SUPREME PHARMACEUTICALS INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE MONTHS ENDED SEPTEMBER 30, 2017

(Expressed in Canadian Dollars)

Management's Responsibility for Financial Reporting

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

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

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

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

November 27, 2017

(signed)

/Dimitre Naoumov/
Chief Financial Officer

(signed)

/Scott Walters/
Director

Notice of No Auditor Review of Condensed Interim Financial Statements

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

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

Supreme Pharmaceuticals Inc.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

As at:	Note		September 30, 2017		June 30, 2017
ASSETS					(Audited)
Current assets					
Cash		$	51,903,007	$	57,681,554
Receivables			1,965,859		1,055,229
Prepaid expenses			1,404,284		582,575
Inventory	6		1,179,076		-
Biological assets	5		628,637		459,519
			57,080,863		59,778,877
Non-current assets					
Property, plant & equipment	4		37,103,893		26,638,905
Intangible Assets	3		8,396,914		8,396,914
Investments	8		1,073,642		1,073,642
Other Assets	7		15,000		15,000
		$	103,670,312	$	95,903,338
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities					
Accounts payable and accrued liabilities		$	10,769,657	$	5,110,643
			10,769,657		5,110,643
Long-term liabilities					
Convertible debt	9		30,916,914		31,705,456
			41,686,571		36,816,099
SHAREHOLDERS' EQUITY					
Share capital	10		68,444,247		65,636,030
Reserves			34,215,453		31,948,022
Accumulated other comprehensive income			844,635		844,635
Deficit			(41,520,594)		(39,341,448)
Total Shareholders' Equity			61,983,741		59,087,239
		$	103,670,312	$	95,903,338

Commitments (Note 13)
Subsequent events (Note 14)

Approved and authorized by the Board of Directors on November 27, 2017:

"Navdeep Dhaliwal" Director   "Scott Walters" Director

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

Supreme Pharmaceuticals Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

For the three months ended September 30,	Notes		2017		2016
Revenue		$	1,559,998	$	-
Production Costs			1,022,571		-
Gross profit before gain on fair value of biological assets			537,427		-
Gain on fair value changes of biological assets	5		1,298,697		-
Cost of finished inventory sold	6		-		-
Gross Profit			1,836,124		-
Operating Expenses					
Wages and benefits	11	$	718,422	$	516,568
Rent and facilities			136,776		183,983
Professional fees			31,195		25,066
Marketing			122,170		140,064
General and administrative			223,875		76,676
Amortization of property plant and equipment	4		20,464		109,918
Finance expense (income), net	4, 9		(41,017)		225,187
Share based payments	10(d), 11		2,803,385		1,924,584
			4,015,270		3,202,046
Net Loss before taxes		**$**	**(2,179,146)**	**$**	**(3,202,046)**
Deferred tax recovery			-		-
Net Loss			**(2,179,146)**		**(3,202,046)**
Gain on revaluation of investments			-		-
Total comprehensive loss			**(2,179,146)**		**(3,202,046)**
Basic and Diluted Loss per common share		**$**	**(0.01)**	**$**	**(0.02)**
Weighted average number of shares			**190,844,651**		**153,981,608**

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

Supreme Pharmaceuticals Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

For the three months ended September 30,		2017		2016
Operating activities:				
Net loss for the period	$	(2,179,146)	$	(3,202,046)
Items not involving cash				
Amortization		136,426		109,918
Accrued interest and accretion		-		220,482
Flow-through share interest and penalties		2,616		2,172
Share based payments		2,803,385		1,924,584
Write down of exploration assets		-		2,533
Biological assets		(1,298,697)		-
Changes in non-cash working capital:				
Inventory		(49,497)		-
Receivables		(910,630)		(137,622)
Prepaid expenses		(821,709)		199,690
Accounts payable and accrued liabilities		5,659,014		91,171
		3,341,762		(789,118)
Investing activities:				
Additions to property, plant & equipment		(9,105,123)		(1,884,400)
Capitalized cash finance costs		(855,749)		(216,593)
Proceeds on sale of short-term investment		-		700,000
		(9,960,872)		(1,400,993)
Financing activities:				
Common shares issued (net of issuance costs)		-		10,620,349
Warrants exercised		676,563		3,662,034
Stock options exercised		164,000		123,400
		840,563		14,405,783
Net change in cash		(5,778,547)		12,215,672
Cash, beginning of period		57,681,554		3,730,569
Cash, end of period	**$**	**51,903,007**	**$**	**15,946,241**

