



**Supreme Cannabis Co.
SPRWF
Investment Notes**

Supreme.

www.supreme.ca

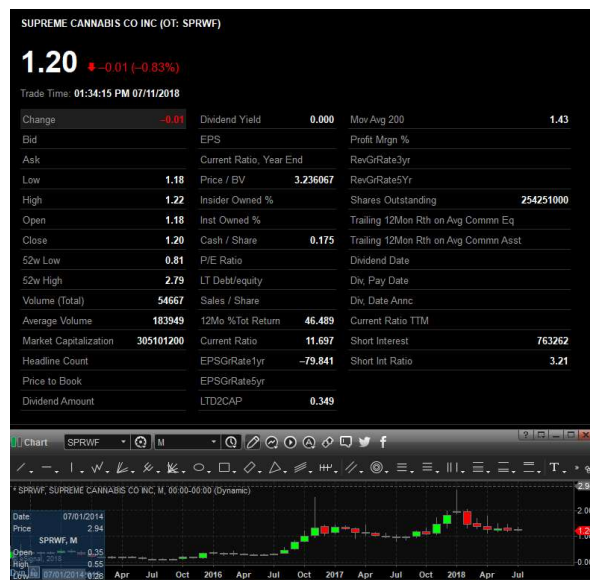
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Supreme Cannabis Company Inc, formerly Supreme Pharmaceuticals Inc, is a Canada-based company. The Company is focused on developing businesses in the cannabis market, with a specific focus on the wholesale sector of the medical cannabis market in Canada. The Company operates an approximately 342,000 square foot greenhouse facility located in Kincardine, Ontario. The Company's subsidiary is 8528934 Canada Ltd., doing business as 7 ACRES, a licensed producer of medical cannabis. 8528934 Canada Ltd. cultivates medical cannabis at its approximately seven acres (over 342,000 square feet) hybrid greenhouse (the Hybrid Greenhouse) facility in Kincardine, Ontario.

7ACRES is a Canadian Licensed Producer (now, under the Cannabis Act, a licensed cultivator, licensed processor and an entity licensed to sell medical cannabis), focused on cultivating premium dried cannabis flowers on a commercial scale. 7ACRES is a leading Canadian B2B Licensed Producer, a cannabis business model it pioneered in 2016. Currently, 7ACRES operates 120,000 sq. ft. of flowering room capacity which is expected to have an average output of approximately 17,500 kilograms of dried cannabis per annum. The Company does not have any Canadian operations independent of 7ACRES.

The 7ACRES Facility is located in Kincardine, Ontario. It is expected that the Facility, once complete, will span more than 440,000 sq. ft. Management expects the Facility will be able to produce 50,000 kilograms of premium dried cannabis per year once it is able to operate at full capacity. The Facility has been developed to produce premium dried cannabis, at scale.

Management believes the Facility is unique in Canada for combining what management believes to be the best aspects of indoor and greenhouse cannabis cultivation. The Facility is intended to combine the science, standardization and quality of indoor cultivation with the benefits of full-spectrum sunlight. The Company expects that all flowering rooms at the Facility will be completed by March 2019 and the entire Facility (including staff offices, lunch rooms and other non-cultivation areas) is expected to be completed by the middle of calendar 2019.



Fiscal year end is June 30

All Amounts are in CAD unless mentioned otherwise

December 10, 2019 (\$0.50) Increased our position over the last 2 days, to a 1% position. We now have 1,053,450 shares at an average cost of \$0.87

Updated Investment Info and Thesis:

Thesis unchanged since September 30, 2019, with a caveat. I was familiar with the rise and fall of cannabis in Oregon during 2016 – 2018. What is currently happening in Canada is reminding me of the same. We are seeing inventory builds, black market, and CEO's having hopes of this pain being temporary. It might not be temporary, and if so, companies to survive will need deep pockets. I certainly am not sure if Supreme will be a survivor, yet I like their valuation, their corporate structure and such. So, perhaps they will be a survivor. We have a relatively small allocation of 1%. We did build up our shares to 1% over the last several days at an average price of ~\$0.50.

354M shares outstanding, produces a market capitalization using fully diluted of \$177.0M USD. The company has guided F2020 mid-point revenues of \$165M CAD (\$124.7M USD using a conversion rate of 75.58%). This is 1.32X company guided F2020 mid-point revenues. There are 365M fully diluted in the money shares, produces a market capitalization of ~\$182.5M (1.46X company projected mid-point F2020 revenues.)

Our thesis is basically a pure play cannabis investment, with a company that will potentially grow their revenues to commensurate their current market capitalization of ~\$3182.5M USD. We could see the possibility of F2021 revenues of \$200M CAD

(\$151.8M USD using 75.58% conversion). This would be a forward F2021 price to sales ratio of 1.20X. At this point financial statement analysis and projections are rather meaningless. We must wait and see if they can increase revenues in a meaningful fashion, of their vertically integrated operation.

