Supreme.

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X P E R I E N C E S

The Supreme Cannabis Company Inc.

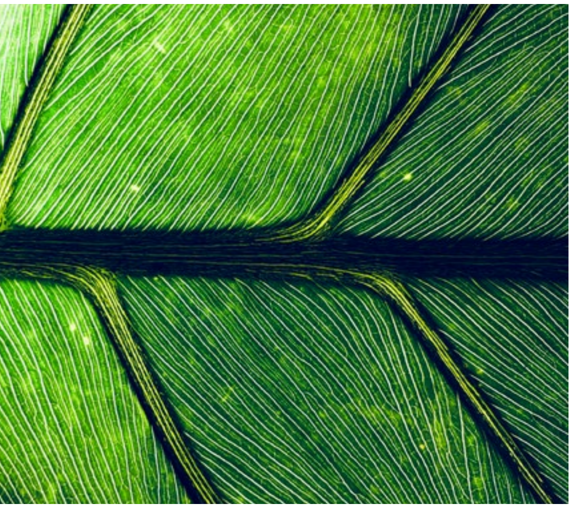
Annual Report 2019

TSX : FIRE

We simply grow better.

The Supreme Cannabis Company, Inc.

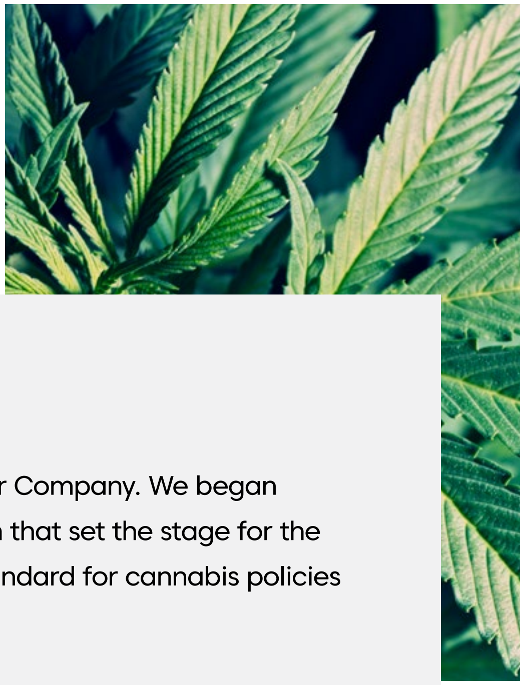
The Supreme Cannabis Company, Inc. is a global diversified portfolio of distinct cannabis brands. Since 2014, the Company has emerged as one of the world's fastest-growing, premium plant driven-lifestyle companies by effectively deploying capital, with an emphasis on disciplined growth and high-quality products.



Stay up to date on what Supreme Cannabis and its brands are up to in FY2020

CLICK HERE

Message from the CEO.



To our fellow shareholders,

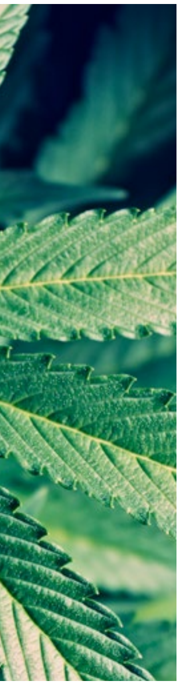
Fiscal 2019 was a transformational year for the industry and for our Company. We began the year with the landmark passing of the *Cannabis Act*, legislation that set the stage for the federally regulated cannabis industry in Canada and created a standard for cannabis policies and regulatory frameworks globally.

The legalization and subsequent creation of a new industry came with expected challenges. Anticipating discerning consumers, supply challenges and price compression for mid to low-end products, we took a differentiated approach from our peers. We measured our success beyond yield and capacity; the pursuit of quality for a long-term competitive advantage drove our business strategy. We overcame foreseen industry challenges with our first brand, 7ACRES by focusing on the essential skill of premium cultivation at scale.

7ACRES' in demand products secure strong pricing with Canadian provinces and maintain premium margins. The ability to cultivate cannabis to a desired specification of quality is a foundational skill that establishes a long-term competitive advantage with wide-ranging impacts. We end fiscal 2019 as one of the top regulated branded revenue generators in the Canadian cannabis industry. We generated earnings with brands that are uniquely equipped and competitively positioned to operate in any regulated cannabis environment.

NAVDEEP DHALIWAL
CHIEF EXECUTIVE OFFICER
AND DIRECTOR

"We measured our success beyond yield and capacity; the pursuit of quality for a long-term competitive advantage drove our business strategy."



Brands, Operations and Corporate Services.

With our initial approach, we built a distinguished premium brand, a scaled cultivation facility and developed unique regulated-industry expertise. These core strengths and assets make up Supreme Cannabis' strategic functions; we go to market with authentic brands, focused regulated operations at scale and essential corporate services with the goal of growing regulated branded revenue.

Authentic brands are created and built with extensive industry research and consumer insights. We view marketing and communications as tools to enhance awareness, but first and foremost, we let our product quality speak for our brands. Our uncompromising products are what create authentic brands that consumers trust. We have established a diversified portfolio of premium brands with exceptional products that cater to varying desired consumer experiences.

Focused operations at scale create the exceptional products that drive our brands. This year, we scaled a highly sophisticated cultivation facility and expanded our operations to include licensed extraction and R&D infrastructure. We made careful capital investments in operating assets to diversify our business and ensure strong long-term returns.

Industry leading corporate services support the revenue drivers of our business. Our sales, marketing, commercialization, finance, legal and regulatory teams serve our global brands and operations from Supreme Cannabis' headquarters in Toronto, Ontario. As Supreme Cannabis' portfolio expands, we continue to grow a diverse and experienced pool of human capital that offers unparalleled value to our brands and businesses.

Brands Inspired by Consumer Experiences.

We aim to create meaningful brands that stand for something in the eyes of consumers. We achieve this by identifying distinct consumer groups, determining their needs and creating products that address those existing human behaviours and preferences. As Canadian and global cannabis markets develop, more distinct consumer groups are emerging. We are building a diverse portfolio of brands that cater to these consumers' unique experiences.

7ACRES core ethos of *"Respect the Plant"* guides both those who cultivate the flower and those who enjoy it. 7ACRES caters to cannabis flower consumers, delivering products with strong sensory characteristics, robust terpene profiles and desirable flower consumption experiences. 7ACRES has launched five flower products into eight provinces across Canada. The brand continues to grow its line-up of premium strains, most recently launching its first sativa cultivar, Jack Haze.

Blissco is a Canadian license holder and extractor selling premium wellness products. Blissco was identified as a high-potential wellness brand producing quality wellness products and operating a facility with existing extraction capabilities. In the fourth quarter, we announced the definitive agreement to acquire Blissco, which closed in July, 2019. Blissco accelerates our growth into the premium wellness and global CBD industry with an authentic brand focused on whole plant wellness and a commitment to sustainability.

Truverra's global medical brand and experienced pharmaceutical team caught our attention during fiscal 2019. In July, we announced the acquisition of Truverra, a privately held cannabis company serving the Canadian and international cannabis markets through its wholly-owned subsidiaries, Canadian Clinical Cannabinoids and Truverra Europe. Subsequent to fiscal year end, we closed the acquisition of Truverra, creating a house of brands capable of serving recreational, wellness and medical consumers.

World-class partnerships. In fiscal 2019, we complimented our brand-building efforts with select strategic partnerships, aligning our Company with well-known and top-tier names like Khalifa Kush Enterprises Canada and PAX Labs. By year end, we launched our first product under the KKE brand, KKE Oil. We intend to create other ultra premium products under this brand, including pre-rolls, derivative products and flower to provide consumers with the #KKExperience.

We drew additional brand strength from our partnership with PAX, announcing our agreement to supply 7ACRES-branded vaporizer oil for PAX Era pods. As one of PAX's foundational partners, we are well positioned to quickly capitalize on the market for new cannabis vaporizer products. Partnerships with companies like PAX allow us to strategically enter new product categories for new consumer groups alongside an established and trusted brand while focusing on the quality cannabis inputs. We will continue to work with like-minded partners to drive synergies and regulated branded revenue.

Foundational Strength in Regulated Operations.

Whether we are creating novel strains, premium flower or new product forms, sophisticated operations drive the success of each of our brands and partnerships.

Regulated cultivation at scale. 7ACRES' hybrid indoor greenhouse in Kincardine, Ontario is one of the only cultivation facilities in Canada growing premium cannabis at scale. By fiscal year end, the facility boasted 230,000 square feet of licensed growing space, this represents an annual production capacity of approximately 33,000kg.

Extraction for wellness products. Blissco's production facility in Langley, British Columbia houses a state-of-the-art extraction lab that will include both ethanol and CO2 extraction. This operating asset expands our infrastructure beyond cultivation, with capability to address much of our businesses' extraction needs in-house.

Extraction and development of cannabis concentrate products. Truverra's 5,000 square-foot Health Canada licensed facility in Scarborough, Ontario is being re-purposed to produce high-quality cannabis extracts, including concentrates and vaping liquids for "cannabis 2.0". We believe the Scarborough facility will begin to produce products in early calendar year 2020.

Genetics and cultivation R&D. To ensure 7ACRES' facility maintained its focus on premium cultivation at scale, we spun-out 7ACRES' genetics business, creating Cambium Plant Sciences. Drawing on the expertise from 7ACRES' existing genetics practice and advanced cultivation practices, Cambium will develop proprietary cannabis genetics and cultivation IP for recreational, medical and wellness products.

With the goal of developing focused infrastructure and expertise, Supreme Cannabis is investing approximately $14 million to retrofit and equip an existing 34,000 square foot facility in close proximity to 7ACRES. The valuable intellectual property Cambium creates will ensure the production of differentiated and competitive cannabis products for the long-term and possibly future blockbuster strains.

Prudent Capital Allocation and Strong Financial Performance.

The Company's financial results provide an initial indication of the positive consumer response to our products. In fiscal 2019, Supreme Cannabis generated total revenue of $41.8 million, growing revenue by 370% year-over-year. From a revenue run rate perspective, Supreme Cannabis was among the top 6 performing Canadian licensed producers in 2019.

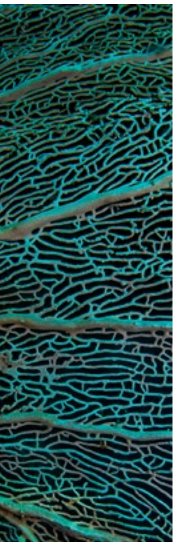
Through prudent capital allocation, we further differentiated ourselves from industry players, ending the year with an Adjusted EBITDA positive quarter, reporting $3.2 million for the fourth quarter. As we grow our business beyond 7ACRES, we maintain our thoughtful and focused approach, acquiring and investing in brands and assets that provide a differentiated long-term advantage.

Positioned for International Growth.

We take a prudent approach to pursuing international opportunities, minimizing risk while positioning the Company for continued global growth. Through key investments and globally positioned brands, we are entering new markets and establishing a strategic footprint.

Supreme Cannabis' early investment in Medigrow, a Lesotho-based cannabis producer, provided access to an advanced cultivation and extraction operation in a federally legal low-cost international jurisdiction. In fiscal 2019, Medigrow received a positive Certificate of Analysis for its oils; with this validation of the product quality, we expect to export Medigrow product to various international jurisdictions in the near-term to drive the growth of our international regulated brands.

In the fourth quarter, we launched Supreme Heights, an investment platform based in London, UK. Supreme Cannabis will support Supreme Heights as it pursues investment opportunities in the EU's high-growth CBD health and wellness space. As Supreme Heights makes headway in this promising market, we establish an early mover advantage, gain broad experience across jurisdictions and secure early equity positions in CBD and wellness brands.



Further to standalone investment opportunities, we intend to address promising international markets with Supreme Cannabis' brands. Truverra Europe addresses consumers' growing demand for CBD products with proven efficacy. Truverra currently delivers scientifically proven products to the UK and Netherlands and will create evidence based medical cannabis products for global markets. Truverra's experienced senior management team will drive this strategy forward, applying their global pharmaceutical and regulated industry experience.

Building on a Strong Foundation.

We enter fiscal 2020 fully funded to execute on all planned initiatives and positioned to build on our strong foundation. Through our existing brands, partnerships, operations and international businesses we expect to generate revenue between $150 million and $180 million in fiscal 2020. We continue to prioritize sustainable and profitable operations and expect to be Adjusted EBITDA positive on aggregate in the upcoming year.

Our team believes in the positive impact cannabis can make globally. This industry is in its first inning and we are confident in our consumer experience driven approach, which has established us as a leading player, driving global revenue growth through our regulated cannabis brands.

Our brands, operations and services are driven by incredible people who share a unifying passion for the cannabis plant. Our passionate team prioritizes superior products, best-in-class processes, differentiated brands and decision making that delivers long-term value. Our people possess "FIRE", which is more than the TSX ticker symbol we trade under, it's the passionate culture which fuels Supreme Cannabis for sustainable growth.

I would like to thank our shareholders for supporting our differentiated vision and approach. Whether it be the launch of new products, acquisition of new businesses or expansion of international operations, we continue to see the long-term value of our foundational investments in high-end cannabis cultivation.

Together, we continue to simply grow better and bigger.

Thank you,

Navdeep Dhaliwal

NAVDEEP DHALIWAL
CHIEF EXECUTIVE OFFICER
AND DIRECTOR

Vision and Mission.

Vision.

Improve global well-being with cannabis.

Mission.

We exist to use our knowledge of the plant to create transformative businesses, products and brands that deliver positive experiences.

"In fiscal 2019, we unified Supreme Cannabis under a distinct corporate identity, one with a design and essence that will grow with our business. We created a meaningful brand by bringing our people together under a mission and vision that aligned with their goals and values."

NICOLE SALE

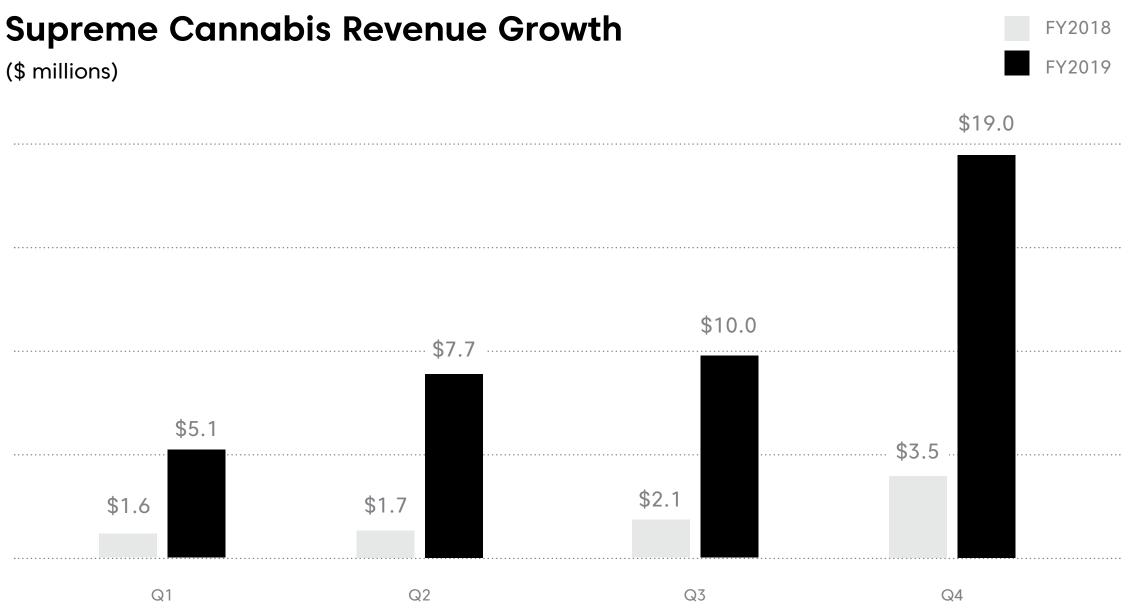
VP COMMUNICATIONS, INVESTOR RELATIONS AND DIGITAL

Financial Highlights.

$41,833,000
Total Revenue

$100,000,000
Capital raised

370% Revenue Growth
Year over Year



"In fiscal 2019, we established and scaled a strong core business, ending the year with our first Adjusted EBITDA positive quarter. We prepared for Fiscal 2020 with thoughtful acquisitions and maintained a focused and disciplined approach to growth."

NIKHIL HANDA
CHIEF FINANCIAL OFFICER

Operating Highlights.

Launched diverse brand portfolio: **7ACRES**, **BLISSCO**, **TRUVERRA**

Secured partnerships with leading premium brands: **PAX**, **KKE**

Graduated to the Toronto Stock Exchange, becoming **TSX : FIRE**

Signed supply agreements across Canada, entering **8 provinces**

Scaled a premium cultivation facility in Canada to over **440,000 square feet**

Canadian Cannabis Landscape.

"Over the past decade, Canada has been a leader in re-thinking cannabis regulation to create a better legislative framework that reduces risks and enables positive outcomes for all stakeholders. After 95 years of prohibition, the *Cannabis Act* came into effect on October 17, 2018, federally legalizing Cannabis in Canada. This should be remembered as a proud moment for all Canadians. We showed leadership on the international stage as the first G7 country to take a progressive, fact-based approach to cannabis legislation.

The *Cannabis Act* gave us the opportunity to launch 7ACRES as Canada's leading High-End™ brand for cannabis enthusiasts. The cannabis that consumers were familiar with prior to legalization possessed desirable sensory characteristics, this existing product created a high expectation for legal cannabis. To meet and exceed expectations, we learned from the techniques of our predecessors. We carefully selected our plants, grew them thoughtfully and completed a comprehensive slow plant dry and cure, and we did this on a massive scale. This process created flower with an aroma, appearance and flavour that appealed to the most discerning of consumers. By producing a product our customers love, we experienced consistent demand and achieved premium pricing that we believe will be sustainable over time.

Our focus on high-end flower positions us for success beyond the first wave of cannabis legalization. As we prepare to launch Cannabis 2.0 products, we are equipped with the high-quality flower inputs necessary to create best-in-class oil, concentrates and other derivative products. By exceeding consumer expectations across all of our offerings, we do more than drive better pricing; we improve our industry and show respect for our consumers".

JOHN FOWLER

FOUNDER, CHIEF ADVOCACY OFFICER AND
MANAGING DIRECTOR, FLOWER & CONCENTRATES

Consumer Driven Approach in Canada and Abroad.

Discover. Identified, researched and analyzed target consumer segment: the Adult Cannabis Enthusiast.

Design. Constructed a one-of-a-kind purpose-built hybrid-greenhouse to create products for Enthusiasts.

Deliver. Cultivated and distributed high-end cannabis with strong sensory characteristics across Canada.

Scale. Created leading infrastructure, processes and operations that can be replicated and modified globally.

WE OPERATE IN ONE OF THE MOST HIGHLY REGULATED INDUSTRIES IN THE WORLD.

Brands and Operations.

7ACRES

230,000 Square Foot
licensed cultivation space

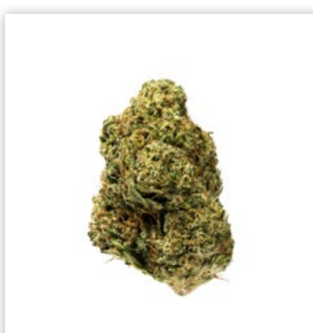
8 Provinces
across Canada

3 Awards
for 7ACRES' brand

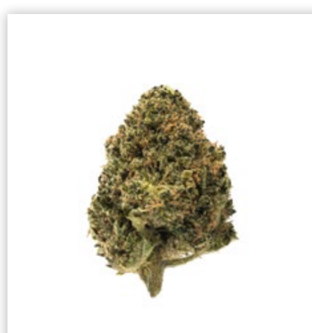
+600 Employees
currently working at 7ACRES

4 Strains
sold across Canada

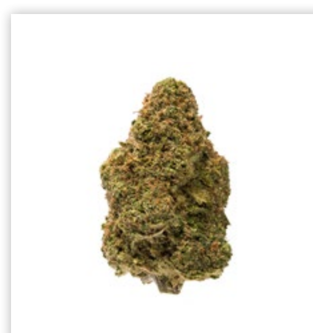
JEAN GUY



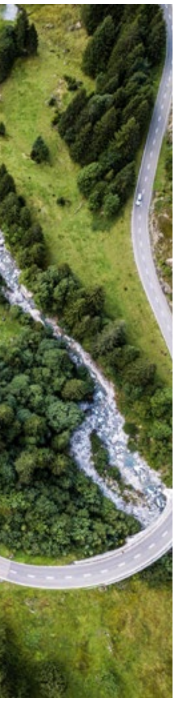
SENSI STAR



WAPPA



WHITE WIDOW



7ACRES

7ACRES is the only licenced producer growing premium cannabis at scale in Canada. The multi-award winning 7ACRES brand is committed to providing a high end cannabis experience, through the creation of better cannabis flower. 7ACRES grows hand-crafted cannabis from its purpose-built 440,000 square foot indoor hybrid facility.

> “We believe that passionate people grow better cannabis. In fiscal 2019, we grew our team at 7ACRES to over 600 passionate people who care about the product they produce and the end consumer it reaches.”

RAM DAVLOOR

SENIOR VICE PRESIDENT, OPERATIONS AND GENERAL MANAGER OF 7ACRES

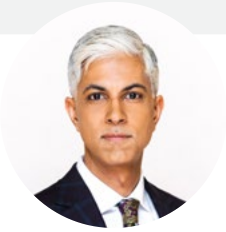
blissco

Blissco Cannabis Corp. is an established cannabis brand, distributor and retailer in British Columbia. Supreme Cannabis is accelerating Blissco's growth as a premium wellness cannabis company, advancing the company's product development and focusing its operations. Supreme Cannabis is expanding Blissco's existing extraction infrustructure to serve the increasing demand for high-CBD derivative products.

12,000 Square Foot
extraction facility

7,000,000 Tincture Bottles
of cannabis oil annually by December 2019

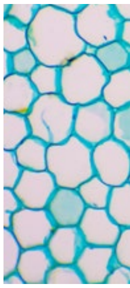
"Through our shared corporate services model, we facilitate the smooth integration of new businesses, quickly applying our best-in-class processes and expertise in commercialization, marketing, branding, regulation and finance."



RIYAZ LALANI

CHIEF CORPORATE OFFICER

In July 2019, subsequent to year end, Supreme Cannabis entered into a definitive agreement to acquire Truverra Inc. Truverra's European subsidiary, Truverra Europe, delivers its rapidly expanding portfolio of CBD Hemp products into the UK and Netherlands, as well as direct to consumer through the company's ecommerce website. Supreme Cannabis will address international medical opportunities under the Truverra brand.



5,000 Square Foot

licensed research and extraction facility in Ontario

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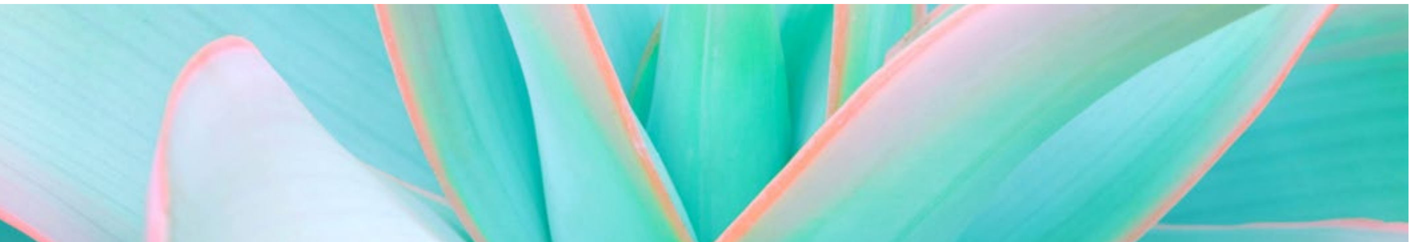
25 SKU's

of efficacy-based CBD wellness products



CAMBIUM PLANT SCIENCES

In April 2019, Supreme Cannabis launched Cambium Plant Sciences to create and commercialize the next generation of premium cannabis genetics. Cambium is led by a team with over 30 years of experience developing plant IP, the same team who built 7ACRES genetics business. Cambium will operate from a 34,000 square foot state-of-the-art research and development facility located in Goderich, Ontario.

34,000 Square Foot
research and development facility

11,000 Seeds
procured for strain development and testing

Investments.

SUPREME HEIGHTS.

In June 2019, Supreme Cannabis announced the launch of Supreme Heights, a separate entity that would be solely dedicated to addressing opportunities in the UK and Europe's CBD Health and wellness market. Supreme Heights will target strategic investments in and provide support services to differentiated high-growth health and wellness businesses with focused brands and premium CBD offerings.

400% Growth

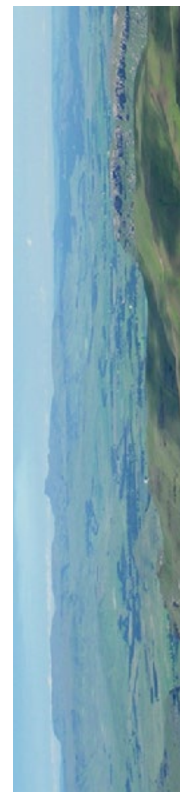
expected for Europe's CBD market over next four years[1]

5 EU Jurisdictions

legalized medical cannabis since January 2018[2]

1. Brightfield Group, March 2019 2. Prohibition Partners, August 2019

MEDIGROW Lesotho



Located in the Kingdom of Lesotho, a jurisdiction within Southern Africa, Medigrow produces medical cannabis oil products for international markets. Supreme Cannabis maintains a global distribution agreement with Medigrow and holds an approximate 10% ownership interest in Medigrow.

