OrganiGram Holdings Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A")

For the year ended August 31, 2016

ORGANIGRAM HOLDINGS INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2016

1.1 Introduction

This **Management Discussion and Analysis ("MD&A")** document, prepared on December 8, 2016, should be read in conjunction with the consolidated financial statements of OrganiGram Holdings Inc. for the year ended August 31, 2016.

This MD&A and the consolidated financial statements are expressed in Canadian dollars and prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). The information in this MD&A is presented in Canadian dollars on a consolidated basis.

The offices of OrganiGram Holdings Inc. (the "Company" or "OHI") are at 35 English Drive, Moncton, New Brunswick, E1E 3X3 and further inquiries regarding the Company may be directed to its Chief Executive Officer, Denis Arsenault, at (506) 384-1571, or by fax at (506) 384-4266, or by email to denis@organigram.ca.

1.2 Forward-Looking Statements

Certain information herein contains or incorporates comments that constitute forward-looking information within the meaning of applicable securities legislation. Forward-looking information, in general, can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "will", "expect", "intend", "estimate", "anticipate", "believe", "should", "plans", or "continue", or similar expressions suggesting future outcomes or events. They include, but are not limited to, statements with respect to expectations, projections or other characterizations of future events or circumstances, and our objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to our plans and objectives, or estimates or predictions of actions of customers, suppliers, competitors or regulatory authorities; and, statements regarding our future economic performance. These statements are not historical facts but instead represent management beliefs regarding future events, many of which, by their nature are inherently uncertain and beyond management control. We have based these forward-looking statements on our current expectations about future events.

Although the forward-looking statements contained in this MD&A are based on what we believe are reasonable assumptions, these assumptions are subject to a number of risks beyond the Company's control and there can be no assurance that actual results will be consistent with these forward-looking statements. Factors that could cause actual results to differ materially from those set forth in the forward-looking statements and information include, but are not limited to: financial risks; dependence on senior management; sufficiency of insurance; industry competition; general economic conditions and global events; product development, facility and technological risks; changes to government laws, regulations or policy, including environmental or tax, or the enforcement thereof; agricultural risks; supply risks; product risks; and, other risks and factors described from time to time in the documents filed by the Company with securities regulators. For more information on the risk factors that could cause our actual results to differ from current expectations, see **"7.1 Risks and Uncertainties"**.

All forward-looking information is provided as of the date of this MD&A. The Company does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required by law. Additional information about these assumptions, risks and uncertainties is contained in our filings with securities regulators. Certain filings are also available on our web site at www.organigram.ca.

1.3 Business Environment

In 2001, the Government of Canada introduced a regulatory regime, the *Medical Marihuana Access Regulations* ("MMAR"), governing access of patients to marijuana for medical purposes. Since this time, the number of patients prescribed medical marijuana has grown and continued growth is predicted. Meanwhile, the medical marijuana regulatory regime has continued to evolve until, in June 2013, Health Canada announced the current regulatory regime, the *Marihuana for Medical Purposes Regulations* ("**MMPR**") to replace the MMAR. Pursuant to the MMPR, companies are eligible to apply as a Licensed Producer (a "**license**") of medical marijuana. This license permits a company to lawfully cultivate, possess and sell medical marijuana in conformance with the MMPR. Due to the regulatory barrier to entry, the anticipated growth in demand in the consumption of medical marijuana and the potential return on investment, a license is highly coveted by many companies.

The MMPR came into effect on April 1, 2014 and the Company received its initial license to operate as a Licensed Producer of medical marijuana on April 14, 2014. The license was renewed on March 27, 2016.

On August 24, 2016, the *Access to Cannabis for Medical Purposes Regulations* ("ACMPR") replaced the MMPR as the governing regulations in respect of the production, sale and distribution of medical cannabis and cannabis oil. The replacement regulations were implemented as a result of the ruling by the Federal Court of Canada in the case of Allard et al v. Canada in which the MMPR was found to be unconstitutional in violation of the plaintiffs' rights under section 7 of the Charter of Rights and Freedoms due to the restrictions placed on a patient's ability to reasonably access medical cannabis. The Federal Court of Canada therefore upheld the patients' rights to grow their own medical marijuana.

The ACMPR effectively combines the regulations and requirements of the MMPR, the Marihuana Medical Access Regulations and the section 56 exemptions relating to cannabis oil under the Controlled Drugs and Substances Act into one set of regulations. In addition, among other things, the ACMPR sets out the process patients are required to follow to obtain authorization from Health Canada to grow cannabis and to acquire seeds or plants from Licensed Producers to grow their own cannabis. Under the ACMPR, patients have three options for obtaining cannabis:

(a) they can continue to access quality-controlled cannabis by registering with Licensed Producers;

(b) they can register with Health Canada to produce a limited amount of cannabis for their own medical purposes; or

(c) they can designate someone else to produce it for them.

