ORGANIGRAM HOLDINGS INC.

Consolidated Financial Statements

As at August 31, 2015

ORGANIGRAM
LICENSED MEDICAL MARIJUANA

December 20, 2015

Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of OrganiGram Holdings Inc. have been prepared by the Company's management in accordance with International Financial Reporting Standards and contain estimates based on management's judgment. Internal control systems are maintained by management to provide reasonable assurances that assets are safeguarded and financial information is reliable.

The Board of Directors of the Company is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements and the accompanying management discussion and analysis. The Board carries out this responsibility principally through its Audit Committee.

The Audit Committee is appointed by the Board of Directors. It meets with the Company's management and auditors and reviews internal control and financial reporting matters to ensure that management is properly discharging its responsibilities before submitting the financial statements to the Board of Directors for approval.

Deloitte LLP, appointed as the Company's auditors by the directors, has audited these consolidated financial statements for the year ended August 31, 2015. Their report follows.

(signed) 'Denis Arsenault'

Chief Executive Officer

Moncton, New Brunswick

(signed) 'R.A. Rogers, MBA, CPA'

President & Chief Financial Officer

Moncton, New Brunswick

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Independent Auditor's Report

To the Shareholders of OrganiGram Holdings Inc.

We have audited the accompanying consolidated financial statements of OrganiGram Holdings Inc., which comprise the consolidated statements of financial position as at August 31, 2015 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year ended August 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of OrganiGram Holdings Inc. as at August 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other Matter

The consolidated financial statements of OrganiGram Holdings Inc. as at and for the six-month period ended August 31, 2014 were audited by another auditor who expressed an unmodified opinion on those statements on December 23, 2014.

Deloitte LLP

Chartered Professional Accountants
Moncton, New Brunswick
December 20, 2015

OrganiGram Holdings Inc.
Consolidated Statements of Financial Position
As at August 31, 2015 and August 31, 2014

	August 31, 2015	August 31, 2014
Assets		
Current assets		
Cash	$ 1,473,694	$ 5,726,674
Accounts receivable (Note 5)	766,788	245,201
Biological assets (Note 6)	1,309,814	115,768
Inventories (Note 7)	969,263	36,152
Prepaid expenses	73,182	64,298
	4,592,741	6,188,093
Property, plant and equipment (Note 8)	9,583,376	2,477,486
	$ 14,176,117	$ 8,665,579
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 1,463,119	$ 1,091,956
Current portion of long-term debt (Note 9)	284,713	-
	1,747,832	1,091,956
Long-term debt		
Long-term debt (Note 9)	4,574,153	-
	6,321,985	1,091,956
Shareholders' Equity		
Share capital (Note 10)	16,753,777	15,477,518
Reserve for options and warrants (Notes 11 (iv) to (vi))	812,027	530,923
Accumulated deficit	(9,711,672)	(8,434,818)
	7,854,132	7,573,623
	$ 14,176,117	$ 8,665,579

The accompanying notes are an integral part of these Consolidated Financial Statements

OrganiGram Holdings Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the year ended August 31, 2015 and the six month period ended August 31, 2014

	Year Ended August 31, 2015	Six Months Ended August 31, 2014
Revenue		
Sales	$ 986,676	$ -
Cost of sales	361,637	-
Indirect production	375,255	274,905
	249,784	(274,905)
Add: Fair value adjustment to biological assets and inventory	1,076,403	-
Gross margin	1,326,187	(274,905)
Expenses		
Sales and marketing	720,968	169,551
General and administrative	1,507,435	549,131
Share-based compensation	256,743	473,222
Financing costs	115,405	21,600
Loss (gain) on disposal of fixed asset	2,490	(858)
Total expenses	2,603,041	1,212,646
Net loss before listing expenses	(1,276,854)	(1,487,551)
Listing expenses (Note 2)	-	6,781,730
Net loss and comprehensive loss for the year/ period	$ (1,276,854)	$ (8,269,281)
Weighted-average number of shares, basic and diluted	52,404,328	31,716,488
Net loss per common share, basic and diluted	$ (0.024)	$ (0.261)

The accompanying notes are an integral part of these Consolidated Financial Statements

OrganiGram Holdings Inc.
Consolidated Statements of Changes in Equity
For the year ended August 31, 2015 and the six month period ended August 31, 2014

	Common Shares	Share Capital	Reserve for Options and Warrants	Accumulated Deficit	Total
Balance - March 1, 2014	11,041,600	$ 735,983	$ -	$ (165,537)	$ 570,446
Comprehensive loss for the period	-	-	-	(8,269,281)	(8,269,281)
Compensation options issued (Note 11(vi))	-	-	473,222	-	473,222
Shares issued in private company (Note 11(iii)(b))	7,636,896	1,484,850	-	-	1,484,850
Private company issue costs (Note 11(iii)(b))	-	(19,994)	-	-	(19,994)
Share restructuring (Note 11(iii)(c))	15,821,502	-	-	-	-
Shares issued for acquisition of Inform Exploration Corp. (Note 2)	7,327,203	6,228,122	-	-	6,228,122
RTO finder fees (Note 2)	325,000	276,250	-	-	276,250
Shares issued in the private placement (Note 11(iii)(f))	8,863,989	7,534,391	-	-	7,534,391
Private placement issue costs (Notes 11(iii)(f) and 11(v))	-	(762,084)	57,701	-	(704,383)
Balance - August 31, 2014	51,016,190	$ 15,477,518	$ 530,923	$ (8,434,818)	$ 7,573,623
Balance - September 1, 2014	51,016,190	$ 15,477,518	$ 530,923	$ (8,434,818)	$ 7,573,623
Comprehensive loss for the year	-	-	-	(1,276,854)	(1,276,854)
Compensation options issued (Note 11(vi))	-	-	256,743	-	256,743
Shares issued in the private placement (Notes 11(iii)(g) and 11(iv))	1,334,892	934,424	-	-	934,424
Shares issued in the private placement (Notes 11(iii)(g) and 11(iv))	675,705	472,994	-	-	472,994
Private placement issue costs (Notes 11(iii)(g) and 11(v))	-	(131,159)	24,361	-	(106,798)
Balance - August 31, 2015	53,026,787	$ 16,753,777	$ 812,027	$ (9,711,672)	$ 7,854,132

