SUPREME PHARMACEUTICALS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL RESULTS

For the year ended June 30, 2017

Date: October 27, 2017

SUPREME PHARMACEUTICALS INC.

Management Discussion and Analysis

The following Management Discussion and Analysis ("**MD&A**") should be read in conjunction with Supreme's consolidated financial statements and notes for the year ended June 30, 2017 (the "**Financial Statements**"). The Financial Statements, together with this MD&A are intended to provide investors with a reasonable basis for assessing the financial performance of Supreme Pharmaceuticals Inc. (the "**Company**" or "**Supreme**") as well as forward-looking statements relating to future performance. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**").

This MD&A contains disclosure of material changes occurring up to and including October 27, 2017.

Forward-Looking Statements

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

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

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

Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. The Company's forward-looking statements are expressly qualified in their entirety by this cautionary statement. In particular, but without limiting the foregoing, disclosure in this MD&A under "*Overview of Supreme's Medical Cannabis Business*" as well as statements regarding the Company's objectives, plans and goals, including future operating results, economic

performance and patient acquisition efforts may make reference to or involve forward-looking statements. A number of factors could cause actual events, performance or results to differ materially from what is projected in the forward-looking statements. See "Risk Factors" for further details. The purpose of forward-looking statements is to provide the reader with a description of management's expectations, and such forward-looking statements may not be appropriate for any other purpose. You should not place undue reliance on forward-looking statements contained in this MD&A. Supreme undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

Overview of Supreme's Cannabis Business

Supreme is a federally incorporated Canadian company with its common shares publicly traded on the TSX Venture Exchange ("**TSX.V**") under the symbol "FIRE.V". Supreme is focused on developing cannabis-focused businesses in the emerging global cannabis market. Management believes cannabis represents one of the world's most exciting emerging industries. Cannabis is consumed globally but in most countries consumption is still illegal. Recently, international jurisdictions are re-evaluating their respective cannabis policy and laws as part of a growing trend towards the legalization of medical cannabis and, in some cases, recreational cannabis.

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

Supreme's first and primary asset is 7ACRES. 7ACRES a federally incorporated corporation wholly owned by Supreme. On March 11, 2016, 7ACRES became a Licensed Producer. 7ACRES operates a 342,000 sq. ft. hybrid cultivation facility (the "**Hybrid Facility**") located in Kincardine, Ontario. The Hybrid Facility is an innovative cultivation platform combining what management believes are the best aspects of indoor and greenhouse cultivation with a goal to produce premium cannabis flowers for direct consumption. The Hybrid Facility is designed to provide a platform to produce high quality cannabis at scale, positioning the Company to compete in the premium segment for dried cannabis. Management believes the premium product segment represents a superior opportunity to compete on quality and generate strong contribution margins per gram versus competing in the lower quality product segment of the market. Management believes high quality cannabis is essential for success and is necessary to combat competition from the black market and low-cost producers.

Given 7ACRES' perceived advantage in high-quality cannabis cultivation at scale, Supreme has undertaken to position 7ACRES as Canada's first and leading Business-To-Business ("**B2B**") Licensed Producer. Consequently, management is focused on developing and maintaining 7ACRES' position as Canada's leading cultivator of premium cannabis at scale. Sales are completed via legal and licensed Canadian retailers, which currently is only Licensed Producers in Canada. The B2B model is designed to allow 7ACRES to grow its revenue through high value, bulk sales while maintaining its focus on cultivation, without the expense of patient acquisition and retention or retail order fulfillment and logistics. Over time, management believes the retail market will become highly competitive. 7ACRES' B2B model is expected to enable it to work with many retailers looking to carry premium dried cannabis inventory.

Currently, Supreme's cannabis business is focused on Canada. Supreme is considering opportunities in emerging cannabis markets where medical and/or recreational cannabis is federally legal.

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

Subsequent Events

7ACRES Obtains Permission to Sell Dried Cannabis & Completes First Sales

On June 28, 2017, 7ACRES was granted permission to sell dried cannabis, after the completion of a review by Health Canada. Subsequent to the approval, 7ACRES was able to commence B2B sales of dried cannabis, including the sale of all product inventory produced since becoming a Licensed Producer in March 11, 2016.

Subsequent to year-end, 7ACRES completed over $1,500,000 in dried cannabis sales in September 2017.