KPMG becomes auditor

One of my concerns listed below was there wasn't a Big 4 auditor. KPMG LLP was appointed as auditors of the company.

December 9, 2019 (\$0.50) Review of 1Q20

Guidance of net revenue of between \$150 million and \$180 million.

The Company also announced that it has entered into a credit agreement with Bank of Montreal as Lead Arranger and Agent on behalf of a group of lenders for \$90 million of senior secured credit facilities consisting of a term loan of \$70 million and a revolving credit facility of \$20 million.

The company doesn't disclose its kilograms produced or sold, nor does it host earnings calls. I think the reason is holding off on releasing competitive data. I am totally cool with both of these practices. They do release expected revenues, and I think that is the most important tool.

Consensus revenue estimates are \$94.2M CAD for F2020, and \$176.05M CAD for F2021, as of today's date.

BoA ML issued a report on 11/15/19. They project revenues of \$80M CAD for F2020, \$119M CAD for F2021, and \$134M CAD for F2022. They project eps of (\$0.00) for F2020 and \$0.11 for F2021.

GMP issued a report on 11/15/19. They project revenues of \$100.8M CAD for F2020, \$225.6M CAD for F2021. They project eps of (\$0.05) for F2020 and (\$0.19) for F2021.

CIBC issued a report on 11/15/19. They project revenues of \$117.1M CAD for F2020, \$225.8M CAD for F2021. They project eps of (\$0.04) for F2020 and \$0.06 for F2021.

PI Financial issued a report on 11/15/19. They project revenues of \$120.4M CAD for F2020, \$200.8M CAD for F2021. They project eps of (\$0.00) for F2020 and \$0.11 for F2021.

Insider Activity is slightly positive. Fowler sold, but also left the company.

Filing Date	Transaction Date	Insider Name	Ownership Type	Securities	Nature of transaction	Volume or Value	Price
Oct 11/19	Oct 10/19	Dhaliwal, Navdeep S.	Direct Ownership	Common Shares	10 - Acquisition in the public market	30,000	\$0.928
Oct 8/19	Oct 8/19	Davloor, Ramana	Direct Ownership	Common Shares	10 - Acquisition in the public market	36,700	\$1.09
Oct 4/19	Oct 4/19	Fowler, John Alexander	Direct Ownership	Common Shares	10 - Disposition in the public market	-151,088	\$1.15
Oct 4/19	Oct 3/19	Fowler, John Alexander	Direct Ownership	Common Shares	10 - Disposition in the public market	-250,000	\$1.08
Oct 4/19	Oct 3/19	Fowler, John Alexander	Direct Ownership	Common Shares	51 - Exercise of options	250,000	\$0.410
Oct 4/19	Oct 3/19	Fowler, John Alexander	Direct Ownership	Options	51 - Exercise of options	-250,000	\$0.410
Oct 4/19	Oct 2/19	Fowler, John Alexander	Direct Ownership	Common Shares	10 - Disposition in the public market	-752,600	\$1.04
Oct 4/19	Oct 1/19	Fowler, John Alexander	Direct Ownership	Common Shares	10 - Disposition in the public market	-589,700	\$1.13
Sep 5/19	Aug 30/19	Dhaliwal, Navdeep S.	Indirect Ownership	Common Shares	54 - Exercise of warrants	50,000	\$0.500
Sep 5/19	Aug 30/19	Dhaliwal, Navdeep S.	Direct Ownership	Warrants	54 - Exercise of warrants	-50,000	\$0.500

Officer compensation doesn't look excessive. It isn't low, but not excessive in my opinion. When looking at the management circular, I don't find the compensation in cash or sort to be excessive. CEO made \$614K CAD for F2019, all other officers (excluding Fowler who also made \$603K CAD) are less than the CEO.

There was a related party transaction with Supreme Heights during the quarter. I am not overly concerned with Supreme Heights. One, because it is relatively small, but two, perhaps it is beneficial or required for the future of that part of the business.

October 29, 2019 (\$0.51) Fowler leaves company. No reason supplied

October 7, 2019 (\$0.82) Fowler sells a material amount of shares

As we mentioned on September 30, 2019, Founder, John Fowler, owned 2.55M shares. Mr. Fowler owned less than 0.70% of the fully diluted shares of the company (including all in the money shares).

On October 3rd and 4th he sold 1,743,388 of those shares at an average price of \$0.816 USD (\$1.0857 CAD * 75.12%).

October 1, 2019 (\$0.83) Increased our position at average cost of ~\$0.8644

We bought 409,034 shares at an average cost of \$0.8644 per share. We now control 727,604 shares, with a ~1.30% portfolio allocation, with an average cost of \$0.98 USD.

September 30, 2019 (0.92) Review of F2019

2-Minute Drill and Thesis:

354M shares outstanding, produces a market capitalization of \$317.4M USD. The company has guided F2020 mid-point revenues of \$165M CAD (\$124.3M USD using a conversion rate of 75.32%). This is 2.55X company guided F2020 mid-point revenues. There are 365M fully diluted in the money shares, produces a market capitalization of ~\$336M (2.70X company projected mid-point F2020 revenues.)