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

SUPREME PHARMACEUTICALS INC.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Common Shares						
	Number of Shares	**Share Capital**	**Shares to be Issued**	**Reserves**	**AOCI**	**Deficit**	**Total Shareholders' (Deficiency) Equity**
Balance, June 30, 2016	118,032,565	$ 32,063,452	$ 430,000	$ 10,945,375	$ -	$ (24,074,273)	$ 19,364,554
Private Placements (net of fees)	28,334,688	6,627,752	(430,000)	4,335,409	-	-	10,533,161
Warrants exercised	8,152,018	3,858,260	-	(196,226)	-	-	3,662,034
Debenture conversion	6,038,235	705,404	-	(157,521)	-	-	547,883
Stock options exercised	340,000	165,265	-	(41,865)	-	-	123,400
Share based payments	-	-		1,924,584	-	-	1,924,584
Net loss for the period	-	-	-	-	-	(3,202,046)	(3,202,046)
Balance, September 30, 2016	160,897,506	43,420,133	-	16,809,756	-	(27,276,319)	32,953,570
Warrants exercised	13,918,106	7,540,860	-	(1,435,106)	-	-	6,105,754
Stock options exercised	2,745,000	2,187,131	-	(963,581)	-	-	1,223,550
Conversion feature on convertible debt 2016	-	-	-	4,161,397	-	-	4,161,397
Warrants issued on convertible debt	-	-	-	4,202,744	-	-	4,202,744
Debenture conversion (Dec 2016)	11,271,515	12,487,906	-	(1,111,168)	-	-	11,376,738
Share based payments	-	-	-	10,283,980	-	-	10,283,980
Net loss for the period	-	-	-	-	-	(12,065,129)	(12,065,129)
Other comprehensive income	-	-	-	-	844,635	-	844,635
Balance, June 30, 2017	188,832,127	65,636,030	-	31,948,022	844,635	(39,341,448)	59,087,239
Warrants exercised	1,343,125	929,155	-	(252,592)	-	-	676,563
Stock options exercised	400,000	310,566	-	(146,566)	-	-	164,000
Debenture conversion (Dec 2016)	1,416,146	1,568,496	-	(136,796)	-	-	1,431,700
Share based payments	-	-	-	2,803,385	-	-	2,803,385
Net loss for the period	-	-	-	-	-	(2,179,146)	(2,179,146)
Balance, September 30, 2017	**191,991,398**	**$ 68,444,247**	**$ -**	**$ 34,215,453**	**$ 844,635**	**$ (41,520,594)**	**$ 61,983,741**

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

1. Nature of Operations:

Supreme is a federally incorporated Canadian medical cannabis company with its common shares publicly traded on the TSX Venture Exchange ("**TSXV**") under the symbol "**FIRE**" and are quoted on the Over-the-Counter Bulletin Board ("**OTCBB**") under the symbol "SPRWF". Supreme's primary asset 7ACRES, an Ontario corporation, is wholly owned by Supreme. 7ACRES is a Licensed Producer (as such term is defined in the Access to Cannabis for Medical Purposes Regulations ("**ACMPR**") which replaced the Marihuana for Medical Purposes Regulations (the "**MMPR**")). 7ACRES became a Licensed Producer on March 11, 2016 when it was issued a license to cultivate medical cannabis, pursuant to the MMPR (the "License"), at its facility (the "**Facility**") facility in Kincardine, Ontario. On June 28, 2017 the Company was granted permission to sell medical cannabis.

The Company's head office and registered records office is located at 371 Jones Avenue, Toronto, Ontario, M4J 3G5.

2. Significant Accounting Policies:

a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance and compliance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting.

These condensed interim consolidated financial statements were authorized for issuance by the Company's Board of Directors ("Board") on November 27, 2017.

b) Basis of Measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments and biological assets which have been measured at fair value. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, 7ACRES. All significant intercompany balances and transactions were eliminated on consolidation.

d) Functional and presentation of foreign currency

The condensed interim consolidated financial statements are presented in Canadian dollars unless otherwise noted. The presentation currency and functional currency of the Company and its subsidiary is the Canadian dollar.

e) Significant accounting judgments, estimates and assumptions

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

f) Inventory

Inventories of harvested finished goods are initially valued at cost and subsequently at the lower of cost and net realizable value. Inventories of harvested cannabis are transferred from biological assets at their fair value less costs to sell at harvest which becomes the deemed cost. Any subsequent post-harvest costs are capitalized to inventory to the extent that the cost is less than net realizable value. Net realizable value is determined as the estimated selling price less the estimated costs of completion and sale. Cost is determined on an individual harvest basis.

