

THE SUPREME CANNABIS COMPANY, INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2018

(Expressed in Canadian Dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
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Management's Responsibility for Financial Reporting

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

Management is responsible for the preparation and presentation of the accompanying 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 Audit Committee is also responsible for recommending the appointment of the Company's external auditors.

May 18, 2018

(signed)

/Dimitre Naoumov/
Chief Financial Officer

(signed)

/Scott Walters/
Director

The Supreme Cannabis Company, Inc.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in Canadian Dollars)

As at:	Note	March 31, 2018	June 30, 2017
ASSETS			(Audited)
Current assets			
Cash		\$ 78,496,912	\$ 57,681,554
Receivables	5	5,268,027	1,055,229
Prepaid expenses and deposits		481,043	110,190
Inventory	7	2,618,128	-
Biological assets	6	1,826,086	459,519
		88,690,196	59,306,492
Non-current assets			
Property, plant and equipment	4	71,295,203	26,638,905
Prepaid property, plant and equipment		955,308	472,385
Intangible Assets	3	8,396,914	8,396,914
Investments	8	16,176,649	1,073,642
Other Assets		15,000	15,000
		\$ 185,529,270	\$ 95,903,338
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 12,778,276	\$ 5,110,643
		12,778,276	5,110,643
Long-term liabilities			
Convertible debt	9	30,372,457	31,705,456
		43,150,733	36,816,099
SHAREHOLDERS' EQUITY			
Share capital	10	154,750,937	65,636,030
Reserves		33,705,904	31,948,022
Accumulated other comprehensive income		844,635	844,635
Deficit		(46,922,939)	(39,341,448)
		142,378,537	59,087,239
		\$ 185,529,270	\$ 95,903,338

Commitments (Note 13)
Subsequent events (Note 14)

Approved and authorized by the Board of Directors on May 18, 2018:

"Navdeep Dhaliwal"

Director

"Scott Walters"

Director

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

The Supreme Cannabis Company, Inc.
Condensed Interim Consolidated Statements of Comprehensive Loss
(Unaudited - Expressed in Canadian Dollars)

For the period	Note	Nine Months Ended March 31, 2018	Nine Months Ended March 31, 2017	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Revenue		\$ 5,309,671	\$ -	\$ 2,069,032	\$ -
Production costs	4, 7	4,265,876	-	1,695,135	-
Gross profit before changes in fair value		1,043,795	-	373,897	-
Fair value changes on growth of biological assets	6	6,286,306	-	3,281,251	-
Cost of finished inventory sold	6, 7	(2,749,795)	-	(1,808,514)	-
Gross profit		\$ 4,580,306	\$ -	\$ 1,846,634	\$ -
Operating Expenses					
Wages and benefits	11	\$ 3,278,033	\$ 1,987,021	\$ 1,611,370	\$ 871,732
Rent and facilities		1,054,533	753,880	723,460	318,917
Professional fees		784,621	332,526	433,698	65,268
Sales, marketing and business development		794,977	357,464	379,311	93,828
General and administrative		752,274	238,779	273,435	92,830
Amortization of property, plant and equipment	4	173,903	326,303	79,995	120,435
Share based payments	10(d), 11	3,913,845	12,208,564	1,110,460	-
		10,752,186	16,204,537	4,611,729	1,563,010
Other Expenses (Income)					
Finance expense, net	4, 9	\$ 926,051	\$ 2,879,751	\$ 651,796	\$ 2,214,427
Loss on disposal of property, plant and equipment		1,284,198	-	590,516	-
Unrealized gain on investments	8	(1,940,900)	-	(1,940,900)	-
		269,349	2,879,751	(698,588)	2,214,427
Net Loss before taxes		\$ (6,441,229)	\$ (19,084,288)	\$ (2,066,507)	\$ (3,777,437)
Deferred tax		(1,140,262)	-	(1,301,223)	-
Total loss and comprehensive loss		\$ (7,581,491)	\$ (19,084,288)	\$ (3,367,730)	\$ (3,777,437)
Weighted average number of shares		213,823,139	162,735,648	245,669,261	120,388,934
Basic and Diluted Loss per common share		\$ (0.04)	\$ (0.12)	\$ (0.01)	\$ (0.03)