+400 Employees

at Lesotho facility

424,000 Square Feet

across eight cultivation pads

"Our legal, regulatory and quality assurance experts show respect for our regulators and consumers by adhering to the robust cannabis regulatory regime that ensures product consistency and safety. As we bring new cannabis derivative products to market and enter new international jurisdictions, we apply our learnings from operating in one of the most advanced regulated cannabis industries in the world."

SONY GOKHALE

GENERAL COUNSEL AND REGULATORY AFFAIRS

Partnerships.

In December 2018, Supreme Cannabis and Khalifa Kush Enterprises Canada ("KKE") entered into an exclusive consulting services agreement to develop and launch a lineup of premium cannabis products for Canada and international markets. In June 2019, KKE oils were launched into the Canadian market, the first in a full suite of recreational focused products to be created under the partnership.

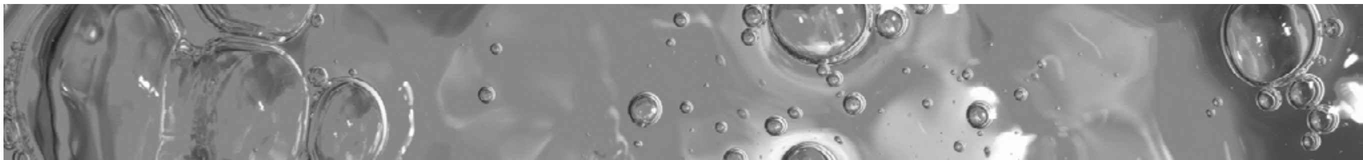
PAX®

In June 2019, Supreme Cannabis and Pax Labs formed a partnership to launch the PAX Era in Canada with Premium 7ACRES oil pods. With the announcement of Health Canada's final regulations for new cannabis products, Supreme Cannabis is positioned to enter Canada's cannabis extracts category alongside one of the most proven and established vaporizer companies in the world.

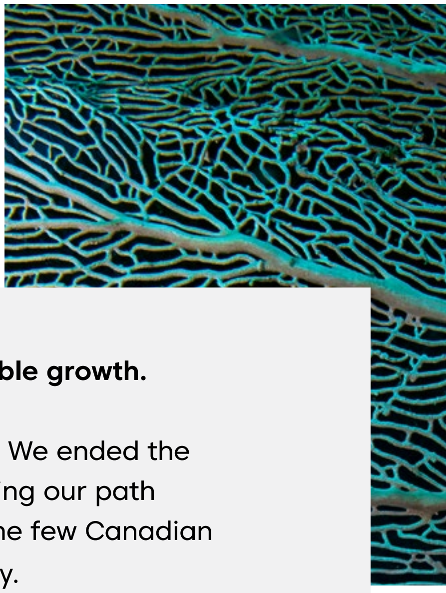
> "We formed strong partnerships with leading consumer-brands, drawing on our respective strengths to create premium differentiated offerings."

OMER AZEEZ

VICE PRESIDENT, COMMERCIALIZATION



Message from the Chairman.



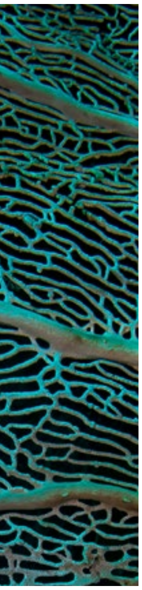
Organizing the business for strategic vision, execution and sustainable growth.

Fiscal 2019 was a year of tremendous growth for Supreme Cannabis. We ended the year reporting an Adjusted EBITDA positive fourth quarter and affirming our path towards sustainable profitability, distinguishing ourselves as one of the few Canadian cannabis companies delivering growth without sacrificing profitability.

To prepare for this growth, we began the first quarter of fiscal 2019 with the repositioning of the company's management team. We made Navdeep Dhaliwal the Company's Chief Executive Officer to optimize Supreme Cannabis' growth trajectory and expand the Company from a single asset into a diversified portfolio of brands built on strong regulated operations. At the same time, Supreme Cannabis' founder, John Fowler, transitioned into a new role that best leverages his status as one of Canada's foremost authorities on the cannabis plant, consumers and products. As our Chief Advocacy Officer and Managing Director of Flower & Concentrates, Mr. Fowler will chart Supreme's course forward into "Legalization 2.0" while continuing to be the cannabis industry's leading voice for adopting a more consumer-oriented approach to building brands and businesses.

As the Company continued to grow over the course of fiscal 2019, the board of directors recognized additional opportunities to ensure we had a strong management team in place to deliver value for shareholders. In April, Nikhil Handa was appointed to Chief Financial Officer to further drive inorganic international and domestic growth. Through his senior roles at Well.ca, Restaurant Brands International and RBC Capital Markets, Mr. Handa brought a wealth of experience in the wellness space and transaction expertise to the senior leadership team.

"In February 2019, Supreme Cannabis reached a significant company milestone as it commenced trading on the Toronto Stock Exchange."



"the Board believes it has formed a team with the critical experience needed in retail, supply chain management, regulated industry and governance to help guide Supreme Cannabis forward."

Strong Corporate Governance.

In February 2019, Supreme Cannabis reached a significant company milestone as it commenced trading on the Toronto Stock Exchange. With our graduation to the TSX, we saw an opportunity to further enhance our board and practices.

During the fiscal year and subsequent to quarter end, we accepted the resignation of two non-independent directors and named Kenneth R. McKinnon, Q.C independent director. Mr. McKinnon's director experience includes his current position on Touchstone Exploration Inc.'s board of directors and his previous positions on the boards of Petrominerales Ltd. and Lightstream Resources Ltd. As an experienced corporate executive and director, Mr. McKinnon brought substantial financial oversight and business advisory experience to the Company's Board.

With Mr. McKinnon's addition, the Board believes it has formed a team with the critical experience needed in retail, supply chain management, regulated industry and governance to help guide Supreme Cannabis forward. In the coming year, we will look to further bolster the board with the addition of another independent director. As we continue to build and enhance our board, we look for professionals who will bring diverse perspectives and expertise to our group.

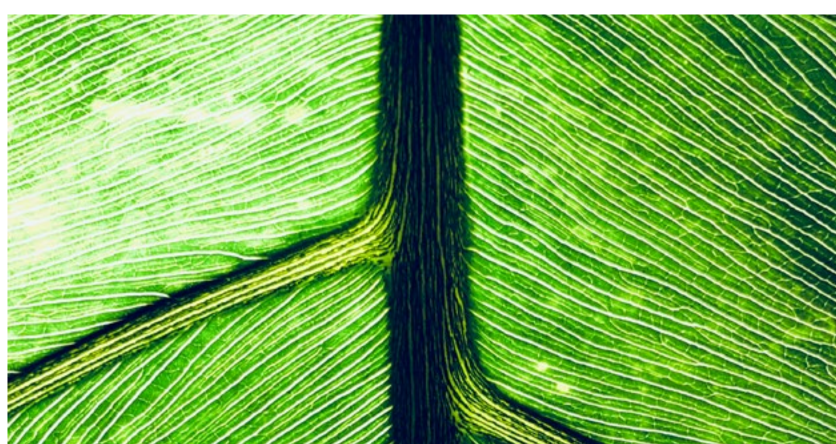
Your board of directors takes its mandate to exercise accountability to shareholders seriously. We will be working through the Company's fiscal 2020 to further implement the best practises in corporate governance and ensure continued sustainable and responsible growth.

Thank you for your continued support, trust and confidence.

Respectfully,

Michael La Brier

MICHAEL LA BRIER
Chairman and Director



Management's Discussion and Analysis Of Financial Results

For the Year Ended June 30, 2019

All figures expressed in Canadian Dollars

September 17, 2019

The Supreme Cannabis Company, Inc. | TSX:FIRE

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 Cannabis**") consolidated financial statements and notes for the year ended June 30, 2019 (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 Cannabis 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 disclosures up to September 17, 2019.

Certain capitalized terms used in this MD&A which are not defined herein have the meanings ascribed to them under "Glossary" in the Company's Annual Information Form dated September 17, 2019 and available at www.sedar.com.

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, operations and potential activities of the Company;
- licensing risks and expectations with respect to renewal and/or extension of the Company's licences;
- risks and any commentary with respect to Canada's cannabis regulatory regime;
- change in laws, regulations and guidelines;
- the potential time frame for the implementation of regulations with respect to the regulatory framework for ingestible cannabis, cannabis extracts and cannabis topical products;

- expectations with respect to the cannabis market and market risks;
- the expected growth in the number of customers and patients using the Company's adult use and medical cannabis;
- the Company's ability to enter into and maintain strategic arrangements with distributors and retailers and the potential benefits of such arrangements;
- the success of the entities the Company acquires and the Company's collaborations;
- the development of the Company's brands, product diversification and future corporate development;
- the expansion and production capacity of the Company's sites and the timing related thereto;
- risks inherent in an agricultural business;
- future liquidity and financial capacity;
- the advancement of the Company's international projects and targeting other opportunities as the laws and regulations governing cannabis evolve internationally;
- the competitive and business strategies of the Company;
- history of net losses; and
- the competitive conditions of the medical and adult use cannabis industry.

Certain of the forward-looking statements and other information contained herein concerning the medical and the adult use cannabis industry and the general expectations of Supreme Cannabis concerning the medical and the adult use cannabis industry and concerning Supreme Cannabis are based on estimates prepared by Supreme Cannabis 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 Cannabis believes to be reasonable. While Supreme Cannabis is not aware of any misstatement regarding any industry or government data presented herein, the medical and the adult use 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 Cannabis' Business & Corporate Strategy*" as well as statements regarding the Company's objectives, plans and goals, including future operating results and economic performance may make reference to or involve forward-looking statements. A number of factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking statements. See below under "*Risk 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 Cannabis 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.

Non-GAAP Measures.

This MD&A contains certain financial performance measures that are not recognized or defined under IFRS (“**Non-GAAP Measures**”). As a result, this data may not be comparable to data presented by other cannabis companies. For an explanation and reconciliation of these measures to related comparable financial information presented in the Financial Statements prepared in accordance with IFRS, refer to the Results of Operations for the three and twelve months ended June 30, 2019 and 2018 section below. The Company believes that these Non-GAAP Measures are useful indicators of operating performance and are specifically used by management to assess the financial and operational performance of the Company. These Non-GAAP Measures include, but are not limited to, Adjusted EBITDA.

The Company defines Adjusted EBITDA as net income (loss) excluding fair value changes on growth of biological assets, realized fair value changes on inventory sold or impaired, amortization of property plant and equipment & intangible assets, share based payments, finance expense, loss on disposal of property plant and equipment, unrealized gains or losses on investments and income taxes.

Non-GAAP Measures should be considered together with other data prepared in accordance with IFRS to enable investors to evaluate the Company’s operating results, underlying performance and prospects in a manner similar to Supreme Cannabis’ management. Accordingly, these Non-GAAP Measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

Overview of Supreme Cannabis’ Business & Corporate Strategy.

Supreme Cannabis is a global diversified portfolio of distinct cannabis companies, products and brands.

Supreme Cannabis’ portfolio includes 8528934 Canada Ltd. d/b/a 7ACRES (“**7ACRES**”), its wholly-owned subsidiary and multi-award-winning brand; BlissCo Cannabis Corp. (“**BlissCo**”), a wellness cannabis brand and a multi-licenced processor and distributor based in British Columbia; Truverra, a global medicinal cannabis brand and licenced cultivator; Cambium Plant Sciences (“**Cambium**”), a plant genetics and cultivation IP company; Medigrow Lesotho, an cannabis oil producer located in southern Africa; Supreme Heights an investment platform focused on CBD brands in the United Kingdom and Europe and party to a brand partnership and licensing deal with Khalifa Kush Enterprises Canada ULC (“**KKE**”) (an unrelated entity).

Supreme Cannabis trades as FIRE on the Toronto Stock Exchange (TSX: FIRE), SPRWF on the OTC Exchange in the United States (OTCQX: SPRWF) and 53S1 on the Frankfurt Stock Exchange (FRA: 53S1).

We simply grow better.

Mission.

Supreme Cannabis exists to use our knowledge of the plant to create transformative businesses, products and brands that deliver positive experiences.

Vision.

Supreme Cannabis' vision is to improve global well-being with cannabis.

Corporate Strategy.

Driven by a strong mission and vision, Supreme Cannabis is committed to creating value for shareholders by executing on a focused and competitive strategy. The company aims to pursue opportunities where it can establish a long-term differentiated advantage. Guided by this overarching objective, Supreme Cannabis operates with three strategic priorities:

1. Build consumer experience driven brands that generate regulated and branded cannabis revenue;
2. Create high-quality products to ensure efficacy; and
3. Leverage experience in Canada to enter promising global markets.

Supreme Cannabis' Portfolio Overview.

	OWNERSHIP	LOCATION	SIZE[2]	CAPACITY[1]	LICENCE STATUS	PURPOSE
7ACRES	100%	Kincardine, ON	440,000 ft^2	50,000 kg	Cultivation, processing and medical sale	Scaled cultivation of premium cannabis and processing of cannabis products that are dried cannabis
BLISSCO	100%	Langley, BC	12,000 ft^2	7,000,000 tincture bottles	Cultivation, processing and medical sale. Awaiting approval to sell cannabis oil	Infrastructure for processing cannabis products that are cannabis extracts and cannabis topicals
TRUVERRA EU	100%	UK & Netherlands	N/A	N/A	N/A	Hemp derived medicinal products

CCC	100%	Scarborough, ON	5,000 ft^2	TBD[3]	Cultivation and medical sale. Awaiting processing and analytical testing licence	Infrastructure for processing cannabis products that are cannabis extracts, cannabis topicals and edible cannabis
CAMBIUM	100%	Goderich, ON	34,000 ft^2	Up to 500 kg flower cultivation capacity; on-site lab testing	Awaiting cultivation and processing licence	Proprietary R&D for cultivation and development of new varieties of cannabis plants
MEDIGROW LESOTHO	10%	Kingdom of Lesotho	424,000 ft^2	2,300 litres of distillate oil	Licence for cultivation, manufacturing, and sale, into and outside Lesotho for medicinal purposes or scientific use	Cultivation, extraction and processing of cannabis and hemp for medical purposes
SUPREME HEIGHTS	N/A[4]	London, England	N/A	N/A	N/A	European CBD investment platform
KKE	N/A[5]	Toronto, Canada	N/A	N/A	N/A	Commercialization and brand partnership

[1] Figures are estimated on an annual basis upon full completion of planned expansion and current regulatory approvals.
[2] Square foot information is based on the planned total size of each facility upon completion of construction activities.
[3] Management is in the process of operationalizing the facility and output metrics are not yet determined
[4] The Company has not yet completed an investment in Supreme Heights, which is subject to customary approvals.
[5] KKE is not a related party entity.

Supreme Cannabis' Brands and Businesses.

Supreme Cannabis global headquarters are located in Toronto, Canada. Since its founding in 2014, Supreme Cannabis has grown to operate multiple brands and offerings. Businesses and investments in Supreme Cannabis' portfolio are supported by the Company's shared corporate services model, under which, the Company offers cultivation, commercialization, financial, regulatory, marketing and brand building expertise. The Company's corporate services are delivered by a team of over 60 professionals.

Brands.

7ACRES

7ACRES is a wholly-owned subsidiary of the Company, and is a Licence Holder located in Kincardine, Ontario, and has been a Licence Holder since March 11, 2016. 7ACRES grows hand-crafted cannabis for consumers in the adult use market in Canada. The multi-award winning 7ACRES brand is committed to providing a High-End Cannabis™ experience, through the creation of better cannabis flower.

Products.

7ACRES currently produces four dried flower strains, available for sale in eight Canadian provinces. On June 7, 2019, 7ACRES announced a partnership agreement with PAX Labs, Inc. ("**PAX**") to create a cannabis product including 7ACRES cannabis concentrates in pods for use in PAX's best-selling PAX Era concentrate vaporizer system. 7ACRES currently sells adult-use dried cannabis into the Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, Nova Scotia, New Brunswick and Prince Edward Island adult use markets.

7ACRES Site.

7ACRES takes pride in growing High-End Cannabis™ that respects each variety's genetic lineage and history. 7ACRES grows its cannabis plants in a purpose-built 440,000 square foot indoor hybrid site (the "**7ACRES Site**"). The 7ACRES Site is unique for being one of the only in the world capable of premium cultivation at scale.

blissco

BlissCo is a wholly-owned subsidiary of the Company that is a Licence Holder in Langley, British Columbia, with a focus on extraction and processing of cannabis extracts and cannabis topicals. On July 11, 2019, Supreme Cannabis acquired all of the issued and outstanding common shares of BlissCo, not already owned by Supreme Cannabis. BlissCo has been a Licence Holder since March 2018. BlissCo currently sells adult-use dried cannabis into the British Columbia, Alberta, Saskatchewan and New Brunswick adult use markets.

Global wellness brand.

With the acquisition of BlissCo, Supreme Cannabis gained a dedicated wellness brand that focuses exclusively on this growing consumer segment globally. Supreme Cannabis is streamlining BlissCo's production operations to create a highly focused site dedicated to hemp and cannabis extraction for processing of full-spectrum and specific-fraction cannabis products. Cannabis products launched under the BlissCo brand are expected to include cannabis extracts high in CBD, dried cannabis pre-rolls with significant amounts of CBD and cannabis topicals high in CBD for domestic and international markets.

BlissCo Site.

BlissCo's production site ("**BlissCo Site**") in Langley, British Columbia has been producing cannabis oils and pre-rolls since receiving its cultivation, cannabis sales and oil production licences in 2018. The BlissCo Site houses a state-of-the-art cannabis oil extraction lab with a CO2 extractor capable of producing full spectrum products.

truverra™

Truverra is a wholly-owned subsidiary of the Company located in Scarborough, Ontario. On August 13, 2019, Supreme Cannabis acquired all issued and outstanding shares of the privately held cannabis company, Truverra Inc. and its subsidiaries Canadian Clinical Cannabinoids Inc. ("**CCC**") and Truverra (Europe) B.V. ("**Truverra Europe**"). CCC operates a 5,000 square-foot Health Canada licenced site ("**Truverra Site**") in Scarborough, Ontario. Supreme Cannabis intends to repurpose CCC's state-of-the-art site to produce high-quality cannabis extracts, including cannabis concentrates. In addition to its operations in Canada, Truverra Europe is located in the Netherlands and sells a broad portfolio of hemp-based CBD products into select European markets.

Global medical brand.

Truverra is well positioned to take advantage of the emerging cannabis market in Europe and is a leader in the development, marketing and distribution of hemp derived medicinal products with clinically proven efficacy. Truverra Europe is currently delivering its rapidly expanding portfolio of CBD hemp products into the United Kingdom and Netherlands, as well as direct to consumer through the company's ecommerce. Truverra is currently in the process of developing unique cannabis derived branded 'ingredients' with proven safety and efficacy for broad high-value health indicators.

Product diversification infrastructure.

CCC has been a Licence Holder since March 2019. CCC's 5,000 square-foot site will house Supreme Cannabis' extraction lab for processing cannabis concentrates and other cannabis extracts, including cannabis concentrates for vaporizing. Supreme Cannabis is retrofitting the site to include a range of solvent-less extraction equipment to leverage our unique position as the only cultivator with high-end flower at scale. Changes to the site are being made with the goal of meeting demand of the upcoming market for cannabis products that are cannabis concentrates and other cannabis extracts, including cannabis concentrates for vaporizing.

CAMBIUM
PLANT SCIENCES

Cambium is a wholly-owned subsidiary located Goderich, Ontario. With the systematic application of research, technology and science, Cambium is developing the next generation of premium cannabis genetics for the adult use, medical and wellness markets. Cambium's innovative mission is to supply agriculturally focused, disease resistant, premium seed stock to the rapidly growing global cannabis market.

Proprietary intellectual property.

Leveraging 7ACRES' large production platform and plant knowledge, Cambium will use proprietary research, technology and scientific methodologies to revolutionize cannabis cultivation for the adult use, medical and wellness markets. Supreme Cannabis believes this creates long-term proprietary value for the Company's in-house brands.

Business to business genetics brand.

The team at 7ACRES established one of the largest cannabis genetics businesses in Canada by supplying plant genetics to other Licence Holders on a royalty basis. 7ACRES' in-house genetics business was spun out to create Cambium. With focused operations, Supreme Cannabis expects Cambium to emerge as a top supplier of cannabis genetics in Canada.

Dedicated genetics R&D Site.

Supreme Cannabis is investing approximately $14 million to retrofit and equip an existing 34,000 square foot site ("**Cambium Plant Sciences Site**") in Goderich, Ontario. Retrofitting of Cambium's R&D site commenced in July 2019 and is expected to be complete by January 2020.

Investments.

MEDIGROW
Lesotho

In March 2018, Supreme Cannabis entered into a definitive agreement pursuant to which Supreme Cannabis completed a $10.1 million strategic equity investment in Medigrow Lesotho for a 10% equity stake as well as a global distribution agreement for their supply of high-quality cannabis extracts.

International medical focus.

Supreme Cannabis anticipates growing demand for medical cannabis extracts globally. As one of the first Licence Holders to recognize the opportunity in the Kingdom of Lesotho, Africa, Supreme Cannabis' investment in Medigrow Lesotho will help meet that demand. The Medigrow team has the expertise to meet the highest quality standards in cannabis extract production.

Advanced operations.

Medigrow has installed cannabis extractors on-site and continue to process cannabis extracts. Supreme Cannabis anticipates output at Medigrow to be approximately 2,300 litres of cannabis distillate oil per year. Remaining construction continues in the cultivation space and surrounding areas. All construction is being completed in anticipation of applying for an EU GMP certification.

SUPREME HEIGHTS.

Founded in June 2019, Supreme Heights targets investments in high quality, differentiated brands with defendable business models and strong management teams in the United Kingdom and European branded CBD health & wellness segment. Partners of Supreme Heights benefit from the industry experience, knowledge and intellectual property of Supreme Cannabis. Supreme Heights works collaboratively with Supreme Cannabis to diligently assess investment opportunities, identify synergies and advance the businesses in its portfolio.

CBD offerings.

Supreme Heights will make strategic investments in and provide support services to differentiated high-growth health and wellness businesses with focused brands and premium CBD offerings.

Particular attention will be paid towards investments in wellness brands with CBD offerings in extract vaporizers, topicals and edibles (including beverages) or with ancillary services.

Strong partnership.

Supreme Heights benefits from Supreme Cannabis' regulatory, product commercialization, supply chain, marketing and capital markets expertise and corporate support services, and in some cases Supreme Cannabis' intellectual property. Supreme Cannabis' management team has immense experience supporting health and wellness companies operating in Canada and international markets.

Supreme Heights will also draw on the Company's experience launching premium brands.

Brand Partnerships.

In June 2019, Supreme Cannabis announced that it had entered into an exclusive partnership to become a foundational brand partner and supplier of PAX's vaporizer pods filled with cannabis concentrates for the Canadian market.

Through this partnership, 7ACRES becomes one of only four Licence Holders chosen as initial partners to create cannabis products that include vaporizer pods for the PAX Era filled with cannabis concentrates. PAX is a market leader with over 1.5 million vaporizing devices sold worldwide and has an established reputation as one of the best-selling battery-and-pod system in the United States. Supreme Cannabis' partnership with PAX will accelerate the growth of the Company's concentrate pod product category, where Supreme Cannabis' proven brand-building ability and high-quality dried cannabis at scale offer a distinct market advantage.

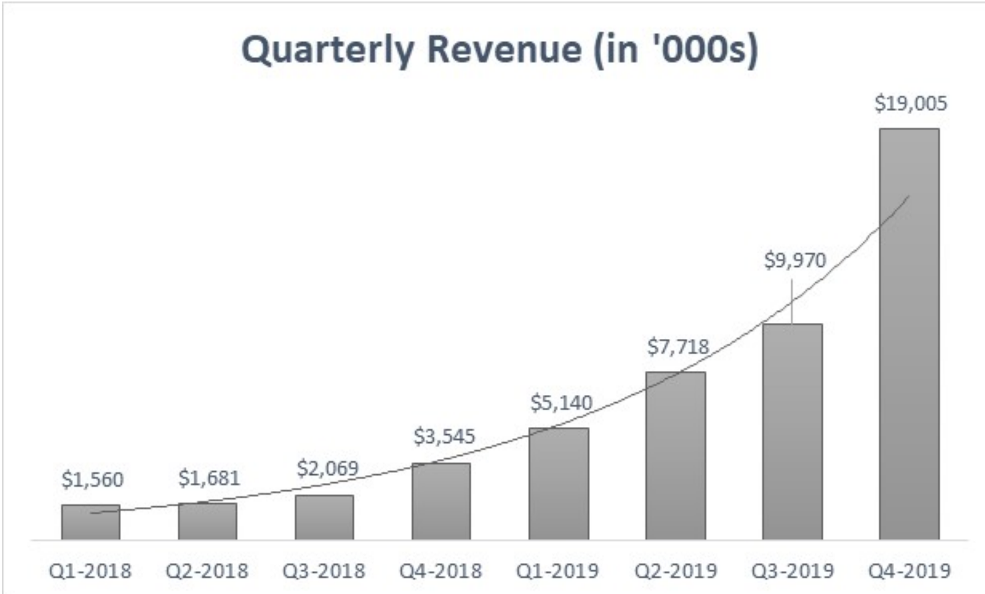
In December 2018, Supreme Cannabis entered into an international partnership with KKE to develop and launch a lineup of premium cannabis products, such as pre-rolls, concentrate pods, vaporizers, and a dried flower line based on KKE's flagship "Khalifa Kush" strain.