2. Significant Accounting Policies (Continued)

Cannabis is measured and weighted at throughout its life and at different stages of completion. Due to its biological nature, cannabis can lose weight due to loss of moisture. The Company estimates the amount of weight loss when accounting for the actual finished product available for sale.

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

IFRS 9, Financial Instruments was issued by the **IASB** in November 2009 and October 2010 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("**FVTPL**") and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative hosts not within the scope of the standard. The effective date of IFRS 9 is January 1, 2018. Management is currently evaluating the impact of IFRS 9 on its financial statements.

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

In January 2016, the IASB issued IFRS 16, *Leases*, was issued in January 2016, and is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have also adopted IFRS 15. IFRS 16 provides a comprehensive model for the measurement, presentation and disclosure of leases and supersedes IAS 17, Leases. The 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.

The Company is currently assessing the impact of these standards.

3. Intangible Assets

The 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 medical 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 recoverable amount to its carrying value.

4. Property, Plant and Equipment

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

The Facility was acquired for the purpose of producing medical cannabis pursuant to the ACMPR (formerly the MMPR). On March 11, 2016, Supreme's wholly owned subsidiary 7ACRES, was issued the License to cultivate medical cannabis pursuant to the MMPR (now the ACMPR). Although major construction is still required to prepare

(Expressed in Canadian Dollars)

4. Property, Plant and Equipment (continued)

the Facility for additional capacity of medical cannabis production, the area of the Facility currently completed and approved for medical cannabis production is being amortized.

	Facility	Land	Equipment & fixtures	Total Property, Plant & Equipment
Cost				
Balance, June 30, 2016	$ 9,141,109	$ 1,203,319	$ 152,292	$ 10,496,720
Additions	11,916,110	-	239,377	12,155,487
Borrowing costs	4,792,082	-	-	4,792,082
Balance, June 30, 2017	25,849,301	1,203,319	391,669	27,444,289
Additions	9,028,656	-	76,467	9,105,123
Borrowing costs	1,496,291	-	-	1,496,291
Balance, September 30, 2017	**$ 36,374,248**	**$ 1,203,319**	**$ 468,136**	**$ 38,045,703**
Accumulated Amortization				
Balance, June 30, 2016	$ 173,191	$ -	$ 48,626	$ 221,817
Amortization	507,523	-	76,044	583,567
Balance, June 30, 2017	680,714	-	124,670	805,384
Amortization	112,904	-	23,522	136,426
Balance, September 30, 2017	**$ 793,618**	**$ -**	**$ 148,192**	**$ 941,810**
Net carrying cost, June 30, 2017	$ 25,168,587	$ 1,203,319	$ 266,999	$ 26,638,905
Net carrying cost, September 30, 2017	**$ 35,580,630**	**$ 1,203,319**	**$ 319,944**	**$ 37,103,893**

As at September 30, 2017 the Company had $21,389,203 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 period ended September 30, 2017 a total of $1,496,291 (2016: $216,593) of borrowing costs were capitalized. Borrowing costs include a non-cash accretion expense of $643,158 (2016: nil). Amortization expense of $115,962 been recorded as production costs on the condensed interim consolidated statements of comprehensive loss for the three months ended September 30, 2017.

5. Biological Assets

As at September 30, 2017, 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, 2016	$ -
Changes in fair value less costs to sell due to biological transformation	459,519
Carrying amount, June 30, 2017	459,519
Changes in fair value less costs to sell due to biological transformation	1,298,697
Transferred to inventory upon harvest	(1,129,579)
Carrying amount, September 30, 2017	$ 628,637

(Expressed in Canadian Dollars)

5. Biological Assets (Continued)

The Company's estimates, by their nature, are subject to change that could result in future gains or losses of biological assets. Changes in estimates could result from volatility of sales prices, changes in yields and variability of the costs necessary to complete the harvest.

These estimates include the following assumptions:

(a) Selling prices were determined by estimating the Company's average selling price during the three months ended September 30, 2017;

(b) The percentage of costs incurred and remaining costs to complete;

(c) The percentage of costs incurred for each stage of plant growth;

(d) The stage of plant growth; and

(e) Expected yields by cannabis plant.

