainties, corruption and fraud relating to title ownership of real property in certain emerging markets in which the Company operates or may operate. Property disputes over title ownership are frequent in emerging markets, and, as a result, there is a risk that errors, fraud or challenges could adversely affect the Company's ability to operate in such jurisdictions.

The Company's Operations may be Impaired as a Result of Restrictions on the Acquisition or Use of Properties by Foreign Investors or Local Companies under Foreign Control. Non-resident individuals and non-domiciled foreign legal entities may be subject to restrictions on the acquisition or lease of properties in certain emerging markets. Limitations also apply to legal entities domiciled in such countries which are controlled by foreign investors, such as the entities through which the Company operates in certain countries. Accordingly, the Company's current and future operations may be impaired as a result of such restrictions on the acquisition or use of property, and the Company's ownership or access rights in respect of any property it owns or leases in such jurisdictions may be subject to legal challenges, all of which could result in a material adverse effect on the Company's business, results of operations, financial condition and cash flows.

Financial Instruments & Other Instruments

The Company's financial instruments consist of cash, receivables, investments, accounts payable and accrued liabilities and convertible debt. The fair values of cash, receivables, accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term to maturity. The Company classifies its cash and receivables as fair value through profit and loss ("**FVTPL**"), investments as available for sale or FVTPL and accounts payable and accrued liabilities and convertible debt as other financial liabilities. The fair value of cash is based on Level 1 inputs of the IFRS fair value hierarchy.

The FVTPL investment in common shares is considered Level 1 categorization in the IFRS fair value hierarchy as a quoted price in an active market exist. The FVTPL investment in common share purchase warrants that are not traded on active markets is considered Level 2 categorization in the IFRS fair value hierarchy as fair value is determined by observable inputs such as volatility, discount rates and the underlying stock price for the common shares.

The available for sale investment is considered Level 3 categorization in the IFRS fair value hierarchy, as it is a security without a quoted value. If Level 2 inputs are available, such as implied valuations from follow-on financing rounds, third party sale negotiations, or market-based approaches, fair value is considered determinable. In cases where fair value is not reasonably determinable, cost may be the best estimate of fair value.

For the three and twelve months ended June 30, 2018, the Company has recognized an unrealized gain from investments of $154,960 (2017: $844,635) and $2,095,860 (2017: $844,635), respectively, due to the changes in fair value. The unrealized gain was determined using Level 1 and Level 2 inputs.

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 September 28, 2017, the Company entered into a contract with Bayfield Strategy Inc. to provide comprehensive investor and public relations services.

Critical Accounting Estimates

The preparation of these 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.

- Information on the Company's significant accounting policies
- Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the amounts recognized in the consolidated financial statements;
- Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements; and

i) Biological Assets:

Determination of the fair values of the biological assets requires the Company to make various estimates and assumptions. The fair value of biological assets is considered a Level 3 categorization in the IFRS fair value hierarchy. The significant estimates and inputs used to assess the fair value of biological assets include the following assumptions as at June 30, 2018:

(a) Selling prices – selling prices are based on the Company's actual historical average selling price per gram for the preceding nine months. Estimated selling prices average $6.00 for cannabis flower and $2.23 for cannabis trim.

(b) Post-harvest costs – the costs are based on actual processing costs incurred by drying, trimming, testing and packaging activities incurred in the period, including overhead allocations for these activities. Estimated post-harvest processing costs average $0.98 per gram.

(c) The stage of plant growth – the stage of plant growth is estimated by the number of days into the growing stage as compared to the estimated growing time for a full harvest. The estimated stage of growth of the cannabis plants as at June 30, 2018 averages 65%.

(d) Expected yield – the expected yield per plant is based on the Company's actual historical average yield per plant. Expected yield per plant is 57 grams of cannabis trim and 106 grams of cannabis flower.

ii) Property, Plant and Equipment:

Initial recognition of costs – The Company uses estimates to determine certain costs that are directly attributable to self-constructed assets. These estimates primarily include certain internal and external direct labor, overhead, and interest costs associated with the acquisition, construction, development, or betterment of its facility.