Supreme is a large Canadian cannabis producer, with a focus on premium grade flower and extracts. Their 7 Acres facility has 230,000 square feet of licensed growing space, with annual production capacity of 33,000kg, as of June 30, 2019.

This is a speculative investment, as are most pure play cannabis companies currently. We control 318,570 shares, with a ~0.51% portfolio allocation, with an average cost of \$1.23USD.

Our thesis is basically a pure play cannabis investment, with a company that will potentially grow their revenues to commensurate their current market capitalization of ~\$320M USD. We could see the possibility of F2021 revenues of \$200M CAD (\$150.6M USD using 75.32% conversion). This would be a forward F2021 price to sales ratio of 2.12X. At this point financial statement analysis and projections are rather meaningless. We must wait and see if they can increase revenues in a meaningful fashion, of their vertically integrated operation.

Some other concerns, which if happens would possibly hurt the stock price short-term but shouldn't have any permanent effect on this company or any Canadian cannabis company would be, the potential of revenue misses because of new Canadian excise tax laws, as well as the potential for inventory and biological asset impairments.

Supreme claims the differentiator they have over many of the other growers is the quality of their flower. They seem to pride themselves on high grade flower, whereas the competition has lower level products. I am concerned on how the potential for, and what I expect, commoditization to occur, and of course that could hurt this company.

Insiders own < 5% of the common stock. I like seeing management have skin in the game, as often their interests are aligned with shareholders'. Founder, John Fowler, owns 2.55M shares. Mr. Fowler owns less than 0.70% of the fully diluted shares of the company (including all in the money shares).

They do not have a big 4 auditor. I like to see a company commitment to quality with a Big 4 auditor. The auditors are a large recognized firm, of MNP LLP. MNP is recognized as an accounting leader in the Canadian cannabis space.

As in all our cannabis research, we expect eventual world-wide legalization of cannabis, like the alcohol industry today. Canada is the first G-7 nation to legalize cannabis, and we expect other G-7's to follow suit, including the USA.

Again, this is a speculative investment, in a speculative industry, and cannabis is Federally illegal in the USA. The company could have execution risks, which are also inherent in the industry. The industry is in its infant stages, and there could be several catalysts to increase the share price over time. These catalysts could include legalization in the USA, changes in laws of a Canadian company selling to States in the USA, greater acceptance of cannabis as a long-term future industry in the USA and the world.

Other Notes Upon Reading of Annual Filings:

Navdeep Dhaliwal, CEO, wrote an interesting letter in the F2019 Annual Report. They are focused on brands and premium flower. I am concerned on how the potential for, and what I expect, commoditization to occur, and of course that could hurt this company. He claims to have entered F2020 as "fully funded." He provided previous issued guidance of F2020 revenues to be in the \$150M to \$180M range.

Looking at the balance sheet and view of future cash burns, I think financing will certainly be required. The convertible debt due as of June 30, 2019 is \$79.1M. The June 30, 2019 cash balance is \$54.8M. My ultimate concern would be the ability for the company to obtain friendly and non-toxic financing. On one hand, you can see the quality of the company bringing in financing from a large tier 1 lender. On the other hand, capital in the sector has gotten difficult, and the vaping crisis doesn't help. Hence, the speculative aspect of this company is clearly evident. Of course, if the share price increased materially prior to the conversion dates, the debenture investors could exercise their conversion rights. We base our thesis that this will not occur, and that Supreme will look for and hopefully receive agreeable financing. This risk, once again, will force us to keep our position sizes reduced.

Supreme has a partnership with PAX Labs and their ERA product. Vaping of course is a highlighted medical concern over the last month or so. This of course needs to be monitored. The PAX ERA in my view is one of the, if not the best vaping product that has ever hit the market.



Source: Company reports.

CIBC issued a report on 9/23/19. They project revenues of \$145.6M CAD for F2020, \$246.5M CAD for F2021.

PI Financial issued a report on 9/18/19. They project revenues of \$150.M CAD for F2020, \$230.8M CAD for F2021. They project eps of \$0.03 for F2020 and \$0.08 for F2021.

On July 24, 2019, John Fowler Founder and former CEO, resigned as President and from the Board of Directors. The company stated that Mr. Fowler will continue to play a valuable role on Supreme Cannabis' senior management team in his new role as Chief Advocacy Officer & Managing Director, Flower and Concentrates. In this role, Mr. Fowler will continue to be an advocate for the cannabis plant, the cannabis industry, the Company and each of its recreational brands.

Fowler was named one of High Times' 100 Most Influential People in Cannabis earlier this year, currently serves as Chief Advocacy Officer of Supreme Cannabis, in addition to Director and Vice-Chair of the Adult Use Committee at the Cannabis Counsel of Canada. In October 2018, Canada became the first G20 country to legalize recreational marijuana. The Cannabis Counsel of Canada has been instrumental in shepherding in the new industry and ensuring consumers are well represented.