6. Inventory

Carrying amount, June 30, 2017	$	-
Work-in-progress		-
Supplies and other		49,497
Finished goods		1,129,579
Carrying amount, September 30, 2017	$	1,179,076

Inventories consist of dried cannabis that is complete and available for sale. Supplies and other inventory consists of seeds and consumables for use in the transformation of biological assets. Work-in-progress includes cannabis, after harvest, in the biological transformation process. Prior to being granted permission to sell from Health Canada, the Company did not record the value of inventory. Accordingly, any cannabis plants harvested prior to June 28, 2017 were recorded at a carrying value of nil.

The amount of inventory recognized as expense during the three months ended September 30, 2017 was $nil (2016: nil). Prior to being granted permission to sell from Health Canada on June 28, 2017, the Company did not capitalize inventory. Accordingly, cannabis sold during the quarter was harvested prior to June 28, 2017 and recorded at a carrying value of nil.

7. Other Assets

As at September 30, 2017, Supreme retains 7 mineral claims in the Copper Mountain area of British Columbia totaling approximately 556 hectares, which have a nominal value. The Company expects to dispose of the remaining claims by way of sale, spin out or abandonment although no formal steps have been taken in furtherance of same. The Company expects to dispose of this asset class due to (a) its change of business and focus on the medical cannabis operations, (b) negative change in resource and resource property prices and (c) due consideration regarding the return on additional investment in the resource claims. Nominal amounts have been spent on these assets during the three months ended September 30, 2017 and 2016; they have not produced any revenue and are in the exploration stage. Accordingly, the Company does not anticipate a material impact on operations from the disposition.

As at September 30, 2017, total reclamation bonds of $15,000 (2016: $15,000) represent term deposits which have been pledged to the Province of British Columbia as security for reclamation obligations pursuant to the Mines Act of British Columbia. These deposits bear annual interest rates that range from 0.55% to prime rate less 2.10% with maturity dates from April 2018 to May 2018.

8. Investments

On April 22, 2016 Supreme closed an investment in Trellis Solutions Inc. (formerly CannSoft Inc.), a development stage software company focused on providing enterprise resource planning solutions to the cannabis industry. The company purchased 285,714 common shares for $100,000. The Company does not exercise significant influence or control. The investment has been classified as an available for sale financial instrument. The Company revalued the investment as at June 30, 2017 and adjusted the carrying value to $1,073,642 due to follow-on financing round establishing a current fair value. During the three months ended September 30, 2017 there were no adjustments necessary to the carrying value of the investment (2016: nil). The Company intends to continue as a passive shareholder and dispose of this investment by way of a liquidity event such as an acquisition or public listing, if possible. Disposition of this investment and a liquidity event is out of the Company's control.

9. Convertible Debentures

April 2015 Convertible Debenture:

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

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

The convertible debentures were determined to be compound instruments, comprising liability, conversion feature, and warrants. As the debentures are convertible into common shares, the liability and equity components are presented separately. The initial carrying amount of the financial liability was determined by discounting the stream of future payments of interest and principal at a market interest rate of 19.9%. Using the residual method, the carrying amount of the conversion feature and the warrants issued is the difference between the principal amount and the initial carrying value of the financial liability. The equity component, and warrants are recorded in reserves on the statement of financial position.

The debentures, net of the equity components and issuance costs are accreted using the effective interest rate method over the term of the debentures, such that the carrying amount of the financial liability will equal the principal balance at maturity.

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

On September 9, 2016 all outstanding convertible debt was converted to shares during the year ended June 30, 2017.

December 2016 Convertible Debenture:

On December 13, 2016, the Company received gross proceeds of $55,000,000 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 to December 13, 2019, subject to accelerated expiry in some circumstances.

The convertible debentures were determined to be compound instruments, comprising liability, conversion feature, and warrants. As the debentures are convertible into common shares, the liability and equity components are presented separately. The initial carrying amount of the financial liability was determined by discounting the stream of future payments of interest and principal at a market interest rate of 19.9%. Using the residual method, the carrying amount of the conversion feature and the warrants issued is the difference between the principal amount and the

(Expressed in Canadian Dollars)

9. Convertible Debentures (continued)

initial carrying value of the financial liability. The equity component, and warrants are recorded in reserves on the statement of financial position. The debentures, net of the equity components and issue costs are accreted using the effective interest rate method over the term of the debentures, such that the carrying amount of the financial liability will equal the principal balance at maturity.