Strengthening of Management Team: September 26, 2017

Supreme further strengthened its management team by promoting Mr. Navdeep Dhaliwal from Chief Financial Officer to President. Mr. Dhaliwal will continue his focus on capital markets and strategic expansion. The Company also appointed Mr. Omer Azeez as Vice President, Marketing and Regulatory Affairs and Mr. Dimitre Naoumov as Chief Financial Officer.

Mr. Azeez brings over 18 years of domestic and international marketing experience in highly government-regulated markets from his tenure at Philip Morris International. Mr. Azeez's track record of developing award-winning strategic initiatives targeting consumer and enterprise audiences strengthens Supreme's wholesale distribution strategy.

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

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

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

7ACRES is a Canadian Licensed Producer, focused on cultivating premium dried cannabis on a commercial scale. 7ACRES is Canada’s leading B2B Licensed Producer, a business model it pioneered in 2016. Currently, 7ACRES operates 40,000 sq. ft. of hybrid flowering rooms which is expected to have an average output of approximately 5,000 KG per annum .

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

Results of Operations for the three and twelve months ended June 30, 2017 and 2016

During the three months ended June 30, 2017, the Company incurred net income of $3,817,113 (June 30, 2016: $1,282,456 net loss) and net comprehensive income of $4,661,748 (June 30, 2016: $1,282,546 net comprehensive loss).

During the year ended June 30, 2017, the Company incurred a net loss of $15,267,175 (June 30, 2016: $4,386,787) and net comprehensive loss of $14,422,540 (June 30, 2016: $4,386,787). At June 30, 2017, the Company has an accumulated deficit of $39,341,448 (June 30, 2016: $24,074,273).

Revenue

During the three and twelve months ended June 30, 2017 the Company did not generate revenues. On June 28, 2017 the Company, through its wholly-owned subsidiary 7ACRES, was granted permission to sell under the ACMPR regime. Commercial sales and execution of the B2B business model commenced in the first quarter of the year ended June 30, 2017.

Changes in fair value of biological assets

During the three and twelve months ended June 30, 2017 the Company recognized a gain of $459,519 (June 30, 2016: nil) related to the fair value adjustment of biological assets. The biological assets are comprised of cannabis plants that are estimated to be 43% complete to harvest. Once harvested the cannabis plants produce (i.e. medical cannabis) will be transferred to inventory. During the year ended June 30, 2017, the Company has immediately expensed inventory costs, as permission to sell was not received until June 28, 2017. During the year the Company harvested 379 kilograms of cannabis (2016: nil). Subsequent to the Company receiving permission to sell dry cannabis and upon the completion of the first sales transactions inventory will be capitalized and expensed as sales occur.

Operating expenses

During the three and twelve months ended June 30, 2017 total operating expenses (recovery) amount to ($292,680) (June 30, 2016: $1,300,456) and $18,791,608 (June 30, 2016: $4,386,787), respectively. The additional operating expenses were incurred to support the buildup of increased capacity in the Hybrid Facility in anticipation of the Company being granted permission to sell dry cannabis.

For the three and twelve months ended June 30, 2017, the Company's share based payments expense amount to $nil (June 30, 2016: $189,059) and $12,208,564 (June 30, 2016: $1,673,860), respectively. Share based payments were made in correspondence with the Employee Stock Option Plan ("**ESOP**") and represent incentives to employees for the positive achievements over the past fiscal year, and the strengthening of the management team. The ESOP grants are used by management to obtain and retain key executives, employees and consultants.

For the three and twelve months ended June 30, 2017, the Company's total salaries and benefits increased to $1,159,255 (June 30, 2016: $434,039) and $3,146,276 (June 30, 2016: $955,821), respectively. The increase in salaries and benefits are due primarily to the change of the management team and the increased staffing requirements needed as the expansion of the Hybrid Facility continues as planned.

For the three and twelve months ended June 30, 2017, the Company's total finance costs (recovery) amount to ($2,703,974) (June 30, 2016: ($182,142)) and $175,777 (June 30, 2016: $91,825), respectively. The recovery of finance costs for the three months ended June 30, 2017 is as result of capitalization of borrowing costs to property plant and equipment of $4,324,489. The increase of finance costs for the twelve months ended June 30, 2017 is primarily due to accretion and interest expense related to convertible debentures which had a larger average outstanding balance throughout the twelve months ended June 30, 2017 as compared to the same period in 2016.