Insider ownership is rather small. I like to see skin in the game, which we certainly don't have with Supreme.

	Investor Name	% Outstanding	Position
1	Fowler, John Alexander	0.75%	2,546,265.00
2	Davloor (Ramana)	0.37%	1,273,925.00
3	Dhaliwal (Navdeep S)	0.11%	387,866.00
4	Factor (Ronald A)	0.06%	193,000.00
5	Handa (Nikhil)	0.04%	125,000.00
6	Chan (Steve)	0.02%	74,250.00
7	LaBrier (Michael)	0.02%	61,000.00
8	McKinnon (Kenneth Richard)	0.02%	60,000.00
9	Young (Craig G.J)	0.02%	53,000.00
10	Naoumov (Dimitre)	0.02%	51,750.00
11	Batra (Chander Prakash)	0.01%	36,000.00
12	Gokhale (Sunpreet Kaur)	0.01%	25,684.00
13	Moore (Colin William)	0.01%	20,000.00
14	Azeez (Omer Hyder)	0.00%	14,405.00
15	Walters (Scott)	0.00%	5,000.00

There were no material related party transactions, except for compensation.

August 13, 2019 (\$1.05) Company issues guidance for F2020

The Company expects net revenue for fiscal 2020 to be between \$150 million and \$180 million.

The Company expects net revenue of approximately \$19 million and positive Adjusted EBITDA for Q4 2019.

Brands, Partnerships and Operations

Over the last year, Supreme Cannabis has built a focused portfolio of brands and operating assets to serve diverse consumer experiences and emerging product categories.

- 7ACRES: Growing premium cannabis at scale from a 440,000 square foot indoor hybrid facility.
- Blissco: Established premium wellness brand expected to produce over 7,000,000 tincture bottles annually by December 2019 and focus on Global CBD markets.
- PAX: Partnership to launch premium 7ACRES oil pods for the PAX Era in Canada.
- Truerra²: International evidence based medical brand with Health Canada-licensed facility for research and development.
- KKE: Ultra-premium lineup of cannabis products for the Canadian and international cannabis enthusiasts, developed in partnership with Wiz Khalifa and Khalifa Kush Enterprises Canada.
- Medigrow: Producing full spectrum CBD and medical cannabis oil products for international markets from a low-cost jurisdiction in Southern Africa.
- Supreme Heights²: Investment platform focused on early stage brands in the UK and European CBD health and wellness market.
- Cambium Plant Sciences: Research and development facility focused on developing the next generation of premium cannabis genetics and proprietary cultivation processes.

May 15, 2019 (\$1.41)

GMP issued a report on 5/14/19. They project revenues of \$36M CAD for 2019, \$129.6M CAD for 2020. They project eps of (\$0.06) CAD for 2019, \$0.05 CAD for 2020.

May 14, 2019 (\$1.44) 3Q19 results released

	Three Months Ended		Nine Months Ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Net Revenue	9,969,810	2,069,032	22,828,073	5,309,671
Operating expenses	10,321,909	4,611,729	27,150,715	10,752,186
Net Loss	(7,139,499)	(3,367,730)	(14,075,596)	(7,581,491)
Basic and Diluted Loss per common share	(0.02)	(0.01)	(0.05)	(0.04)
Cash			75,024,882	78,496,912

Q3 2019 net revenue was \$10 million, a 382% increase from Q3 2018 (\$2.1 million) and a 29% increase from Q2 2019 (\$7.7 million).

Sales revenue from adult-use recreational markets increased 63% quarter over quarter.

During the quarter, 7ACRES' facility was approved for 90,000 sqft of additional production capacity, increasing annual capacity from 13,300kg to 26,250kg.

I read the financials and MD&A. Revenues were as expected. I would be content with \$50M CAD for F2020, and SPRWF had \$10M in 3Q19 alone. Yet, current analyst consensus estimates are \$138M CAD for F2020, and \$175M CAD for F2021. At this point, I am not adjusting my thesis. Although I would be content with F2020 revenues of \$50M CAD, that is certainly not a projection, nor an expectation. I don't think any of the analyst estimates for this company should be paid attention to at this point. The reason being is there are so few, and I have not seen any that have projected deflation or commoditization. The company has not supplied any guidance and doesn't conduct quarterly conference calls.

Common Shares Outstanding as at May 13, 2019 (per MDA)	294,100,730
Stock Options as at May 13, 2019 (per MDA)	24,963,942
Warrants as at May 13, 2019 (per MDA)	56,653,769
Total fully diluted shares outstanding	377,718,441

I listed all options and warrants, as only 1.24M were not in the money.

I didn't list convertible debentures issued on October 19, 2018 for gross proceeds of \$100M. If converted, shares would increase by 41M shares. I chose not to include this, as the debt would also be wiped out.

Valuation and Thesis:

Valuation using 378M shares is \$544M USD. Price to F2021 (6/30/21) estimated consensus revenues of \$175M X CAD current conversion rate of 0.7427 is 4.18X.