The accompanying notes are an integral part of these Consolidated Financial Statements

OrganiGram Holdings Inc.
Consolidated Statements of Cash Flows
For the year ended August 31, 2015 and the six month period ended August 31, 2014

	Year Ended August 31, 2015	Six Months Ended August 31, 2014
CASH (USED) PROVIDED		
Operating activities		
Net loss for the period/year	$ (1,276,854)	$ (8,269,281)
Changes not involving cash:		
Listing expenses	-	6,512,690
Share based compensation	256,743	473,222
Loss (gain) on disposal of asset	2,490	(858)
Amortization of deferred financing	1,667	-
Fair value adjustment to biological assets	(693,983)	-
Depreciation	414,801	51,997
	(1,295,136)	(1,232,230)
Financing costs to financing activities	115,405	21,600
Net change in accounts receivable	(521,587)	(75,900)
Net change in biological assets	(500,063)	(151,920)
Net change in inventories	(933,111)	-
Net change in accounts payable and accrued liabilities	371,163	296,776
Net change in other working capital balances	(8,884)	(55,415)
	(2,772,213)	(1,197,089)
Financing activities:		
Shares issued in private company	-	1,484,850
Shares issued in private placement	1,407,418	7,534,391
Share issue costs	(106,798)	(724,377)
Payment of long-term loan	(120,301)	(1,000,000)
Proceeds of long-term loan	5,000,000	1,000,000
Deferred financing costs	(22,500)	-
Financing costs	(115,405)	(21,600)
	6,042,414	8,273,264
Investing activites:		
Cash acquired in RTO	-	15,171
Proceeds on disposal of vehicle	-	9,000
Acquisition of property, plant and equipment	(7,523,181)	(1,451,686)
	(7,523,181)	(1,427,515)
CASH (USED) PROVIDED	(4,252,980)	5,648,660
CASH POSITION		
Beginning of period/year	$ 5,726,674	$ 78,014
Ending of period/year	$ 1,473,694	$ 5,726,674

The accompanying notes are an integral part of these Consolidated Financial Statements

1. Nature of Operations

OrganiGram Holdings Inc. ("OHI" or the "Company"), formerly Inform Exploration Corp. ("Inform"), was formed by a reverse take-over ("RTO"), pursuant to Policy 5.2 of the Toronto Venture Exchange, of Inform, on August 22, 2014, by the shareholders of OrganiGram Inc. ("OGI" or the "Licensed Producer"). On August 31, 2015, OHI was constituted under the laws of the Province of British Columbia, Canada (Note 11(i)).

The address of the registered office of OHI and its wholly owned subsidiary, Organigram Inc., is located at 35 English Drive, Moncton, New Brunswick, Canada, E1E 3X3. OGI is a Licensed Medical Marijuana Producer as regulated by Health Canada under the Marihuana Medical Access Regulations **("**MMAR"**)** of the Government of Canada. OGI was incorporated, under the laws of the Province of New Brunswick, Canada, on March 1, 2013.

Subsequent to the RTO of Inform, by OGI, Inform changed its name to OHI and continued as a Tier II issuer on the TSX-V, with its common shares trading under the symbol "OGI-V". Formerly, the common shares of Inform Explorations Corp. traded under the symbol "IX-V".

2. Reverse Take-Over (RTO) of Inform Explorations Corp.

On August 22, 2014 the shareholders of OGI exchanged each common share they held in that company for common shares of Inform on the basis of receiving 1.847043788 common shares of Inform for each common share of OGI. The RTO was conditional on the terms of a Binding Term Sheet dated May 13, 2014, between Inform, OGI and certain shareholders of OGI representing not less than 67% of OGI's issued and outstanding common shares, which required that:

a. the shareholders of Inform consolidated their holdings in that company, by receiving 0.883604747 common shares for each common share previously held;

b. all outstanding options of Inform be cancelled;

c. a concurrent financing of Inform be completed, for not less than $3,000,000 in exchange for a total of 3,529,411 common shares of Inform at $0.85 per common share;

d. a bridge loan of $1,000,000 to OGI be arranged by Inform (Note 10), to be funded by May 23, 2014 and bear interest at a rate of 8% per annum, repayable in 180 days except that, on completion of the transaction it was to be converted into common shares of Inform at an issue price of $0.85 per common share; and

e. a finder fee of 225,000 common shares of Inform be paid, in connection with the transaction.

Subsequently, the finder fee was increased to 325,000 common shares.

As a result of the RTO transaction, OGI's shareholders controlled the Company and Inform's name was changed to OHI. Since the mining exploration business of Inform had been suspended and Inform had become a dormant public shell, Inform did not meet the definition of a business and the transaction was accounted for as the purchase of Inform's net assets by OGI. The net asset purchase price was determined as an equity settled share-based payment, under *IFRS-2, Share-based Payment*, at the fair value of the equity instruments of the Company retained by the shareholders of Inform, based on the market value of the Company's common shares on the date of closing the RTO.