For the three and twelve months ended June 30, 2017, the Company's total rent and facilities expense increased to $324,537 (June 30, 2016: 190,855) and $1,078,417 (June 30, 2016: $370,731), respectively. The rent and facilities costs increased due to the increase in the number of employees requiring more office space and the expansion of the Company's Hybrid Facility requiring more utilities, security and other related occupancy costs.

For the three and twelve months ended June 30, 2017, the Company's total general and administrative expense increased to $185,705 (June 30, 2016: $80,161) and $463,613 (June 30, 2016: $289,679), respectively. The general and administrative expense increased due to the additional communication, training and other general expenses as a consequence of the increased number of employees and the expansion of the Hybrid Facility.

Construction of the Hybrid Facility

For the three and twelve months ended June 30, 2017, the Company's total capitalized expenditure related to the Hybrid Facility increased to $11,885,740 (June 30, 2016: $925,762) and $16,708,192 (June 30, 2016: $1,494,549), respectively. For the three and twelve months ended June 30, 2017, the capitalized expenditures include $467,593 (June 30, 2016: $78,457) and $4,792,082 (June 30, 2016: $360,265) of borrowing costs directly attributable to the constructions of the Hybrid Facility, respectively. The increase in capitalized expenditure is a result of accelerated constructions efforts aimed at the rapid expansion of the Hybrid Facility.

The weighted average number of common shares, basic and diluted, outstanding for the year ended June 30, 2017 is 164,793,131 (June 30, 2016: 97,413,831).

Selected Annual Information

	Year Ended June 30, 2017 (Audited) $	Year Ended June 30, 2016 (Audited) $	Year Ended June 30, 2015 (Audited) $
Revenue	Nil	Nil	Nil
Net loss before taxes	18,332,089	4,386,787	5,792,430
Net loss after taxes	15,267,175	4,386,787	5,792,430
Net comprehensive loss after taxes	14,422,540	4,386,787	5,792,430
Basic and diluted loss per share	0.09	0.05	0.08
Total assets	95,903,338	24,284,266	18,434,863
Total long-term liabilities	31,705,456	536,700	809,555
Dividends declared per share	Nil	Nil	Nil

Selected Financial Information - Summary of Quarterly Results

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

	June 30 2017	Mar 31 2017	Dec 31 2016	Sept 30 2016	June 30 2016	Mar 31 2016	Dec 31 2015	Sept 30 2015
Net Sales/ Revenue	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Net Income (Loss) after tax	$3,817,113	$(3,777,437)	$(12,104,805)	$(3,202,046)	$(1,300,457)	$(2,029,340)	$(531,764)	$(525,226)
Basic and diluted Earnings (Loss) per share	$0.04	$(0.03)	$(0.08)	$(0.02)	$(0.02)	$(0.02)	$(0.01)	$(0.01)

Liquidity

As at June 30, 2017, the Company has working capital surplus of $54,668,234 (June 30, 2016: $1,114,437). During the year, the Company successfully completed a private placement of a $55,000,000 convertible debenture and units comprising common shares and warrants for $11,333,875.

Cash used in operating activities during the year ended June 30, 2017 is $2,831,588 (June 30, 2016: $2,201,812). The increase cash used for operating activities mainly relates to the increased costs related to wage and benefits and rent and facilities as the Company ramped up its employee base and facility capacity in anticipation of the sales permission granted on June 28, 2017.

Cash used in investing activities during the year ended June 30, 2017 is $14,063,079 (June 30, 2016: $2,760,213). The increase in cash used for investing activities is mainly related to investments made to the Hybrid Facility to increase capacity, develop proprietary designs and increase ultimate efficiency.

Cash provided in financing activities is $70,845,652 (June 30, 2016: $8,122,424). The increase in cash inflows from financing activities is mainly due to proceeds of the convertible debenture issuance of $52,697,752 and the issuance of common shares and the exercise of warrants and options by the holders of these instruments.

Capital Resources

The Company constantly monitors and manages its capital resources to assess the liquidity necessary to fund operations and capacity expansion. As at June 30, 2017 the Company had a cash balance of $57,681,554 and current liabilities of $5,110,643. The Company's current resources are sufficient to settle its current liabilities. Subsequent to year end, the Company announced that an agreement has been reached with lender to provide approximately $35,000,000 through the issuance of a convertible debenture maturing two years after closing, the agreement is expected to close on November 9, 2017. Management believes the current resources available will provide for a substantial expansion of the Hybrid Facility, barring any unforeseen delays or complications. All of the Company's liabilities are due within twenty-four months, except for a portion of its convertible debt, which is due December 31, 2019. Subsequent to year end, $13,488,000 of the convertible debt was converted to 10,375,374 common shares.