The first commercialization of this partnership took place in June 2019 with the launch of a cannabis product called KKE Oil. KKE Oil is a premium, adult-use focused cannabis oil. KKE Oil was developed for the consumer who wants the convenience, high THC potency and precise dosing offered by a cannabis oil. KKE Oils are one of the first ever adult-use focused cannabis oil products available to consumers in Canada.

Highlights for the three and twelve months ended June 30, 2019.

Supreme Cannabis achieves eight straight quarter of regulated cannabis revenue growth.

During the three months ended June 30, 2019, Supreme Cannabis achieved $19.0 million of net revenue representing a 90% and 443% increase from the three months ended March 31, 2019 and the three months ended June 30, 2018, respectively. The record revenue achieved during the three months ended June 30, 2019 is due to increased production at the 7ACRES Site, the launch of KKE products, strong demand for the Company's premium dry cannabis flower, increased sales volumes and robust wholesale and adult-use pricing.



Supreme Cannabis starts trading on the Toronto Stock Exchange.

On February 4, 2019, Supreme Cannabis' common shares were delisted from the Toronto Venture Exchange ("**TSXV**") and commenced trading on the TSX under the symbol "**FIRE**". The Company's 6.0% senior unsecured convertible debentures due 2021 were also delisted from the TSXV and commenced trading on the TSX under the symbol "**FIRE.DB**".

7ACRES expands Health Canada licenced cultivation area.

During the year ended June 30, 2019, 7ACRES obtained Health Canada approval for approximately an additional 200,000 sq. ft of flowering rooms, bringing the total flowering room capacity at 7ACRES to approximately 230,000 sq. ft substantially increasing the footprint and output of the 7ACRES Site as compared to the prior year.

Supreme Cannabis signs eight provincial supply agreements.

During the year ended June 30, 2019, Supreme Cannabis, through 7ACRES, entered in eight provincial supply agreements with Ontario, British Columbia, Alberta, Saskatchewan, Manitoba, Nova Scotia, New Brunswick and Prince Edward Island. The provincial supply agreements have made 7ACRES-branded award-winning products available coast-to-coast in Canada.

Supreme Cannabis signs international partnership agreement with Khalifa Kush Enterprises.

On December 6, 2018 the Company entered into an exclusive consulting agreement with KKE to develop and launch a lineup of premium cannabis products.

KKE will provide cannabis related consulting services to the Company who will be the exclusive producer of KKE branded products in Canada and, subject to certain approvals, international markets (other than the United States). This will include a strain to be developed by the parties in Canada based on KKE's flagship "Khalifa Kush" strain. The Company and KKE will work to develop and commercialize a product lineup that is expected to include pre-rolls, extracts, capsules, and cannabis oils to be sold by the Company under the brand, "KKE" or "KK".

The initial term of the agreement is five years and may be extended by the Company for an additional five years, subject to certain conditions and the issuance of a number of common shares of the Company to be determined at the time of the renewal. As partial consideration, KKE received 5,745,000 common shares along with a cash payment of $1 million. In addition, KKE will receive annual royalty payments paid over the course of the agreement, calculated based on the sale of products developed pursuant to the agreement.

Supreme Cannabis enters exclusive partnership with PAX Labs.

On June 7, 2019, Supreme Cannabis' announced it has entered into an agreement with PAX to become a foundational brand partner and supplier for the PAX Era in Canada, pending the federal legalization of the vaporizable products.

Under the terms of the agreement, 7ACRES-branded vaporizer oil will be sold exclusively in Era-compatible pods. Supreme Cannabis may also create pods for the PAX Era under different brands. The Company anticipates selling 7ACRES-branded Era Pods coast-to-coast in every jurisdiction where Supreme Cannabis has provincial supply agreements.

Supreme Cannabis launches cannabis genetics company, Cambium Plant Sciences.

On April 22, 2019, Supreme Cannabis' announced the launch of Cambium Plant Sciences ("**Cambium**"), located in Goderich, Ontario. Cambium, a wholly owned subsidiary of Supreme Cannabis, aims to lead the agricultural revolution of cannabis genetics, redefining consumer experiences and cultivation economics across the global cannabis industry. With the systematic application of research, technology and science, Cambium will focus on developing the next generation of premium cannabis genetics for recreational, medical and wellness applications. Cambium's innovative mission is to supply agriculturally focused, disease resistant, premium seed stock to the rapidly growing global cannabis market. Supreme Cannabis will invest approximately $14 million for the construction of a state-of-the-art, 34,000 sq. ft research and development facility located in Goderich, Ontario.

Supreme Cannabis launches investment platform Supreme Heights.

On June 24, 2019, Supreme Cannabis' announced the launch of Supreme Heights, an investment platform based in London, UK, focused on opportunities in the UK and Europe's CBD health and wellness space. Supreme Heights intends to make strategic investments in and provide support services to differentiated high-growth health and wellness businesses with focused brands and premium CBD offerings.

Supreme Cannabis has launched Supreme Heights as a separate entity that will solely address opportunities in the UK and Europe's CBD health and wellness market. The completion of the investment by Supreme Cannabis in Supreme Heights is subject to, among other things, the negotiation and execution of a mutually agreeable investment agreement and related documents and the satisfaction or waiver of any conditions precedent to the consummation of such investment.

Supreme acquires Bayfield Strategy, Inc.

On November 30, 2018 the Company acquired Bayfield Strategy, Inc. ("**Bayfield**"), a leading communications and stakeholder relations firm. Bayfield's Chief Executive Officer, founder and shareholder, Mr. Riyaz Lalani, was appointed to the position of Chief Corporate Officer of the Company. Bayfield's other employees entered into employment agreements with Supreme and assumed a variety of roles in corporate operations and stakeholder relations.

Over the last two decades, Mr. Lalani has advised public companies, boards of directors, private equity funds and hedge funds across North America. Prior to founding Bayfield, Mr. Lalani was the Chief Operating Officer of a leading shareholder services firm in Canada. Beforehand he was the head of research for an international asset manager in New York and Toronto, focused on investments in biotechnology, life sciences, resources, and a variety of other industry sectors. Mr. Lalani will contribute a unique and diverse experience set that encompasses capital allocation, strategic communications, and operational execution.

The Company issued 1,075,269 common shares to Bayfield's shareholders in exchange for all of the issued and outstanding shares of Bayfield. Portion of the share consideration is considered compensation due to claw back requirement tied to continuous employment of Bayfield employees with the Company.

Supreme Cannabis strengthens the board of directors and management team for the next stage of global growth.

On March 7, 2019, Supreme Cannabis' announced strengthening of its board of directors (the "**Board**") with the appointment of a new independent director, Kenneth R. McKinnon, Q.C. As an experienced corporate executive and director, Mr. McKinnon brings substantial financial oversight and business advisory experience to the Company's Board. Following Supreme Cannabis' graduation to the TSX, the Board reviewed its existing corporate governance and, in line with best practice, decided to increase the number of independent directors sitting on the Board. As such, the Company has also accepted the resignation of Mr. Scott Walters, who served as a director of the Company since 2016 before becoming a member of Supreme Cannabis' management team in 2018.

On March 8, 2019, Supreme Cannabis announced the appointment of Mr. Nikhil Handa as the Company's new Chief Financial Officer ("**CFO**"). Mr. Handa, as CFO, will be responsible for the stewardship of Supreme Cannabis' finance department, with an emphasis on capital allocation planning, M&A, and transactional execution as the Company focuses on expanding operations and distribution of its premium cannabis products domestically and internationally. Mr. Handa joins Supreme Cannabis with considerable cross-sector capital markets experience. Most recently he was the Vice President ("**VP**") of Finance at Well.ca, a leading online destination for health, wellness, beauty and baby products. In that role he led the finance function, provided leadership across various aspects of operations and drove key strategic initiatives including the sale of Well.ca to McKesson Canada. Over the course of his career, Mr. Handa also held a variety of senior finance and operational roles at Restaurant Brands International, the quick service restaurant holding company created by the merger of Burger King and Tim Hortons and majority owned by 3G Capital. Additionally, he was a key member of the mergers and acquisition group of RBC Capital Markets.

In August 2018, Mr. Barinder Bhullar, was appointed VP, Government Relations and International Affairs. Mr. Bhullar will guide Supreme Cannabis'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 British Columbia 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 British Columbia. 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.

Bought deal offering.

On October 19, 2018, the Company closed a bought deal offering for gross proceeds of $100 million, including the exercise, in full, of the underwriters' over-allotment option (the “**Offering**”), comprised of 6.0% senior unsecured convertible debentures (the “**Debentures**”) of the Company at the issue price of $1,000 per Debenture, with a syndicate of underwriters, co-led by GMP Securities L.P. and BMO Capital Markets, including Cormark Securities Inc., Eight Capital, Beacon Securities Limited and P.I. Financial Corp.

The Debentures have a maturity date that is 36 months from the closing date of the Offering (the “**Maturity Date**”) and bear interest from the date of closing at 6.0% per annum, payable semi-annually on June 30 and December 31 of each year. The Debentures are convertible, at the option of the holder, into common shares at any time prior to the close of business on the last business day immediately preceding the Maturity Date at a conversion price of $2.45 per common share (the “**Conversion Price**”), subject to adjustment in certain circumstances. The Company may force the conversion of the principal amount of the then outstanding Debentures at the Conversion Price on not less than 30 days’ notice should the daily volume weighted average trading price of the common shares be greater than $3.43 for any 10 consecutive trading days. The Debentures are listed for trading on the TSX under the symbol “**FIRE.DB**”.

Settlement of debt.

On November 6, 2018, Supreme completed the conversion of the then outstanding aggregate principal amount of $4.84 million and accrued interest outstanding of 8% unsecured convertible debentures due November 2019 to 3,261,622 common shares of the Company.

Subsequent Events.

Supreme Cannabis closes the acquisition of premium wellness brand and extraction company BlissCo.

On July 11, 2019, Supreme Cannabis acquired all of the issued and outstanding shares of BlissCo in exchange for 23,434,151 Supreme Cannabis common shares.

With the closing of the BlissCo acquisition, Supreme Cannabis will gain advanced extraction infrastructure and expertise. BlissCo’s production facility in Langley, British Columbia has been producing cannabis oils and pre-rolls since receiving its cultivation, cannabis sales and oil production licenses in 2018. The BlissCo facility houses a state-of-the-art cannabis oil extraction lab with a CO2 extractor capable of producing full spectrum oil. Planned additions to the BlissCo facility include the installation of an ethanol extractor that will serve the increasing demand for full spectrum CBD and THC derivative products.

Supreme Cannabis closes the acquisition of Truverra Inc.

On August 13, 2019, Supreme Cannabis acquired all of the issued and outstanding shares of privately held Truverra Inc in exchange for approximately 14,700,000 Supreme Cannabis common shares.

Located in Toronto, Truverra is a private cannabis company, serving the Canadian and international cannabis markets through its wholly owned subsidiaries, CCC and Truverra Europe. CCC operates a 5,000 square-foot Health Canada licenced facility in Scarborough, Ontario. Supreme Cannabis intends to repurpose CCC's state-of-the-art facility to produce high-quality cannabis extracts, including concentrates and vaping liquids. In addition to its operations in Canada, Truverra's wholly owned European subsidiary, Truverra Europe, is located in the Netherlands and sells a broad portfolio of hemp-based CBD products into select European markets. Supreme Cannabis will use CCC's facility to complete extraction for select brands and partners.

Supreme Cannabis Appoints New Chief Information Officer and VP of Talent.

On July 24, 2019, Supreme Cannabis announced the addition of Mr. Ash Rajendra as Chief Information Officer ("**CIO**") and Ms. Valerie Rother as VP, Talent.

Mr. Ash Rajendra is an experienced information technology and business leader who has a deep understanding of vertically integrated products, including operating within a regulated environment. Most recently, Mr. Rajendra was the CIO at Just Energy, which specializes in electricity, natural gas, solar and green energy around the world and serves approximately two million residential and commercial customers. As a member of Just Energy's executive management team, Mr. Rajendra was responsible for planning and execution of the company's global IT strategy. Prior to this Mr. Rajendra served as the CIO for Nordion, the world's largest producer of medical isotopes.

Ms. Valerie Rother has over 16 years of experience in recruitment, talent management and HR business practices. In her previous role as Director of People and Culture at Wave Financial, Ms. Rother oversaw its Talent Strategy and Acquisition Team in a high-volume, fast-paced environment.

Supreme Cannabis' 7ACRES Site approved for additional 10,000 square feet of production capacity.

In August 2019, 7ACRES obtained Health Canada approval for an additional flowering room, bringing the total flowering room capacity at 7ACRES to approximately 240,000 sq. ft.

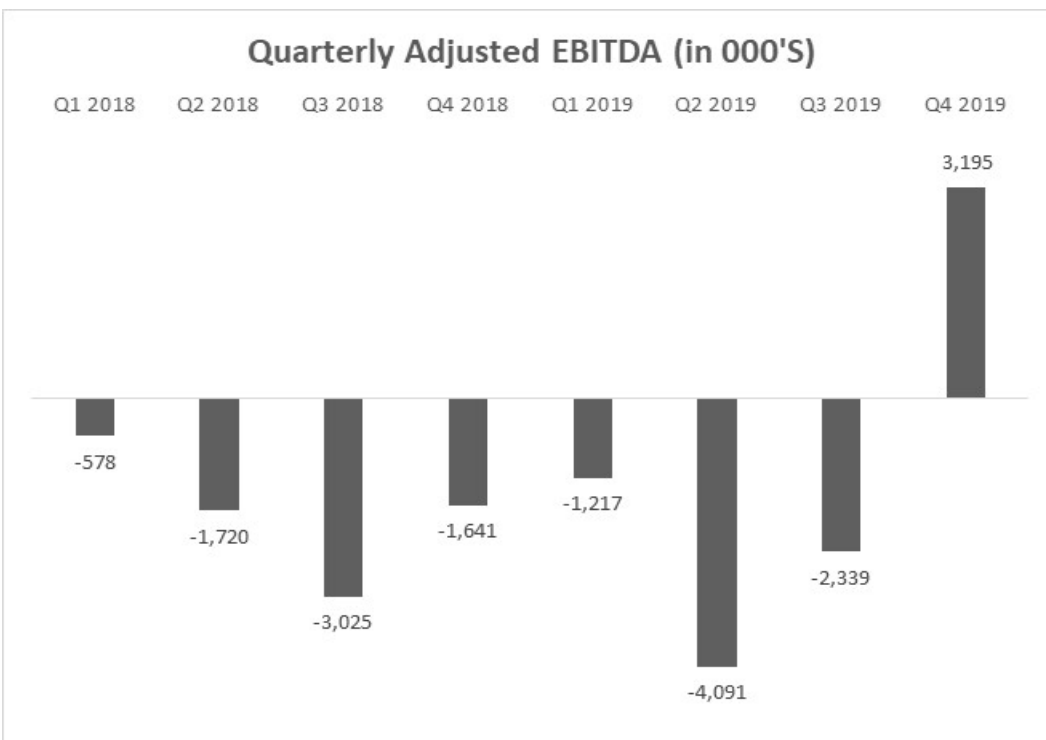
Results of Operations for the three and twelve months ended June 30, 2019 and 2018.

During the three and twelve months ended June 30, 2019, the Company reported a net comprehensive loss of $0.3 million (June 30, 2018: net comprehensive gain of $0.2 million) and $14.4 million (June 30, 2018: $7.3 million), respectively.

The Company recorded a net comprehensive loss for the three months ended June 30, 2019 as compared to the prior period net comprehensive income, primarily as a result of increases in revenue and net impact of fair value changes related to biological assets offset by an increase in production costs, operating expenses, increase in other expenses and impact of deferred tax expense. The increase in revenue and related production costs and operating expenses are due to the expansion of the 7ACRES Site, increased employee headcount and the launch of additional products. Other expenses increased due to higher finance expense as a result of additional borrowing costs related to convertible debentures issued in October 2018 and higher unrealized losses on investments.

The net comprehensive loss for the twelve months ended June 30, 2019 increased as compared to the prior period, primarily as a result of increases in production costs, operating expenses, other expenses and impact of deferred tax expense, offset by an increase in revenues and net impact from gains on fair value of biological assets. The increase in revenue and related production costs and operating expenses are due to the expansion of the expansion of 7ACRES Site, increased employee headcount and the launch of additional products. Other expenses increased due to higher finance expense as a result of additional borrowing costs related to convertible debentures issued in October 2018, loss on disposal of assets as a result of repurposing of various areas at the 7ACRES Site and unrealized losses on the Company's investment in BlissCo.

Adjusted EBITDA.



Adjusted EBITDA (in 000's)	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Net loss	(421)	(7,139)	(1,551)	(5,386)	234	(3,368)	(2,035)	(2,178)
Adjustments:								
Amortization of property, plant and equipment & intangible assets	1,366	916	808	250	154	80	73	20
Amortization expense included in production costs	964	705	421	437	546	22	159	117
Share based payments	1,182	2,094	1,890	1,770	1,642	1,110	-	2,803
Fair value changes on growth of biological assets	(22,695)	(7,673)	(10,139)	(5,177)	(6,175)	(3,281)	(1,706)	(1,299)
Realized fair value changes on inventory sold or impaired	11,815	8,435	6,081	3,958	2,963	1,809	941	-
Finance expense, net	2,167	2,001	1,200	(183)	(563)	652	315	(41)
Loss on disposal of property, plant and equipment	-	-	350	3,542	106	591	694	-
Unrealized (gain) / loss on investments	1,675	(2,456)	2,401	(492)	(155)	(1,941)	-	-
Deferred tax expense (recovery)	7,142	778	(5,552)	64	(393)	1,301	(161)	-
Adjusted EBITDA:	**3,195**	**(2,339)**	**(4,091)**	**(1,217)**	**(1,641)**	**(3,025)**	**(1,720)**	**(578)**

During the three and twelve months ended June 30, 2019, the Company generated Adjusted EBIDTA of $3.2 million (June 30, 2018: -$1.6 million) and -$4.5M (June 30, 2018; -$7.0 million), respectively. See “Non-GAAP Measures”.

The positive adjusted EBITDA achieved during the three months ended June 30, 2019 is a result of increased revenue of 443% as compared to the three months ended June 30, 2018, the addition of new products and the effective containment of production costs and operating expenses.

Revenue.

During the three and twelve months ended June 30, 2019, the Company generated net revenues of $19.0 million (June 30, 2018: $3.5 million) and $41.8 million (June 30, 2018: $8.9 million), respectively. The increase in revenue for the three and twelve months ended June 30, 2019 of 443% and 370%, respectively, as compared to the prior year, is due to the launch of the Canadian adult-use market, the launch of new products, the increased capacity of the 7ACRES’ Site offset by a decrease in the average price of cannabis flower by 1% and an increase of 15% as compared to the three and twelve months ended June 30, 2018, respectively.

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 incurred in the period, 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 7ACRES Site amortization expense for production, sanitation, record keeping, quality assurance, security and 7ACRES Site 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 amortization expense for drying, trimming, packaging, sanitation, record keeping, quality assurance, security and 7ACRES Site 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 three and twelve months ended June 30, 2019 and 2018 includes the following direct and overhead costs:

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

(In 000's)	**Twelve months ended June 30, 2019**	Twelve months ended June 30, 2018	**Three months ended June 30, 2019**	Three months ended June 30, 2018
Wages and benefits expense	$ 7,642	$ 2,689	$ 3,126	$ 874
Facilities, materials and supplies expense	$ 4,277	$ 2,260	$ 1,725	$ 476
Amortization expense	$ 2,336	$ 744	$ 916	$ 456
	$ 14,255	**$ 5,693**	**$ 5,767**	**$ 1,806**

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

(In 000's)	**Twelve months ended June 30, 2019**	Twelve months ended June 30, 2018	**Three months ended June 30, 2019**	Three months ended June 30, 2018
Wages and benefits expense	$ 4,764	$ 639	$ 1,505	$ 351
Facilities, materials and supplies expense	$ 1,165	$ 247	$ 442	$ 183
Amortization expense	$ 191	$ 100	$ 48	$ 90
	$ 6,120	**$ 986**	**$ 1,995**	**$ 624**

Production costs related to cannabis production activities during the biological transformation process increased by $4.0 million and $8.6 million during the three and twelve months ended June 30, 2019, respectively, as compared to prior year. This is due to a substantial increase in the footprint and output of the 7ACRES Site and consequently an increase in personnel, facility, materials, supplies and amortization expenses that have been incurred. As a percentage of net revenue for the three and twelve months ended June 30, 2019, as compared to prior year, production costs related to cannabis production activities decreased from 51% to 30% and 64% to 34%, respectively, as a result of the realization of efficiencies as output of the 7ACRES Site increases while investments in training and best practices are realized.

Production costs related to post-harvest cannabis processing activities increased by $1.4 million and $5.1 million during the three and twelve months ended June 30, 2019, respectively, as compared to prior year. This is due to a substantial increase in the footprint and output of the 7ACRES Site and consequently an increase in personnel, facility, materials, supplies and amortization expenses that have been incurred. As a percentage of net revenue for the twelve months ended June 30, 2019, as compared to prior year, production costs related to cannabis processing activities increased from 11% to 15%, respectively, due to additional processing capabilities added to the 7ACRES Site and packaging costs for the adult-use market. During the three months ended June 30, 2019, as compared to prior year, as a percentage of net revenue, production costs related to cannabis processing activities decreased from 18% to 10% as compared to the three months ended June 30, 2018, as a result of the realization of efficiencies through automation of post harvest activities.

As discussed below in the *Realized fair value changes on inventory sold or impaired* section below, production costs related to cannabis processing activities were expensed to the statement of profit and loss as the costs were incurred prior to June 30, 2017. This is due to the previous accounting policy of expensing inventory processing costs as the Company did not have a license to sell cannabis. As a result, production costs would have been higher by approximately $0.3 million for the twelve months ended June 30, 2018 if the current policy to capitalize post-harvest processing cost would have been in place. A portion of the cannabis sold during the three and twelve months ended June 30, 2018 was harvested and processed prior to June 28, 2017, the date the Company, through 7ACRES, was granted permission to sell.

IFRS allows for the use of alternative methods when recording actual costs incurred during the biological transformation process. As described above, the Company has elected to expense cost incurred during the biological transformation process in the period. Alternatively, IFRS allows for actual costs incurred during the biological transformation process to be capitalized when incurred and expensed when the related inventory is sold. For greater comparability the Company has presented both methods. The alternatives presented below are both IFRS compliant and use the retrospective approach, except as described above:

For the year ending June 30, 2019 (In 000's)	Results of the Company's current IFRS compliant method		Results when capitalizing costs during the biological transformation process	
Production Costs	$	20,375	$	13,510
Gain on fair value changes of biological assets		(45,684)		(25,310)
Realized fair value changes on inventory sold or impaired		30,289		16,780
Total	**$**	**4,980**	**$**	**4,980**

For the year ending June 30, 2018 (In 000's)	Results of the Company's current IFRS compliant method		Results when capitalizing costs during the biological transformation process	
Production Costs	$	6,679	$	3,062
Gain on fair value changes of biological assets		(12,461)		(5,782)
Realized fair value changes on inventory sold or impaired		5,713		2,651
Total	**-$**	**69**	**-$**	**69**

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 complete and sell based on the actual yield in grams for completed harvests and estimated yield for harvests in progress. Costs incurred during the biological transformation process are expensed in the period the costs are incurred. Cannabis which has been harvested is transferred to inventory at the full fair value less costs to complete and sell.

Additional costs incurred after harvest related to processing and other finishing costs are capitalized to inventory until such time that the cannabis is ready for sale and recorded as finished inventory.

During the three and twelve months ended June 30, 2019, the Company recognized a gain of $22.7 million (June 30, 2018: $6.2 million) and $45.7 million (June 30, 2018: $12.5 million), respectively, related to the fair value adjustments of biological assets.

The biological assets as at June 30, 2019, of $8.8 million (June 30, 2018: $3.3 million) are comprised of 23,079 (June 30, 2018: 8,364) cannabis plants that are estimated to be 69% (June 30, 2018: 65%) complete to harvest. Once harvested, the produced cannabis is transferred to inventory. During the twelve months ended June 30, 2019, the Company transferred approximately 10,039 kilograms (June 30, 2018: 2,374 kilograms) of cannabis to inventory.

Assumption related to biological assets include average selling price and yield per plant. During the three months ended June 30, 2019 the Company reduced its estimate of selling prices for premium flower by $0.15 and 2% as compared to the preceding quarter to account for greater expected volatility in the wholesale market for the portion that is not contractually obligated. Estimated selling prices for premium cannabis trim have decreased by $0.42 and 15% as compared to the preceding quarter to account for current market conditions. The yield estimates have been increased by 97% and 13% per plant for premium trim and premium flower, respectively, as compared to the preceding quarter to account for actual yields improvements in new flowering rooms approved by Health Canada during the year. Yield estimates are revised on quarterly basis as the existing and new cultivation areas are calibrated for optimal environmental controls and growing conditions.