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

The Supreme Cannabis Company, Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in Canadian Dollars)

For the nine months ended March 31,	2018	2017
Operating activities:		
Net loss for the period	\$ (7,581,491)	\$ (19,084,288)
Items not involving cash:		
Amortization	654,189	326,303
Accrued accretion	603,609	2,897,319
Flow-through share interest and penalties	6,933	6,599
Share based payments	3,913,845	12,208,564
Loss on disposal of property, plant and equipment	1,284,198	-
Biological assets	(6,286,306)	-
Cost of finished inventory sold	2,749,795	-
Deferred tax expense	1,140,262	-
Unrealized gain on investments	(1,940,900)	-
Changes in non-cash working capital:		
Inventory	(448,183)	-
Receivables	(4,212,798)	(42,016)
Prepaid expenses and deposits	(370,853)	204,199
Accounts payable and accrued liabilities	7,667,633	176,976
	(2,820,067)	(3,306,343)
Investing activities:		
Additions to property, plant and equipment and capitalized cash finance costs	(43,498,819)	(5,003,023)
Investments	(13,162,107)	-
Proceeds on sale of short-term investment	-	1,200,000
Prepaid property, plant and equipment	(482,923)	-
Mortgage payable	-	(3,500,000)
	(57,143,849)	(7,303,023)
Financing activities:		
Common shares issued (net of issuance costs)	-	10,613,278
Warrants exercised	41,803,021	9,292,798
Stock options exercised	537,500	1,326,450
Convertible debentures issued (net of issuance costs)	38,438,753	52,927,628
	80,779,274	74,160,153
Net change in cash	20,815,358	63,550,787
Cash, beginning of period	57,681,554	3,730,569
Cash, end of period	\$ 78,496,912	\$ 67,281,356

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

The Supreme Cannabis Company, Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Unaudited - Expressed in Canadian Dollars)

	Number of Common 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)	28,334,689	5,950,674	(430,000)	5,092,604	-	-	10,613,278
Warrants exercised	21,120,124	10,979,280	-	(1,686,482)	-	-	9,292,798
Debenture conversion	6,038,234	1,013,469	-	(465,586)	-	-	547,883
Stock options exercised	3,035,000	2,263,499	-	(937,049)	-	-	1,326,450
Share based payments	-	-	-	12,208,564	-	-	12,208,564
Convertible debt	-	7,078,855	-	7,115,788	-	-	14,194,643
Net loss for the period	-	-	-	-	-	(19,084,288)	(19,084,288)
Balance, March 31, 2017	176,560,612	59,349,229	-	32,273,214	-	(43,158,561)	48,463,882
Private Placements (net of fees)	-	677,078	-	(757,205)	-	-	(80,127)
Warrants exercised	950,000	419,840	-	55,160	-	-	475,000
Stock options exercised	50,000	88,897	-	(68,397)	-	-	20,500
Conversion feature on convertible debt	-	-	-	4,161,397	-	-	4,161,397
Warrants issued on convertible debt	-	-	-	4,202,744	-	-	4,202,744
Debenture conversion (April 2015)	-	(308,065)	-	308,065	-	-	-
Debenture conversion (Dec 2016)	11,271,515	5,409,051	-	(8,226,956)	-	-	(2,817,905)
Share based payments	-	-	-	-	-	-	-
Convertible debt	-	-	-	-	-	-	-
Net loss for the period	-	-	-	-	-	3,817,113	3,817,113
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	29,546,394	44,967,330	-	(3,164,309)	-	-	41,803,021
Stock options exercised	1,225,000	982,290	-	(444,790)	-	-	537,500
Debenture conversion (Dec 2016)	31,104,992	39,077,553	-	(3,050,228)	-	-	36,027,325
Convertible debenture (Nov 2017)	-	-	-	4,947,474	-	-	4,947,474
Debenture conversions (Nov 2017)	2,800,000	4,087,734	-	(444,110)	-	-	3,643,624
Share based payments	-	-	-	3,913,845	-	-	3,913,845
Net loss for the period	-	-	-	-	-	(7,581,491)	(7,581,491)
Balance, March 31, 2018	253,508,513	154,750,937	-	33,705,904	844,635	(46,922,939)	142,378,537

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

The Supreme Cannabis Company, Inc.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2018 and 2017
(Unaudited - Expressed in Canadian Dollars)

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**")). 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). 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. On June 28, 2017 the Company was granted permission to sell medical cannabis.