Thesis listed below on February 12, 2019 remains unchanged.

April 17, 2019 (\$1.47) Merrill initiates a buy with a target of \$2.50 CAD (~\$1.88 USD)

They project revenues of \$30M - \$31.5M CAD for 2019, \$95.0 - \$105.2M CAD for 2020, \$155M - \$172.5M CAD for 2021, and \$234.3M CAD for 2022. They project eps of (\$0.05) CAD for 2019, \$(0.02) CAD for 2020, \$0.02 CAD for 2021, and \$0.06 CAD for F2022.

"Supreme Is a Canada based cannabis company focused on selling premium grade cannabis to habitual customers in the recreational market."

February 12, 2019 (\$1.45) 2Q19 earnings released

We own ~319,000 shares at an average price of \$1.23USD

Thesis and 2-Minute Drill:

Buying an alleged quality and respected company at a discount to the relative cannabis market. I always have difficulty with comparing other companies in an industry which I consider to be severely over-valued, as I do the cannabis industry. Yet, I can certainly see Supreme growing into their valuation if they attain revenues of ~\$150M CAD at some point.

Insiders have been buying the stock during January 2019, as indicated below.

Valuation using 375M shares is \$543.8M USD.

Price to F2021 (6/30/21) estimated revenues of \$190M X CAD current conversion rate of 0.76 is 3.77X.

Should they survive or grow into their valuations, which will require at least \$190M in CAD revenues for F2021 (6/30/21). If they trade at 1X F2021 revenues, the US price

for SPRWF would be \$0.40 per share. ($\$190\text{M CAD} * 76\% \text{ CAD/USD}$) = \$144.4M. Using 375M shares would equate to a price of \$0.39USD.

I have a question on selling price of cannabis for Supreme. Supreme mentioned to me, *"We're not providing that level of guidance at this moment, however our production target from 7ACRES will reach 50,000kg by the middle of this year."* My question is of this production, how many kg's can we expect would be sold, and of that, how much is flower and how much is trim, and how much would be unusable, in general circumstances? I asked this question, and the answer given was that trim is not included in the expected production.

In the financial statements Supreme indicated selling prices are based on the Company's actual historical average selling price per gram for the preceding nine months. Selling prices average \$6.43 for cannabis flower and \$2.39 for cannabis trim. Hence, for modeling we would need to know ultimate potential reasonable revenues.

I will model the following for now. This is very back of the envelope.

Sales F2020 20,000Kg
Sales F2021 25,000Kg
Sales F2022 30,000Kg

Selling price Flower \$3.67 USD (I used \$6.43 from company filing, 76% currency conversion, and reduced by 25% subjectively).

Selling Price Trim \$1.36 (I used \$2.39 from company filing, 76% currency conversion, and reduced by 25% subjectively).

Use a flower to trim ratio of 50/50.

Amounts below are USD projections:

	F2020	F2021	F2022
Flower	\$36.7M	\$45.9M	\$55.1M
Trim	\$13.6M	\$17.0M	\$20.4M
Total	\$50.3M	\$62.9M	\$75.5M

Keep in mind, I am using half of their stated capacity expected at end of F2019 and have reduced prices by 25%. Supreme indicated to me that trim is a total by-product, and if they produce 50K KG, that would be the amount of useable flower, and trim

would be added to that. Nevertheless, for conservatism, I will continue to use numbers that potentially could be considered punishing.

Questions for Supreme:

1. Asset disposals - They indicated this was a repositioning of assets. They expect to reuse some of the assets. This was done as the facility started taking hold, and they saw revisions to be made.
2. You indicate by mid-year you expect production of 50,000 KG by mid-year. That would be for F2020, what about following year? Is there a market that can absorb all that? – They claim there is a current shortage and expect to be able to produce if warranted.
3. Of the plants you expect, what breakup would you use for Flower/Trim? An industry person I spoke with, thinks would be less than 50% for flower. The person even suggests if they say 50K, perhaps I should use 25K or less. SPRWF claims in FS, “Expected yield – the expected yield per plant is based on the Company’s actual historical average yield per plant. Expected yield per plant is 40.44 grams of cannabis trim and 87.03 grams of cannabis flower.”
4. What type of lighting is being used in greenhouses? Are you using Gavita? They didn’t disclose type of lights. There are no LED’s.
5. Have you ever had rooms or grows fail? Describe. Do you expect future failures? Please quantify. How many crop failures have you had? – They explained they had crop failures, and nothing excessive. This is standard in the industry.
6. What is the ratio of extractable to sellable? Do you do any extracts, or just flower and trim? What is product mix? – I am not sure of the answer.
7. What issues have you experienced in the past. – Crop failures as discussed above.
8. How many KG sold in first 6 months? - I am not sure of the answer.
9. Do you use Sunlight Supply or Hawthorne as a primary for infrastructure? - I am not sure of the answer.
10. Are you seeing any commoditization? You are averaging \$2,900 per lb. which is very high for states. – I am not sure of the answer.