The Company incurred cash finders' fees of $1,807,125, share issue fees of $495,122 and issued 1,273,965 finders' warrants valued at $857,669. These transaction costs have been allocated to the liability and equity components based on their pro-rata fair values.

Convertible debentures consist of the following:

	Proceeds	Debt component	Equity component
Balance June 30, 2016	$ 1,374,063	$ 536,700	$ 465,586
Issue of convertible debt, net of tax	55,000,000	43,921,105	8,142,988
Transaction costs	(3,159,916)	(2,523,400)	(636,516)
Accretion (April 2015 Debentures)	-	11,184	-
Accretion (Dec 2016 Debentures)	-	1,684,490	-
Conversion (April 2015 Debentures)	-	(547,885)	(157,521)
Conversion (Dec 2016 Debentures)	-	(11,376,738)	(1,111,168)
Balance, June 30, 2017	$ 53,214,147	$ 31,705,456	$ 6,703,369
Accretion (Dec 2016 Debentures)	-	643,158	-
Conversion (Dec 2016 Debentures)	-	(1,431,700)	(136,796)
Balance, September 30, 2017	$ 53,214,147	$ 30,916,914	$ 6,566,573

10. Share capital

Authorized share capital:

Unlimited number of voting common shares.
10,000,000 Class "A" preference shares.
10,000,000 Class "B" preference shares.

10a.Share Capital: Common shares issued and outstanding

Common Shares issued during the period ended September 30, 2017

During July 2017, August 2017 and September 2017, $1,808,000 of the Company's outstanding convertible debt was converted to common shares. A total of 1,416,146 common shares were issued on conversion.

On September 30, 2017 the company had 191,991,398 common shares issued and outstanding.

10b. Share Capital: Share purchase warrants

In July 2017 various warrant holders exercised 755,000 warrants generating proceeds of $377,500, In August 2017 various warrant holders exercised 250,000 warrants generating proceeds of $125,000, In September 2017 various warrant holders exercised 338,125 warrants generating proceeds of $174,063,

(Expressed in Canadian Dollars)

10b. Share Capital: Share purchase warrants (continued)

During the period ended September 30, 2017, a total of 3,574,587 share purchase warrants expired.

On September 30, 2017 the company had 82,779,888 share purchase warrants outstanding.

	Warrants Outstanding	Weighted Average Exercise Price
Outstanding, June 30, 2016	38,075,419	$ 0.44
Granted	72,614,303	1.22
Exercised	(22,070,124)	(0.44)
Expired / Cancelled	(921,998)	(0.50)
Outstanding, June 30,2017	87,697,600	$ 1.09
Granted	-	-
Exercised	(1,343,125)	(0.50)
Expired / Cancelled	(3,574,587)	(0.48)
Outstanding, September 30, 2017	**82,779,888**	**$ 1.12**

As at September 30, 2017, the Company had outstanding warrants as follows:

Exercise Price	Expiry Date	Number of Warrants	Weighted Average Remaining Life
$ 0.50	June 20, 2019	8,154,557	1.72
$ 0.32	April 23, 2020	6,061,417	2.56
$ 0.55	July 27, 2018	2,758,821	0.82
$ 0.50	July 15, 2019	1,202,093	1.79
$ 0.50	August 30, 2019	20,979,035	1.92
$ 1.70	December 13, 2019	43,623,965	2.20
		82,779,888	**2.06**

10c. Share Capital: Stock options

In July 2017, 200,000 stock options were exercised generating proceeds of $82,000. In September 2017, 200,000 stock options were exercised generating proceeds of $82,000. During the period ended September 30, 2017, a total of 630,000 stock options were cancelled.

As at September 30, 2017, the Company had outstanding and exercisable stock options as follows:

	Options Outstanding	Weighted Average Exercise Price
Outstanding, June 30, 2016	7,385,000	$ 0.47
Granted	11,553,783	1.54
Exercised	(3,085,000)	(0.44)
Expired	(430,000)	(0.49)
Outstanding and exercisable, June 30, 2017	15,423,783	$ 1.28
Granted	3,010,000	1.45
Exercised	(400,000)	(0.41)
Expired / Cancelled	(630,000)	(1.27)
Outstanding and exercisable, September 30, 2017	**17,403,783**	**$ 1.33**

(Expressed in Canadian Dollars)