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, 2019, the Company recognized realized fair value changes on inventory sold or impaired of $11.8 million (June 30, 2018: $3.0 million) and $30.3 million (June 30, 2018: $5.7 million), respectively as a result of cannabis sold during the period and impairment charges.

During the twelve months 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 $2.16 million 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 twelve months ended June 30, 2019, net effect of changes in fair value of biological assets and inventory include: $15.4 million of net unrealized changes in fair value due to biological transformation charges that have been added to biological assets and inventory, and $30.3 million of realized fair value increments on inventory sold or impaired.

Profits before operating expenses and other charges.

During the three and twelve months ended June 30, 2019 the Company generated profits before operating expenses and other charges of $22.1 million (June 30, 2018: $4.3 million) and $36.9 million (June 30, 2018: $8.9 million), respectively. The increase in profits before operating expenses and other charges for the three and twelve months ended June 30, 2019 as compared to prior year is a result of the Company generating higher net revenues of $19.0 million (June 30, 2018: $3.5 million) and $41.8 million (June 30, 2018: $8.9 million), respectively. Additionally, during the three and twelve months ended June 30, 2019 the Company recognized a net positive impact of $10.9 million (June 30, 2018: $3.2 million) and net positive impact of $15.4 million (June 30, 2018:

$6.7 million), respectively, due to non-cash changes in fair value of biological assets, offset by production costs of $7.8 million (June 30, 2018: $2.4 million) and $20.4 million (June 30, 2018: $6.7 million), respectively.

Operating expenses.

During the three and twelve months ended June 30, 2019, total operating expenses increased to $11.6 million (June 30, 2018: $5.1 million) and $38.7 million (June 30, 2018: $15.9 million), 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, 2019, the Company's total wages and benefits expense increased to $3.4 million (June 30, 2018: $1.4 million) and $13.1 million (June 30, 2018: $4.7 million), respectively. The total increase in wages and benefits expense for the three and twelve months ended June 30, 2019, are due primarily to the increased staffing requirements at the 7ACRES Site as the Company experiences an increase in business activity and expansion of operations, additions to the management team and increase in variable management compensation.

- For the three and twelve months ended June 30, 2019, the Company's total rent and facilities expense increased to $0.6 million (June 30, 2018: $0.5 million) and increased to $2.2 million (June 30, 2018: $1.5 million), respectively. The increase in rent and facilities expense for the twelve months ended June 30, 2019, is due to the increase in the number of employees requiring more office space and the expansion of the 7ACRES Site requiring more utilities, security and other related occupancy costs.

- For the three and twelve months ended June 30, 2019, the Company's total professional fees expense increased to $1.3 million (June 30, 2018: $0.2 million) and $3.6 million (June 30, 2018: $1.0 million) respectively. Professional fees expense increased for the three and twelve months ended June 30, 2019 as compared to prior period due to higher legal, regulatory fees, and enterprise resource planning integration costs, during the current year as a result of the implementation of a leading ERP system, the up list to the TSX and increased partnerships and other transactions .

- For the three and twelve months ended June 30, 2019, the Company's total sales, marketing and business development expense increased to $2.3 million (June 30, 2018: $0.8 million) and $6.2 million (June 30, 2018: $1.6 million), respectively. The sales, marketing and business development expense increased due to sales, marketing and business development related travel expenses, additional brand development expenses, the launch of the 7ACRES and KKE brands for the legalization of adult-use cannabis in Canada and the build out of a coast to coast internal sales force to position the Company's brands as the leading primum offerings in the adult-use market.

- For the three and twelve months ended June 30, 2019, the Company's total general and administrative expense increased to $1.4 million (June 30, 2018: $0.4 million) and $3.3 million (June 30, 2018: $1.1 million), 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 7ACRES Site.

- For the three and twelve months ended June 30, 2019, the Company's share-based payments expense amounted to $1.2 million (June 30, 2018: $1.6 million) and $6.9 million (June 30, 2018: $5.5 million), 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 directors. The increase in share-based payment expense for this period is due to an increase in the total value of incentive options vested during the period.

Construction of the 7ACRES Site.

For the three and twelve months ended June 30, 2019, the Company's total capitalized expenditure related to the 7ACRES Site increased by $14.9 million (June 30, 2018: $27.4 million) and $76.9 million (June 30, 2018: $67.4 million), respectively. In addition, for the three and twelve months ended June 30, 2019, the Company capitalized borrowing costs of $1.3 million (June 30, 2018: $1.8 million) and $5.4 million (June 30, 2018: $5.6 million), respectively, directly attributable to the construction of the 7ACRES Site. The increase in aggregate capitalized expenditure related to the 7ACRES Site is a result of accelerated construction efforts aimed at the rapid expansion of the 7ACRES Site including the newly licenced growing rooms, the full completion of the 7ACRES Site, including support areas and offices is expected during the calendar year 2019.

As construction on the 7ACRES Site nears completion, Supreme Cannabis has chosen to build additional support infrastructure on the six-acre property adjacent to the 7ACRES Site, previously referred to as Lot 16. 7ACRES' advanced cultivation practices have consistently produced premium quality flower well above the industry standard. With stable premium pricing for 7ACRES' products and strong consumer validation, Supreme Cannabis intends to use the additional acreage to further enhance this successful operating asset. The Company expects the 7ACRES Site, including all administrative infrastructure, to be complete by the end of calendar year 2019 and construction on the adjacent property to begin upon completion.

Selected Annual Information.

(In 000's)	June 30, 2019 (Audited)	June 30, 2018 (Audited)	June 30, 2017 (Audited)
Revenue	$ 41,833	$ 8,855	$ -
Net loss before taxes	(12,065)	(6,600)	(18,332)
Net loss after taxes	(14,497)	(7,347)	(15,267)
Net comprehensive loss after taxes	(14,392)	(7,347)	(14,423)
Basic and diluted loss per share	(0.05)	(0.03)	(0.09)
Total assets	334,801	199,784	95,903
Total long-term liabilities	91,882	31,722	31,705
Dividends declared per share	-	-	-

During the year ended June 30, 2017, the Company did not generate revenues as its license to sell cannabis was granted on June 28, 2017. 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. The increase in net comprehensive loss for the year ended June 30, 2019 as compared to June 30, 2018 is a result of an increase in revenues, increase in the net impact of fair value adjustment on biological assets offset by higher productions costs, operating expenses, finance expenses, loss on disposal of assets, loss on investments and deferred tax expense.

Total assets increased each year ended June 30, 2017, 2018 and 2019. The increase in net assets is mainly due to the increase in investments made to property, plant and equipment related to the 7ACRES Site, increase in inventory and biological assets, and other assets.

The increase in liabilities each year ended June 30, 2017, 2018 and 2019 is due to the issuance of convertible debentures, increase of accounts payable and accruals, KKE royalty payments and deferred taxes. Since June 30, 2017, the Company settled the convertible debentures issued in December 2016 and November 2017.

The weighted average number of common shares, basic and diluted, outstanding for the twelve months ended June 30, 2019 is 281,418,793 (June 30, 2018: 223,827,154).

Selected Financial Information – Quarterly Highlights.

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

(In 000's)	30-Jun-19	31-Mar-19	31-Dec-18	30-Sep-18	30-Jun-18	31-Mar-18	31-Dec-17	30-Sep-17
Net Sales / Revenue	$ 19,005	$ 9,970	$ 7,718	$ 5,140	$ 3,545	$ 2,069	$ 1,681	$ 1,560
Net Income (Loss) after tax	$ (421)	$ (7,139)	$ (1,551)	$ (5,385)	$ 234	$ (3,368)	$ (2,035)	$ (2,179)
Basic and diluted Earnings (Loss) per share	$ (0.00)	$ (0.02)	$ (0.01)	$ (0.02)	$ 0.00	$ (0.01)	$ (0.01)	$ (0.01)

The quarterly variation in operating results has been discussed above in *Results of Operations for the three and twelve months ended June 30, 2019 and 2018*. The Company's results of operations are not exposed to seasonal variations.

Liquidity.

As at June 30, 2019, the Company has working capital surplus of $76.9 million (June 30, 2018: $50.6 million).

Cash used in operating activities during the three and twelve months ended June 30, 2019 is $0.6 million (June 30, 2018: $4.1 million) and $14.8 million (June 30, 2018: $1.3 million), respectively. The cash outflows from operating activities mainly relates to working capital changes of $11.0 million, loss for the period of $14.5 million, offset by non-cash expenses and gains of $10.7 million.

Cash used in investing activities during the three and twelve months ended June 30, 2019 is $24.4 million (June 30, 2018: $27.9 million) and $95.3 million (June 30, 2018: $85.0 million), respectively. The increase in cash used for investing activities is mainly related to investments made to the 7ACRES Site to increase capacity, develop proprietary designs and increase ultimate efficiency and the development of intangible assets.

Cash provided from financing activities during the three and twelve months ended June 30, 2019 is $4.9 million (June 30, 2018: $1.2 million) and $109.1 million (June 30, 2018: $81.9 million), respectively. The cash inflows from financing activities are due to warrant and option exercises and the issuance of convertible debentures.

The Company's contractual obligations for the next five fiscal years ending June 30, and thereafter are summarized as follows:

(In 000's)		Operating leases		KKE Minimum Royalty Payments		Convertible debentures
2020		1,747		1,500		6,000
2021		1,639		2,000		6,000
2022		1,651		2,500		101,800
2023		1,541		3,000		-
2024 and beyond		7,499		-		-
	$	**14,077**	**$**	**9,000**	**$**	**113,800**

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, 2019 the Company had a cash balance of $54.8 million and current liabilities of $31.9 million. The Company's current resources are sufficient to settle its current liabilities. Management believes the current resources available will be sufficient for the completion of the 7ACRES Site and execute on the Company's strategy. All of the Company's liabilities are due within twelve months except for the convertible debt and KKE royalty fees. 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, 2019, there were no material transactions with related parties except for wages and stock option compensation as described in the Financial Statements. Subsequent to June 30, 2019, the Company acquired all of the issued and outstanding shares of Truverra. Consideration for the transaction consisted of the issuance of approximately 14,700,000 Common Shares to shareholders of Truverra. Certain directors and officers of the Company were shareholders of Truverra at the time of the Company's acquisition of Truverra. See "*Subsequent Events – Supreme Cannabis closes the acquisition of Truverra Inc.*".

Regulatory Background.

Legal Developments

On October 17, 2018, the Cannabis Act and the Cannabis Regulations came into force, regulating the cultivation, processing, possession and sale of cannabis in Canada for both medical and adult use purposes. The Cannabis Act and the Cannabis Regulations replaced the Controlled Drugs and Substances Act (Canada) (the "**CDSA**") and the Access to Cannabis and Medical Purposes Regulations ("**ACMPR**") as the governing laws and regulations of cannabis in respect of the production, sale and distribution of cannabis for medical purposes. The Cannabis Act also regulates, for the first time, sale of cannabis for adult use purposes.

The Cannabis Act provides a licensing and permitting scheme for the production, importation, exportation, testing, packaging, labelling, sending, delivery, transportation, sale, possession and disposal of cannabis for adult use, implemented by regulations made under the Cannabis Act. The Cannabis Act maintains separate access to cannabis for medical purposes, including providing that import and export permits will only be issued in respect of cannabis for medical or scientific purposes or in respect of industrial hemp.

The Cannabis Regulations, among other things, set out regulations relating to the following matters: (1) Licences, Permits and Authorizations; (2) Security Clearances; (3) Cannabis Tracking System; (4) Cannabis Products; (5) Packaging and Labelling; and (6) Cannabis for Medical Purposes.

Under the Cannabis Act, cannabis is defined to include: (a) any part of a cannabis plant, including the phytocannabinoids produced by, or found in, such a plant, regardless of whether that part has been processed or not, other than: (i) a non-viable seed of a cannabis plant, (ii) a mature stalk, without any leaf, flower, seed or branch, of such a plant, (iii) fiber derived from such mature stalk and (iv) the root or any part of the root of such a plant; (b) any substance or mixture of substances that contains or has on it any part of such a plant, and (c) any substance that is identical to any phytocannabinoid produced by, or found in, such a plant, regardless of how the substance was obtained.

Licences, Permits and Authorizations

The Cannabis Regulations establish the following six classes of licences under the Cannabis Act:

- cultivation licences;
- processing licences;
- licences for sale;
- analytical testing licences;
- research licences; and
- cannabis drug licences.

The Cannabis Regulations also create subclasses of cultivation licences (standard cultivation, micro-cultivation and nursery), processing licences (standard processing and micro-processing) and licences for sale (for medical purposes). Different licences and each subclass therein, carry differing rules and requirements that are intended to be proportional to the public health and safety risks posed by each licence category and each subclass. Any licence issued will be valid for no more than five years. A licence, once issued, identifies the specific activities that the licencee is authorized to conduct. A holder of a licence is permitted to carry out those activities permitted to be conducted pursuant to the Cannabis Regulations that are set out in the licence.

The holder of a processing licence is, subject to the Cannabis Regulations and the licence, permitted to possess cannabis, to produce cannabis (other than obtain it by cultivating, propagating or harvesting it) and sell cannabis to other licence holders. A processing licence may authorize a holder thereof to engage in manufacturing cannabis products, extraction and formulation of cannabis, and to distribute, import and export cannabis and cannabis products in accordance with the Cannabis Act and Cannabis Regulations.

Other licences regulated under the Cannabis Regulations are medical sale, analytical testing, research and cannabis drug licences. A medical sales licence allows a holder to sell cannabis products to registered clients authorized to use cannabis for medical purposes in Canada, other Licence Holders, the Minister of Health (the "**Minister**") and certain hospital employees. An analytical testing licence allows testing of cannabis and cannabis products. Research licences entitle the holder to, for the purpose of research, possess, produce and transport cannabis between sites authorized by the licence, and distribute cannabis to another research licence holder, an analytical testing licence holder, a cannabis drug licence holder, a research subject or the Minister. A cannabis drug licence authorizes a company to manufacture and sell a drug (as defined in the Food and Drugs Act (the "**FDA**")) that contains cannabis. A prerequisite for applying for a cannabis drug licence, including authorization to manufacture a drug containing cannabis, is that the company must already be a holder of a Drug Establishment Licence (DEL) under Section C.01A.008 of the Food and Drug Regulations. A DEL is also required for manufacturing drugs that do not contain cannabis. Achieving both the DEL and cannabis drug licence would permit a site to engage in the following activities with respect to drugs containing cannabis: possession, production/manufacturing, distribution and sale. Note that each drug containing cannabis would require a Drug Identification Number (DIN) to be regulated for sale.

Transitional provisions of the Cannabis Act provide that every licence issued under Section 35 of the ACMPR that was in force immediately before the day on which the Cannabis Act came into force (October 17, 2018) was deemed to be a licence issued under the Cannabis Act, and that such licence will continue in force until it is revoked or expires. For example, a licence for production and sale of dried cannabis, cannabis resin, cannabis seeds, cannabis plants and cannabis oil under the ACMPR would be deemed to be licences for cultivation, processing and sale for medical purposes under the Cannabis Act, provided that the licence holder met certain requirements.

Similarly, the Cannabis Act generally provides that licences pertaining to cannabis or its derivatives issued under the Narcotic Control Regulations that were in force immediately before the Cannabis Act came into force be deemed to be licences issued under the corresponding provisions of the Cannabis Act and any such licences will continue in force until it is revoked or expires. For example, a dealer licence issued under the Narcotic Control Regulations authorizing cultivation of cannabis for scientific purposes would have become a research licence under the Cannabis Act.

Security Clearances

The Cannabis Regulations require that certain individuals associated with a holder of a licence for cultivating, processing or sale obtain security clearances. Key Personnel must hold valid security clearances. In addition, a number of Key Personnel involved in the licence holder's activities related to cannabis are required to hold security clearances, including the "responsible person" and the "head of security." The "master grower" associated with any cultivation licence, and the "quality assurance person" associated with any processing licence, must each also hold a security clearance. Alternate individuals tasked as Key Personnel with these operational roles must also hold security clearances. The Minister grants security clearances if the Minister determines that the applicant does not pose an unacceptable risk to public health or public safety, including the risk of cannabis being diverted to an illicit market or activity.

Cannabis Tracking System

Pursuant to the Cannabis Act, the Minister has established a national cannabis tracking system, known as the Cannabis Tracking and Licensing System (the "**CTLS**"). The CTLS provides a single-entry-point online secure platform for filing applications for security clearances and licences under the Cannabis Regulations. It also permits the Minister to track cannabis through the supply chain to help prevent diversion of cannabis into, and out of, the legal market. Licence Holders are required to submit monthly reports to the Minister relating to inventory of their cannabis products, among other things.

Cannabis Products

The Cannabis Regulations permit sale to consumer of cannabis products in the dried cannabis, cannabis oil, fresh cannabis, cannabis plants, and cannabis seeds classes of cannabis. The sale of cannabis edible products, cannabis topical products (other than cannabis oil for such use) and cannabis extract products other than cannabis oil (such as hashish, wax and vaping products) are not permitted for sale. Amendments to the Cannabis Regulations will allow for such sale on October 17, 2019. The Cannabis Regulations require processors to file a notice with Health Canada at least sixty days before releasing a new product to the market. As a result, any cannabis products that are cannabis extracts (other than currently-saleable cannabis oil), topical cannabis products or edible cannabis products are not expected to be available for purchase in medical or adult use markets until at least December 17, 2019.

The Cannabis Regulations acknowledge that a range of product forms should be enabled to help the legal industry displace the illicit market. Additional product forms that are mentioned under the Cannabis Regulations include 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 Cannabis Regulations require plain packaging for cannabis products, including strict requirements for logos, colours and branding. Cannabis package labels must include specific information, such as: (i) product source information, including the class of cannabis and the name, phone number and email of the processor; (ii) a mandatory health warning, rotating between Heath Canada's list of standard health warnings; (iii) the Health Canada standardized cannabis symbol; and (iv) information specifying THC and CBD content.

These requirements are intended to promote informed consumer choice and allow for the safe handling and transportation of cannabis, while also reducing the appeal of cannabis to youth and promoting safe consumption.

Health Products Containing Cannabis

Health Canada is taking a scientific, evidenced-based approach for the oversight of health products with cannabis that are approved with health claims, including prescription and non-prescription drugs, natural health products, veterinary drugs, veterinary health products and medical devices (discussed further below). Under the current regulatory framework, these health products are subject to the FDA and its regulations, in addition to the Cannabis Act and the Cannabis Regulations. The Cannabis Exemption (Food and Drugs Act) Regulations exempt cannabis from the FDA unless, among other things, therapeutic claims are made in association with such products. For many of these products, such as drugs, natural health products and most classes of medical devices, pre-market approval is required. Note, when the Cannabis Act and Cannabis Regulations were introduced, the Natural Health Products Regulations under the FDA were amended to essentially prohibit cannabis products from being regulated as a natural health product. Instead, cannabis, if not exempt from the FDA, will be treated as a drug product. On June 19, 2019, Health Canada announced a new public consultation in relation to a potential new category of products referred to as "cannabis health products". The comment period closed on September 3, 2019. This new category may potentially address the current gap in the legislation/regulations that essentially prohibits health claims from being made in relation to cannabis products (including medical cannabis).

Promotional Activity

The Cannabis Act stipulates strict restrictions regarding the promotion of cannabis products. The Cannabis Act generally prohibits promotions of cannabis, cannabis accessories, and services related to cannabis, subject to certain exceptions. Brand preference or informational promotion is compliant provided that it is communicated in a fashion that excludes young people. Within permitted channels for promotional activity, content restrictions prohibit any promotional activity that (a) communicates price or distribution, (b) could be appealing to young persons, (c) includes a testimonial or endorsement, (d) depicts a person, character or animal, whether real or fictional or (e) presents in way that evokes a positive or negative emotion about or image of, a way of life such as one that includes glamour, recreation, excitement, vitality, risk or daring. It is also prohibited to promote cannabis or a cannabis accessory in a manner that is false, misleading or deceptive or that is likely to create an erroneous impression about its characteristics, value, quantity, composition, strength, concentration, potency, purity, quality, merit, safety, health effects or health risks. Display of a brand element in sponsorship of a person, event, entity, activity or site, and naming of a sports or cultural site with a cannabis brand element, are also prohibited. The Cannabis Act also prohibits offering cannabis or a cannabis accessory without consideration or as consideration for other purchases or transactions. Similarly, it is prohibited to offer benefits conditional on purchase of cannabis or a cannabis accessory.

Cannabis for Medical Purposes

Access to cannabis for medical use transitioned from the ACMPR under the CDSA to the Cannabis Regulations under the Cannabis Act on October 17, 2018. Part 14 of the Cannabis Regulations remains substantively similar to the medical cannabis regulatory framework under the ACMPR, with adjustments to create consistency with regulations applicable to adult use, to improve patient access, and to reduce the risk of abuse within the medical access system. Under Part 14 of the Cannabis Regulations, patients have three options for obtaining cannabis for medical purposes: (i) register a medical document with a holder of a medical sales licence to become a client of, and to purchase cannabis products from, the medical sales licence holder; (ii) register a medical document with Health Canada to produce a limited amount of cannabis; or (iii) register a medical document with Health Canada to designate someone else to produce a limited amount of cannabis for them. With respect to (ii) and (iii), starting materials, such as cannabis plants or cannabis plant seeds, must be obtained from a medical sales licence holder, or from a cultivation licence holder or processing licence holder at the direction of a medical sales licence holder.

The Cannabis Regulations provide that a medical document authorizing the use of cannabis for medical purposes must include the daily quantity of cannabis that the healthcare practitioner who provides the medical document authorizes for the patient. The maximum amount of cannabis products that may be sold to the patient are based on this daily quantity.

Provincial Regulatory Framework

The Cannabis Act allows the possession, sale, and distribution of cannabis by persons authorized under provincial legislation. Such provincially authorized persons may only sell cannabis products sourced from federally licenced cannabis producers.

All Canadian provinces and territories have regulated distribution and sale of cannabis for adult use purposes, allowing all Canadians over the age of 19 (18 in Alberta and Québec) to purchase cannabis products without medical access. The only provinces with restrictions on classes of cannabis that may be sold in the adult use markets are Québec and Manitoba, where plants and seeds are not sold because personal cultivation for adult use purposes is prohibited in those two provinces. Regardless of the framework, all cannabis products for the adult use cannabis market are ultimately supplied by federally licenced cultivators (plants and seeds only) and processors (all saleable classes of cannabis – currently dried cannabis, cannabis oil, plants and seeds; fresh cannabis is also saleable but the Company is unaware of any entity selling fresh cannabis as a cannabis product).

In most provinces and territories, a liquor or cannabis authority operated by the province serves as a wholesaler, with retailers purchasing cannabis products from the liquor or cannabis authority or from provincially licenced distributors. The wholesalers, in turn, acquire the cannabis products from federally licenced cultivators and processors. Storefront and online sales of adult use cannabis products are regulated as part of the private sector or as public entities as in the following chart:

Activity	Privately Operated	Publicly Operated
Storefront adult use sale	British Columbia Alberta Saskatchewan Manitoba Ontario Newfoundland Nunavut Northwest Territories Yukon	British Columbia Québec New Brunswick Nova Scotia Prince Edward Island Yukon Northwest Territories
Online adult use sale	Manitoba Saskatchewan	British Columbia Alberta Ontario Québec New Brunswick Nova Scotia Prince Edward Island Newfoundland Yukon Northwest Territories Nunavut

Risks and Uncertainties.

Overview

Regulated commercial cannabis production for medical and adult use markets is a new industry in Canada. Participation in this industry requires, 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 cannabis business units for the medical and wellness markets in Canada and internationally, and the adult use market in Canada, and specifically the 7ACRES, BlissCo, Truverra EU, Truverra, Cambium Plant Sciences, Medigrow Lesotho, Supreme Cannabis Heights and KKE businesses, 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. Key Personnel require security clearances, which may be issued for a period of up to five years and must be renewed in order for individuals to remain in a Key Personnel position. 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 Cannabis 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

Certain of the Company's subsidiaries are dependent on maintaining its status as a Licence Holder. Although the Company's subsidiaries have been successful in obtaining status as a Licence Holder, there is no guarantee that the Company's subsidiaries will retain such status as licensing is beyond the control of Supreme Cannabis and its subsidiaries and the sole discretion lies with Health Canada. The Licence held by 7ACRES. 7ACRES is valid until March 2020. The Licence held by BlissCo is valid until March 2021, thereafter requiring approval for renewal by Health Canada. Supreme Cannabis, 7ACRES and BlissCo must strictly adhere to the regulations and applicable law in order to maintain the Licences and to secure renewals. There can be no guarantee that Health Canada will renew any or all of the Licences. Failure to comply with the requirements of or otherwise maintain the Licences held by 7ACRES and by BlissCo, or any failure to have issued or maintain pending Licences by Truverra or Cambium, would have a material adverse impact on the business, financial condition and operating results of the Company.