On December 18, 2017, the Company changed its name to The Supreme Cannabis Company, Inc.

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 ("**Financial Statements**") have been prepared in accordance and in compliance with 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 Financial Statements were authorized for issuance by the Company's Board of Directors ("Board") on May 18, 2018.

b) Basis of Measurement

These 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 Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Basis of consolidation

These Financial Statements include the accounts of the Company and its wholly-owned subsidiary, 7ACRES. All significant intercompany balances and transactions were eliminated on consolidation.

d) Functional and presentation of foreign currency

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

e) Significant accounting judgments, estimates and assumptions

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

2. Significant Accounting Policies (continued)

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 cost to sell. Cost is determined on an individual harvest basis. Impairment of inventory is recorded as cost of finished inventory sold.

Cannabis is measured and weighted throughout its life 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) 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. The fair value of biological assets is considered a Level 3 categorization in the IFRS fair value hierarchy. The significant estimates and inputs used to assess the fair value of biological assets include the following assumptions:

- i. Selling prices – selling prices are based on the Company's actual historical average selling price per gram for the preceding nine months
- ii. Post-harvest costs – the costs are based on actual costs incurred by processing, packaging and quality assurance activities incurred in the period, including overhead allocations for these activities
- iii. The stage of plant growth – the stage of plant growth is estimated by the number of days into the growing stage as compared to the estimated growing time for a full harvest
- iv. Expected yield – the expected yield per plant is based on the Company's actual historical average yield per plant

h) 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. IFRS 9 will be effective for annual periods beginning on or after January 1, 2018.

IFRS 15, Revenue from Contracts and Customers was issued by the IASB in 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, 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 Supreme Cannabis Company, Inc.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2018 and 2017
(Unaudited - Expressed in Canadian Dollars)

2. Significant Accounting Policies (continued)

h) New and revised IFRS in issue but not yet effective (continued)

The Company is currently assessing the impact of these standards on its financial statements.

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

	Facility	Land	Equipment and fixtures	Total Property, Plant and 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	40,018,377	2,231,541	601,576	42,851,494
Disposals	(1,338,318)	-	-	(1,338,318)
Borrowing costs	3,743,779	-	-	3,743,779
Balance, March 31, 2018	\$ 68,273,139	\$ 3,434,860	\$ 993,245	\$ 72,701,244
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	503,302	-	150,887	654,189
Disposals	(53,532)	-	-	(53,532)
Balance, March 31, 2018	\$ 1,130,484	\$ -	\$ 275,557	\$ 1,406,041
Net carrying cost, June 30, 2017	\$ 25,168,587	\$ 1,203,319	\$ 266,999	\$ 26,638,905
Net carrying cost, March 31, 2018	\$ 67,142,655	\$ 3,434,860	\$ 717,688	\$ 71,295,203

As at March 31, 2018 the Company had \$37,907,760 (2017: \$9,182,880) 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 March 31, 2018 a total of \$3,743,779 (2017: \$4,792,082) of borrowing costs were capitalized. Borrowing costs include a non-cash accretion expense of \$1,814,790 (2017: \$1,684,490). Amortization expense of \$480,286 has been recorded as production costs on the condensed interim consolidated statements of comprehensive loss for the nine months ended March 31, 2018 (2017: \$nil).

The Supreme Cannabis Company, Inc.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2018 and 2017
(Unaudited - Expressed in Canadian Dollars)

5. Accounts Receivable

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

	March 31, 2018	June 30, 2017
Trade accounts receivable	\$ 1,801,904	\$ 111,386
Sales tax receivable	3,341,123	943,843
Other receivable	125,000	-
Total accounts receivable	\$ 5,268,027	\$ 1,055,229

6. Biological Assets

As at March 31, 2018, 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	6,286,306
Transferred to inventory upon harvest	(4,919,739)
Carrying amount, March 31, 2018	\$ 1,826,086

The Company initially values its cannabis plants as biological assets approximately 30 days into the growing stage. Growing time for a full harvest approximates 100 days. The company values biological assets by multiplying the expected yield, in grams, from each harvest by the selling price expected to be achieved by the Company. The value of biological assets is then reduced by the percentage of completion of the harvest and the estimated post-harvest costs.