The transaction costs relating to the RTO plus the aggregate of the fair value of the consideration paid and the net liabilities acquired has been recognized as listing expenses, in the consolidated statement of loss and comprehensive loss. There are no costs pertaining to the former operations of Inform after the date of the RTO and there are no prior operating revenues or costs, of Inform, included in these Consolidated Financial Statements.

Immediately following the RTO, the Company:

a. completed a private placement (Note 11(iii)(f)) of 8,863,968 of its common shares, for gross subscription proceeds of $7,534,390.
b. issued 317,356 broker warrants (note 11(iv)), as partial settlement for the issue costs of the private placement shares.
c. issued 1,565,000 employee options (Note 11(v)), to acquire common shares of the company for $0.85 per share.

2. Reverse Take-Over (RTO) of Inform Explorations Corp. (Continued)

The breakdown of listing expenses, in the consolidated statement of loss and comprehensive loss, is as follows:

Purchase price of equity acquired		
7,327,203 common shares at $0.85 per share (Note 11(iii)(d))	$	6,228,122
325,000 commons shares issued as finder fees (Note 11(iii)(e))		276,250
Total of share-based payments		6,504,372
Cash acquired		(15,171)
Other working capital deficit acquired		23,489
		6,512,690
Other transaction costs		269,040
Listing expenses	$	6,781,730

The fair value of the 7,327,203 common shares, retained by the former Inform shareholders, was determined to be $6,228,122 based on the fair value of the common shares issued through the private placement on August 22, 2014 (Note 11(iii)(d)).

Management of Inform had previously abandoned Inform's mineral assets and the Company has no interest in exploring or developing these assets. As a result, the fair value of mineral assets has been determined to be nil.

3. Basis of Preparation

(i) Statement of Compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

These consolidated financial statements were approved by the Board of Directors and authorized for issue by the Board of Directors on December 21, 2015.

(ii) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis except for biological assets which are measured at fair value, as explained in the accounting policies below.

Historical cost is fair value of the consideration given in exchange for goods and services generally based upon the fair value at the time of the transaction of the consideration given in exchange for assets.

(iii) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's and its subsidiaries' functional currency.

(iv) Basis of Consolidation

These consolidated financial statements include the accounts of the Company and its sole subsidiary, OGI, on a consolidated basis after elimination of intercompany transactions and balances. Subsidiaries are entities the Company controls when it is exposed, or has rights, to variable returns from its involvement and has the ability to affect those returns through its power to direct the relevant activities of the entity.

4. Significant Accounting Policies

i) Cash and cash equivalents

Cash includes cash-in-hand or deposits held with banks. The Company does not invest in any asset-backed deposits or investments. The Company has no material banking arrangements for overdrafts or borrowings.

ii) Biological assets

The Company measures biological assets consisting of cannabis plants at fair value less cost to sell up to the point of harvest. Biological assets are measured at fair value less cost to sell at the point when product is cut from the plant, which becomes the basis of the cost of finished goods inventories after harvest. Mother plants are measured at fair market value.

Gains arising from changes in fair value less cost to sell during the year are included in the results of operations of the related year.

iii) Inventory

Inventories for finished goods and packaging and supplies are initially valued at cost, and subsequently at the lower of cost and net realizable value. Cost is determined using the weighted average costing method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to sell. The Company reviews inventory for obsolete, redundant and slow moving goods and any such inventory identified are written down to net realizable value.

iv) Property, Plant and Equipment

Items of property and equipment are recorded at cost, less accumulated depreciation and impairment losses.

In the carrying amount of an item of property, plant or equipment, the Company recognizes the cost of replacing part of such an item if the replacement cost can be measured reliably and it is probable that the Company's future economic benefits embodied with the item will exceed the resulting net book value thereof. All other costs are charged to profit or loss as incurred.

Depreciation of property, plant and equipment is provided on a straight-line basis over the assets' estimated useful lives, which management has determined to be: building as 25 years; growing equipment as 10 years; computer equipment and vehicles as 5 years; and, furniture and fixtures as 10 years.

v) Impairment of long-lived assets

Long-lived assets are reviewed for impairment at each consolidated statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of the assets (the cash generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment change is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

vi) Financial Instruments

Financial instruments consist of financial assets and liabilities and are initially measured at fair value. Financial assets and liabilities are recognized on the consolidated statements of financial position when the Company has become party to the contractual provision of the instruments. The accounting policies for financial instruments are described below and the composition of the Company's financial instruments and related risks are disclosed in Notes 16 and 17.

(1) Financial Assets

The Company classifies each financial asset into one of four categories depending on the purpose for which the asset was acquired.

(a) Financial Assets at Fair Value Through Profit or Loss ("FVTPL")

Assets in this category are derivatives or other assets classified as held-for-trading (i.e. acquired or incurred principally for the purpose of selling or repurchasing in the near term) or designated as FVTPL upon initial recognition subject to meeting certain conditions. After initial recognition, such assets are measured at fair value with changes therein being recognized in profit or loss. The Company has no derivative financial instruments. The Company has no assets that are held-for-trading financial assets.

(b) Available For Sale

Assets in this category are non-derivative financial assets that are either designated as available-for-sale or do not fit into one of the other categories. After initial recognition, available-for-sale assets are measured at fair value with changes therein (excluding those attributable to impairment) being recognized directly in other comprehensive income (loss). The Company has no assets that are available-for-sale financial assets.

(c) Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. The carrying amount is reduced through the use of an allowance account. When an amount receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance are recognized in profit or loss. The Company has cash and accounts receivables which are designated under loans and receivables.