Regulatory Risks

Supreme Cannabis 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 such risks, or be able to predict how risks may cause actual results to be different from those contained in any forward-looking statements. 7ACRES' and BlissCo's ability to grow, store and sell medical and adult use cannabis in Canada is dependent on the Licences and the need to maintain the Licence in good standing (see Licensing Risk section). Failure to comply with the requirements of the Licences or any failure to maintain this Licences would have a material adverse impact on the business, financial condition and operating results of Supreme.

Supreme Cannabis 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 Cannabis' 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 Cannabis' 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 the Company's earnings and could make future capital investments or Supreme Cannabis' 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.

The Company's business as a Licence Holder under the Cannabis Regulations involves engaging in a new industry and new market regulated under the Cannabis Act, the Cannabis Regulations and the Industrial Hemp Regulations. 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, the Company 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, including significant restrictions on promotional activity. These activities may not promote the Company's brand and products as effectively as intended. The 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

The Company's operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage, sale and disposal of 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 management, Supreme Cannabis 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 Cannabis may have an adverse effect on the Company's operations and the financial condition of Supreme Cannabis. 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 Cannabis' operations that is materially different than the effect on similar-sized companies in the same business as Supreme Cannabis.

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 Cannabis' 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 Cannabis' earnings and could make future capital investments or Supreme Cannabis' operations uneconomic.

Market Risks

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

Commodity Price Risks

Cannabis is a developing market and likely subject to volatile and possibly declining prices year over year as a result of increased competition. Because the medical and adult use cannabis markets are part of a newly commercialized and regulated industry in Canada, historical price data is either not available or not predictive of future price levels. There may be downward pressure on the average price for cannabis products sold in medical and adult use markets, and Supreme Cannabis has arranged its proposed business accordingly. However, there can be no assurance that price volatility will be favorable to Supreme Cannabis or in line with expectations. Pricing will depend on general factors including, but not limited to, the number of Licences granted by Health Canada, the volume and quality of cannabis and cannabis products that Licence Holders other than subsidiaries of the Company are able to generate, and the number of patients who gain physician approval to purchase medical cannabis as clients of medical sales licence holders. An adverse change in cannabis prices, or in investors' beliefs about trends in those prices, could have a material adverse outcome on the Company and its securities.

Reliance on Key Inputs

7ACRES and BlissCo, and once they are Licence Holders, also Truverra and Cambium, are dependent on a number of key inputs and their related costs, including raw materials and supplies related to cultivation and processing operations, such as electricity, water and other utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs or any inability to secure required supplies and services or to do so on appropriate terms could materially impact their business, financial condition and operating results.

Financing Risks

Entering the Cannabis Act 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 7ACRES Site

Expansion of the 7ACRES Site 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 Cannabis not meeting anticipated or future demand when it arises.

Reliance on Specific Sites

The Company's current and future production is expected to take place at the 7ACRES Site, the BlissCo Site, the Truverra Site and the Cambium Plant Sciences Site. Adverse changes or developments affecting any of these sites could have a material adverse effect on Supreme Cannabis' ability to continue producing cannabis for the medical market, and cannabis products for the adult use market, its financial condition and prospects.

Risks Inherent in an Agriculture Business

The Company's business involves cultivation of cannabis plants for processing by the Company or third parties into cannabis products. Cannabis plants are an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, including but not limited to, pests, plant diseases, crop failure and similar agricultural risks. Although Supreme Cannabis 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 cannabis plants, and of cannabis products processed from the cannabis plants, and consequently on the Company's sales, profitability and financial condition.

Brand Perception

Supreme Cannabis is targeting making its brands and businesses a premium cannabis offering that is recognized as such by retailers and consumers. Any negative changes to the Company's brands as a quality cannabis offering could have a material adverse effect on Supreme Cannabis' 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 and adult use cannabis companies that are public issuers in Canada.

Competition

There is potential that Supreme Cannabis 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.

To date, Health Canada has issued a limited number of Licences. The number of Licences granted, and the resulting additional number of Licence Holders, 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 Licence Holders. As of September 17, 2019, Health Canada has granted cultivation, processing or cannabis sales licences to a total of 223 Licence Holders. If the number of users of cannabis products purchased in medical or adult use markets in Canada increases, the demand for cannabis 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 cannabis 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, industrial designs, patents, plant breeders' rights, copyright, trade secrets and other 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 branding and technology. Protecting the company's current or future branding and technology by filing applications for trademarks, industrial designs, patents, plant breeders' rights and copyright, and by maintaining trade secrets or other intellectual property rights, could be difficult, expensive, time-consuming and unpredictable. Similarly, policing unauthorized use of the Company's branding and technology by enforcing these rights against unauthorized use by others could be difficult, expensive, time-consuming and unpredictable.

In addition, other parties may claim that the Company's branding or products infringe on their trademarks, industrial designs, patents, plant breeders' rights, copyright or other intellectual property rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, injunctions or temporary restraining orders, and require the payment of damages or other monetary remedies. As well, the Company may need to obtain intellectual property licenses from third parties who allege that the Company has infringed on their intellectual property rights. Such licences, 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 rights that it does not own or otherwise have access to.

Environmental and Other Regulatory Requirements

The current or future operations of the Company, including development activities and production within the 7ACRES Site, the BlissCo Site, the Truverra Site and the Cambium Plant Sciences Site, 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 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 7ACRES Site 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, and usage of water and other inputs that may be required for the Company's operations. 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 cannabis cultivation and processing 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 cannabis products designed to be ingested by humans, Supreme Cannabis 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 the Company's cannabis 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 Cannabis' cannabis products alone or in combination with medications or other substances could occur. Supreme Cannabis may be subject to various product liability claims, including, among others, that the Company'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 Cannabis could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of the Company.

Product Recalls

Manufacturers and distributors of cannabis products are sometimes subject to the recall or return of their cannabis 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 the Company's cannabis products are recalled due to an alleged product defect or for any other reason, Supreme Cannabis could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. Supreme Cannabis 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 phytocannabinoids (such as CBD and THC), alone or in combination with specific terpenoids, phenylpropanoids or other molecules found in the cannabis plant, remain in early stages. There have been relatively few clinical trials on the benefits of cannabis or specific preparations of phytocannabinoids, terpenoids, phenylpropanoids or other molecules found in the cannabis plant. 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 cannabis, which could have a material adverse effect on the demand for the Company's cannabis 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 sites, despite meeting or exceeding Health Canada's physical security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of the Company's sites 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 Cannabis is a holding company that conducts its business through 7ACRES which currently generates substantially all of the Company's 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.

U.S. Border Officials Could Deny Entry into the U.S. to Employees of, or Investors in, Companies with Cannabis Operations in the United States and Canada.

Since cannabis remains illegal under U.S. federal law, those employed at or investing in legal and licenced Canadian cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with U.S. cannabis businesses. Entry happens at the sole discretion of the U.S. Customs and Border Protection officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The Government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the U.S. In addition, business or financial involvement in the legal cannabis industry in Canada or in the United States could also be reason enough for U.S. border guards to deny entry. On September 21, 2018, U.S. Customs and Border Protection released a statement outlining its current position with respect to enforcement of the laws of the United States. It stated that Canada's legalization of cannabis will not change U.S. Customs and Border Protection enforcement of United States laws regarding controlled substances and because cannabis continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal cannabis industry in U.S. states where it is deemed legal or Canada may affect admissibility to the U.S. As a result, U.S. Customs and Border Protection has affirmed that, a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada, coming to the U.S. for reasons unrelated to the cannabis industry, will generally be admissible to the U.S. However, if a traveler is found to be coming to the U.S. for reason related to the cannabis industry, they may be deemed inadmissible.

The Company Relies on International Advisors and Consultants in Order to Keep Abreast of Material Legal, Regulatory and Government Developments that Impact its Business and Operations in the Jurisdictions in which it Operates.

The legal and regulatory requirements in the foreign countries in which the Company operates with respect to the cultivation and sale of cannabis, banking systems and controls, as well as local business culture and practices are different from those in Canada. The Company's officers and directors must rely, to a great extent, on local legal counsel and consultants in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect the Company's business operations, and to assist with governmental relations. The Company must rely, to some extent, on those members of management and the board of directors who have previous experience working and conducting business in these countries, if any, in order to enhance its understanding of and appreciation for the local business culture and practices. The Company also relies on the advice of local experts and professionals in connection with current and new regulations that develop in respect of the cultivation and sale of cannabis as well as in respect of banking, financing, labour, litigation and tax matters in these jurisdictions. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices are beyond its control. The impact of any such changes may adversely affect the Company's business.

The Company's Operations in Emerging Markets are Subject to Political and Other Risks Associated with Operating in a Foreign Jurisdiction

The Company's investments have 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 licences, 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, licences, 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 licences, 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 or invests 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 Relies on International Advisors and Consultants in Order to Keep Abreast of Material Legal, Regulatory and Government Developments that Impact its Business and Operations in the Jurisdictions in which it Operates.

The legal and regulatory requirements in the foreign countries in which the Company operates with respect to the cultivation and sale of cannabis, banking systems and controls, as well as local business culture and practices are different from those in Canada. The Company's officers and directors must rely, to a great extent, on local legal counsel and consultants in order to keep abreast of material legal, regulatory and governmental developments as they pertain to and affect the Company's business operations, and to assist with governmental relations. The Company must rely, to some extent, on those members of management and the board of directors who have previous experience working and conducting business in these countries, if any, in order to enhance its understanding of and appreciation for the local business culture and practices. The Company also relies on the advice of local experts and professionals in connection with current and new regulations that develop in respect of the cultivation and sale of cannabis as well as in respect of banking, financing, labour, litigation and tax matters in these jurisdictions. Any developments or changes in such legal, regulatory or governmental requirements or in local business practices are beyond its control. The impact of any such changes may adversely affect the Company's business.

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.

Conflicts of Interest

The Company may be subject to various potential conflicts of interest because of the fact that some of its officers and directors may be engaged in a range of business activities. In some cases, the executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company and its affairs, and that could adversely affect Company operations. These business interests could require significant time and attention of the Company’s executive officers and directors. In addition, the Company may also become involved in other transactions which conflict with the interests of the Company’s directors and officers who may from time to time deal with persons, firms, institutions or corporations with which the Company may be dealing, or which may be seeking investments similar to those the Company desires. The interests of these persons could conflict with the Company’s interests. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, directors are required to act honestly, in good faith and in the Company’s best interests.

Third Party Transportation

In order for customers of the Company to receive their product, the Company must rely on third-party transportation services. This can cause logistical problems with and delays in patients, government entities and private retailers obtaining their orders and cannot be directly controlled by the Company. Any delay by third party transportation services may adversely affect the Company’s financial performance.

The Company may be held Responsible for Corruption and Anti-bribery Law Violations

The Company’s business is subject to Canadian laws, which generally prohibit companies and employees from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. In addition, the Company is subject to the anti-bribery laws of any other countries in which it conducts business now or in the future. The Company's employees or other agents may, without its knowledge and despite its efforts, engage in prohibited conduct under the Company's policies and procedures and anti-bribery laws for which the Company may be held responsible. The Company's policies mandate compliance with these anti-corruption and anti-bribery laws. However, there can be no assurance that the Company's internal control policies and procedures will always protect it from recklessness, fraudulent behaviour, dishonesty or other inappropriate acts committed by its affiliates, employees, contractors or agents. If the Company's employees or other agents are found to have engaged in such practices, the Company could suffer severe penalties and other consequences that may have a material adverse effect on its business, financial condition and results of operations.

Fraudulent or Illegal activity by the Company's Employees, Contractors and Consultants

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct that violates: (i) government regulations; (ii) manufacturing standards; (iii) federal and provincial healthcare fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to comply with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

Global Economy Risk

An economic downturn of global capital markets has been shown to make the raising of capital by equity or debt financing more difficult. The Company will be dependent upon the capital markets to raise additional financing in the future, while it establishes a user base for its products. As such, the Company is subject to liquidity risks in meeting its development and future operating cost requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the Company's ability to raise equity or obtain loans and other credit facilities in the future and on terms favorable to the Company and its management. If uncertain market conditions persist, the Company's ability to raise capital could be jeopardized, which could have an adverse impact on the Company's operations and the trading price of the Company's shares on the TSX, OTCQX, and FRA.

Dividend Risk

The Company has not paid dividends in the past and does not anticipate paying dividends in the near future. The Company expects to retain its earnings to finance further growth and, when appropriate, retire debt.

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 as fair value through profit and loss ("**FVTPL**"), receivables as amortized cost, investments as fair value through other comprehensive income ("**FVOCI**") or FVTPL, and accounts payable, accrued liabilities, and convertible debt as amortized cost.

The FVTPL investment in common shares is considered Level 1 categorization in the IFRS fair value hierarchy as a quoted price if an active market exists. 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 FVOCI investments are 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.

For the year ended June 30, 2019 the Company has recognized an unrealized loss from investments classified as FVTPL of $1,128 (June 30, 2018: unrealized gain of $2,096) due to the changes in fair value. The unrealized gain was determined using Level 1 and Level 2 inputs. The Company has also recognized an unrealized gain from its investments classified as FVOCI of $105, net of tax (June 30, 2018: $nil) that was determined using Level 3 inputs.

Off-Balance Sheet Arrangements.

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

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 about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the amounts recognized in the Financial Statements are listed below:

i) Business Combination:

Determination of fair value of assets acquired, liabilities assumed and the fair value of total purchase consideration, including contingent consideration, requires the use of various estimates made by management.

ii) Revenue:

The Company estimates whether certain vendors will exercise the right to early payment discounts based on past experience with each vendor.

iii) 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, 2019:

a. Selling prices – selling prices are based on the Company's historical average selling price per gram for the preceding nine months, adjusted for current market conditions. Adjusted selling prices averaged $6.13 for cannabis flower and $2.44 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. Post-harvest processing costs averaged $0.42 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, 2019 averaged 69%.

d. Expected yield – the expected yield per plant is based on the Company's historical adjusted average yield per plant. Expected yield per plant is 70.51 grams of cannabis trim and 70.96 grams of cannabis flower.

iv) 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 borrowing costs associated with the acquisition, construction, development, or betterment of its facilities.

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 per year and changes them if they are different from previous estimates.

v) Intangible Assets and Goodwill:

The Company uses estimates in determining the useful life and residual values of its definite life intangible assets. The definite life intangible assets that are not under development and are ready for use, are amortized on a straight-line basis, based on the estimated useful lives as described in the table below:

Asset Class	Basis	Estimated useful life
Assets under development	Not amortized	N/A
Database & system technologies	Straight-line	3-5 years
Product license	Straight-line	Expected term of agreement

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 based on the value in use of the asset or CGU:

(a) Discount rate of 18%

(b) Average selling price per gram of approximately \$5.35 and \$2.38 for cannabis flower and trim, respectively

(c) Average quantity sold per year ranging from approximately 25,000 Kilograms to 50,000 Kilograms

(d) Average cost of production and operating expenses of approximately 55%-75% of revenue

(e) Forecasted cash flow period of 5 years followed by a terminal value of future cash flows

(f) Growth rate of 10% after the 7ACRES Site has reached full production, following 2% growth rate for terminal value

vi) Provisions

The Company's best estimate of the royalty payments owed to KKE is the future minimum fixed royalty payments owed to KKE over the expected term of the Agreement and the timing of the payments. The initial carrying amount of the financial liability was determined by discounting the stream of future minimum royalty payments at a market interest rate of 18.31%.

vii) Investments

The Company uses the Black-Scholes pricing model to estimate the value of its investment in the warrants of BlissCo. The following estimates were used as inputs into the model as at June 30, 2019 and June 30, 2018:

	2019	2018
Share price	\$ 0.36	\$ 0.40
Expected dividend yield	0.00%	0.00%
Stock price volatility	88.48%	79.50%
Expected life of warrants	0.63 years	1.63 years
Forfeiture rate	-	-
Risk free rate	1.50%	1.91%

The Company uses the discounted cash flows valuation method to estimate the value of its FVOCI investments considered a Level 3 categorization on the IFRS fair value hierarchy. The significant unobservable input into the valuation models of these investments is the discount rate, which has been estimated to be between 18%-30%. Changes in discount rates will result in changes in the fair values of these investments.

viii) Convertible Debentures:

Market rate of interest – The market rate of interest is estimated by assessing market conditions and other internal and external factors. The market rate of interest used to calculate the fair value of the debt component of October 2018

Convertible Debenture is 18.31%. The market rate of interest used to calculate the fair value of the debt components of November 2017 and December 2016 Convertible Debentures is 19.9%.

ix) Share Based Compensation:

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

	2019	2018
Share price	$ 1.47 - 2.25	$ 1.43 - 3.04
Expected dividend yield	0.00%	0.00%
Stock price volatility	54.73% - 84.70%	81% - 87.1%
Expected life of options	5 years	5 years - 10 years
Forfeiture rate	0% - 1%	0%
Risk free rate	1.58% - 2.41%	1.8% - 2.31%

x) 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.

xi) 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.

New Accounting Standards and Interpretations Effective July 1, 2018.

The Company adopted the following new accounting standards effective July 1, 2018.

i) IFRS 9 – Financial Instruments (“**IFRS 9**”)

Effective July 1, 2018, the Company adopted IFRS 9. In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes International Accounting Standards (“**IAS**”) 39 – Financial Instruments: recognition and measurement (“**IAS 39**”). IFRS 9 includes revised guidance on the classification and measurement of financial instruments and new guidance for measuring impairment on financial assets. The Company has made a policy choice to adopt IFRS 9 on a retrospective basis where the cumulative impact of adoption will be recognized in retained earnings as of July 1, 2018; thus, prior period comparatives will not be restated.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three primary measurement categories for financial assets: measured at amortized cost, FVOCI, and FVTPL. Under IFRS 9, the Company has irrevocably elected to present subsequent changes in the fair value of equity investments that are not held-for-trading in other comprehensive income (“**OCI**”). For these equity investments, any subsequent changes in fair value of the instrument will be recorded in OCI, and cumulative gains or losses in OCI will not be reclassified into net income on disposal. Any subsequent changes in fair value on equity investments that are held-for-trading will continue to be realized in net income.

Under IFRS 9, the loss allowance for trade receivables must be calculated using the expected lifetime credit loss and recorded at the time of initial recognition. The Company has estimated the expected loss allowance as at June 30, 2019 using the lifetime credit loss approach to estimate the bad debt expense for the current period to be $103. There is no significant effect on the carrying value of the Company’s other financial instruments under IFRS 9 related to this new requirement.

Below is a summary showing the classification and measurement bases of the Company’s financial instruments as at July 1, 2018 as a result of adopting IFRS 9 (along with a comparison to IAS 39).

Financial Instrument	IAS 39	IFRS 9
Financial Assets		
Cash	FVTPL	FVTPL
Accounts Receivable, excluding sales taxes	Loans and receivables	Amortized cost
Investments:		
BlissCo shares & warrants	Held-for-trading (FVTPL)	FVTPL
Trellis Solutions Inc.	Available-for-sale (Note 1)	FVOCI, with no reclass to Net Income (Note 2)
MediGrow shares	Available-for-sale (Note 1)	FVOCI, with no reclass to Net Income (Note 2)
Financial Liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Convertible Debentures	Other financial liabilities (Note 3)	Amortized cost

Note 1: Subsequently measured at fair value with changes recognized in other comprehensive income. The net change subsequent to initial recognition, in

the case of investments, is reclassified into net income upon disposal of the investment or when the investment becomes impaired.

Note 2: Subsequently measured at fair value with changes recognized in OCI. The net change subsequent to initial recognition, in the case of investments, is not reclassified into net income upon disposal of the investment or when the investment becomes impaired.

Note 3: Subsequently measured at amortized cost using the effective interest rate.

ii) IFRS 15 – Revenue from contracts with customers ("**IFRS 15**")

Effective July 1, 2018, the Company adopted IFRS 15. IFRS 15 supersedes previous accounting standards for revenue, including IAS 18 – Revenue.

IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs.

The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. identify the contract with a customer;
2. identify the performance obligations in the contract;
3. determine the transaction price;
4. allocate the transaction price to the performance obligations in the contract; and
5. recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue from the direct business to business sale of cannabis to legal and licenced Canadian retailers for a fixed price is recognized when the Company transfers control of the good to the customer. The Company has elected to adopt IFRS 15 on a cumulative effective basis, with no restatement of the comparative period. The Company assessed the impact of adopting IFRS 15 retrospectively and determined that no retroactive adjustments were necessary.

New Accounting Standards and Interpretations Not Yet Effective.

IFRS 16 – Leases ("**IFRS 16**")

IFRS 16 was issued by the IASB in January 2016 and brings most leases onto the statement of financial position for lessees under a single model, eliminating the distinction between operating and finance leases. IFRS 16 supersedes the current accounting standards for leases, including IAS 17 – Leases ("**IAS 17**") and

Interpretations of the IFRS Interpretations Committee 4 – Determining whether an arrangement contains a lease.

Under IFRS 16, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly, and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease or an entity's incremental borrowing rate if the implicit rate cannot be readily determined.

Lessees are permitted to make an election for leases with a term of 12 months or less, or where the underlying asset is of low value and not recognize lease assets and lease liabilities. The expense associated with these leases can be recognized on a straight-line basis over the lease term or on another systematic basis.

The date of initial application of IFRS 16 is January 1, 2019. The Company has elected to adopt IFRS 16 using the modified retrospective approach. Under this approach, the Company will not restate its comparative figures but will recognize the cumulative effect of adopting IFRS 16 as an adjustment to opening retained earnings at the beginning of the 2020 fiscal year.

On transition to IFRS 16, the Company will elect to apply the practical expedient to grandfather the assessment of which transactions are leases and apply IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 will not be reassessed for whether a lease exists. The Company will elect to not recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and for leases of low-value assets. The Company will also account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases. Accordingly, the Company does not expect significant adjustments to opening retained earnings at the beginning of the 2020 fiscal year.

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 and Chief Financial Officer 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 354,039,204 common shares issued and outstanding as at September 17, 2019.

The following table sets out the number of stock options granted and outstanding as at September 17, 2019.

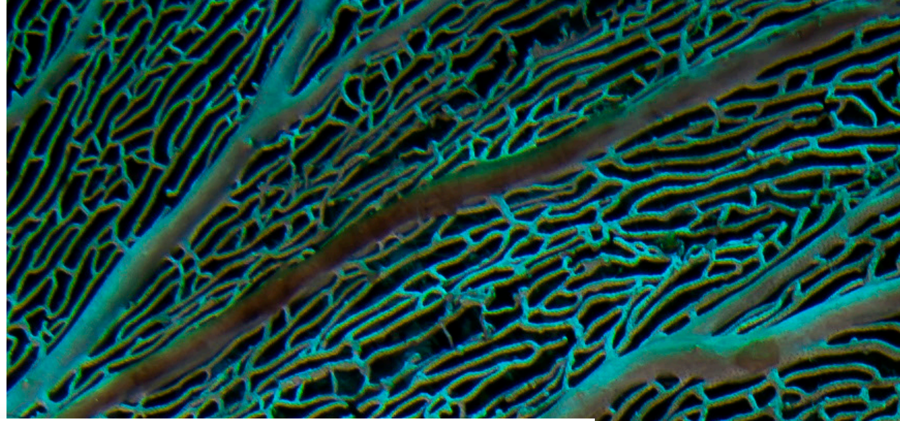
# of Options	Exercise Price	Expiry
250,000	$0.41	14-Oct-19
865,000	$0.50	10-Jan-21
800,000	$0.75	25-Apr-21
3,302,415	$0.75	29-Aug-21
6,500,000	$2.00	15-Dec-26
2,915,000	$1.45	25-Sep-22
6,712,084	$1.80	29-Mar-28
500,000	$3.05	05-Jan-23
400,000	$1.70	25-Jun-23
300,000	$1.80	15-May-23
375,000	$1.50	23-Aug-23
200,000	$2.05	17-Oct-23
25,000	$1.50	02-Jan-24
150,000	$1.80	14-Feb-24
300,000	$2.05	05-Mar-24
940,000	$2.30	01-Apr-24
732,400	$1.25	23-Feb-22
88,800	$1.38	08-Jun-21
62,400	$1.58	06-Jul-21
19,200	$1.69	18-Sep-21
192,000	$1.31	24-Oct-28
79,200	$1.31	24-Oct-21
810,000	$1.50	22-Jul-24
300,000	$1.35	09-Aug-24

The following table sets out the number of share purchase warrants issued and outstanding as at September 17, 2019.

# of Warrants	Exercise Price	Expiry
4,511,904	$0.32	23-Apr-20
17,084,641	$1.70	13-Dec-19
12,332,200	$1.80	14-Nov-20
2,501,766	$1.04	21-Jul-20
4,484,171	$2.50	23-Feb-20

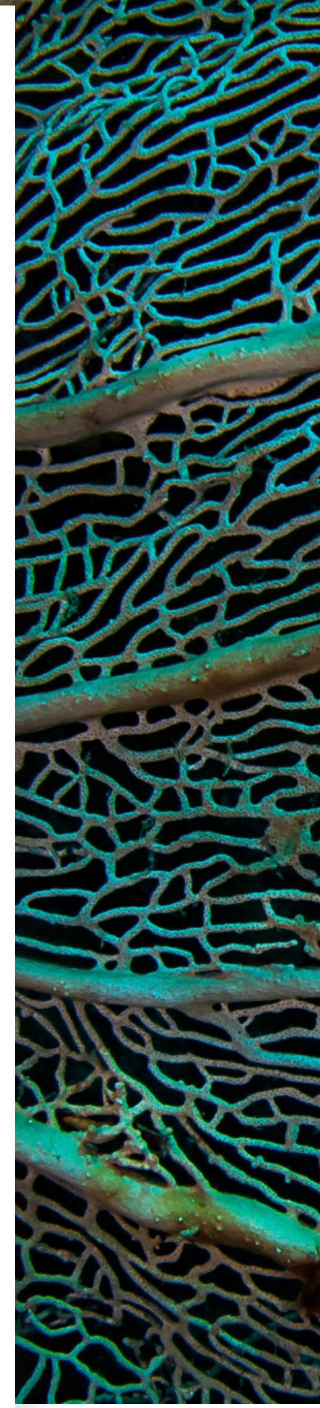
The following table sets out the number of restricted share units ("**RSU**") issued and outstanding as at September 17, 2019.