With respect to (b) and (c), starting materials, such as plants or seeds, must be obtained from Licensed Producers. It is possible that (b) and (c) could significantly reduce the addressable market for the Company's products and could materially and adversely affect the business, financial condition and results of operations of the Company. That said, management of the Company believes that many patients may be deterred from opting to proceed with options (b) or (c) since such steps require applying for and obtaining registration from Health Canada to grow cannabis, as well as the up-front costs of obtaining equipment and materials to produce such cannabis.

1.4 Risks and Uncertainties

The Company's business is subject to risks inherent in a high growth, government regulated enterprise, and the Company has identified certain risks pertinent to its business, as further described under "**7.1 Risk Management"**. Management attempts to assess and mitigate these risks by retaining experienced professional staff and assuring that the Board of Directors and senior management are monitoring these risks on a continual basis.

2.1 Nature and History of the Company's Business

The Company is licensed as a Licensed Producer of medical marijuana, including dried cannabis and cannabis oil, under the ACMPR. Pursuant to its License, the Company is permitted to possess, produce, sell, provide, ship, deliver, transport and destroy medical marijuana, marijuana plants (including plants and seeds) and cannabis oil, in conformity with the ACMPR, and made its first shipment of medical marijuana to registered patients in September 2014. As at the date hereof, the Company has one of 25 licenses to produce and sell medical marijuana and one of

sixteen licenses to produce and sell cannabis oil under the ACMPR. The Company is one of only 3 organic licensed producers of medical marijuana and cannabis oil in Canada, and has the only license to produce and sell in Atlantic Canada. Moreover, management believes that the Company benefits from a number of competitive advantages which will allow it to be strategically positioned for future potential developments in the industry.

The Company has entered into agreements with several organizations committed to helping first responders and veterans deal with chronic ailments. Under the terms of the agreements, each of the organizations will refer patients to OrganiGram. The Company continues to pursue, as part of its business model, further strategic partnerships and opportunities with other suppliers and organizations and continues to actively evaluate such opportunities.

Since commencing operations at its main facility located in Moncton, New Brunswick, the Company has continued to expand the main facility to create additional production capability. The Company has also strategically acquired a building adjacent to the main facility as well as the adjoining 10-acre property, which includes a 136,000 square foot industrial building.

The Company's License currently allows the Company to, among other things, produce up to 1,500 kilograms of dried cannabis, 500 kilograms of cannabis oil, and to sell and distribute within Canada up to 1,200 kilograms of dried cannabis and 500 kilograms of cannabis oil per year (the "**License**"). The License has a current term that began on March 27, 2016 and ends on March 27, 2017. It is anticipated that Health Canada will extend or renew the License at the end of its current term. See "**7.1 Risk Management".**

Medical marijuana and cannabis oil patients order from the Company primarily through the Company's online store or through the phone. Medical marijuana and cannabis oil is and will continue to be delivered by secured courier or other methods permitted by the ACMPR. The Company's prices vary based on grow time, strain yield and market prices. The Company may from time to time offer volume discount or promotional pricing.

The Company is also authorized for wholesale shipping of medical marijuana plant cuttings and dried bud to other Licensed Producers. The Company has already completed sales through its wholesale strategy and based on current costs, management expects the wholesale shipment strategy to continue. This sales channel requires minimal selling, general and administrative costs over and above the cost to produce plant cuttings and dried bud.

2.2 Business Outlook

The Company showed improvement compared to prior year in sales, gross margin, and net income. This improvement is primarily driven by increased capacity allowing for more product to be available for sale. Larger volumes of product also results in fixed overhead costs being applied to more product, reducing production costs on a per unit basis. To that end, the forthcoming year will be focused on increasing capacity for the medical marijuana market, as well as preparing for an anticipated recreational marketplace in Canada.

The ongoing development of 35 English Drive and 320 Edinburgh Drive is expected to add additional capacity and permit the increased production of medical marijuana, cannabis oil, and related products. The increase in capacity is to prepare for legalization of recreational use of marijuana in Canada. The Canadian Federal Government announced on April 20, 2016, its intention to introduce legislation in the spring of 2017, to legalize the recreational use of marijuana in Canada.