Related Party Transactions

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

Related party transactions	2016	2015
June 30	$	$
Management & consulting fees	-	60,814
Share based payments	10,395,242	981,742
Salaries and wages	602,504	581,901
	10,997,746	1,624,457

As at June 30, 2017 there were no amounts receivable or outstanding from related parties.

Risks and Uncertainties

Overview

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

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

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

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

Licensing Risk. 7ACRES business is dependent on maintaining its status as a Licensed Producer (as defined in the ACMPR). Although 7ACRES was successful in obtaining the status of a License Producer and Seller, there is no guarantee that 7ACRES will retain such status as licensing is beyond the control of Supreme and/or 7ACRES and the sole discretion lies with Health Canada. The Company's current License is valid for 2 years, and licenses may only be granted for a maximum of 3 years thereby requiring frequent and continuing approval by Health Canada. Supreme and 7ACRES must strictly adhere to the regulations and applicable law in order to maintain the License and to secure necessary renewals. There can be no guarantee that Health Canada will extend or renew the License. Failure to comply with the requirements of the License or any failure to maintain its License would have a material adverse impact on the business, financial condition and operating results of the Company.

Regulatory Risks. Supreme operates in a new industry, which is highly regulated and is in a market, which is very competitive and evolving rapidly. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-

looking statements. 7ACRES ability to grow, store and sell medical cannabis in Canada is dependent on the License from Health Canada and the need to maintain the License in good standing. Failure to comply with the requirements of the License or any failure to maintain this License would have a material adverse impact on the business, financial condition and operating results of Supreme.

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

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

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

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

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

On June 11, 2015, the Supreme Court of Canada, in a case titled *R v. Smith*, held that the restriction on the use of non-dried forms of cannabis for medical cannabis users violates the right to liberty and security of individuals in a manner that is arbitrary and not in keeping with the principles of fundamental justice. As a result, the Supreme Court of Canada declared Sections 4(1) and 5(2) of the CDSA, which prohibit the possession and trafficking of non-dried forms of cannabis, are of no force and effect to the extent that they prohibit a person with medical authorization from possessing cannabis other than dried cannabis. This ruling means medical cannabis patients authorized to

possess and use medical cannabis are not limited to using dried forms of cannabis and may consume cannabis other than dried cannabis for medical purposes. On July 8, 2015 Health Canada issued certain exemptions under the CDSA, permitting Licensed Producers to produce and sell cannabis oil and fresh cannabis buds and leaves, in addition to dried cannabis (this did not permit Licensed Producers to sell plant material that can be used to propagate cannabis).

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

Overall, the ACMPR contain four parts:

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

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

- Parts 3 and 4 include:

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

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

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

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

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

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

While the impact of any of such changes are uncertain and are highly dependent on which specific laws, regulations or guidelines are changed and on the outcome of any such court actions, it is not expected that any such changes

would have an effect on Supreme's operations that is materially different than the effect on similar-sized companies in the same business as Supreme.

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

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

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

Financing Risks. Entering the ACMPR regulated medical cannabis marketplace requires substantial outlay of capital. There can be no assurance that the capital markets will remain favorable in the future, and/or that the Company will be able to raise the financing needed to continue its business at favorable terms, or at all. Restrictions on the Company's ability to finance could have a material adverse outcome on the Company and its securities.

Expansion of Facility. Expansion of the Hybrid Facility is subject to Health Canada regulatory approvals. The delay or denial of such approvals may have a material adverse impact on the business and may result in Supreme not meeting anticipated or future demand when it arises.

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

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

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

Share Price Volatility and Price Fluctuations. In recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market prices of securities of many corporations have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or

prospects of such companies. Such volatility has been particularly evident with regards to the share price of medical cannabis companies, which are public issuers in Canada.

Competition. On October 19, 2015, the Liberal Party of Canada ("**Party**") obtained a majority government in Canada. The Party has committed to the legalization of recreational cannabis in Canada, and in April 2017 introduced Bill C-45, An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts **("the Cannabis Act**"). The Government of Canada has announced an intended implementation date for the Cannabis Act of July 2018. However, as it is still being reviewed and debated, it is possible this regulatory change may not be implemented at all. The introduction of a recreational model for cannabis production and distribution may impact the medical cannabis market. The impact of this potential development may be negative for the Company and could result in increased levels of competition in its existing medical market and/or the entry of new competitors in the overall cannabis market in which the Company operates.