# of RSU	Issued	Vesting Period
2,779,250	July 22, 2019	Quarterly from July 22, 2019 to July 22, 2021



Consolidated Financial Statements (Audited)

For the Year Ended June 30, 2019



September 17, 2019

The Supreme Cannabis Company, Inc. | TSX:FIRE

Management’s Responsibility for Financial Reporting

To the Shareholders of The Supreme Cannabis Company, Inc. (the “**Company**” or **“Supreme”**):

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

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

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

The consolidated financial statements have been audited by MNP LLP, an external independent firm of Chartered Professional Accountants, in accordance with Canadian generally accepted auditing standards on behalf of the Shareholders. MNP LLP has full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

September 17, 2019

(signed)

/Nikhil Handa/
Chief Financial Officer

(signed)

/Kenneth McKinnon/
Director

Independent Auditor's Report

To the Shareholders of The Supreme Cannabis Company, Inc.:

Opinion

We have audited the consolidated financial statements of The Supreme Cannabis Company, Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at June 30, 2019 and June 30, 2018, and the consolidated statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at June 30, 2019 and June 30, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis and the Annual Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Marufur Raza.

MNP LLP

Toronto, Ontario
September 17, 2019

Chartered Professional Accountants
Licensed Public Accountants

The Supreme Cannabis Company, Inc.
Consolidated Statements of Financial Position
(Expressed in thousands of Canadian Dollars)

As at:	Note	June 30, 2019	June 30, 2018
ASSETS			
Current assets			
Cash		**$ 54,822**	$ 55,896
Receivables	4	**21,969**	8,468
Prepaid expenses, deposits and other receivables		**4,248**	1,290
Inventory	6	**19,026**	4,579
Biological assets	7	**8,762**	3,283
		108,827	73,516
Non-current assets			
Property, plant and equipment	8	**181,726**	101,008
Deposits on property, plant and equipment		**3,001**	516
Intangible assets	9	**24,446**	8,397
Investments	11	**15,325**	16,332
Other assets and deposits		**796**	15
Goodwill	3, 9	**680**	-
		$ 334,801	$ 199,784
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		**$ 30,629**	$ 22,917
Other current liability	9, 10	**1,318**	-
		31,947	22,917
Long-term liabilities			
Convertible debt	12	**79,054**	31,722
Other long term liability	9, 10	**5,023**	-
Deferred tax liability	16	**7,805**	-
		123,829	54,639
SHAREHOLDERS' EQUITY			
Share capital	14	**217,646**	156,097
Reserves		**53,312**	34,892
Shares to be issued		**250**	-
Accumulated other comprehensive income	11	**950**	845
Deficit		**(61,186)**	(46,689)
		210,972	145,145
		$ 334,801	$ 199,784

Commitments (Note 18)
Subsequent events (Note 19)

Approved and authorized by the Board of Directors on September 17, 2019:

"Navdeep Dhaliwal"
Director

"Kenneth McKinnon"
Director

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

The Supreme Cannabis Company, Inc.

Consolidated Statements of Comprehensive Loss

(Expressed in thousands of Canadian Dollars)

For the year ended	**Note**		**June 30, 2019**		June 30, 2018
Gross revenue	5	**$**	**43,015**	$	8,855
Excise taxes	5		**(1,182)**		-
Net revenue			**41,833**		8,855
Production costs	6, 8		**(20,375)**		(6,679)
Fair value changes on growth of biological assets	7		**45,684**		12,461
Realized fair value changes on inventory sold or impaired	6, 7		**(30,289)**		(5,713)
Operating expenses					
Wages and benefits	15	**$**	**13,133**	$	4,698
Rent and facilities			**2,187**		1,535
Professional fees			**3,557**		1,031
Sales, marketing and business development			**6,224**		1,602
General and administrative			**3,336**		1,118
Amortization of property, plant and equipment & intangible assets	8, 9		**3,340**		327
Share based payments	13, 15		**6,936**		5,555
			38,713		15,866
Other expenses (Income)					
Finance expense, net	8, 12	**$**	**5,185**	$	363
Loss on disposal of property, plant and equipment	8		**3,892**		1,391
Unrealized (gain) / loss on investments	11		**1,128**		(2,096)
			10,205		(342)
Net loss before taxes		**$**	**(12,065)**	$	(6,600)
Deferred tax expense	16		**(2,432)**		(747)
Net loss		**$**	**(14,497)**	$	(7,347)
Gain on revaluation of investments, net of tax	11		**105**		-
Net loss and total comprehensive loss after taxes		**$**	**(14,392)**	$	(7,347)
Weighted average number of shares			**281,418,793**		223,827,154
Basic and diluted loss per common share		**$**	**(0.05)**	$	(0.03)

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

The Supreme Cannabis Company, Inc.
Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian Dollars)

For the year ended	June 30, 2019	June 30, 2018
Operating activities:		
Net loss	**$ (14,497)**	$ (7,347)
Items not involving cash:		
Amortization	**5,808**	1,171
Accrued interest and accretion, net of payment	**5,779**	86
Flow-through share interest and penalties	**10**	9
Share based payments	**6,936**	5,555
Loss on disposal of property, plant and equipment	**3,892**	1,391
Fair value changes on growth of biological assets	**(45,684)**	(12,461)
Realized fair value changes on inventory sold	**29,434**	5,315
Impairment adjustment on fair value of inventory	**855**	398
Deferred tax expense	**2,432**	747
Unrealized (gain) / loss on investments	**1,128**	(2,096)
Bad debt expense	**103**	-
Changes in non-cash working capital:		
Inventory	**(4,044)**	(654)
Receivables	**(13,501)**	(7,413)
Prepaid expenses, deposits and other receivables	**(2,958)**	(1,180)
Accounts payable and accrued liabilities	**10,244**	17,806
Other assets and deposits	**(781)**	-
	(14,844)	1,327
Investing activities:		
Additions to property, plant and equipment	**(89,642)**	(71,850)
Additions to intangible assets	**(3,244)**	-
Acquired cash on business combination	**55**	-
Investments	**-**	(13,162)
Deposits on property, plant and equipment	**(2,485)**	(44)
	(95,316)	(85,056)
Financing activities:		
Warrants exercised	**13,278**	42,788
Stock options exercised	**284**	716
Convertible debentures issued (net of issuance costs)	**95,524**	38,439
	109,086	81,943
Net change in cash	**(1,074)**	(1,786)
Cash, beginning of year	**55,896**	57,682
Cash, end of year	**$ 54,822**	**$ 55,896**

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

The Supreme Cannabis Company, Inc.

Consolidated Statements of Changes in Shareholders' Equity

(Expressed in thousands of Canadian Dollars)

	Number of Common Shares	Share Capital	Shares to be issued	Reserves	AOCI	Deficit	Total Shareholders' (Deficiency) Equity
Balance, June 30, 2017	**188,832,127 $**	**65,636 $**	**- $**	**31,947 $**	**845 $**	**(39,342) $**	**59,086**
Warrants exercised	31,369,482	46,274	-	(3,486)	-	-	42,788
Stock options exercised	1,521,250	1,276	-	(560)	-	-	716
Debenture conversion (Dec 2016), net of tax	31,104,992	39,078	-	(3,050)	-	-	36,028
Convertible debenture (Nov 2017), net of tax	-	-	-	4,947	-	-	4,947
Debenture conversion (Nov 2017), net of tax	2,909,375	3,833	-	(461)	-	-	3,372
Share based payments	-	-	-	5,555	-	-	5,555
Net loss for the period	-	-	-	-	-	(7,347)	(7,347)
Balance, June 30, 2018	**255,737,226**	**156,097**	**-**	**34,892**	**845**	**(46,689)**	**145,145**
Warrants exercised	**16,148,712**	**15,406**	**250**	**(2,378)**	**-**	**-**	**13,278**
Stock options exercised	**361,666**	**460**	**-**	**(176)**	**-**	**-**	**284**
Debenture conversions (Nov 2017), net of tax	**22,483,557**	**35,467**	**-**	**(2,878)**	**-**	**-**	**32,589**
Convertible debenture (Oct 2018), net of tax	**-**	**-**	**-**	**18,249**	**-**	**-**	**18,249**
Shares issued for business combination	**358,423**	**667**	**-**	**-**	**-**	**-**	**667**
Shares issued for asset acquisition	**5,745,000**	**8,216**	**-**	**-**	**-**	**-**	**8,216**
Share based payments	**716,846**	**1,333**	**-**	**5,603**	**-**	**-**	**6,936**
Net loss for the period	**-**	**-**	**-**	**-**	**-**	**(14,497)**	**(14,497)**
Other comprehensive income	**-**	**-**	**-**	**-**	**105**	**-**	**105**
Balance, June 30, 2019	**301,551,430 $**	**217,646 $**	**250 $**	**53,312 $**	**950 $**	**(61,186) $**	**210,972**

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

1. Nature of Operations

Supreme is a federally incorporated Canadian company with a global diversified portfolio of distinct cannabis companies, products and brands. Its common shares are publicly traded on the Toronto Stock Exchange ("**TSX**") under the symbol "**FIRE**", Over-the-Counter (“**OTCQX**”) under the symbol “**SPRWF**”, and on the Frankfurt Stock Exchange (“**FRA**”) under the symbol “**53S1**”.

Supreme’s primary asset is 7ACRES, a Canadian corporation that is wholly owned by Supreme. 7ACRES is a Licensed Producer of cannabis under the Cannabis Act. On May 23, 2014, Supreme purchased a 342,000 square foot facility including adjacent buildings, which is currently being expanded to 440,000 square feet, situated on approximately sixteen acres of land located in the Bruce Energy Park, in Kincardine, Ontario, approximately 160 kilometers outside of Toronto (the “**Facility**”). 7ACRES became a Licensed Producer on March 11, 2016 when it was issued a license to cultivate medical cannabis at its Facility. On June 28, 2017, the Company was granted permission to sell cannabis.

The Company’s head office and registered records office is located at 178R Ossington Avenue, Toronto, ON, Canada.

2. Significant Accounting Policies

a) Statement of compliance

These consolidated financial statements (“**Financial Statements**”) have been prepared in accordance and in compliance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”) and Interpretations of the IFRS Interpretations Committee (“**IFRIC**”).

These Financial Statements were authorized for issuance by the Company’s Board of Directors (“**Board**”) on September 17, 2019.

b) Basis of measurement

These Financial Statements have been prepared on a historical cost basis except for certain financial instruments, biological assets, and acquired net assets from business combinations which have been measured at fair value. In addition, these Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Basis of consolidation

These Financial Statements include the accounts of the Company and its wholly-owned subsidiaries, 8528934 Canada Ltd., d/b/a/, 7ACRES, 10695181 Canada Ltd., d/b/a, Cambium Plant Sciences, 8408432 Canada Ltd., d/b/a, Bayfield Strategy, Inc., and 11095668 Canada Ltd. All significant intercompany balances and transactions were eliminated on consolidation.

d) Functional and presentation of foreign currency

The Financial Statements are presented in Canadian dollars unless otherwise noted. The presentation currency and functional currency of the Company and its subsidiaries is the Canadian Dollar.

(Expressed in thousands of Canadian Dollars, unless otherwise noted)

2. Significant Accounting Policies (continued)

e) New Accounting Standards effective July 1, 2018

The Company adopted the following new accounting standards effective July 1, 2018:

i. IFRS 9 – Financial Instruments ("**IFRS 9**")

Effective July 1, 2018, the Company adopted IFRS 9. In July 2014, the IASB issued the final publication of the IFRS 9 standard, which supersedes International Accounting Standards ("**IAS"**) 39 – Financial Instruments: recognition and measurement ("**IAS 39**"). IFRS 9 includes revised guidance on the classification and measurement of financial instruments and new guidance for measuring impairment on financial assets. The Company has made a policy choice to adopt IFRS 9 on a retrospective basis where the cumulative impact of adoption will be recognized in retained earnings as of July 1, 2018; thus, prior period comparatives will not be restated.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("**FVOCI**"), and fair value through profit and loss ("**FVTPL**"). Under IFRS 9, the Company has irrevocably elected to present subsequent changes in the fair value of equity investments that are not held-for-trading in other comprehensive income ("**OCI**"). For these equity investments, any subsequent changes in fair value of the instrument will be recorded in OCI, and cumulative gains or losses in OCI will not be reclassified into net income on disposal. Any subsequent changes in fair value on equity investments that are held-for-trading will continue to be realized in net income.

Under IFRS 9, the loss allowance for trade receivables must be calculated using the expected lifetime credit loss and recorded at the time of initial recognition. The Company has estimated the expected loss allowance as at June 30, 2019 using the lifetime credit loss approach to estimate the bad debt expense for the current period to be $103. There is no significant effect on the carrying value of the Company's other financial instruments under IFRS 9 related to this new requirement.

Below is a summary showing the classification and measurement bases of the Company's financial instruments as at July 1, 2018 as a result of adopting IFRS 9 (along with a comparison to IAS 39).

Financial Instrument	IAS 39	IFRS 9
Financial Assets		
Cash	FVTPL	FVTPL
Accounts Receivable, excluding sales taxes	Loans and receivables	Amortized cost
Investments:		
BlissCo shares & warrants	Held-for-trading (FVTPL)	FVTPL
Trellis Solutions Inc.	Available-for-sale (Note 1)	FVOCI, with no reclass to Net Income (Note 2)
MediGrow shares	Available-for-sale (Note 1)	FVOCI, with no reclass to Net Income (Note 2)
Financial Liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Convertible Debentures	Other financial liabilities (Note 3)	Amortized cost

2. Significant Accounting Policies (continued)

e) New Accounting Standards effective July 1, 2018 (continued)

i. IFRS 9 – Financial Instruments (continued)

Note 1: Subsequently measured at fair value with changes recognized in other comprehensive income. The net change subsequent to initial recognition, in the case of investments, is reclassified into net income upon disposal of the investment or when the investment becomes impaired.

Note 2: Subsequently measured at fair value with changes recognized in OCI. The net change subsequent to initial recognition, in the case of investments, is not reclassified into net income upon disposal of the investment or when the investment becomes impaired.

Note 3: Subsequently measured at amortized cost using the effective interest rate.

ii. IFRS 15 – Revenue from contracts with customers ("**IFRS 15**")

Effective July 1, 2018, the Company adopted IFRS 15. IFRS 15 supersedes previous accounting standards for revenue, including IAS 18 – Revenue.

IFRS 15 introduced a single model for recognizing revenue from contracts with customers. This standard applies to all contracts with customers, with only some exceptions, including certain contracts accounted for under other IFRSs. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

Revenue from the direct business to business sale of cannabis to legal and licensed Canadian retailers is recognized when the Company transfers control of the good to the customer. The Company has elected to adopt IFRS 15 on a cumulative effective basis, with no restatement of the comparative period. The Company assessed the impact of adopting IFRS 15 retrospectively and determined that no retroactive adjustments were necessary.

f) Recent accounting pronouncements not yet adopted

i. IFRS 16 – Leases ("**IFRS 16**")

IFRS 16 was issued by the IASB in January 2016 and brings most leases onto the statement of financial position for lessees under a single model, eliminating the distinction between operating and finance leases. IFRS 16 supersedes the current accounting standards for leases, including IAS 17 – Leases ("**IAS 17**") and IFRIC 4 – Determining whether an arrangement contains a lease.

Under IFRS 16, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly, and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease or an entity's incremental borrowing rate if the implicit rate cannot be readily determined.

2. Significant Accounting Policies (continued)

f) Recent accounting pronouncements not yet adopted (continued)

Lessees are permitted to make an election for leases with a term of 12 months or less, or where the underlying asset is of low value and not recognize lease assets and lease liabilities. The expense associated with these leases can be recognized on a straight-line basis over the lease term or on another systematic basis.

The date of initial application of IFRS 16 is January 1, 2019. The Company has elected to adopt IFRS 16 using the modified retrospective approach. Under this approach, the Company will not restate its comparative figures but will recognize the cumulative effect of adopting IFRS 16 as an adjustment to opening retained earnings at the beginning of the 2020 fiscal year.

On transition to IFRS 16, the Company will elect to apply the practical expedient to grandfather the assessment of which transactions are leases and apply IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 will not be reassessed for whether a lease exists. The Company will elect to not recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and for leases of low-value assets. The Company will also account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases. Accordingly, the Company does not expect significant adjustments to opening retained earnings at the beginning of the 2020 fiscal year.

g) Additional significant accounting policies, estimates, and judgements

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.

Following information is disclosed throughout the notes as identified in the table below:

(a) Information on the Company's significant accounting policies;

(b) 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; and

(c) Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements.

2. Significant Accounting Policies (continued)

g) Additional significant accounting policies, estimates, and judgements (continued)

Note	Topic	Accounting Policy	Use of Estimates	Use of Judgments
3	Business Combination	X	X	X
4	Accounts Receivable	X		
5	Revenue	X	X	X
6	Inventory	X		
7	Biological Assets	X	X	
8	Property, Plant and Equipment	X	X	X
9	Intangible Assets	X	X	X
10	Provisions	X	X	X
11	Investments	X	X	
12	Convertible Debentures	X	X	
13	Share Based Compensation	X	X	
14	Share Capital	X		
16	Income Taxes	X	X	
17	Financial Risk Management and Financial Instruments	X	X	X

3. Business Combination

Accounting Policy:

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. The total consideration paid for the acquisition is the aggregate of the fair values of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree at the acquisition date. The acquisition date is the date where the Company obtains control of the acquiree. The identifiable assets acquired, and liabilities assumed are recognized at their acquisition date fair values, except for deferred taxes and share-based payment awards where IFRS provides exceptions to recording the amounts at fair value. Acquisition costs are expensed to profit or loss.

Contingent consideration, if any, is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates with the corresponding gain or loss being recognized in profit or loss.

Non-controlling interest in the acquiree, if any, is recognized either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets, determined on an acquisition-by-acquisition basis. For each acquisition, the excess of total consideration, the fair value of previously held equity interest prior to obtaining control and the non-controlling interest in the acquiree, over the fair value of the identifiable net assets acquired, is recorded as goodwill.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. The measurement period is the period from the acquisition date to the date complete information about facts and circumstances that existed as of the acquisition date is received. However, the measurement period does not exceed one year from the acquisition date.

(Expressed in thousands of Canadian Dollars, unless otherwise noted)

3. Business Combination (continued)

Use of Estimates:

Determination of fair value of assets acquired, liabilities assumed and the fair value of total purchase consideration, including contingent consideration, requires the use of various estimates made by management.

Use of Judgment:

Classification of a transaction as a business combination depends on whether the assets acquired constitute a business in accordance with the criteria set forth in IFRS 3 – Business Combinations, which can be a complex judgment.

Explanatory Information:

On November 30, 2018 the Company acquired Bayfield Strategy, Inc. ("**Bayfield**"), a privately held Canadian communications company which provides expertise in the area of strategic communications, public affairs, and shareholder services. The Company acquired this business to bring these services in-house. The transaction was accounted for as a business combination.

The Company acquired all of the issued and outstanding shares of Bayfield for share consideration of 358,423 common shares of the Company, with a fair value of $667 and settlement of pre-existing relationship, measured at fair value of $200. As part of this transaction, the Company acquired the following net identifiable assets, which are measured at a fair value of $187, resulting in total goodwill of $680.

		November 30, 2018
Cash	$	55
Receivables		178
Prepaid expenses and deposits		6
Accounts payable and accrued liabilities		(52)
Net assets	**$**	**187**

Goodwill represents expected synergies, future income and growth, and other intangibles that do not qualify for separate recognition. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes. Management has initially allocated the purchase price as noted above. As the acquisition is within the measurement period, management will continue to refine and finalize the allocations. During the three months ended June 30, 2019 a measurement adjustment related to net assets acquired was recorded, resulting in an adjustment to the purchase price allocation which decreased the net assets acquired and increased the goodwill by $20.

On the acquisition date, the Company also made share-based payment advances to Bayfield employees for a total of 716,846 common shares of the Company, with a fair value of $1,333. The share-based payment advances have certain performance and claw-back agreements attached to them, which expire over a period of two years. The Company will amortize these share-based payment advances to profit and loss, over a period of two years, as the employees provide services to the Company. The amount recognized for the year ended June 30, 2019 was $581 (2018: $nil), which is included in share-based payment in the consolidated statement of comprehensive loss.

For the year ended June 30, 2019 Bayfield accounted for a recovery of $5 of net expenses on the consolidated statement of comprehensive loss.

(Expressed in thousands of Canadian Dollars, unless otherwise noted)

4. Accounts Receivable

Accounting Policy:

The Company initially recognizes accounts receivable on the date they originate. Receivables are initially measured at fair value, and subsequently at amortized cost, with changes recognized in net income.

The Company recognizes expected credit losses for trade receivables based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

The Company evaluates its overdue trade accounts and measures loss allowance at an amount equal to twelve months of expected losses, which is allocated to an allowance for doubtful accounts and recognized on the consolidated statement of comprehensive loss.

Explanatory Information:

The Company's accounts receivable consists of trade receivable, sales tax receivable and other receivable. The breakdown of the accounts receivable balance is as follows:

	June 30, 2019	June 30, 2018
Trade accounts receivable (net of allowance of $67)	$ 21,969	$ 4,800
Sales tax receivable	-	3,503
Other receivable	-	165
Total accounts receivable	**$ 21,969**	**$ 8,468**

5. Revenue

Accounting Policy:

As described in Note 2 (e) (ii), the Company adopted IFRS 15 on July 1, 2018. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the consideration expected to be received in exchange for transferring those goods or services. This is achieved by applying the following five steps:

a) Identify the contract with a customer; the Company enters into binding sales agreements with all customers

b) Identify the performance obligations in the contract; the performance obligation of the Company's sales agreements is to deliver a fixed amount of dried cannabis

c) Determine the transaction price; sales agreements have fixed prices for dried cannabis

d) Allocate the transaction price to the performance obligations in the contract; the transaction price is allocated to the performance obligation to deliver dried cannabis

e) Recognize revenue when (or as) the entity satisfies a performance obligation; the Company satisfies the performance obligations when the dry cannabis is delivered to the customer as per the terms and conditions of the Company's sales agreements

The amount of recognized revenue is impacted by excise taxes as explained below. Excise taxes are applicable to the cannabis industry. The Company performed an analysis to assess whether the excise taxes are sales-related or effectively a production tax. Excise taxes are effectively a production tax as excise becomes payable when goods are moved from the Company's warehouse to the end consumer and are not based on the retail sales value.

5. Revenue (continued)

Accounting Policy (continued):

Increases in excise tax are not always (fully) passed on to customers and the Company cannot, or can only partly, reclaim the excise tax in the case products are eventually not sold to customers. Excise tax is borne by the Company and included in revenue.

To provide full transparency on the impact of the accounting for excise, the Company presents the excise tax expense on a separate line below revenue in the consolidated statement of comprehensive loss. A new subtotal called 'Net revenue' is added. This 'Net revenue' subtotal is revenue as defined in IFRS 15 after discounts minus the excise tax expense.

Use of Estimates:

The Company estimates whether certain vendors will exercise the right to early payment discounts based on past experience with each vendor.

Use of Judgements:

Due to the complexity in tax legislations, significant judgement is applied in the assessment of whether taxes are borne by the Company or collected on behalf of a third party impacting the net or gross presentation of revenue.

Explanatory information:

During year ended June 30, 2019 the Company recognized gross revenue of $43,015 (June 30, 2018: $8,855) from the sale of cannabis products. Included in gross revenue for the year ended June 30, 2019, are excise taxes of $1,182 (June 30, 2018: $nil). The Company's sales transactions occurred in Canada and are substantially comprised of sale of dry cannabis. The Company has not experienced significant sales returns and no sales provision has been recognized as of June 30, 2019. During the year ended June 30, 2019 the Company had three major customers that accounted for 40%, 31%, and 7%, respectively, of total revenues for the year.

6. Inventory

Accounting Policy:

Inventories consist of dried cannabis, cannabis distillate oil, cannabis seeds and supplies.

Finished goods inventory consist of dried cannabis flower and trim that has been processed and is available for sale. Work in progress inventory consists of harvested cannabis plants that are in the processing stage. Cannabis distillate oil is a liquid cannabis concentrate that may be sold in the wholesale market in its current form or further refined in non-flower consumable products. Seeds inventory consists of cannabis seeds to be used in the genetic selection of cannabis strains. Supplies inventory includes consumables used in the production and processing of cannabis cultivation activities.