The fully funded expansion at its main facility is expected to be completed and operational in the spring of 2018. The expansion plan provides for a significant increase in the Company's cannabis production capabilities, and is designed to increase total production capacity to approximately 26,000 kilograms per year of flower. The planned expansion also includes a state of the art 15,000 square foot commercial scale oils and extracts manufacturing facility that is engineered and designed in collaboration with TGS International LLC ("TGS").

TGS will provide consulting services related to the development and operation of the commercial scale cannabis extracts production and processing facility, as well as exclusive licensing in Canada of over 225 unique cannabis products. This agreement is in anticipation of a recreational marketplace in Canada.

As well, the Company has entered into an agreement with a company which owns and manages all the intellectual

property rights associated with the television series Trailer Park Boys ("TPB"), and which is indirectly controlled by the main actors of TPB. Pursuant to the agreement, which has an initial term of five years, the Company will be the exclusive Canadian cannabis producer, business partner and brand developer for TPB. The agreement encompasses an exclusive product and branding partnership targeted towards the anticipated legalization of recreational marijuana in Canada and consumers in that potential market. See "**7.1 Risk Management** ".

We believe these initiatives mentioned will position the Company for continued growth in sales and increase long-term shareholder value.

2.3 Selected Information

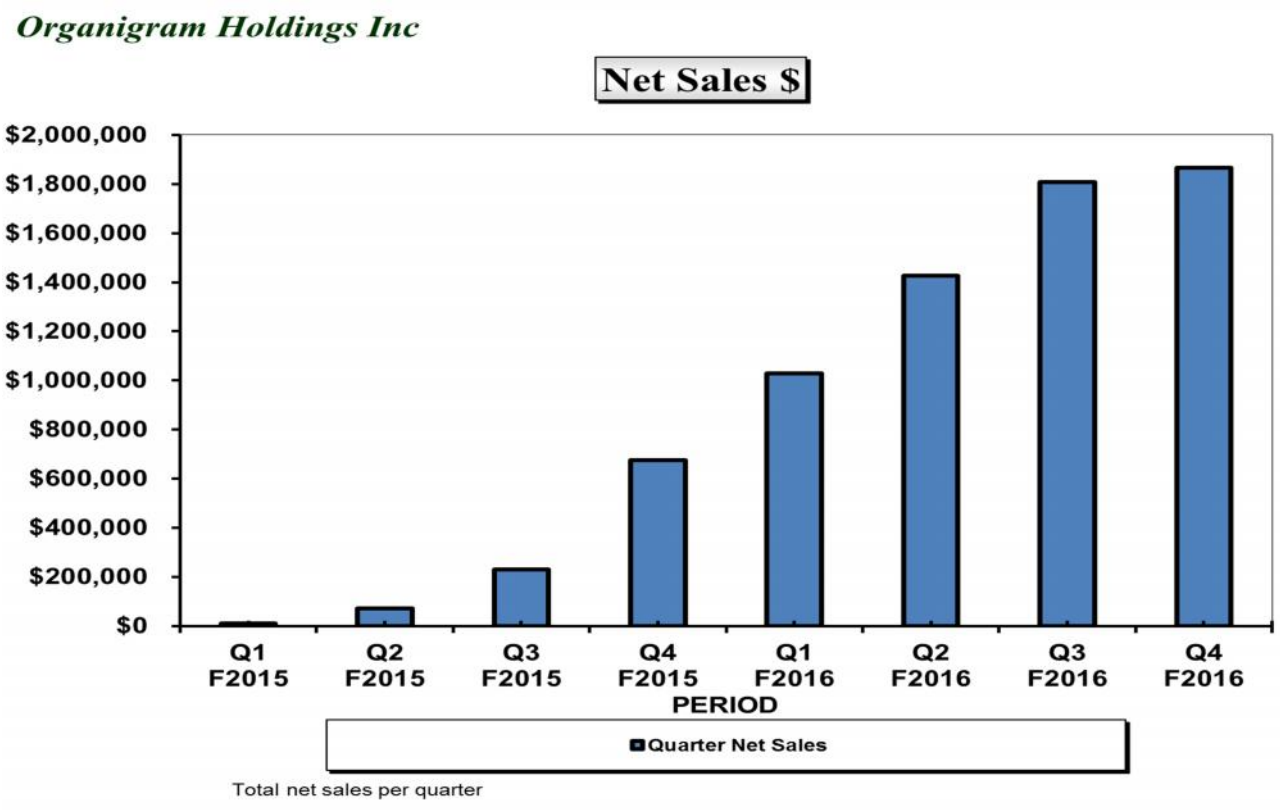
CAUTIONARY NOTE REGARDING NON-GAAP FINANCIAL MEASURES

The Company uses certain non-GAAP performance measures such as adjusted EBITDA (excluding fair value adjustment to inventory and biological assets), adjusted gross margin and adjusted gross profit within this MD&A or in documents incorporated by reference herein, which are not measures calculated in accordance with IFRS and have limitations as analytical tools. These performance measures have no meaning under IFRS and therefore amounts presented may not be comparable to similar data presented by other companies. The data is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance such as net income or other data prepared in accordance with IFRS.