(d) Held-to-Maturity

Assets in this category are financial assets with known payments and a fixed maturity date. In addition, the Company has the positive intention and ability to hold the financial asset to maturity, other than those initially designated as held-for-trading, available-for-sale, or loans and receivables as explained above. After initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method. The Company has no held-to-maturity financial assets.

(2) Financial Liabilities

The Company classifies each financial liability into one of two categories depending on the purpose for which the liability was incurred.

(a) Financial Liabilities at FVTPL

Liabilities in this category are derivatives or liabilities classified as held-for-trading or designated as FVTPL upon initial recognition subject to meeting certain conditions. After initial recognition, such liabilities are measured at fair value with changes in fair value being recognized in profit or loss. The Company has no financial liabilities at FVTPL.

(b) Other Financial Liabilities

Liabilities in this category are non-derivative financial liabilities that are not classified as held-for-trading. After initial recognition, such liabilities are measured at amortized cost using the effective interest rate method. The Company has accounts payable, long-term debt, secured indebtedness and accrued liabilities which are classified as other financial liabilities.

(2) Transaction Costs

For FVTPL financial assets and liabilities, transaction costs on initial recognition, and thereafter, are included directly in profit or loss. For other categories of financial assets and liabilities, transaction costs are capitalized and included in the calculation of the effective interest rate – i.e. amortized through profit or loss over the term of the related instrument.

(3) Fair Value Hierarchy

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 included within Level 1 that are observable for the asset or liability either directly or indirectly (e.g. broker quotes); and
Level 3 Inputs for assets or liabilities that are not based on observable market data.

(4) Impairment of Financial Assets

Financial assets, other than those classified as FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after initially recognizing the financial asset, the present value of estimated future cash flows determined based on the instrument's original effective interest rate are lower than the asset's carrying amount. The financial asset's carrying amount is reduced through the use of an allowance account. Subsequent recoveries of amounts previously written off are adjusted against the allowance account. Changes in the carrying amount of the allowance account are recognized in earnings or loss.

vii) Share-based Payments

The Company's accounting policies for share-based payments are outlined below.

Employees - The term "employees" as used in these consolidated financial statements includes all officers, directors and others providing services that are similar to those provided by employees.

Equity-settled Transactions occur when the Company enters into an agreement to acquire goods or services in exchange for its shares or other equity instruments. Such transactions are recorded at the fair value of the goods or services received.

Stock options are granted to employees as performance incentives. The fair value of options granted is determined using the Black-Scholes pricing model. This amount is recognized as a compensation expense in profit or loss over the vesting period with offsetting credits recorded to the reserve for options and broker warrants. When options are exercised, a transfer is made from the reserve to share capital and added to the proceeds of issuance.

viii) Earnings (Loss) Per Share

Basic earnings (loss) per share is calculated by dividing net income (loss) attributable to common shareholders by the weighted-average number of shares outstanding during the period. Diluted earnings (loss) per share is calculated in a similar manner, but with adjustments to give effect to all dilutive potential common shares outstanding during the period. The dilutive effect of warrants and options is calculated using the treasury stock method. Anti-dilutive effects of potential conversions of securities are ignored for this calculation. When there is a loss from continuing operations, warrants and options are considered to be anti-dilutive.

ix) Revenue Recognition

Revenue from the sale of cannabis recognized when the Company has transferred the significant risks and rewards of ownership to the customer and it is probable that the Company will receive the previously agreed upon payment. Significant risks and rewards are generally considered to be transferred when the product leaves the Company's premises.

x) Income Taxes

The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements.

Income tax expense (recovery) in profit or loss is the sum of current and deferred tax as explained below.

Current tax is the expected income tax payable (recoverable) on the taxable income (loss) for the period, using tax rates enacted, or substantively enacted, as at the end of the reporting period. Current tax expense (recovery) included in profit or loss reflects the current tax for the reporting period, plus adjustments to the current tax of prior periods, less current tax recorded directly in other comprehensive income (loss) or equity.

Deferred Taxes are accounted for under the liability method and are the taxes expected to be payable or recoverable on the temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences and unused tax losses and tax credits can be utilized. Deferred tax is calculated on a non-discounted basis, using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The carrying amounts of individual deferred tax assets are reviewed at the end of each reporting period but are only recognized for the proportion probable that sufficient taxable profits will be available for such assets to be recovered.

Deferred tax is not recognized for temporary differences related to the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and, differences arising on the initial recognition of goodwill.

xi) Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

1. Valuation of Biological Assets
   Biological assets, consisting of cannabis plants and agricultural produce consisting of cannabis, are measured at fair value less costs to sell up to the point of harvest
   Determination of the fair values of the biological assets and the agricultural produce requires the Company to make assumptions about how market participants assign fair values to these assets. These assumptions primarily relate to the level of effort required to bring the cannabis up to the point of harvest, sales prices, risk and expected remaining future yields of the cannabis plant.
2. Estimated Useful Lives and Amortization of Property, Plant and Equipment
3. Share-based Compensation
4. Warrants

xii) New and amended standards

The following standards and amendments to standards were effective for annual periods beginning on or after January 1, 2014.

IAS 32 – Financial Instruments Presentation
The IASB published amendments to IAS 32, on December 16, 2011, to clarify the application of the offsetting requirements.

IFRIC 21 – Levies
IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

IAS 36 – Impairment of Assets
IAS 36 was amended by the IASB in May 2013. The amendments require the disclosure of the recoverable amount of impaired assets when an impairment loss has been recognized or reversed during the period and additional disclosures about the measurement of the recoverable amount of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount.