Subsequent to harvest all direct and overhead post-harvest costs are capitalized to inventory to the extent that the cost is less than net realizable value. Direct and overhead costs include wages and benefits, facility costs, amortization and other costs incurred in bringing the inventory to the present location and condition. Net realizable value is determined as the estimated selling price less the estimated costs of completion and estimated selling costs. Cost is determined on a weighted average basis for each individual harvest.

Inventories are written down to net realizable value when the cost of inventories is determined not to be recoverable. When the circumstances that previously caused inventories to be written down no longer exist, the amount of the write-down is reversed.

(Expressed in thousands of Canadian Dollars, unless otherwise noted)

6. Inventory (continued)

Explanatory Information:

Carrying amount as at	June 30, 2019	June 30, 2018
Supplies	$ 800	$ 246
Seeds	224	-
Work in progress	5,777	2,102
Finished goods	9,184	2,231
Distillate oil	3,041	-
Total inventory	**$ 19,026**	**$ 4,579**

During the year ended June 30, 2019 inventory recognized as expense was $36,409 (June 30, 2018: $6,698), consisting of $30,289 (June 30, 2018: $5,713) of realized fair value changes on inventory sold or impaired and $6,120 (June 30, 2018: $985) of capitalized post-harvest costs expensed during the period as cannabis inventory is sold.

Impairment charges related to inventory for the year ended June 30, 2019 was $855 (June 30, 2018: $398). The impairment charge is due to the cost of certain inventory exceeding net realizable value for the year ended June 30, 2019. The amount has been expensed through realized fair value changes on inventory sold or impaired.

7. Biological Assets

Accounting Policy:

Biological assets, consisting of cannabis plants, are measured at fair value up to the point of harvest less costs to complete and sell.

The Company initially values its cannabis plants as biological assets approximately 30 days into the growing stage; cannabis plants that are approximately between day 1 and day 30 in the growth cycle are not considered to have significant fair value and consequently are carried at a fair value of nil. During day 1 to day 15 of growth, the cannabis plants are considered clones and housed in the nursery room. During day 16 to day 30, the cannabis plants are considered to be in the pre-vegetation stage and housed in the vegetation rooms. During this time the survival rates of the clones and pre-vegetation plants are inconsistent. Consequently, the Company has concluded that probable future economic benefits associated with the cannabis plants in the first 30 days of growth will not flow to the Company resulting in a carrying value of nil.

Approximately 30 days in the growth cycle, cannabis plants are moved in the flowering room where they will grow for approximately 70 days until harvest. When the cannabis plants are transferred in the flowering rooms they are sufficiently mature and do not experience significant plant loss. Growing time for a full harvest approximates 100 days.

The company values biological assets by multiplying the expected yield, in grams, from each harvest by the selling price expected to be achieved by the Company. The value of biological assets is then reduced by the percentage of completion of the harvest and the estimated post-harvest costs and cost to complete. The Company estimates that fair value of the cannabis plants approximates the stage of completion of the cannabis plants based on approximately linear costs incurred during the growth stage.

All direct and overhead costs incurred during the biological transformation process and up to the point of harvest are expensed to production costs on the consolidated statement of comprehensive loss in the period the costs are incurred.

Use of Estimates:

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.

(Expressed in thousands of Canadian Dollars, unless otherwise noted)

7. Biological Assets (continued)

Use of Estimates (continued):

The significant estimates and inputs used to assess the fair value of biological assets include the following assumptions as at June 30, 2019:

a) Selling prices – selling prices are based on the Company's historical average selling price per gram for the preceding nine months, adjusted for current market conditions. Adjusted selling prices averaged $6.13 for cannabis flower and $2.44 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. Post-harvest processing costs averaged $0.42 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, 2019 averaged 69%.

d) Expected yield – the expected yield per plant is based on the Company's historical adjusted average yield per plant. Expected yield per plant is 70.51 grams of cannabis trim and 70.96 grams of cannabis flower.

Explanatory Information:

As at June 30, 2019, the Company's biological assets consist of cannabis plants. The changes in the fair value of biological assets are as follows:

Carrying amount, June 30, 2017	**$**	**459**
Changes in fair value less costs to sell due to biological transformation		12,461
Transferred to inventory upon harvest		(9,637)
Carrying amount, June 30, 2018		**3,283**
Changes in fair value less costs to sell due to biological transformation		45,684
Transferred to inventory upon harvest		(40,205)
Carrying amount, June 30, 2019	**$**	**8,762**

The Company expects that a $1 increase or decrease in the wholesale market price per gram of dried cannabis would increase or decrease the fair value of biological assets by $2,485 (June 30, 2018: $861). A 5% increase or decrease in the estimated yield per cannabis plant would result in an increase or decrease in the fair value of biological assets by $227 (June 30, 2018: $164). Additionally, an increase or decrease of 10% in the post-harvest costs would decrease or increase the fair value of biological assets by $105 (June 30, 2018: $78).

Net effect of changes in fair value of biological assets and inventory include:

Unrealized change in fair value of biological assets	$	15,395
Realized fair value increments on inventory sold or impaired		30,289

Realized fair value changes on inventory sold or impaired included on the Company's consolidated statement of comprehensive loss is entirely comprised of the amount of changes in fair value due to biological transformation and inventory impairment charges that have been expensed during the years ended June 30, 2019 as cannabis inventory is sold or impaired.

Unrealized change in fair value of biological assets is the net amount of changes in fair value due to biological transformation charges that have been added to biological assets and inventory during the years ended June 30, 2019.

7. Biological Assets (continued)

Explanatory Information (continued):

As at June 30, 2019, biological assets and inventory include a total of $22,567 (June 30, 2018: $7,208) of unrealized fair value of biological assets charges which are yet to be expensed as the related cannabis inventory is not yet sold. For the year ended June 30, 2019 a total of $30,289 (June 30, 2018: $5,713) has been recognized as realized fair value changes on inventory sold or impaired.

8. Property, Plant and Equipment

Accounting Policy:

Initial recognition and amortization:

The Company measures property, plant and equipment upon initial recognition at cost and begins recognizing depreciation when the asset is ready for its intended use, and when applicable, all Health Canada licensing has been received. Subsequently, property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

(a) Cost of materials and direct labor;

(b) Costs directly associated with bringing the assets to a working condition for intended use; and

(c) Borrowing costs on qualifying assets.

The Company depreciates property, plant and equipment over its estimated useful life by expensing depreciation in the consolidated statement of comprehensive loss.

The Company calculates gains and losses on the disposal of property, plant and equipment by comparing the proceeds from the disposal with the item’s carrying amount and recognizes the gains or losses in the consolidated statement of comprehensive loss.

The Company capitalizes development expenditures if they meet the criteria for recognition as an asset and amortize them over their expected useful lives once the assets to which they relate are available for use. The Company calculates depreciation based on the estimated useful lives and pattern of consumption of assets based on the following:

8. Property, Plant and Equipment (continued)

Accounting Policy (continued):

Initial recognition and amortization (continued):

Asset Class	Basis	Estimated useful life
Assets under development	Not amortized	N/A
Land	Not amortized	N/A
Furniture & Equipment	Straight-line	3-5 years
Computer software & equipment	Straight-line	1-3 years
Building (Facility)	Straight-line	5-30 years
Grow Rooms (Facility)	Straight-line	6-20 years
Mechanical & Electrical Equipment (Facility)	Straight-line	15-30 years
Leasehold improvements	Straight-line	Over the shorter of useful life or lease terms

Impairment policy:

Long-lived assets, such as property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value, less costs to sell, and its value in use.

If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in the consolidated statement of comprehensive loss, by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

Borrowing costs capitalization policy:

Borrowing costs, including non-cash accretion, attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets, until such time as the assets are substantially ready for their intended use.

Use of Estimates:

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 borrowing costs associated with the acquisition, construction, development, or betterment of its facilities.

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 per year and changes them if they are different from previous estimates.

Use of Judgments:

The Company makes significant judgments in choosing methods for depreciating property, plant and equipment that the Company believes most accurately represent the consumption of benefits derived from those assets and are most representative of the economic substance of the intended use of the underlying assets.

(Expressed in thousands of Canadian Dollars, unless otherwise noted)

8. Property, Plant and Equipment (continued)

Explanatory Information:

	Facility	Land	Furniture, equipment and leaseholds	Total Property, Plant and Equipment
Cost				
Balance, June 30, 2017	$ 25,849	$ 1,203	$ 391	$ 27,443
Additions	67,409	2,232	1,765	71,406
Disposals	(1,448)	-	(4)	(1,452)
Borrowing costs	5,526	-	-	5,526
Balance, June 30, 2018	97,336	3,435	2,152	102,923
Additions	77,309	2,462	4,728	84,499
Disposals	(4,416)	-	-	(4,416)
Borrowing costs	5,367	-	-	5,367
Balance, June 30, 2019	**$ 175,596**	**$ 5,897**	**$ 6,880**	**$ 188,373**
Accumulated Amortization				
Balance, June 30, 2017	$ 681	$ -	$ 125	$ 806
Amortization	953	-	218	1,171
Disposals	(58)	-	(4)	(62)
Balance, June 30, 2018	1,576	-	339	1,915
Amortization	3,942	-	1,314	5,256
Disposals	(524)	-	-	(524)
Balance, June 30, 2019	**$ 4,994**	**$ -**	**$ 1,653**	**$ 6,647**
Net carrying cost, June 30, 2018	$ 95,760	$ 3,435	$ 1,813	$ 101,008
Net carrying cost, June 30, 2019	**$ 170,602**	**$ 5,897**	**$ 5,227**	**$ 181,726**

As at June 30, 2019 the Company had $52,554 (June 30, 2018: $63,868) of Facility under development. Each phase of construction is considered under development until such time that it has been approved by Health Canada. Once Health Canada approval is granted, the asset is amortized as it is available for use. During the year ended June 30, 2019, a total of $88,205 (June 30, 2018: $15,083) of facility additions became available for use.

During the year ended June 30, 2019 a total of $5,367 (June 30, 2018: $5,526) of borrowing costs were capitalized. Borrowing costs include a non-cash accretion expense of $3,039 (June 30, 2018: $2,736). Amortization expense of $2,468 (June 30, 2018: $844) has been recorded as production costs or capitalized to inventory for the year ended June 30, 2019, respectively.

9. Intangible Assets and Goodwill

Accounting Policy:

Initial recognition – Intangible assets:

Upon initial recognition, the Company measures intangible assets at cost unless they are acquired through a business combination, in which case they are measured at fair value. For internally generated intangible assets, research costs are expensed as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically, and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development to use or sell the asset.

9. Intangible Assets and Goodwill (continued)

Accounting Policy (continued):

Initial recognition – Intangible assets (continued):

The Company begins recognizing amortization of intangible assets with finite useful lives when the asset is ready for its intended use. Subsequently, the asset is carried at cost less accumulated amortization and accumulated impairment losses. The estimated useful lives, residual values, and amortization methods are reviewed at each period end, and any changes in estimates are accounted for prospectively.

The Company does not amortize intangible assets with indefinite lives.

Initial recognition – Goodwill:

The Company initially recognizes goodwill when it arises from business combinations. The Company measures goodwill as the difference between the purchase consideration for the acquisition and the fair value of the separately identifiable assets acquired and liabilities assumed as part of the acquisition. If the fair value of the purchase consideration transferred is lower than the sum of the separately identifiable assets acquired and liabilities assumed, the Company immediately recognizes the difference as a gain in the statement of comprehensive loss.

The Company allocates Goodwill to a cash-generating unit ("**CGU**") that is expected to benefit from the synergies of the business combination from which the goodwill arose.

Impairment of intangible assets and goodwill:

An intangible asset or goodwill is impaired if the recoverable amount of the asset is less than its carrying amount. The recoverable amount of an intangible asset or the CGU to which the goodwill has been allocated, is the higher of its fair value less costs to sell and value in use.

The Company tests intangible assets with finite useful lives for impairment whenever an event or change in circumstances indicates that the assets' carrying amount may not be recoverable. For indefinite life intangible assets and goodwill, the Company conducts impairment tests on every annual reporting period end, or more frequently if any event or change in circumstances indicate that the assets' carrying amount may not be recoverable.

If an asset is considered impaired, the Company immediately recognizes the impairment loss in the consolidated statement of comprehensive loss.

Use of Estimates:

The Company uses estimates in determining the useful life and residual values of its definite life intangible assets. The definite life intangible assets that are not under development and are ready for use, are amortized on a straight-line basis, based on the estimated useful lives as described in the table below:

Asset Class	Basis	Estimated useful life
Assets under development	Not amortized	N/A
Database & system technologies	Straight-line	3-5 years
Product license	Straight-line	Expected term of agreement

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.

9. Intangible Assets and Goodwill (continued)

Use of Estimates (continued):

The following inputs have been used to determine the recoverability of intangible assets and long-lived assets based on the value in use of the asset or CGU:

(a) Discount rate of 18%

(b) Average selling price per gram of approximately $5.35 and $2.38 for cannabis flower and trim, respectively

(c) Average quantity sold per year ranging from approximately 25,000 Kilograms to 50,000 Kilograms

(d) Average cost of production and operating expenses of approximately 55%-75% of revenue

(e) Forecasted cash flow period of 5 years followed by a terminal value of future cash flows

(f) Growth rate of 10% after the facility has reached full production, following 2% growth rate for terminal value

A 20% increase or decrease in any of the above inputs individually or cumulatively will not result in an impairment of intangible assets.

Use of Judgements:

Intangible assets:

Judgment is applied when deciding to designate the Health Canada license as an asset with indefinite useful life since the Company believes the license is likely to be renewed for the foreseeable future such that there is no limit to the period over which the asset is expected to generate net cash inflows. The Company makes judgments to determine that this asset has indefinite life, analyzing all relevant factors, including the expected usage of the asset, the typical life cycle of the asset, and anticipated changes in the market demand for the products and services the asset helps generate. After review of the competitive, legal, regulatory, and other factors, it is the Company's view that these factors do not limit the useful life of the Company's Health Canada license. The Company's intangible asset of its Health Canada license has been allocated to its one CGU.

The Company uses judgement to assess if an intangible asset is an indefinite or a definite life intangible. Additionally, in the case of internally generated intangibles, further judgment is required to assess if the costs incurred are part of research or development stage and whether future economic benefits are probable.

Goodwill:

The Company uses judgment in determining the allocation of goodwill to a CGU for the purpose of impairment testing. As at June 30, 2019 the Company only had one CGU and all the goodwill was allocated to that CGU.

(Expressed in thousands of Canadian Dollars, unless otherwise noted)

9. Intangible Assets and Goodwill (continued)

Explanatory Information:

	Database & System Technologies	Product License	Health Canada License	Total Intangible Assets	Goodwill
	Note 9A	**Note 9B**	**Note 9C**		**Note 9D**
Cost					
Balance, June 30, 2017	$ -	$ -	$ 8,397	$ 8,397	$ -
Additions	-	-	-	-	-
Balance, June 30, 2018	-	-	8,397	8,397	-
Additions	1,179	15,722	-	16,901	680
Balance, June 30, 2019	**$ 1,179**	**$ 15,722**	**$ 8,397**	**$ 25,298**	**$ 680**
Accumulated Amortization					
Balance, June 30, 2017	$ -	$ -	$ -	$ -	$ -
Amortization	-	-	-	-	-
Balance, June 30, 2018	-	-	-	-	-
Amortization	118	734	-	852	-
Balance, June 30, 2019	**$ 118**	**$ 734**	**$ -**	**$ 852**	**$ -**
Net carrying cost, June 30, 2018	$ -	$ -	$ 8,397	$ 8,397	$ -
Net carrying cost, June 30, 2019	**$ 1,061**	**$ 14,988**	**$ 8,397**	**$ 24,446**	**$ 680**

As at June 30, 2019 the Company had $73 (June 30, 2018: $nil) of intangible assets under development, which would be classified as definite life intangibles, upon completion of development. For the years ending June 30, 2019 the Company has not recorded any amortization on these assets, as they are not ready for use yet.

Note 9A:

The Company implemented an enterprise resource planning ("**ERP**") software and internally developed its website and database. The development costs associated with these projects have been capitalized as part of an internally generated, definite life intangible asset.

During the years ended June 30, 2019 the Company recognized amortization expense on the ERP software in the amounts of $65 (June 30, 2018: $nil). During the same period, the Company also recognized amortization expense on the website and database intangible asset in the amount of $53 (June 30, 2018: $nil).

Note 9B:

On December 6, 2018 the Company entered into an agreement with Khalifa Kush Enterprises Canada ULC ("**KKE**") (an unrelated entity), which gives the Company an exclusive right to sell products under the KKE or KK brand across Canada, and international markets (other than the United States), in addition to certain product development services (the "**Agreement**").

This product license has been capitalized as a definite life intangible, as there is a defined useful life, in accordance with the terms of the Agreement. The Company issued 5,745,000 common shares valued at $1.43 each, along with a cash consideration of $1,000 for a total purchase consideration of $9,215. The Company incurred total transaction costs of $65 which have been capitalized.

9. Intangible Assets and Goodwill (continued)

Explanatory Information (continued):

Note 9B (continued):

In addition, the Company owes certain minimum royalty payments to KKE over the course of the Agreement. As further discussed in Note 10, the initial liability amount was determined to be $6,370 which has been capitalized to intangible asset. During the year ended June 30, 2019 the Company incurred $594 (June 30, 2018: $nil) in non-cash accretion expense, of which $72 (June 30, 2018: $nil) was capitalized to the intangible asset.

For the year ended June 30, 2019 the Company recorded amortization expense of $734 (2018: $nil), of which $300 (2018: $nil) relates to KKE Royalties that has been included in production costs.

Note 9C:

The indefinite life intangible asset represents the value attributed to an in-process Health Canada application on acquisition of 7ACRES. Subsequent to acquisition, the Company was granted a license to cultivate cannabis. ACMPR licenses are issued by Health Canada for a maximum term of 3 years and are to be renewed before expiry unless the Company has significantly breached compliance. Accordingly, the useful life of the License is considered indefinite and has not been amortized. The License is tested for impairment annually by comparing the recoverable amount to its carrying amount. The Company did not have any impairment losses in the current period and the intangible asset continues to be carried at $8,397 (June 30, 2018: $8,397).

Note 9D:

The Company has recorded goodwill arising from the Bayfield acquisition transaction, as discussed in Note 3. The Company has allocated the goodwill to its only CGU, the cannabis cultivation operations in Kincardine, Ontario. The CGU is tested for impairment annually or if there are any events or change in circumstances that might indicate that the assets' carrying amount is not recoverable.

The Company did not have any impairment losses in the current period and the goodwill continues to be carried at $680 (June 30, 2018: $nil).

10. Provisions

Accounting Policy:

The Company recognizes a provision when a past event creates a legal or constructive obligation that can be reasonably estimated and is likely to result in a future outflow of economic resources. The estimated cash outflows are discounted at a pre-tax rate that reflects the current market assessment of the time value of money and specific risks. The Company recognizes a provision even when the timing or amount of the obligation may be uncertain, which can require the Company to make significant estimates. The Company measures provisions for one-off events at the most likely amount and for large populations of events at a probability-weighted expected value.

The Company currently has one provision for royalty payments owed to KKE over the expected term of the Agreement.

Use of Estimates:

The Company's best estimate of the royalty payments owed to KKE is the future minimum fixed royalty payments owed to KKE over the expected term of the Agreement and the timing of the payments. The initial carrying amount of the provision was determined by discounting the stream of future minimum royalty payments at a market interest rate of 18.31%.

(Expressed in thousands of Canadian Dollars, unless otherwise noted)

10. Provisions (continued)

Use of Judgements:

Significant judgment is required to determine when the Company is subject to unavoidable costs arising from contracts. These judgments may include, for example, whether a certain promise is legally binding or whether the Company may be successful in negotiations with the counterparty. The Company uses judgement in determining the timing of future outflows of economic resources.

Explanatory Information:

As discussed in Note 9B, the Company owes certain minimum royalty payments to KKE over the course of the Agreement. The initial liability amount attached to this future stream of payments was determined to be $6,370. The Company has capitalized this amount to Product License intangible asset. During the year ended June 30, 2019 the Company incurred $594 (June 30, 2018: $nil) in non-cash accretion expense. $72 (June 30, 2018: $nil) of that accretion expense was capitalized to the intangible asset since the asset was still under development until April 4, 2019 as per terms of the Agreement. Since then, the Company has started amortizing the asset and has recorded total amortization expense of $300 (June 30, 2018: $nil) for the year ending June 30, 2019, which has been recorded in production costs. As at June 30, 2019 the Company has an outstanding current and long-term liability of $1,318 (June 30, 2018: $nil) and $4,646 (June 30, 2018: $nil), respectively, related to the minimum royalty payments due.

11. Investments

Accounting Policy:

The Company classifies its investments in companies where it does not have control or significant influence as follows:

(i) Publicly-traded companies – at FVTPL based on publicly quoted prices; and

(ii) Private companies – at FVOCI using implied valuations from follow-on financing grounds, third-party sale negotiations, or market-based approaches.

Use of Estimates:

The Company uses the Black-Scholes pricing model to estimate the value of its investment in the warrants of BlissCo Cannabis Corp. ("**BlissCo**"). The following estimates were used as inputs into the model as at June 30, 2019, and June 30, 2018:

	2019	2018
Share price	$ 0.36	$ 0.40
Expected dividend yield	0.00%	0.00%
Stock price volatility	88.48%	79.50%
Expected life of warrants	0.63 years	1.63 years
Forfeiture rate	-	-
Risk free rate	1.50%	1.91%

The Company uses the discounted cash flows valuation method to estimate the value of its FVOCI investments considered a Level 3 categorization on the IFRS fair value hierarchy.

The significant unobservable input into the valuation models of these investments is the discount rate, which has been estimated to be between 18%-30%. Changes in discount rates will result in changes in the fair values of these investments.

(Expressed in thousands of Canadian Dollars, unless otherwise noted)

11. Investments (continued)

Explanatory Information:

			Carrying amount, June 30, 2018	Investment	Fair value June 30, 2019	Unrealized Gain / (Loss) on investment	Carrying amount, June 30, 2019
Level 1 on fair value hierarchy							
BlissCo shares	Note 11A	$	4,000	-	3,550	(450)	3,550
		$	4,000	-	3,550	(450)	3,550
Level 2 on fair value hierarchy							
BlissCo warrants	Note 11A	$	1,096	-	418	(678)	418
		$	1,096	-	418	(678)	418
Level 3 on fair value hierarchy							
Trellis Solutions Inc.	Note 11B	$	1,074	-	1,074	-	1,074
MediGrow	Note 11C	$	10,162	-	10,283	121	10,283
		$	11,236	-	11,357	121	11,357
		$	**16,332**	**-**	**15,325**	**(1,007)**	**15,325**

Note 11A:

On February 26, 2018, Supreme closed an investment in BlissCo, an early stage vertically integrated distribution focused cannabis company. The Company purchased 10,000,000 units for $3,000. Each unit is comprised of one common share and one common share purchase warrant of BlissCo. The common share purchase warrants are exercisable until February 23, 2020 at $0.60 per common share. The Company has valued the common shares and common share purchase warrant separately. The Company does not exercise significant influence or control. The investment has been classified as a FVTPL financial instrument. The Company revalued the investment as at June 30, 2019 and adjusted the carrying amount of common shares to $3,550 which is based on the common share price of BlissCo quoted on the Canadian Securities Exchange, resulting in an unrealized loss of $450 (June 30, 2018: unrealized gain of $1,779).

The Company revalued the common share purchase warrants as at June 30, 2019 using the Black-Scholes pricing model to estimate the fair value of warrants at the period then ended, resulting in an unrealized loss of $678 (June 30, 2018: unrealized gain of $317). The unrealized losses related to BlissCo common shares and common share purchase warrants have been recorded in unrealized gains and losses on investments on the consolidated statement of comprehensive loss. Refer to Note 19 for subsequent events related to the Company's investment in BlissCo.

Note 11B:

On April 22, 2016, Supreme closed an investment in Trellis Solutions Inc., a software company focused on providing enterprise resource planning solutions to the cannabis industry. The Company purchased 285,714 common shares for $100. The Company does not exercise significant influence or control.

The investment has been classified as a FVOCI financial instrument. The Company revalued the investment on June 30, 2017 and adjusted the carrying amount to $1,074 due to follow-on financing round establishing a current fair value.

11. Investments (continued)

Explanatory Information (continued):

Note 11B (continued):

During the year ended June 30, 2019 there were no adjustments necessary to the carrying value of the investment based on free cash flow model analysis (2018: $nil). The Company intends to continue as a passive shareholder.

Note 11C:

On March 20, 2018, Supreme closed an investment in MediGrow Lesotho (Pty) Limited ("**MediGrow**"), a licensed producer of medical cannabis based in the Kingdom of Lesotho. MediGrow is focused on medical cannabis oil production for export to federally legal medical cannabis markets globally.

The Company purchased 278,000 common shares for $10,074 and incurred $88 of transaction costs that have been capitalized. The Company does not exercise significant influence or control. The investment has been classified as a FVOCI financial instrument. The Company revalued the investment on June 30, 2019 based on free cash flow model analysis and adjusted the carrying value to $10,283 resulting in an unrealized gain of $121 and a tax impact of $16 (June 30, 2018: $nil) which has been recognized in OCI.