Notes upon Financial Statement Review:

Current assets of \$120M, including \$92M of cash. Current liabilities of \$26M. Current ratio, meaningless in a startup type business, as cash can burn quickly was a healthy 4.62X.

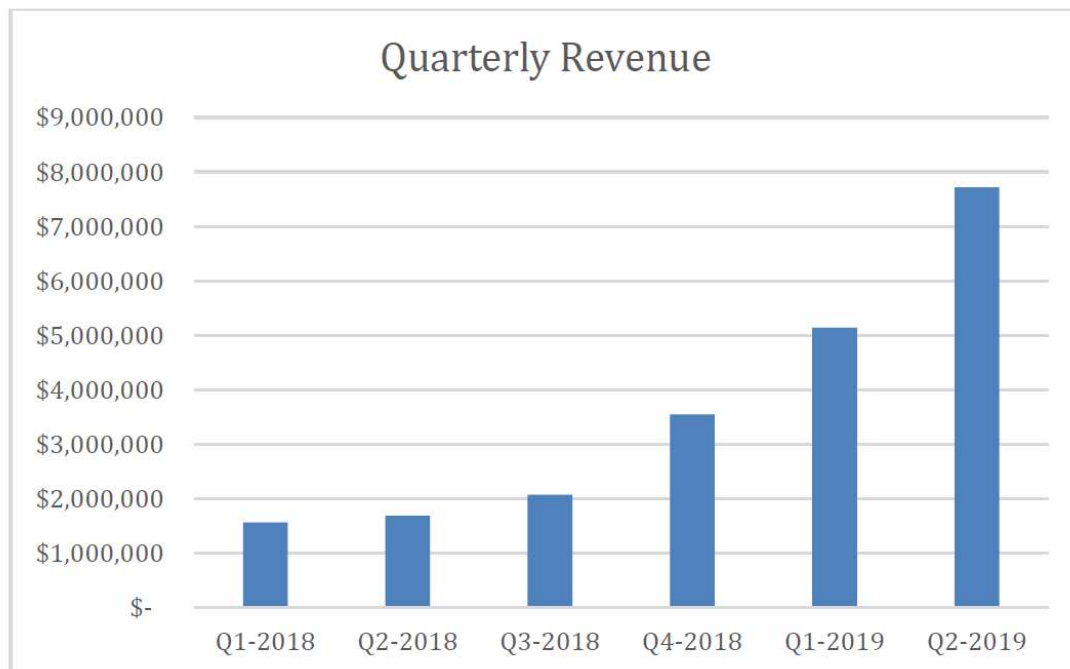
Inventory of \$8.4M. Biological assets of \$5.5M.

Long-term debt of \$72M.

Shareholders' equity is \$206.6M. Tangible equity is \$181.4M.

Quarterly revenue of \$7.7M. 6 months ended December 31, 2018 revenue was \$12.9M.

During the three months ended December 31, 2018, Supreme achieved \$7,718,351 of revenue representing a 50% and 359% increase from the three months ended September 30, 2018 and the three months ended December 31, 2017, respectively. The record revenue achieved during the three months ended December 31, 2018 is due to increased production at the 7ACRES Facility, the strong demand for the Company's premium dry cannabis flower and robust wholesale and adult use market pricing.



Weighted average shares for 3 months ended December 31, 2018 were 283,047,747.

On December 31, 2018 the company had 289,784,791 common shares issued and outstanding.

Loss per share reported at \$(0.01) for the quarter, \$(0.03) for the 6 months ended. I don't pay much attention to the loss (or if there was a gain), as it includes a \$2.4M unrealized loss on investments, and a tax recovery of \$5.6B for the quarter. Net loss would have been \$(7.1M) if tax recovery was not in there, as opposed to reported quarterly loss of \$(1.6M).

Cash burn is difficult to construct because of IFRS and biological assets. Here is a generic table I use for calculating cash flow (burn) for the six months ended December 31, 2018:

Net Loss	(6,936,097)

Add: Amortization	1,843,070
Loss on Disposal of PP&E	3,891,566
Realized fair value changes of inventory sold	9,490,553
Unrealized loss on investments	1,909,620
Subtract: Fair value changes of biological	(15,315,563)
Sub-total	(5,116,851)
Less: Capex	(51,483,122)
Cash burn for six months	(56,599,973)

I think when looking at above, as mentioned previously, it must be taken as a grain of salt. The capex is part of a large buildout. I think the best method is to just watch this operationally and see how this develops as they mature.

I didn't include "impairment adjustment on fair value of inventory" of \$548,645 as I consider it a cost of doing business, and part of cash flow (burn).

Common Shares Outstanding as at February 12, 2019 (per MDA)	290,274,566
Stock Options as at February 12, 2019 (per MDA)	23,937,483
Warrants as at February 12, 2019 (per MDA)	60,198,267
Total fully diluted shares outstanding	374,410,316

I didn't list convertible debentures issued on October 19, 2018 for gross proceeds of \$100M. If converted shares would increase by 41M shares. I chose not to include this, as the debt would also be wiped out.