The following are quarterly financial highlights ended August 31, 2016.

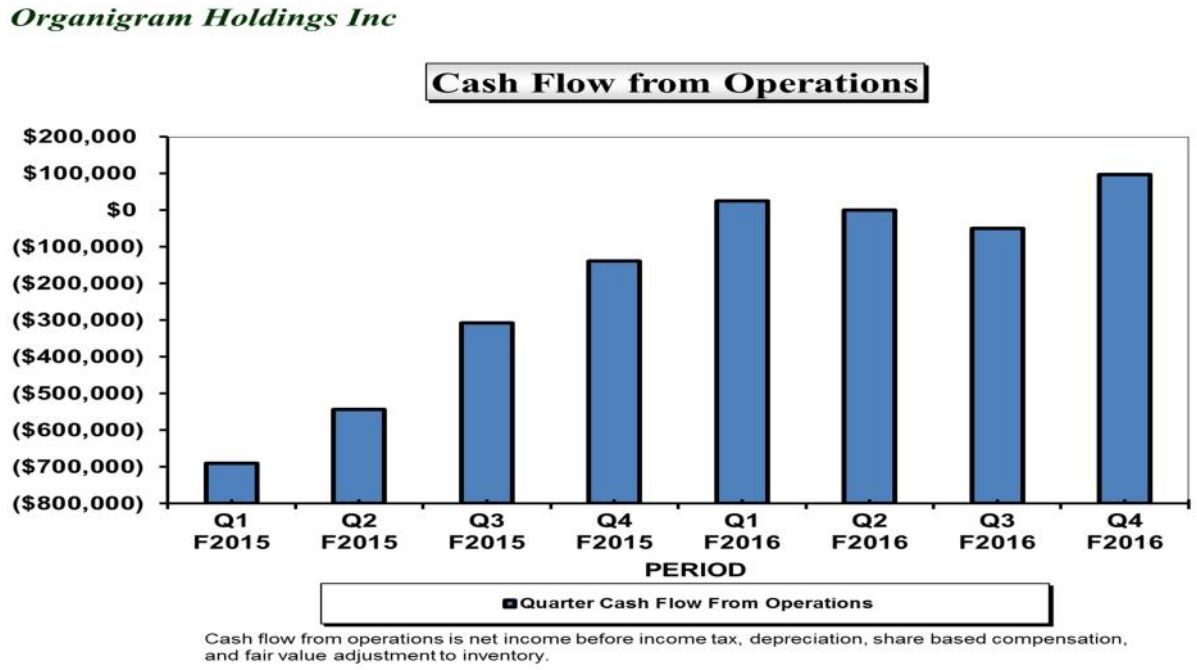
Net Sales

The net sales for the Company is defined as gross sales, less any customer discounts and returns. Primarily consisting of dried marijuana, it also includes revenue from related accessories and as of August, 2016, cannabis oil.