Useful lives of property, plant and equipment – Components of an item of Property, Plant and Equipment may have different useful lives. The Company makes significant estimates when determining depreciation rates and asset useful lives, which require considering company specific factors, such as past experience and expected use, and industry trends. The Company monitors and reviews residual values, depreciation rates, and asset useful lives at least once a year and changes them if they are different from previous estimates.

iii) Intangible Assets:

The Company uses estimates in determining the recoverable amount of intangible assets and long-lived assets. The determination of the recoverable amount for impairment testing requires the use of significant estimates, such as future cash flows and discount rates. Future cash flows are based on the Company's estimates and expected future operating results of the CGU after considering economic conditions impacting the CGU. The following inputs have been used to determine the recoverability of intangible assets and long-lived assets:

(a) Discount rate of 20%

(b) Average selling price per gram of approximately $6.30

(c) Average quantity sold per year ranging from approximately 15,000 Kilograms to 50,000 Kilograms

(d) Average cost of production and operating expenses of approximately 60% of revenue

iv) Investments

Use of Estimates:

The Company uses the Black-Scholes pricing model to estimate the value of its investment in BlissCo warrants. The following estimates were used as inputs into the model as at June 30, 2018:

	2018
Share price	$ 0.40
Expected dividend yield	0.00%
Stock price volatility	79.50%
Expected life of warrants	1.63 years
Forfeiture rate	-
Risk free rate	1.91%

v) Convertible Debentures:

Market rate of interest – The market rate of interest used to assess the fair value of the liability component of the convertible debenture instrument is estimated by assessing market conditions and other internal and external factors. The market rate of inteerest used to calculate the fair value of the debt component is 19.9%.

vi) Share Based Compensation:

Significant estimates are used to determine the fair value of stock options, estimates include the assumptions and inputs used in applying the Black-Scholes option pricing model:

	2018
Share price	$ 1.43 - 3.04
Expected dividend yield	0.00%
Stock price volatility	81% - 87.1%
Expected life of options	5 years - 10 years
Forfeiture rate	-
Risk free rate	1.8% - 2.31%

vii) Income Taxes:

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

viii) Financial Instruments:

Financial instruments measured at fair value are classified into one of the 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:

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

The Company has not recorded gains or losses on investments as a result of level 3 inputs in the current fiscal year.

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 has determined that adopting IFRS 9 and IFRS 15 starting July 1, 2018 will not have a material impact on the Company's financial statements. The Company is currently assessing the impact of IFRS 16 that will be adopted starting July 1, 2019.

- 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.

- IFRS 15, 'Revenue from Contracts and Customers' - effective for annual periods beginning on or after January 1, 2018. The IASB will replace IAS 18, Revenue, IAS 11, Construction contracts, and related interpretations on revenue with IFRS 15. 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 16, 'Leases' - effective for annual periods beginning on or after January 1, 2019, adoption of IFRS 16 will result in substantially all lessee leases being recorded on the balance sheet as an asset with a corresponding liability with both current and long-term portions.

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, including the Company's annual information form, is available on the SEDAR website – www.sedar.com.

The Company's 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 260,289,723 common shares issued and outstanding as at September 24, 2018.

The following table sets out the number of stock options granted and outstanding as at September 24, 2018.

Exercise price	Number of options	Expiry date
$0.25	50,000	May 5, 2019
$0.41	800,000	October 14, 2019
$0.50	935,000	January 10, 2021
$0.75	800,000	April 25,2021
$0.75	3,687,533	August 29, 2021
$1.45	2,935,000	September 25, 2022
$2.00	6,500,000	December 15, 2026
$3.05	500,000	January 5, 2023
$2.05	200,000	March 5, 2023
$1.80	300,000	May 15, 2023
$1.70	400,000	June 25, 2023
$1.80	7,000,000	March 29, 2028
$1.50	375,000	August 23, 2023
Total	**24,482,533**	

The following table sets out the number of share purchase warrants issued and outstanding as at September 24, 2018.

Exercise price	Number of Warrants	Expiry date
$0.50	7,964,557	June 20, 2019
$0.32	4,724,366	April 23, 2020
$0.50	857,093	July 15, 2019
$0.50	16,567,936	August 30, 2019
$1.70	19,306,057	December 13, 2019
$1.80	12,457,400	November 14, 2020
Total	**61,877,409**	