The fair value of biological assets is considered a Level 3 categorization in the IFRS fair value hierarchy. The significant estimates and inputs used to assess the fair value of biological assets include the following assumptions:

- (a) Selling prices – selling prices are based on the Company's actual historical average selling price per gram for the preceding nine months
- (b) Post-harvest costs – the costs are based on actual costs incurred by processing, packaging and quality assurance activities incurred in the period, including overhead allocations for these activities
- (c) The stage of plant growth – the stage of plant growth is estimated by the number of days into the growing stage as compared to the estimated growing time for a full harvest
- (d) Expected yield – the expected yield per plant is based on the Company's actual historical average yield per plant

The Company expects that a \$1 increase or decrease in the wholesale market price per gram of dried cannabis would increase or decrease the fair value of biological assets by \$570,254 (2017: \$nil). A 5% increase or decrease in the estimated yield per cannabis plant would result in an increase or decrease in the fair value of biological assets by \$91,304 (2017: \$nil). Additionally, an increase or decrease of 10% in the post-harvest costs would increase or decrease the fair value of biological assets by \$87,444 (2017: \$nil).

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

Unrealized change in fair value of biological assets	\$ 3,536,511
Realized fair value increments on inventory sold or impaired	2,749,795

Cost of finished inventory sold included on the Company's interim condensed consolidated statement of comprehensive loss is entirely comprised of the fair value previously recognized during the biological transformation process related to cannabis sold during the period. For the three and nine months ended March 31, 2018 a total of \$1,808,514 (2017: \$nil) and \$2,749,795 (2017: \$nil), respectively, has been recognized as cost of finished inventory sold.

The Supreme Cannabis Company, Inc.
Notes to the Condensed Interim Consolidated Financial Statements
March 31, 2018 and 2017
(Unaudited - Expressed in Canadian Dollars)

7. Inventory

Carrying amount, June 30, 2017	\$	-
Supplies and other		134,881
Finished goods		2,483,247
Carrying amount, March 31, 2018	\$	2,618,128

Inventories consist of dried cannabis that is complete and available for sale. Supplies and other inventory consists of consumables for use in the transformation of biological assets and other inventory used in production. Work-in-progress consists of cannabis, after harvest, in the processing stage.

During the three and nine months ended March 31, 2018 inventory recognized as expense was \$2,170,518 (2017: \$nil) and \$3,111,799 (2017: \$nil), respectively. Inventory recognized as expense includes the fair value changes related to biological assets previously recognized, as described in note 6, and capitalized post-harvest costs. For the three and nine months ended a total of \$362,004 (2017: \$nil) and \$362,004 (2017: \$nil), respectively, has been recorded as production cost on the condensed interim consolidated statement of comprehensive loss related to capitalized post-harvest costs expensed during the period. Prior to being granted permission to sell from Health Canada on June 28, 2017, the Company did not capitalize inventory. Accordingly, a portion of the cannabis sold during the nine months ended March 31, 2018 that was harvested prior to June 28, 2017 was recorded at a carrying value of \$nil. The impairment charge on the finished goods inventory for the three and nine months ended March 31, 2018 was \$176,086 (2017: \$nil) and \$176,086 (2017: \$nil), respectively. The impairment charge is due to the cost of certain inventory exceeding net realizable value as at March 31, 2018. The amount has been expensed through cost of finished inventory sold.