The Company adopted these standards as of September 1, 2014 and has determined that they have no material impact on the Company's financial results.

xiii) New standards and interpretations not yet adopted

The Company has not applied the following new and revises IFRSs that have been issued but are not yet effective:

Disclosure Initiative (Amendments to IAS 1)
On December 18, 2014, the IASB issued Disclosure Initiative (Amendments to IAS 1) as part of its major initiative to improve presentation and disclosure in financial reports. The amendments to IAS 1 relate to (i) materiality; (ii) order of the notes; (iii) subtotals; (iv) accounting policies; and (v) disaggregation and are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures. The standard is effective for annual periods beginning on or after January 1, 2016. Earlier adoption is permitted.

IFRS 9 – Financial Instruments
A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement has been issued and is effective for annual periods beginning on or after January 1, 2018. The standard contains requirements in the following areas: classification and measurement, impairment, hedge accounting and derecognition. This new standard supersedes all prior versions of IFRS 9.

Amendments to IAS 41 – Agriculture and IAS 16 – Property, plant and equipment
This amendment provides guidance regarding the accounting for bearer plants by providing a definition of bearer plants and brings bearer plants within the scope of IAS 16 Property, plant and equipment from IAS 41 Agriculture. The amendment is effective for annual reporting periods beginning on or after January 1, 2016, and must be applied retrospectively. Early adoption is permitted.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customer ("IFRS 15"), which provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 is effective for annual reporting periods beginning on or after January 17, 2018, and must be applied retrospectively. Early adoption is permitted.

Management of the Company is currently evaluating the impact, if any, of these standards.

5. Accounts Receivable

The Company's accounts receivable included the following as at August 31, 2015 and August 31, 2014:

	2015	2014
Harmonized sales taxes receivable	$ 168,054	$ 154,695
Trade receivables	402,816	-
Other accounts receivable	195,918	90,506
	$ 766,788	$ 245,201

Trade receivables include amounts due from customers which the Company has not recognized an allowance for doubtful accounts, because there has not been a significant change in the credit quality of the customers and amounts are considered fully recoverable. Harmonized sales taxes receivable are refundable taxes spent on purchases during the fourth quarter year which are receivable after the year-end. Other accounts receivable are from consultants and employees. Included in other accounts receivable is a $150,000 promissory note bearing interest at 3% and repayable on demand.

6. Biological Assets

Biological assets consist of cannabis plants. The changes in the carrying value of biological assets are as follows:

	Mother Plants	Harvest in Process	Total
Carrying amount, March 1, 2014	$ -	$ -	$ -
			-
Net increase in fair value less costs to sell due to biological transformation	5,104	110,664	115,768
Transferred to inventory upon harvest	-	-	-
Carrying amount, August 31, 2014	5,104	110,664	115,768
Net increase in fair value less costs to sell due to biological transformation	22,594	2,045,058	2,067,652
Transferred to inventory upon harvest	-	(873,606)	(873,606)
Carrying amount, August 31, 2015	$ 27,698	$ 1,282,116	$ 1,309,814

All biological assets are current. The significant assumptions used in determining the fair value of cannabis on plants include:

i. Wastage of plants based on their various stages;
ii. Yield by plant;
iii. Percentage of costs incurred to date compared to the total costs expected to be incurred are used to estimate the fair value of an in-process plant;
iv. Percentage of costs incurred for each stage of plant growth was estimated.

7. Inventory

The Company's inventory assets include the following as at August 31, 2015 and August 31, 2014:

	2015	2014
Agricultural produce	$ 929,223	$ 36,152
Packaging and supplies	40,040	-
	$ 969,263	$ 36,152

8. Property, Plant and Equipment

	Land	Buildings	Leasehold Improvements	Growing Equipment	Other	Total
At September 1, 2013						
Net book value	$ -	$ -	$ -	$ -	$ 2,100	$ 2,100
Year Ended August 31, 2014						
Acquisitions	-	-	1,766,759	687,134	90,564	2,544,457
Disposal	-	-	-	-	(8,142)	(8,142)
Depreciation	-	-	(29,446)	(17,178)	(14,305)	(60,929)
	$ -	$ -	$ 1,737,313	$ 669,956	$ 70,217	$ 2,477,486
At August 31, 2014						
Cost	-	-	1,766,759	687,134	82,044	2,535,937
Accumulated depreciation	-	-	(29,446)	(17,178)	(11,827)	(58,451)
Net book value	$ -	$ -	$ 1,737,313	$ 669,956	$ 70,217	$ 2,477,486
At September 1, 2014						
Net book value	$ -	$ -	$ 1,737,313	$ 669,956	$ 70,217	$ 2,477,486
Year ended August 31, 2015						
Transfer on property purchase	-	1,737,313	(1,737,313)	-	-	-
Acquisitions	327,500	3,071,328	-	2,969,871	1,154,482	7,523,181
Disposals	-	-	-	-	(2,490)	(2,490)
Depreciation	-	(164,432)	-	(146,221)	(104,148)	(414,801)
	$ 327,500	$ 4,644,209	$ -	$ 3,493,606	$ 1,118,061	$ 9,583,376
At August 31, 2015						
Cost	327,500	4,838,087	-	3,657,005	1,233,586	10,056,178
Accumulated depreciation	-	(193,878)		(163,399)	(115,525)	(472,802)
Net Book Value	$ 327,500	$ 4,644,209	$ -	$ 3,493,606	$ 1,118,061	$ 9,583,376

9. Long-term debt

		2015		2014
Secured Loan				
8% interest per annum		-		1,000,000
Farm Credit Canada loan				
10 year amortization, 5 year term with variable rate of 5.60%		2,500,000		-
Non-brokered private placement				
Matures September 1st, 2017, 9% interest rate		1,000,000		-
Farm Credit Canada loan				
10 year amortization, 5 year term with variable rate of 5.936%		1,500,000		-
Less: principal repayments		(125,301)		(1,000,000)
Less: unamortized deferred financing		(15,833)		-
		4,858,866		-
Less: current portion		(284,713)		-
Long-term portion	$	4,574,153	$	-

The FCC loan is secured by a first charge on 35 English Drive, 1299 St. George Boulevard and all of the Company's other assets. The company was in compliance with the covenants at year-end.