I questioned the company as to why so many PP&E asset disposals for such a young company to generate a loss of \$3.9M? Their response was, *"The non-cash loss on disposal of PPE is due to repurposing of various areas at our 7ACRES facility to improve efficiency, production flow and realize cost savings in the future. The amount consists of labour expenses associated with the initial installation of assets. We are planning on reusing some of the removed hardware in different areas of the facility / future facilities."*

Filing Date	Transaction Date	Insider Name	Ownership Type	Securities	Nature of transaction	Volume or Value	Price
Jan 25/19	Jan 25/19	La Brier, Michael John	Direct Ownership	Common Shares	10 - Acquisition in the public market	61,000	\$1.75
Jan 27/19	Jan 24/19	Chan, Steve	Direct Ownership	Common Shares	10 - Acquisition in the public market	43,300	\$1.72
Jan 24/19	Jan 24/19	Gokhale, Sunpreet Kaur	Direct Ownership	Common Shares	10 - Acquisition in the public market	15,809	\$1.73
Jan 28/19	Jan 23/19	Walters, Scott Robertson	Direct Ownership	Common Shares	10 - Acquisition in the public market	5,000	\$1.72
Jan 24/19	Jan 23/19	Gokhale, Sunpreet Kaur	Direct Ownership	Common Shares	10 - Acquisition in the public market	9,875	\$1.71
Jan 28/19	Jan 22/19	Azeez, Omer Hyder	Direct Ownership	Common Shares	10 - Acquisition in the public market	14,405	\$1.70
Jan 22/19	Jan 22/19	Batra, Chander Prakash	Direct Ownership	Common Shares	10 - Acquisition in the public market	11,000	\$1.75
Jan 23/19	Jan 21/19	Young, G.J. Craig	Direct Ownership	Common Shares	10 - Acquisition in the public market	12,000	\$1.75
Jan 17/19	Jan 15/19	Naoumov, Dimitre	Direct Ownership	Common Shares	10 - Acquisition in the public market	21,750	\$1.78
Jan 17/19	Jan 15/19	Fowler, John Alexander	Direct Ownership	Common Shares	10 - Acquisition in the public market	71,855	\$1.81

October 30, 2018 (\$1.08) Some replies to another cannabis investor

Investor wrote, *"I don't see growing and selling Cannabis to be where the future value creation lies. Growing and selling as some have mentioned may become commoditized. I see value creation in IP, creating new product categories, patented products etc..."*

As you might realize, or go back to my posts, I have a constant theme of commoditization. Yet, when will prices stabilize? They plan on having facilities with ~400K square ft. of cannabis. There is an alleged supply shortage in Canada. I am expecting Supreme will potentially produce 50M grams of cannabis in year ended 6/30/21. Using a price of \$6 USD per gram, the company could theoretically produce 50M grams or \$300M USD. Maybe that has commoditization built in. Someone must grow the weed, especially as many are focusing on the extractions, large growers buying weed elsewhere, so they can produce. I think commoditization is certainly here, and maybe permanently. OTOH, perhaps quality weed will level out at \$1,000 per pound, which translates to \$2.20 per gram, a far cry from \$6.00.

"With all the convertible note stuff they do, think that keeps a pretty low ceiling on the stock price."

Look at the market cap and enterprise value. I think with all the converts you have 368M shares outstanding. You can extrapolate dilution and give them 400M shares outstanding, or based on current USD price of \$1.07, a market cap of \$428M USD. Still very high, but potentially a Price to Sales for 6/30/21 of <2X. Speculative for sure, but not too many other cannabis companies with a P/S of <2X for F2021.

You asked if a cannabis play or real estate play. I think clearly and solely cannabis. Investor wrote, *"Supreme is far from alone in being a non-differentiated (being*

growing) Canadian LP, the main difference is their market cap is much larger than most (as is their production)." "I see Supreme as an investment that will under-perform the winners in the sector" + and maybe be a big loser if the "growing is least profitable/investment multiple place to be in the industry thesis proves to be true"

Fundamentally, as I asked above, what other companies would you be referring to, comparing square feet, potential grow, price and valuation?

Here are some of my thoughts on other companies' prices: I will look at CGC again if it hits \$13. Same with ORHOF at \$3.00, CVSI at \$1.00, GRWG at \$1.26, KSHB at \$2.50, LHSIF at \$0.23, MRMD at \$0.75, OGRMF at \$1.25.

October 24, 2018 (\$1.17) Increased our ownership to ~0.75% of most portfolios. We bought 171K shares at an average price of \$1.22. We now own ~310K shares.

There has been some insider buying. Keep in mind these are Canadian prices, hence the current exchange rate is 76.62%.