8. Investments

		Carrying amount, June 30, 2017	Investment	Fair value March 31, 2018	Unrealized Gain / Loss on investment	Carrying amount, March 31, 2018
Level 1 on fair value hierarchy						
BlissCo shares	Note 8A	\$ -	2,221,090	3,850,000	1,628,910	3,850,000
		\$ -	2,221,090	3,850,000	1,628,910	3,850,000
Level 2 on fair value hierarchy						
BlissCo warrants	Note 8A	\$ -	778,910	1,090,900	311,990	1,090,900
		\$ -	778,910	1,090,900	311,990	1,090,900
Level 3 on fair value hierarchy						
Trellis Solutions Inc.	Note 8B	\$ 1,073,642	-	1,073,642	-	1,073,642
MediGrow	Note 8C	\$ -	10,162,107	10,162,107	-	10,162,107
		\$ 1,073,642	10,162,107	11,235,749	-	11,235,749
		\$ 1,073,642	13,162,107	16,176,649	1,940,900	16,176,649

Note 8A:

On February 26, 2018, Supreme closed an investment in BlissCo Cannabis Corp ("BlissCo"), an early stage vertically integrated distribution focused cannabis company. The Company purchased 10,000,000 units for \$3,000,000. Each unit is comprised of one common share and one common share purchase warrant of BlissCo. The common share purchase warrant is exercisable until February 23, 2020 at \$0.60 per common share. The Company has valued the common shares and common share purchase warrant separately. The Company does not exercise significant influence or control. The investment has been classified as a fair value through profit and loss financial instrument. The Company revalued the investment as at March 31, 2018 and adjusted the carrying value of shares to \$3,850,000 which is based on the common share price of BlissCo quoted on the Canadian Securities Exchange, resulting in an unrealized gain of \$1,628,910. The Company revalued the common share purchase warrants as at March 31, 2018 using the Black-Scholes option pricing model to estimate the fair value of warrants at the period then ended, resulting in an unrealized gain of \$311,990. The Company intends to continue as a passive shareholder.

8. Investments (continued)

Note 8B:

On April 22, 2016, Supreme closed an investment in Trellis Solutions Inc. (formerly CannSoft Inc.), a 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 on 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 nine months ended March 31, 2018 there were no adjustments necessary to the carrying value of the investment (2017: \$nil). The Company intends to continue as a passive shareholder.

Note 8C:

On March 20, 2018, Supreme closed an investment in MediGrow Lesotho (Pty) Limited, a licensed producer of medical cannabis based in the Kingdom of Lesotho. MediGrow is focused on medical cannabis oil production for export to federally legal medical cannabis markets globally. The Company purchased 278,000 common shares for \$10,074,145 and incurred \$87,962 of transaction costs that have been capitalized. The Company does not exercise significant influence or control. The investment has been classified as an available for sale financial instrument. From the time of the investment to March 31, 2018 there were no adjustments necessary to the carrying value of the investment (2017: \$nil). The Company intends to continue as a passive shareholder.

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 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 of the Company.

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 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. On January 22, 2018, the Company exercised its accelerated condition included in the indenture relating to the December 2016 Convertible Debenture resulting in all the outstanding convertible debentures being exercised and converted to common shares of the Company. As at March 31, 2018, the principal amount outstanding of December 2016 Convertible Debentures was \$nil (June 30, 2017: \$40,314,000).

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9. Convertible Debentures (continued)

November 2017 Convertible Debenture:

On November 14, 2017, the Company received gross proceeds of \$40,250,000 from a brokered private placement issuance of 8% coupon, unsecured debentures, which are convertible into common shares at a rate of \$1.60 per share at any time and mature on November 14, 2019. Concurrently, the lenders received 12,598,250 warrants exercisable at \$1.80 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 and \$217,136 of legal and regulatory fees. These transaction costs have been allocated to the liability and equity components based on their pro-rata fair values. As at March 31, 2018, the principal amount outstanding of November 2017 Convertible Debentures was \$35,770,000 (June 30, 2017: \$nil).

All 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 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.

Convertible debentures consist of the following:

	Proceeds	Debt component	Equity component conversion option
Balance June 30, 2016	1,374,063	536,700	157,520
Issue of convertible debt, net of tax and transaction costs	51,840,084	41,397,705	4,161,397
Accretion and unpaid interest (April 2015 Debentures)	-	11,184	-
Accretion and unpaid interest (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	3,050,228
Conversion (Dec 2016 Debentures)	-	(31,705,456)	(3,050,228)
Issue of convertible debt, net	38,438,753	31,566,984	4,947,474
Conversion (Nov 2017 Debentures)	-	(3,643,624)	(444,110)
Accretion and unpaid interest (Nov 2017 Debentures)	-	2,449,097	-
Balance, March 31, 2018	91,652,900	30,372,457	4,503,364

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

During the nine months ended March 31, 2018, \$44,794,000 of the Company's outstanding convertible debt was converted to common shares. A total of 33,904,992 common shares were issued on conversion.