Principal repayments required on the long-term debt in the next five years are as follows:

2016	$	284,713
2017		1,331,002
2018		349,312
2019		370,621
2020		1,650,258
	$	3,985,905

10. Share Capital

(i) Authorized share capital

The authorized share capital of the Company is an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. All issued shares, consisting only of common shares, are fully paid.

On December 19, 2014, the Company's shareholders approved the continuance of the Company's charter jurisdiction from the Province of British Columbia to the Canada Business Corporations Act. As of the August 31, 2015, the filing for this change of corporate jurisdiction is expected in 2016.

(ii) Issued share capital

As at August 31, 2015, the Company's issued and outstanding share capital consisted of 53,026,787 (August 31, 2014 – 51,016,190) common shares with a stated value of $16,753,777 (August 31, 2014 - $15,477,518).

As at August 31, 2015, 17,651,568 (August 31, 2014 – 34,846,585) of the Company's issued common shares were held in escrow by the TSX-V or otherwise restricted from trading. These trading restrictions expire as follows:

February 22, 2016	5,980,149
August 22, 2016	5,980,203
February 22, 2017	2,845,606
August 22, 2017	2,845,610
	17,651,568

(iii) Issuances of share capital

(a) In the year ended February 28, 2014, the Company issued 11,041,600 common shares at an average issue price of $0.069 per share to private investors who were supporting the start-up of OGI. The aggregate consideration for the issuance of the shares and warrants was $758,000 in cash and $22,017 of issue costs were incurred in relation thereto.

(b) In the period between February 28, 2014 and May 24, 2014, the Company issued 7,636,896 common shares at an average issue price of $0.194 per share to private investors who were supporting phase two of the start-up of OGI. The aggregate consideration for the issuance of the shares and warrants was $1,484,850 in cash and $19,994 of issue costs were incurred in relation thereto.

(c) To effect the August 22, 2014 acquisition of Inform (Note 2), the Company implemented a share restructuring whereby the former 18,678,496 common shares of OGI were exchanged for 34,499,998 common shares of OHI, which created a 15,821,502 increase in the number of common shares.

(d) On August 22, 2014, Inform consolidated the existing 8,292,400 common shares of Inform into 7,327,203 common shares of OHI. The 7,327,203 shares were estimated to have a total fair value of $6,228,122, at $0.85 per common share, and the difference between this share-based payment and the fair value of the assets and liabilities of Inform has been recorded as listing expense (Note 2).

(e) Pursuant to the transaction to acquire Inform, the Company issued 325,000 common shares as consideration for the finder fee (Note 2). The total $276,250 fair value of these shares, estimated at $0.85 per common share, was recorded as transaction costs for the RTO (Note 2).

(f) On August 31, 2014, the Company issued 8,863,989 common shares by way of a private placement, at $0.85 per common share for a total consideration of $7,534,391. Issue costs incurred in connection with this transaction totaled $762,084.

(g) On December 22, 2014, the Company issued 1,334,892 common shares (Note 11(iv)) by way of a brokered private placement, at $0.70 per common share for a total consideration of $934,424. Additionally, the Company issued 675,705 common shares by way of a non-brokered private placement, at $0.70 per common share for a total consideration of $472,994. Issue costs incurred in connection with these transactions totaled $106,798, including $24,361 of broker warrants and 4,500 finder's fee options (Note 11(v)).

(iv) Investor warrants

Pursuant to the December 22, 2014 private placements (Note 11(iii)(g)), subscribers thereto also received 2,010,597 investor warrants to acquire 2,010,597 common shares of the Company at an exercise price of $1.00 per common share, exercisable over a three year period until December 22, 2017.

(v) Broker warrants

As part of the share-based payment to acquire Inform (Note 2) the Company issued 317,356 broker warrants, exercisable at $1.00 per share, to acquire up to 317,356 common shares of the Company. The $57,701 fair value of these options was estimated at $0.182 per share using the Black-Scholes option pricing model with a market price of $0.85; a risk-free interest rate of 1.09%; an expected annualized volatility of 68%; an expected dividend yield of 0.0%; and, an expected option life of one year. All 317,356 broker warrants expired on August 22, 2015.

Included in the issue costs for the December 22, 2014 private placement are 84,595 agent warrants and 4,500 finders' fee options, exercisable for two years at a strike price of $0.70 and $0.85 respectively. The $24,361 fair value of these warrants and options was estimated at $0.273 per share and $0.234 per share, respectively, using the Black-Scholes option pricing model with a market price of $0.68; a risk-free interest rate of 2.0%; an expected annualized volatility of 74%; and, an expected dividend yield of 0.0%. These agent warrants and options expire on December 22, 2016.

The Company issued no broker warrants on any prior date, no broker warrants expired since the RTO and the 402,721 broker warrants and 4,500 finder fee options are the only agent warrants or options outstanding and exercisable as of December 31, 2015.