Amended Filing

As of 11:59pm ET October 23rd, 2018

Filing Date	Transaction Date	Insider Name	Ownership Type	Securities	Nature of transaction	Volume or Value	Price
Oct 23/18	Oct 23/18	Batra, Chander Prakash	Direct Ownership	Common Shares	10 - Acquisition in the public market	10,000	\$1.55
Oct 23/18	Oct 22/18	Naoumov, Dimitre	Direct Ownership	Common Shares	10 - Acquisition in the public market	15,000	\$1.63
Oct 23/18	Oct 19/18	Batra, Chander Prakash	Direct Ownership	Common Shares	10 - Acquisition in the public market	10,000	\$1.96

September 28, 2018 (\$1.68)

Valuation using 368M shares is \$618.2M USD.

Price to F2021 (6/30/21) estimated revenues of \$190M X CAD current conversion rate of 0.77 is 4.25X.

Should they survive or grow into their valuations, which will require at least \$190M in CAD revenues for F2021 (6/30/21). If they trade at 1X F2021 revenues, the US price for SPRWF would be \$0.40 per share. (\$190M CAD * 77% CAD/USD) = \$146.3M CAD. Using 368M shares would equate to a price of \$0.40 USD.

September 25, 2018 (\$1.76)

Valuation using 368M fully diluted shares outstanding is \$648M USD.

PI Financial has Revenue estimates of \$44.4M for F2019, \$117M for F2020, and \$193.1M for F2021.

Price to F2021 estimated revenues of \$193.1M X CAD current conversion rate of 0.77 is 4.34X.

PI Financial has EPS estimates of \$0.00 for F2019, \$0.08 for F2020, and \$0.12M for F2021.

Review of 4Q18 earnings:

“Recorded \$8.85M in revenue for FY2018, among the highest reported revenue for any publicly traded Canadian cannabis producer in its first four quarters of sales.”

“Posted a record sales quarter with 71% quarter over quarter growth, with \$3.55M in sales in FY2018 Q4.”

“The Company signed several wholesale supply agreements including with Aurora Cannabis Inc. (TSX: ACB) and Namaste Technologies Inc. (TSXV: N) and secured strong wholesale pricing.”

MNP LLP are the auditors.

Cash of \$56M.

Convertible Debt \$31.7M.

Shareholder Equity \$144.15. Tangible equity of \$135.75.

I am ignoring all operating metrics, as it is too early in the game to evaluate.

Cash burn of \$20.6M, not including capex. I calculated this by net loss, increase loss of fair value change of biological assets, increase loss adding back Unrealized gain on investments, and adding back amortization and Accretion of interest expense.

Capex for F2018 was \$71.9M.

I'm having a difficult time deciphering shares outstanding because of the convertible debentures. I am not confident in my estimation below, only because of the potential of an error I made on the convertible debentures.

Fully diluted shares outstanding for valuation purposes:

Common Shares Outstanding as at September 24, 2018 (per MDA)	260,289,723
Stock Options as at September 24, 2018 (per MDA)	24,482,533
Warrants as at September 24, 2018 (per MDA)	61,877,409
November 2017 Convertible Debentures O/S (per tele with IR on 9/26/18)	21,000,000
Total fully diluted shares outstanding	367,649,665

September 18, 2018 (\$1.65)

SUPREME QUICK FACTS

AS OF JULY 9, 2018¹

HEALTH CANADA LICENSE	Mar 2016
CASH	~\$80M
CURRENT CAPACITY	13,333 kg/year
POTENTIAL CAPACITY	50,000 kg/year
MARKET CAP ²	~\$510M
SHARES I/O	~256M
WARRANTS, OPTIONS AND CONV. DEBENTURES	~112M
FULLY DILUTED SHARES I/O ³	~368M

Market cap of \$607.2M USD based on 368M shares outstanding.

July 12, 2018 (\$1.25) Bought remaining shares at \$1.25 ~31K, for a total of 139,716 shares.

July 11, 2018 (\$1.22) Looking to establish a 1/3% position. Bought ~109K shares at \$1.22

Market cap is \$414.3M USD

Fully Diluted Shares outstanding as of May 18, 2018

Common Shares Outstanding	253,816,013
Stock Options	24,503,783
Warrants	66,929,869
Total fully diluted shares outstanding	345,249,665

They have a facility in Kincardine, ON, which currently has 40,000 square feet, which would produce at capacity 5,000KG of cannabis annually. The company is expanding to 342,000 square feet, which could produce 50,000 KG of cannabis by Spring of 2019.

Supremes' 7ACRES facility in Kincardine, ON is currently 40,000sf and has the capacity to produce 5,000kg of dried cannabis per annum. The Company is currently expanding this facility to be 342,000sf with a capacity to produce 50,000kg of cannabis by early 2019.

Using a price of \$6 USD per gram, the company could theoretically produce 50M grams or \$300M USD.

The following data is in CDN unless otherwise noted:

Book value is \$142.4M. Tangible book value is \$134M.

Inventory is \$2.6M. Biological assets is \$1.8M.

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