10c. Share Capital: Stock options (continued)

As at September 30, 2017, the Company had outstanding and exercisable stock options as follows:

Exercise Price		Expiry Date	Number of Options	Weighted Average Remaining Life (years)
$	0.25	May 5, 2019	50,000	1.59
$	0.41	October 14, 2019	1,275,000	2.04
$	0.50	January 10, 2021	1,445,000	3.28
$	0.75	April 25, 2021	800,000	3.56
$	0.75	August 29, 2021	3,823,783	3.92
$	1.45	September 25, 2022	3,010,000	4.99
$	2.00	December 15, 2026	7,000,000	9.21
			17,403,783	**6.02**

10d. Share Capital: Share based payments

On September 25, 2017 the Company issued 3,010,000 of incentive options to employees, officers, directors and consultants at a price of $1.45 per share expiring on September 25, 2022. All options vest immediately.

The options were valued using the Black-Scholes option pricing model using the following assumptions.

September 30,	2017	2016
Share price	$1.43	$0.67
Expected dividend yield	0.00%	0.00%
Stock price volatility	81%	89%
Expected life of options	5 years	5 years
Forfeiture rate	-	-
Risk free rate	1.80%	0.68%

10e. Reserves:

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

11. Related party transactions

The remuneration awarded to directors and executives for the three month period ended September 30, includes the following:

Related party transactions		2017		2016
Share based payments	$	2,561,232	$	1,379,152
Salaries and wages		194,779		132,666
	$	**2,756,011**	**$**	**1,511,818**

As at September 30, 2017, directors and executives of the Company held a combined $1,085,000 of convertible debentures.

12. Financial risk management

Financial instruments measured at fair value are classified into one of 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.

At September 30, 2017, the Company's financial instruments consist of cash, receivables, investment, 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 FVTPL, reclamation bonds as loans and receivables, investments as available for sale and accounts payable and accrued liabilities and convertible debt as other financial liabilities. The fair value of cash is based on level 1 inputs of the fair value hierarchy. The Company is exposed to a variety of financial instrument related risks.

The available for sale investment is considered Level 3, as it is a security without a quoted value. If Level 2 inputs are available, such as implied valuations from follow-on financing rounds, third party sale negotiations, or market-based approaches, fair value is considered determinable. In cases where fair value is not reasonably determinable, cost may be the best estimate of fair value. 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 reclamation bonds. To minimize the credit risk the Company places these instruments with a high credit quality financial institution of Canada.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they 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 financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs. As at September 30, 2017 the Company had a cash balance of $51,903,007 and current liabilities of $10,769,657. The Company's current resources are sufficient to settle its current liabilities. All of the Company's liabilities are due within one year, other than convertible debt which is due in 2019.

Interest rate risk

The Company is not subject to interest rate risk on future cash flows, as all of its instruments bear fixed rates of interest, other than its flow-through share commitments which bear interest at the Canada Revenue Agency's prescribed rates.

Capital management

Capital is comprised of the Company's shareholder's equity and any debt it may issue, other than trade payables in the normal course of operations. As at September 30, 2017, the Company's shareholders' equity was $61,983,741 (June 30, 2017 - $59,087,239) and liabilities other than trades payable were $30,916,914 (June 30, 2017 - $31,705,456). The Company's objective when managing capital is to safeguard its accumulated capital in order to provide adequate return to shareholders by maintaining a sufficient level of funds, in order to support its ongoing activities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size and early development stage of the Company, is reasonable.

(Expressed in Canadian Dollars)

12. Financial risk management (continued)

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 period ended September 30, 2017.

13. Commitments

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

		September 30, 2017
Less than 1 year	$	128,168
1-2 years		56,950
	$	185,118

14. Subsequent events

Private placement

On November 14, 2017, the Company closed a brokered private placement issuance of $40,250,000, 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 for three years after the closing of the private placement. Both the unsecured debentures and the warrants are subject to accelerated expiry in some circumstances. The company incurred expenses of $1,594,111 related to the private placement.

Warrant conversions and stock option exercises

Subsequent to the three months ended September 30, 2017, convertible debentures of $16,031,000 were converted in exchange for 12,331,514 common shares of the Company.

Subsequent to the three months ended September 30, 2017, various warrant holders exercised 2,210,387 warrants for total proceeds of $1,105,193.

Subsequent to the three months ended September 30, 2017, 10,000 stock options were exercised for total proceeds of $5,000.

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