(vi) Share-based compensation

Under the Company's stock option plan, options may be granted for up to 10% of the issued and outstanding common shares, as approved by the Company's Board of Directors. The exercise price of any option may not be less than the Company's closing market price on the day prior to the grant of the options less the applicable discount permitted by the TSX-V.

The maximum exercise period after the grant of an option is 10 years. When an employee's service ends, the expiry date of his/her options is accelerated to 90 days thereafter, or less, depending on the terms of the related option agreement.

	Options Issued	**Weighted average exercise price**
Options granted August 22, 2014	1,565,000	0.85
Balance at August 31, 2014	1,565,000	0.85
Options granted December19, 2014	50,000	1.00
Options granted January 14, 2015	225,000	0.50
Options granted January 28, 2015	277,500	0.67
Options granted March 5, 2015	100,000	0.67
Options granted March 26, 2015	40,000	0.58
Options granted July 1, 2015	120,000	0.40
Options granted July 1, 2015	30,000	0.70
Cancelled options	(660,000)	0.86
Outstanding at August 31, 2015	1,747,500	0.73
Warrants granted August 22, 2014	317,356	1.00
Balance at August 31, 2014	317,356	1.00
Warrants granted December 22, 2014	84,595	0.70
Expired warrants	(317,356)	1.00
Outstanding at August 31, 2015	84,595	0.70

Options outstanding have exercise prices that range from $0.40 to $1.00 with a weighted average remaining life of 9 years. Total share-based compensation expense for the twelve-month period ended August 31, 2015 was $256,743 (six-month period ended August 31, 2014 – $473, 222). These options are measured at fair value at the date of grant and are expensed over the option's vesting period. In determining the amount of share-based compensation, the Company used the Black-Scholes option pricing model to establish the fair value of options granted by applying the following assumptions:

Risk free interest rate	0.81% - 2.00%
Expected life of options	2 -7.5 years
Expected annualized volatility	68% -128%
Expected dividend yield	-
Weighted average Black Scholes value of options	$0.32

Volatility was estimated by using the historical volatility of other companies that the Company considers comparable that have trading and volatility history. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free rate is based on Canada government bonds with a remaining term equal to the expected life of the options.

(vii) Loss per share

Loss per share has been calculated as if the conversion of the 18,678,496 common shares into 34,499,998 common shares (Note 11(iii)(c)) had occurred pro-rata for all share transactions prior to August 22, 2014.

Loss per share calculations use the basic and diluted weighted-average number of common shares outstanding for the twelve-month period ended August 31, 2015, which was 53,026,787 (six-month period ended August , 2014 – 31,716,488) for both basic and diluted.

12. Income Taxes

There are no current income taxes payable or recoverable for as at August 31, 2015 (August 31, 2014 - $nil). The deferred tax recovery (expense) for the year ended August 31, 2015 and the six-month period August 31, 2014 consists of the following:

	2015	2014
Loss before income taxes	$ (1,276,854)	$ (8,269,281)
Statutory rate	27.00%	27.00%
Tax calculated at statuatory rate	(344,750)	(2,232,706)
Non-deductible (non-taxable) items		
Listing Expenses	-	1,797,090
Share-based compensation	69,321	88,990
Financing fees recorded in equity	(28,835)	-
Other	103,729	26,453
Benefit of deductible temporary differences not recognized	200,535	320,173
Income tax expense per financial statements	$ -	$ -

As at August 31, 2015, the Company had $2,000,049 of non-capital tax loss carryforwards that expire as follows:

Year	Amount
2035	$ 968,248
2034	865,701
2033	166,100
	$ 2,000,049

Deferred tax assets are not recognized in these consolidated financial statements because the Company is in its start-up phase and the deferred tax assets are not probable to be recognized. The Company has $2,887,239 (August 31, 2014 - $2,144,518) of temporary differences that give rise to the following unrecorded deferred tax assets as at August 31, 2015 and August 31, 2014:

	2015	2014
Non-capital loss carryforwards	$ 540,013	$ 278,586
Long-term assets	$ 14,165	$ 13,493
Intangible assets	$ 33,389	$ 35,908
Long-term debt	$ (4,275)	$ -
Deferred stock option expenses	$ -	$ 38,780
Differences affecting income tax expense	$ 583,292	$ 366,767
Differences affecting share capital		
Share issuance costs	196,262	212,252
Total	$ 779,554	$ 579,019

13. Related Party Transactions

Transactions and balances with related entities

The Company considers its related parties to consist of key members or former members of its Board of Directors and senior officers, including their close family members, and companies controlled or significantly influenced by such individuals; and reporting shareholders and their affiliates which may exert significant influence over the Company's activities. A loan payable to Denaco Group Ltd, a company controlled by the Chief Executive Officer, was issued in July 2015 for $500,000 through a non-brokered private placement repayable on September 1, 2017, carrying a 9% interest rate, and 100,000 warrants at $0.45 which expire on June 15, 2017 (Note 9).

Management compensation

In the year ended August 31, 2015, the Company's expenses included $403,672 (six-month period ended August 31, 2014 - $131,785) of salary or consulting fees paid to officers and directors, plus $96,685 (six-month period ended August 31, 2014 - $133,046) of share-based compensation related to directors and officers.

14. Capital Management

The Company considers its capital to consist of share capital, reserve for options and warrants, long-term debt, and accumulated deficit, which is disclosed in the August 31, 2015 statement of financial position as $12,712,998 (August 31, 2014 - $7,573,623).