On March 31, 2018 the Company had 253,508,513 common shares issued and outstanding.

10b) Share Capital: Share purchase warrants

During the nine months ended March 31, 2018, various warrant holders exercised 29,546,394 warrants generating proceeds of \$41,803,021.

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10. Share Capital (continued)

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

On November 14, 2017, related to the November 2017 issuance of convertible debentures, the Company issued 12,598,250 warrants exercisable at \$1.80 and expiring November 14, 2020.

During the nine months ended March 31, 2018, a total of 3,574,587 share purchase warrants expired.

On March 31, 2018, the Company had 67,174,869 share purchase warrants outstanding as follows:

	Warrants Outstanding	Weighted Average Exercise Price
Outstanding, June 30, 2016	38,075,419	\$.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	12,598,250	1.80
Exercised	(29,546,394)	(1.41)
Expired	(3,574,587)	(0.48)
Outstanding, March 31, 2018	67,174,869	\$ 1.11

As at March 31, 2018, the Company had outstanding warrants as follows:

Exercise Price	Expiry Date	Number of Warrants	Weighted Average Remaining Life (years)
\$ 0.50	June 20, 2019	7,979,557	1.22
\$ 0.32	April 23, 2020	4,979,321	2.07
\$ 0.55	July 27, 2018	2,611,763	0.32
\$ 0.50	July 15, 2019	914,593	1.29
\$ 0.50	August 30, 2019	17,141,686	1.42
\$ 1.70	December 13, 2019	20,980,999	1.70
\$ 1.80	November 14, 2020	12,566,950	2.63
		67,174,869	1.90

On November 14, 2017, the Company issued 12,598,250 share purchase warrants expiring on November 14, 2020. The share purchase warrants were valued using the Black-Scholes option pricing model using the following assumptions.

	2018	2017
Share price	\$ 1.61	\$ 0.35 - 1.82
Expected dividend yield	0.00%	0.00%
Stock price volatility	62%	89% - 91%
Expected life of warrants	1 year	1 year - 3 years
Forfeiture rate	-	-
Risk free rate	1.44%	0.6% - 1.83%

10c) Share Capital: Stock options

During the nine months ended March 31, 2018, 1,225,000 stock options were exercised generating proceeds of \$537,500.

During the nine months ended March 31, 2018, a total of 705,000 stock options were forfeited.

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10. Share Capital (continued)

10c) Share Capital: Stock options (continued)

As at March 31, 2018, the Company had outstanding, and exercisable stock options of 24,203,783 as follows:

	Options Outstanding	Weighted Average Exercise Price
Outstanding, June 30, 2016	7,385,000	\$.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	10,710,000	1.76
Exercised	(1,225,000)	(0.44)
Expired / Forfeited	(705,000)	(1.29)
Outstanding and exercisable, March 31, 2018	24,203,783	\$ 1.53

As at March 31, 2018, the Company had outstanding, and exercisable stock options as follows:

Exercise Price	Expiry Date	Number of Options	Weighted Average Remaining Life (years)
\$ 0.50	May 5, 2019	50,000	1.10
\$ 0.41	October 14, 2019	800,000	1.54
\$ 0.50	January 10, 2021	1,110,000	2.78
\$ 0.75	April 15, 2021	800,000	3.07
\$ 0.75	August 29, 2021	3,808,783	3.42
\$ 1.45	September 25, 2022	2,935,000	4.49
\$ 2.00	December 15, 2026	7,000,000	8.72
\$ 3.05	January 5, 2023	500,000	4.78
\$ 2.05	March 5, 2023	200,000	4.93
\$ 1.80	March 29, 2028	7,000,000	10.00
		24,203,783	7.81

10d) Share Capital: Share based payments

During the nine months ending March 31, 2018 the Company made the following four incentive option grants to employees, officers and directors as follows:

Grant Date	# of options	Expiry Date	Exercise price	Vesting Period
September 25, 2017	3,010,000	September 25, 2022	\$ 1.45	Immediately
January 5, 2018	500,000	January 5, 2023	\$ 3.05	Immediately
March 5, 2018	200,000	March 5, 2023	\$ 2.05	3 years (1/3rd vesting each of the first 3 years)
March 29, 2018	7,000,000	March 29, 2028	\$ 1.80	3 years (1/3rd vesting each of the first 3 years)

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10. Share Capital (continued)

10d) Share Capital: Share based payments (continued)

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

	2018	2017
Share price	\$ 1.43 - 3.04	\$ 0.67 - 1.66
Expected dividend yield	0.00%	0.00%
Stock price volatility	81% - 87.5%	89% - 91%
Expected life of options	5 years - 10 years	5 years - 10 years
Forfeiture rate	-	-
Risk free rate	1.8% - 2.09%	0.68% - 1.83%

10e) Reserves:

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

11. Related party transactions

The remuneration awarded to directors and executives for the nine-month period ended March 31, 2018, includes the following:

	2018	2017
Share based payments	\$ 3,653,776	\$ 10,395,242
Salaries and wages	839,697	466,920
	\$ 4,493,473	\$ 10,862,162

As at March 31, 2018, directors and executives of the Company held a combined \$1,085,000 of convertible debentures. The convertible debentures issued to related parties are at arm's length terms and generate 8% interest with payments due December 31, 2018, June 30, 2019 and November 14, 2019. The interest payment due to related parties as at March 31, 2018 is \$33,032.

12. Financial risk management

Financial instruments measured at fair value are classified into one of the levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

At March 31, 2018, the Company's financial instruments consist of cash, receivables, investments, accounts payable and accrued liabilities and convertible debt. The fair values of cash, receivables, accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term to maturity. The Company classifies its cash as FVTPL, accounts receivables as loans and receivables, investments as available for sale or FVTPL and accounts payable and accrued liabilities and convertible debt as other financial liabilities. The fair value of cash is based on level 1 inputs of the fair value hierarchy.

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

12. Financial risk management (continued)

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

For the three and nine months ended March 31, 2018 the Company has recognized an unrealized gain from investments of \$1,940,900 (2017: \$nil) due to the changes in fair value. The unrealized gain was determined using Level 1 and Level 2 inputs.

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

Credit risk:

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash and receivables. To minimize the credit risk the Company places cash with a high credit quality financial institution of Canada, for receivables, the Company evaluates the credit worthiness of the counterparty before credit is granted.

Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company typically settles its financial obligations out of cash and occasionally will settle liabilities with the issuance of common shares. The ability to settle obligations with cash relies on the Company raising funds in a timely manner and by maintaining sufficient cash in excess of anticipated needs. As at March 31, 2018, the Company had a cash balance of \$78,496,912 and current liabilities of \$12,778,276. The Company's current resources are sufficient to settle its current liabilities. All the Company's liabilities are due within one year, other than convertible debt which is due in 2019.

Interest rate risk:

The Company is not subject to interest rate risk on future cash flows, as all its instruments bear fixed rates of interest, 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 shareholders' equity and any debt it may issue, other than trade payables in the normal course of operations. As at March 31, 2018, the Company's shareholders' equity was \$142,378,537 (June 30, 2017: \$59,087,239) and liabilities other than trades payable and accruals were \$30,372,457 (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.

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 nine months ended March 31, 2018.

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13. Commitments

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

For the fiscal year ending June 30,	
2018	\$ 37,662
2019	536,401
2020	429,728
2021	429,728
2022	429,728
2023 and beyond	2,743,648
	\$ 4,606,895

14. Subsequent events

Incentive stock options issued

On May 15, 2018, the Company appointed Colin Moore as an independent director of the Company. Concurrently, the Company issued 300,000 incentive stock options to the new director at an exercise price of \$1.80 expiring on May 15, 2023. The incentive stock options will vest in equal instalments of 1/3 on each of the dates that are 12 months, 24 months and 36 months from May 15, 2018.

Convertible debentures

Subsequent to March 31, 2018, November 2017 Convertible Debentures of \$100,000 were converted in exchange for 62,500 common shares of the Company.

Share purchase warrants exercised

Subsequent to March 31, 2018, various warrant holders exercised 245,000 warrants for total proceeds of \$122,500.