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

The government has only issued to date a limited number of licenses, under the MMPR/ACMPR, to produce and sell medical cannabis. There are, however, several hundred applicants for licenses. The number of licenses granted could have an impact on the operations of the Company. Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. According to Health Canada there were 67 Licensed Producers as of October 13, 2017. If the number of users of medical cannabis in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

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

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

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

may security and growing systems and record keeping are necessary prior to operation of the facilities. There can be no assurance that the Company will be able to obtain or maintain all necessary permits that may be required to commence construction, development or operation of cannabis facilities on terms which enable operations to be conducted at economically justifiable costs.

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

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

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

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

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

Litigation. The Company may become party to litigation from time to time in the ordinary course of business, which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and the value of its securities and could use significant resources. Even if the Company is involved in litigation and wins,

litigation can redirect significant Company resources, including the time and attention of management and available working capital. Litigation may also create a negative perception of the Company's brand.

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, operate profitably or provide a return on investment in the future.

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

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

Financial Instruments & Other Instruments

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

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

Off-Balance Sheet Arrangements

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

Investor Relations

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

Critical accounting estimates

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

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

i) Share-based compensation:

The inputs used assessing the fair value of share based payments in the consolidated statements of comprehensive loss and the inputs associated with the initial and subsequent valuation of options in the consolidated statement of equity. Key estimates and assumptions include; the rate of forfeitures of options granted, the expected life of the option, the volatility of the value of the Company's common shares and the risk-free interest rate.

ii) Income taxes:

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

iii) Convertible debt:

The bifurcation of the convertible debt into liability and equity components and the determination of a market rate of interest.

iv) Intangible assets and impairment of long lived assets:

Judgement involved in determining whether an intangible assets useful life is finite or indefinite.

The inputs used in assessing the potential impairment of indefinite life intangibles, key estimates include; determination of Cash Generating Units ("CGU"), future cash flows and discount rates.

v) Estimated useful life and amortization of property, plant and equipment:

Amortization of property, plant and equipment is dependent upon estimates of useful lives. Assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account key estimates such as economic and market conditions and the useful lives of assets.

vi) Valuation of biological assets:

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

Determination of the fair values of the biological assets requires the Company to make various estimates and assumptions. These estimates and assumptions include; the level of effort required to bring the cannabis up to the point of harvest, sales price, selling costs and expected future yields for the cannabis plants.

New accounting standards and interpretations not yet adopted

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

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

- IFRS 15, 'Revenue from Contracts and Customers' - effective for annual periods beginning on or after January 1, 2018. The IASB will replace IAS 18, Revenue, IAS 11, Construction contracts, and related interpretations on revenue with IFRS 15. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments.

- IFRS 16, 'Leases' - effective for annual periods beginning on or after January 1, 2019, adoption of IFRS 16 will result in substantially all lessee leases being recorded on the balance sheet as an asset with a corresponding liability with both current and long-term portions.

Other MD&A Requirements

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

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

Outstanding share data

The authorized capital of the Company consists of an unlimited number of common shares without par value, 10,000,000 Class "A" preference shares with a par value of $10 each and 10,000,000 Class "B" preference shares with a par value of $50 each. The Company had 203,102,574 common shares issued and outstanding as at October 27, 2017.

The following table sets out the number of stock options granted and outstanding as at October 27, 2017:

Exercise price	Number of options	Expiry date
$0.25	50,000	May 5, 2019
$0.41	1,275,000	October 14, 2019
$0.50	1,635,000	January 10, 2021
$0.75	800,000	April 25,2021
$0.75	3,823,783	August 29, 2021
$0.77	130,000	September 14, 2021
$1.45	3,010,000	September 25, 2022
$2.00	7,300,000	December 15, 2026
Total	**18,023,783**	

The following table sets out the number of share purchase warrants issued and outstanding as at October 27, 2017:

Exercise price	Number of Warrants	Expiry date
$0.50	3,200,000	July 2, 2017
$0.50	8,154,557	June 20, 2019
$0.32	6,061,417	April 23, 2020
$0.32	374,587	July 27, 2017
$0.55	2,758,821	July 27, 2018
$0.50	1,202,093	July 15, 2019
$0.50	18,837,085	August 30, 2019
$1.70	43,623,965	December 13, 2019
Total	**84,212,525**	