12. Convertible Debentures

Accounting Policy:

Compound financial instruments issued by the Company are comprised of convertible debt that can be converted to share capital at the option of the holder. The liability component of a compound financial instrument is recognized initially at the fair value which is equal to the net present value of future cash flows applying an interest rate at the date of issue of a similar liability that does not have an equity convertible option. The equity component is recognized initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition. Interest, dividends, losses and gains relating to the financial liability are recognized in the consolidated statement of comprehensive loss.

Use of Estimates:

Market rate of interest – The market rate of interest is estimated by assessing market conditions and other internal and external factors. The market rate of interest used to calculate the fair value of the debt component of October 2018 Convertible Debenture is 18.31%. The market rate of interest used to calculate the fair value of the debt components of November 2017 and December 2016 Convertible Debentures is 19.9%.

Explanatory Information:

October 2018 Convertible Debenture:

On October 19, 2018, the Company received gross proceeds of $100,000 from a bought deal offering issuance of 6% coupon, unsecured debentures, which are convertible into common shares at a rate of $2.45 per share at any time and mature on October 19, 2021. The unsecured debentures are subject to accelerated expiry in some circumstances. The effective interest rate used to value the convertible debenture is 18.61%.

The Company incurred expenses of $4,154 related to the bought deal offering and $321 of legal and other fees. These transaction costs have been allocated to the liability and equity components based on their pro-rata values. As at June 30, 2019, the principal amount outstanding of October 2018 Convertible Debentures was $100,000 (June 30, 2018: $nil).

12. Convertible Debentures (continued)

Explanatory Information (continued):

October 2018 Convertible Debenture (continued):

The October 2018 Convertible Debenture is comprised of a liability component and a conversion feature. As the debentures are convertible into common shares, the liability and equity components are presented separately. The initial carrying amount of the financial liability was determined by discounting the stream of future payments of interest and principal at a market interest rate of 18.31%. Using the residual method, the carrying amount of the conversion feature is the difference between the principal amount and the initial carrying value of the financial liability. The equity component is recorded in reserves on the consolidated statement of financial position. The debentures, net of the equity component and issue costs are accreted using the effective interest method over the term of the debentures, such that the carrying amount of the financial liability will equal the principal balance at maturity.

November 2017 Convertible Debenture:

On November 14, 2017, the Company received gross proceeds of $40,250 from a brokered private placement issuance of 8% coupon, unsecured debentures, which are convertible into common shares at a rate of $1.60 per share at any time and mature on November 14, 2019.

Concurrently, the lenders received 12,598,250 warrants exercisable at $1.80 until November 14, 2020. Both the unsecured debentures and the warrants are subject to accelerated expiry in some circumstances. The effective interest rate used to value the convertible debenture is 20.6%.

The Company incurred expenses of $1,594 related to the private placement and $217 of legal and regulatory fees. These transaction costs have been allocated to the liability and equity components based on their pro-rata values.

On November 6, 2018 the Company exercised its accelerated condition included in the indenture relating to the November 2017 Convertible Debenture resulting in all the outstanding convertible debentures being exercised and converted to common shares of the Company. As at June 30, 2019 the principal amount outstanding of November 2017 Convertible Debentures was $nil (June 30, 2018: $35,595).

December 2016 Convertible Debenture:

On December 13, 2016, the Company received gross proceeds of $55,000 from a brokered private placement issuance of 10% coupon, unsecured debentures, which are convertible into common shares at a conversion price of $1.30 per share at any time and mature December 31, 2019. Concurrently, the lenders received 42,350,000 warrants exercisable at $1.70 until December 13, 2019, subject to accelerated expiry in some circumstances. The effective interest rate used to value the convertible debenture is 20.6%. The proceeds were primarily used for the construction of the Company's Facility, resulting in the capitalization of borrowing costs.

The Company incurred cash finders' fees of $1,807, share issue fees of $495 and issued 1,273,965 finders' warrants valued at $858. These transaction costs have been allocated to the liability and equity components based on their pro-rata values.

On January 22, 2018, the Company exercised its accelerated condition included in the indenture relating to the December 2016 Convertible Debenture resulting in all the outstanding convertible debentures being exercised and converted to common shares of the Company. As at June 30, 2019, the principal amount outstanding of December 2016 Convertible Debentures was $nil (June 30, 2018: $nil).

(Expressed in thousands of Canadian Dollars, unless otherwise noted)

12. Convertible Debentures (continued)

Explanatory Information (continued):

Convertible debentures consist of the following:		Debt component		Equity component conversion option
Balance June 30, 2017	**$**	**31,705**	**$**	**3,050**
Conversion (Dec 2016 Debentures)		(32,873)		(3,050)
Accretion (Dec 2016 Debentures)		1,168		-
Issue of convertible debt, net		31,567		4,947
Conversion (Nov 2017 Debentures)		(3,765)		(461)
Accretion and unpaid interest (Nov 2017 Debentures)		3,920		-
Balance, June 30, 2018	**$**	**31,722**	**$**	**4,486**
Conversion (Nov 2017 Debentures)		(30,960)		(3,090)
Accretion and interest (Nov 2017 Debentures)		(762)		-
Issue of convertible debt, net (Oct 2018 Debentures)		70,674		24,850
Accretion and interest, net of payments (Oct 2018 Debentures)		8,380		-
Balance, June 30, 2019	**$**	**79,054**	**$**	**26,246**

13. Share Based Compensation

Accounting Policy:

The Company has an employee stock option plan. The Company measures equity settled share-based payments based on their fair value at the grant date using the Black-Scholes option pricing model and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further information indicates actual forfeitures may vary from the original estimate. The impact of the revision of the original estimate is recognized in profit or loss such that the cumulative expense reflects the revised estimate.

Consideration paid by employees or non-employees on the exercise of stock options is recorded as share capital and the related share-based compensation is transferred from share-based reserve to share capital.

During the fiscal year, the Board, shareholders and TSX approved the adoption of the restricted share unit plan. As at June 30, 2019 there have been no restricted share units issued.

Use of Estimates:

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

		2019		2018
Share price	$	1.47 - 2.25	$	1.43 - 3.04
Expected dividend yield		0.00%		0.00%
Stock price volatility		54.73% - 84.70%		81% - 87.1%
Expected life of options		5 years		5 years - 10 years
Forfeiture rate		0% - 1%		0%
Risk free rate		1.58% - 2.41%		1.8% - 2.31%

The Company determined the stock price volatility based on an average of its own historical stock price volatility and the historical stock price volatility of a basket of comparable publicly traded companies.

(Expressed in thousands of Canadian Dollars, unless otherwise noted)

13. Share Based Compensation (continued)

Explanatory information:

During the year ended June 30, 2019 the Company granted 2,040,000 incentive stock options to employees as follows:

Grant Date	# of options	Expiry Date	Share price at the time of grant	Exercise price	Vesting Period
August 23, 2018	375,000	August 23, 2023	$ 1.47	$ 1.50	3 years (1/3rd vesting each of the first 3 years)
October 17, 2018	200,000	October 17, 2023	$ 2.02	$ 2.05	3 years (1/3rd vesting each of the first 3 years)
January 2, 2019	75,000	January 2, 2024	$ 1.49	$ 1.50	3 years (1/3rd vesting each of the first 3 years)
February 14, 2019	150,000	February 14, 2024	$ 1.79	$ 1.80	3 years (1/3rd vesting each of the first 3 years)
March 5, 2019	300,000	March 5, 2024	$ 2.02	$ 2.05	3 years (1/3rd vesting each of the first 3 years)
April 1, 2019	940,000	April 1, 2024	$ 2.25	$ 2.30	3 years (1/3rd vesting each of the first 3 years)

During the year ended June 30, 2019, there were 361,666 common share issuances upon exercise of stock options and 1,206,300 stock options forfeited or cancelled in the period then ended.

As at June 30, 2019, the Company had 24,579,567 stock options outstanding as follows:

	Options Outstanding	Weighted Average Exercise Price
Outstanding and exercisable, June 30, 2017	15,423,783	$ 1.28
Granted	11,410,000	1.76
Exercised	(1,521,250)	(0.47)
Expired / Forfeited	(1,205,000)	(1.58)
Outstanding and exercisable, June 30, 2018	24,107,533	$ 1.54
Granted	2,040,000	2.03
Exercised	(361,666)	(0.79)
Expired / Forfeited	(1,206,300)	(1.07)
Outstanding and exercisable, June 30, 2019	**24,579,567**	**$ 1.62**

(Expressed in thousands of Canadian Dollars, unless otherwise noted)

13. Share Based Compensation (continued)

Explanatory Information (continued):

The stock options outstanding are exercisable as follows:

Exercise Price		Expiry Date	Number of Options	Weighted Average Remaining Life (years)
$	0.41	October 14, 2019	250,000	0.29
$	0.50	January 10, 2021	905,000	1.53
$	0.75	April 25, 2021	800,000	1.82
$	0.75	August 29, 2021	3,307,483	2.17
$	1.45	September 25, 2022	2,915,000	3.24
$	2.00	December 15, 2026	6,500,000	7.47
$	3.05	January 5, 2023	500,000	3.52
$	1.80	March 29, 2028	6,712,084	3.88
$	1.70	June 25, 2023	400,000	3.99
$	1.80	May 15, 2023	300,000	8.75
$	1.50	August 23, 2023	375,000	4.15
$	2.05	October 17, 2023	200,000	4.30
$	1.50	January 2, 2024	25,000	4.51
$	1.80	February 14, 2024	150,000	4.63
$	2.05	March 5, 2024	300,000	4.68
$	2.30	April 1, 2024	940,000	4.76
			24,579,567	**5.71**

14. Share Capital

Accounting Policy:

Loss per share – The Company presents basic and diluted loss per share data for its common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, for the effects of all dilutive potential common shares, which comprise warrants and share options issued. Items with an anti-dilutive impact are excluded from the calculation.

Explanatory Information:

Authorized share capital:

Unlimited number of voting common shares

10,000,000 Class “A” preference shares

10,000,000 Class “B” preference shares

Share Capital: Common shares issued and outstanding

On June 30, 2019 the Company had 301,551,430 common shares issued and outstanding.

(Expressed in thousands of Canadian Dollars, unless otherwise noted)

14. Share Capital (continued)

Explanatory Information (continued):

During the year ended June 30, 2019 the Company issued 22,483,557 common shares upon conversion of $35,595 of its outstanding convertible debt and the related accrued interest payment.

Additionally, 16,148,712 common shares were issued as a result of warrant exercises, with an additional 500,000 common shares to be issued for which funds have been received as at June 30, 2019. The Company also issued 361,666 common shares as a result of option exercises, during the year ended June 30, 2019.

The Company also issued 1,075,269 shares in connection with a business acquisition completed in the year ended June 30, 2019, as described in Note 3. Additionally, the Company issued 5,745,000 shares in connection to its Agreement with KKE, as described in Note 9B.

Share Capital: Share purchase warrants

During the year ended June 30, 2019, various warrant holders exercised 16,148,712 warrants generating proceeds of $13,278.

On June 30, 2019, the Company had 48,597,337 share purchase warrants outstanding as follows:

	Warrants Outstanding		Weighted Average Exercise Price
Outstanding, June 30, 2017	87,697,600	$	1.09
Granted	12,598,250		1.80
Exercised	(31,369,482)		(1.36)
Expired	(3,574,587)		(0.48)
Outstanding, June 30, 2018	65,351,781	$	1.12
Exercised	(16,148,712)		(0.80)
Exercised, pending share issuance	(500,000)		(0.50)
Expired	(105,732)		(0.50)
Outstanding, June 30, 2019	**48,597,337**	**$**	**1.24**

The warrants outstanding are exercisable as follows:

Exercise Price		Expiry Date	Number of Warrants	Weighted Average Remaining Life (years)
$	0.32	April 23, 2020	4,511,904	0.82
$	0.50	July 15, 2019	319,593	0.04
$	0.50	August 30, 2019	14,348,999	0.17
$	1.70	December 13, 2019	17,084,641	0.45
$	1.80	November 14, 2020	12,332,200	1.38
			48,597,337	**0.64**

Reserves:

Reserves are comprised of share-based payments, the equity component of convertible debt and initial fair value of warrants, offset by the exercise of these instruments.

(Expressed in thousands of Canadian Dollars, unless otherwise noted)

15. Related Party Transactions

The remuneration awarded to directors and executives for the year ended June 30, 2019, includes the following:

For the year ended	June 30, 2019	June 30, 2018
Share based payments	$ 6,151	$ 5,147
Salaries and wages	3,772	1,226
	$ 9,923	**$ 6,373**

As at June 30, 2019, directors and executives of the Company held a combined $nil (June 30, 2018: $85) of convertible debentures.

16. Income Taxes

Accounting Policy:

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings, comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Use of Estimates:

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.

Explanatory Information:

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2018 – 26.5%) to the effective tax rate is as follows:

(Expressed in thousands of Canadian Dollars, unless otherwise noted)

16. Income Taxes (continued)

Explanatory Information (continued):

		2019	Supreme	7ACRES	Cambium		2018
Net Income (Loss) before recovery of income taxes	**$**	**(12,065)**	(30,915)	18,870	(20)	$	(6,600)
Expected income tax (recovery) expense	**$**	**(3,196)**	(8,192)	5,001	(5)	$	(1,749)
Tax rate changes and other adjustments		**-**	-	-	-		(14)
Share based compensation and non-deductible expenses		**2,148**	2,141	7	-		1,570
Share issuance costs and other		**-**	-	-	-		(460)
Convertible debenture		**-**	-	-	-		(1,159)
Tax rate difference		**-**	-	-	-		(278)
True-up relating to prior period		**587**	(883)	1,470	-		
Change in tax benefits not recognized		**2,893**	2,984	(96)	5		2,837
Income tax (recovery) expense	**$**	**2,432**	(3,950)	6,382	-	$	747

The Company's income tax (recovery) is allocated as follows:

		2019	Supreme	7ACRES	Cambium		2018
Deferred tax (recovery) expense		**2,432**	(5,373)	7,805	-		747
	$	**2,432**	(5,373)	7,805	-	$	747

Deferred tax:

The following table summarizes the components of deferred tax:

Deferred Tax Assets		2019	Supreme	7ACRES	Cambium		2018
Non-capital losses and farm losses carried forward	**$**	**4,952**	4,629	323	-	$	4,956
Property, plant and equipment		**92**	92	-	-		-
Intangibles		**284**	284	-	-		-
General Reserves		**21**	-	21	-		-
Deferred Financing Costs		**1,610**	1,610	-	-		-
Deferred Tax Liabilities							
Property, plant and equipment		**(2,159)**	-	(2,159)	-		(1,118)
Short term investments		**(274)**	(274)	-	-		(407)
Biological assets		**(5,990)**	-	(5,990)	-		(1,910)
Convertible debt		**(6,341)**	(6,341)	-	-		(1,521)
Net deferred tax asset/(liability)	**$**	**(7,805)**	-	**(7,805)**		$	-

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

		2019		2018
Balance at the beginning of the year	**$**	**-**	$	-
Recognized in profit/loss		**2,432**		747
Recognized in OCI		**16**		-
Recognized in equity		**5,357**		(747)
Balance at the end of the year	**$**	**7,805**	$	-

(Expressed in thousands of Canadian Dollars, unless otherwise noted)

16. Income Taxes (continued)

Explanatory Information (continued):

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2019	Supreme	7ACRES	Cambium	**2018**
Property, plant and equipment	$ **-**	-	-	-	$ 8
Share issuance cost	**-**	-	-	-	3,639
Capital losses carried forward	**250**	250	-	-	250
Non-capital losses carried forward - Canada	**24,402**	24,382	-	20	8,302
Resource pools - Mineral Properties	**852**	852	-	-	852

The Company's Canadian non-capital income tax losses expire as follows:

For the fiscal year ending June 30, 2019	
2027	204
2028	27
2029	110
2030	160
2031	323
2032	195
2033	192
2034	1,238
2035	2,424
2036	1,370
2037	5,673
2038	9,305
2039	21,868
	$ 43,089

17. Financial Risk Management and Financial Instruments

Accounting Policy:

Recognition and derecognition:

The Company initially recognizes cash, bank advances, accounts receivable, debt securities, and accounts payable and accrued liabilities on the date they originate. All other financial assets and financial liabilities are initially recognized on the trade date when we become a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Classification and measurement:

The Company measures financial instruments by grouping them into classes upon initial recognition, based on the purpose of the individual instruments. The Company initially measures all financial instruments at fair value plus, in the case of financial instruments not classified as FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial instruments.

17. Financial Risk Management and Financial Instruments (continued)

Accounting Policy (continued):

Classification and measurement (continued):

The classifications and methods of measurement subsequent to initial recognition of the Company's financial assets and financial liabilities are as follows:

The Company classifies its financial assets as amortized cost, FVTPL or FVOCI. The Company classifies its financial liabilities as amortized cost. Cash is classified as FVTPL, accounts receivables as amortized cost, investments as FVTPL or FVOCI. Accounts payable, accrued liabilities and convertible debt are classified as amortized cost.

Impairment of financial assets:

The Company consider the credit risk of a financial asset at initial recognition and at each reporting period thereafter until it is derecognized. Accounts receivable impairment is measured based on the lifetime expected credit losses.

Offsetting financial assets and financial liabilities:

The Company offsets financial assets and financial liabilities and presents the net amount on the consolidated statements of financial position when the Company has a legal right to offset them and intend to settle on a net basis or realize the asset and liability simultaneously.

Use of Estimates:

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.

Use of Judgments:

The Company makes judgements related to the classification of financial instruments and whether impairment indicators exist for financial instruments not carried at fair value. The judgements are based on the Company's expected use of the financial instrument and internal and external factors with respect to impairment indicators.

Explanatory Information:

For the years ended June 30, 2019 the Company has recognized an unrealized loss from investments classified as FVTPL of $1,128 (June 30, 2018: unrealized gain of $2,096) due to the changes in fair value. The unrealized gain was determined using Level 1 and Level 2 inputs. The Company has also recognized an unrealized gain from its investments classified as FVOCI of $105, net of tax (June 30, 2018: $nil), that was determined using Level 3 inputs.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk:

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and receivables. To minimize the credit risk the Company places cash with a high credit quality financial institution in Canada, for receivables, the Company evaluates the credit worthiness of the counterparty before credit is granted. As at June 30, 2019 a total of $2,385 (June 30, 2018: $669) of trade accounts receivable were considered overdue.

(Expressed in thousands of Canadian Dollars, unless otherwise noted)

17. Financial Risk Management and Financial Instruments (continued)

Explanatory Information (continued):

Credit risk (continued):

The Company has estimated the expected loss allowance using the lifetime credit loss approach to estimate the bad debt expense for the current period to be $103 (June 30, 2018: $nil). The Company's aging of its trade accounts receivable is as follows:

Trade Accounts Receivable Aging		Current	1-30 days	31-60 days	61-90 days	91-120 days	Total
As at June 30, 2019	$	19,651	349	-	2,036	-	22,036
As at June 30, 2018	$	4,131	141	14	4	510	4,800

Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company typically settles its financial obligations out of cash and occasionally will settle liabilities with the issuance of common shares. The ability to settle obligations with cash relies on the Company raising funds in a timely manner and by maintaining sufficient cash in excess of anticipated needs. As at June 30, 2019, the Company had a cash balance of $54,822 (June 30, 2018: $55,896) and current liabilities of $31,947 (June 30, 2018: $22,917).

The Company's current resources are sufficient to settle its current liabilities. All the Company's liabilities are due within one year, other than convertible debt and KKE royalty payments.

Interest rate risk:

The Company is not subject to interest rate risk on future cash flows, as all its instruments bear fixed rates of interest.

Capital management:

Capital is comprised of the Company's shareholders' equity and any debt it may issue, other than trade payables in the normal course of operations. As at June 30, 2019, the Company's shareholders' equity was $210,972 (June 30, 2018: $145,145) and liabilities other than trade payable and accruals were $93,200 (June 30, 2018: $31,722).

The Company's objective when managing capital is to safeguard its accumulated capital in order to provide adequate return to shareholders by maintaining a sufficient level of funds in order to support its ongoing activities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach is reasonable.

The Company is dependent on external financing to fund its activities. The Company will spend its existing working capital on operations, development of the Facility and raise additional amounts as needed. The Company is not subject to any externally imposed capital requirements. There have been no changes in the Company's approach to capital management during the year ended June 30, 2019.

(Expressed in thousands of Canadian Dollars, unless otherwise noted)

18. Commitments

The Company has operating leases under which it is committed to pay the following amounts:

For the fiscal year ending June 30,		
2020		1,747
2021		1,639
2022		1,651
2023		1,541
2024 and beyond		7,499
	$	**14,077**

19. Subsequent Events

Acquisition of BlissCo.:

On July 11, 2019, the Company acquired all of the issued and outstanding common shares of BlissCo that were not previously held by the Company. BlissCo is a licensed producer of cannabis operating in British Columbia, Canada. Under the agreement, each former BlissCo common share was exchanged for 0.24 of a Supreme common share (the "**Exchange Ratio**"), subject to certain exceptions. In addition, all issued and outstanding stock options and common share purchase warrants of BlissCo were replaced with stock options and common share purchase warrants of Supreme having the same terms but adjusted for the Exchange Ratio. Following the acquisition, the BlissCo shares were delisted from the Canadian Securities Exchange ("**CSE**") as at the close of trading on July 11, 2019. As a result of the acquisition, the Company issued a total of 23,434,151 common shares to the former shareholders of BlissCo and reserved an additional 1,174,000 and 7,033,937 common shares for issuance to the former holders of BlisssCo options and the holders of the Blissco warrants, respectively.

Acquisition of Truverra Inc.:

On August 13, 2019, the Company acquired all of the issued and outstanding common shares of privately held Trueverra Inc, (the "**Transaction**"). Trueverra Inc., is a licenced producer of cannabis operating in Ontario, Canada. The Transaction was completed by way of a three-cornered amalgamation pursuant to which 2708300 Ontario Ltd., a wholly-owned subsidiary of Supreme Cannabis, amalgamated with Truverra Inc. to form a newly amalgamated company which shall operate under the name "Truverra Inc." as a wholly-owned subsidiary of the Company. Consideration for the Transaction consisted of the issuance of 14,699,966 common shares of Supreme (the "**Consideration Shares**") to shareholders of Truverra Inc.

Warrant conversions:

Subsequent to the year ended June 30, 2019, various warrant holders exercised 13,808,589 warrants for total proceeds of $7,180.

Option conversions:

Subsequent to the year ended June 30, 2019, various option holders exercised 45,068 options for total proceeds of $24.

Restricted share unit issuance:

On July 22, 2019 the Company issued 2,779,250 restricted share units to various employees of the Company. The restricted share units will vest on a quarterly basis over two years.

Incentive stock options issuance:

On July 22, 2019 the Company issued 810,000 incentive stock options to various employees and directors of the Company at an exercise price of $1.50 expiring on July 22, 2024. On August 9, 2019 the Company issued 300,000 incentive stock options to an employee of the Company at an exercise price of $1.35 expiring on August 9, 2024.

19. Subsequent Events (continued)

Incentive stock options issuance (continued):

The incentive stock options will vest in equal instalments of 1/3 on each of the dates that are 12 months, 24 months and 36 months from the respective issuance date.

Cautionary Note Regarding Forward-Looking Information

This document 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 document are made only as of the date of this document. Forward-looking statements in this document include, but are not limited to, statements with respect to:

- performance of the Company's business and operations;
- the competitive and business strategies of the Company;
- intention and plans to grow the business, operations and potential activities of the Company;
- licensing risks and expectations with respect to renewal and/or extension of the Company's licences;
- any commentary with respect to Canada's cannabis regulatory regime;
- expectations with respect to the cannabis market and market risks;
- the expected growth in the number of customers and patients using the Company's adult use and medical cannabis;
- the Company's ability to enter into and maintain strategic arrangements with distributors and retailers and the potential benefits of such arrangements;
- the success of the entities the Company acquires and the Company's collaborations;
- the development of the Company's brands, product diversification and future corporate development;
- the expansion and production capacity of the Company's sites and the timing related thereto;
- future liquidity and financial capacity;
- the advancement of the Company's international projects and targeting other opportunities as the laws and regulations governing cannabis evolve internationally; and
- the competitive conditions of the medical and adult use cannabis industry.

Certain forward-looking statements and other information contained herein concerning the medical and the adult use cannabis industry and the general expectations of Supreme Cannabis concerning the medical and the adult use cannabis industry and concerning Supreme Cannabis are based on estimates prepared by Supreme Cannabis 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 Cannabis believes to be reasonable. While Supreme Cannabis is not aware of any misstatement regarding any industry or government data presented herein, the medical and the adult use cannabis industry involve 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, statements in this document regarding the Company's objectives, plans and goals, including future operating results and economic performance may make reference to or involve forward-looking statements. A number of factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking statements, including general business and economic conditions, changes in laws and regulations, product demand, changes in prices of required commodities, competition and other risks as set out under "Risk Factors" in the Company's Annual Information Form dated September 17, 2019 filed on SEDAR at www.sedar.com. The purpose of forward-looking statements are 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 document. To the extent any forward-looking information in this document constitutes future-oriented financial information or financial outlook, within the meaning of applicable securities laws, such information is being provided to demonstrate the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. Future-oriented financial information and financial outlook, as with forward-looking information generally, are based on current assumptions and subject to risks, uncertainties and other factors. Supreme Cannabis 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.

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