The Company manages its capital structure and makes adjustments to it, based on funds available to the Company, in order to fund its start-up costs and the purchase and construction of its growing facility. 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 of the Company, is reasonable. There has been no change in how the Company defines or manages capital in the year.

15. Fair Value of Financial Instruments

The carrying value of the Company's financial instruments consist of financial assets and liabilities as outlined below and as further explained in Note 4(viii):

	2015	2014
Financial assets		
Loans and receiables		
Cash	$ 1,473,694	$ 5,726,674
Accounts receivable	766,788	245,201
	$ 2,240,482	$ 5,971,875
Financial liabilities		
Other financial liabilities		
Accounts payable and accrued liabilities	$ 1,463,119	$ 1,091,956
Current portion of long-term debt	284,713	-
Long-term debt	4,574,153	-
	$ 6,321,985	$ 1,091,956

As at August 31, 2015 and August 31, 2014, the carrying values and fair values of the Company's financial instruments are approximately the same.

16. Financial Risk Factors

The Company is exposed to various risks through its financial instruments, as follows:

(i) **Credit risk** arises from deposits with banks and outstanding receivables. For trade receivables, the Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance. For other receivables out of the normal course of business, management may obtain guarantees and general security agreements. The maximum exposure to credit risk approximates the $2,240,482 of cash and accounts receivable on the balance sheet.

As of August 31, 2015, the Company's aging of trade receivables was approximately as follows:

	2015	2014
0-60 days	$ 276,168	$ -
61-120 days	126,647	-
Total	$ 402,816	$ -

Included in other accounts receivable is a secured promissory note receivable of $150,000 payable on demand by the principal in the contingency noted in Note 17.

(ii) **Liquidity risk -** The Company's liquidity risk is the risk the Company will not be able to meet its financial obligations as they become due. The Company manages its liquidity risk by reviewing on an ongoing basis its capital requirements. At August 31, 2015, the Company had $1,473,694 (2014 – 5,726,674) of cash and cash equivalents and working capital of $2,844,909 (2014 - $5,096,137).

The Company is obligated to the following contractual maturities of the undiscounted cash flows:

	Carrying Amount	Contractual Cash Flows	Fiscal 2016	Fiscal 2017-2018	Fiscal 2019-2020
Accounts payable and accrued liabilities	$ 1,463,119	$ 1,463,119	$ 1,463,119	$ -	$ -
Long-term debt	4,858,866	4,858,866	284,713	1,680,314	2,020,879
Interest	-	941,081	207,336	472,639	244,269
	$ 6,321,985	$ 7,263,066	$ 1,955,168	$ 2,152,952	$ 2,265,148

(iii) Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk and interest rate risk.

(1) Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates. The Company is not exposed to foreign currency exchange risk as it has minimal financial instruments denominated in a foreign currency.

(2) Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk at August 31, 2015 pursuant to the loan described in Note 9. A 1% change in prime interest rates will increase or decrease the Company's interest expense by $40,000 per year.

17. Contingencies

The Company recognizes loss contingency provisions for probable losses when management is able to reasonably estimate the loss. When the estimated loss lies within a range, the Company records a loss contingency provision based on its best estimate of the probable loss. If no particular amount within that range is a better estimate than any other amount, the minimum amount is recorded. As information becomes known a loss contingency provision is recorded when a reasonable estimate can be made. The estimates are reviewed at each reporting date and the estimates are changed when expectations are revised. An outcome that deviates from the Company's estimate may result in an additional expense or release in a future accounting period.

During the year, the Company was named as a defendant in a law suit in New Brunswick for breach of confidence, conversion, breach of contract, conspiracy and breach of trust, breach of fiduciary duty, and negligent misrepresentation. The Company believes the law suit to be without merit though they will rigorously defend the action. No provision has been made in these consolidated financial statements for the claim.

18. Segmented Information

The Company only operates in one business segment and, accordingly, does not have any segmented information disclosures. All of the Company's assets are in Canada.

19. Subsequent Events

(i) Issuance of Stock Options

On October 16, 2015, the Company issued 724,165 employee options to purchase 724,165 common shares of the Company, to employees and consultants of OGI, at an exercise price of $0.30 per share. Fifty percent of such options vest on issuance and ten percent on each annual anniversary thereafter. Vested options may be exercised until October 16, 2025, subject to forfeiture provisions requiring the options to expire 90 days after termination of the individual's employment.

On October 16, 2015, the Company issued 175,000 employee options to purchase 175,000 common shares of the Company, to consultants of Organigram Inc., at an exercise price of $0.40 per share. Fifty percent of such options vest on issuance and ten percent on each annual anniversary thereafter. Vested options may be exercised until October 16, 2025, subject to forfeiture provisions requiring the options to expire 90 days after termination of the individual's employment.

(ii) Financing

On November 4, 2015, the Company secured a non-brokered private placement offering for net proceeds of $6,350,000 (the "Offering"). Issue costs incurred in connection with this transaction is estimated at $78,000.

The Company will issue an aggregate of 3,298,077 units ("Units") at a price of $1.04 per Unit (the "Offering Price") for net proceeds of $3,430,000. Each Unit consists of one common share of the Company (a "Common Share"), and one-half of a share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will be exercisable into one additional Common Share (a "Warrant Share") of the Company at $1.40 per Warrant Share for a period of eighteen (18) months from closing of the Offering. The Company intends to use the proceeds from the Offering for accelerated facility expansion and general working capital purposes.

In addition, the Company secured convertible debentures in the aggregate amount of $2,920,000 which carry an interest rate of 6.75% and which mature on December 31, 2018. The debentures may be converted by the debenture holder at a ratio of 714.286 shares per $1,000 of the principal amount converted.