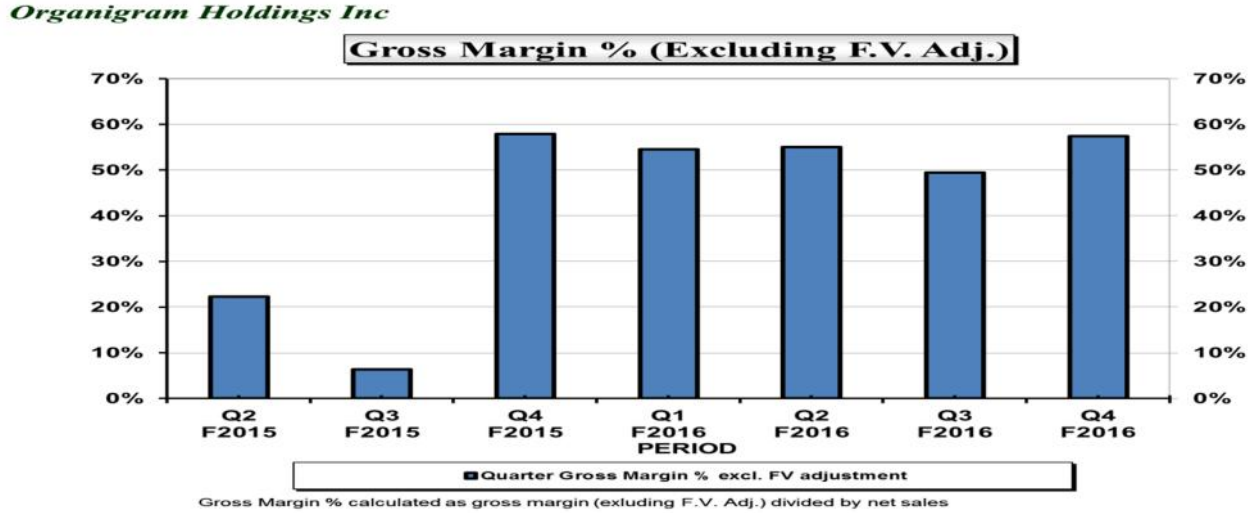
Cash flow from operations

This is a non-GAAP measure and the Company calculates cash flow from operations as net profit before income tax, depreciation, stock option compensation, and the fair value adjustment to biological assets and inventory. Management believes the exclusions are a better representation of cash performance. The fair value adjustment is a non-cash gain (loss) and is based on fair market value less cost to sell. The most directly comparable measure calculated in accordance with IFRS is net income (loss).



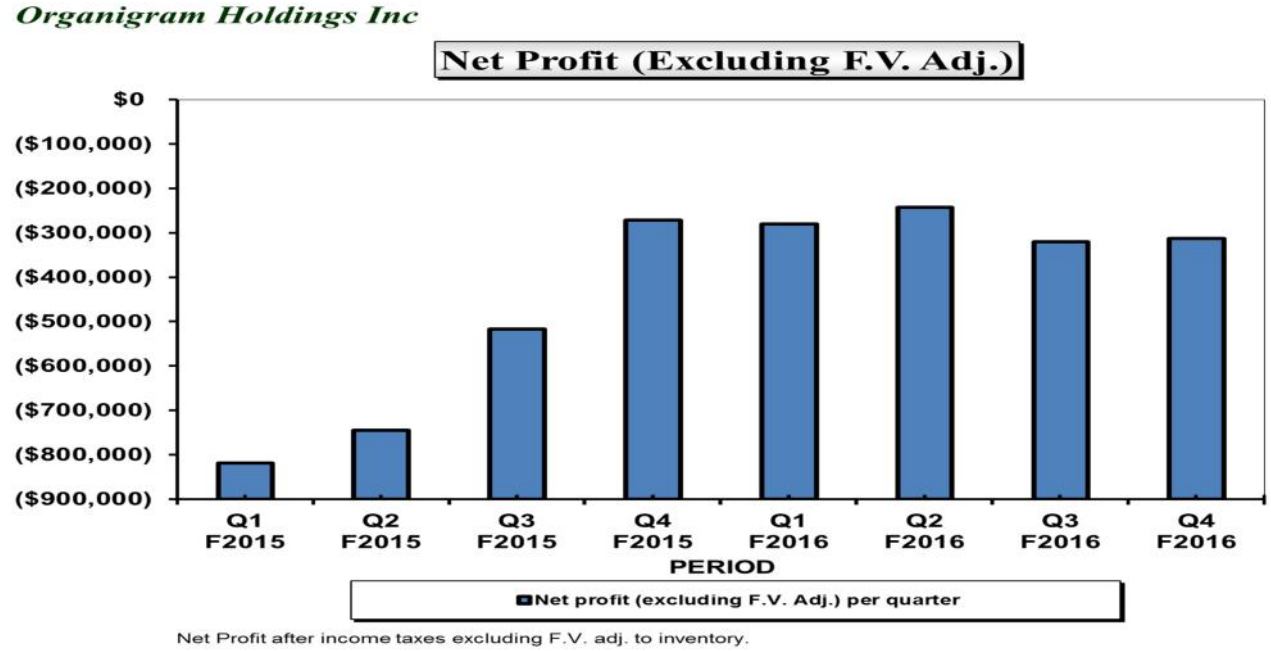
Adjusted Gross Margin % (excludes F.V. adjustment to bio-assets and inventory)

This is a non-GAAP measure and the Company calculates adjusted gross margin as net sales less cost of goods sold and indirect production, divided into net sales. The fair value adjustment to biological assets and inventory is excluded as management believes the exclusion is a better representation of performance. The fair value adjustment is a non-cash gain (loss) and is based on fair market value less cost to sell. The most directly comparable measure calculated in accordance with IFRS is gross margin.



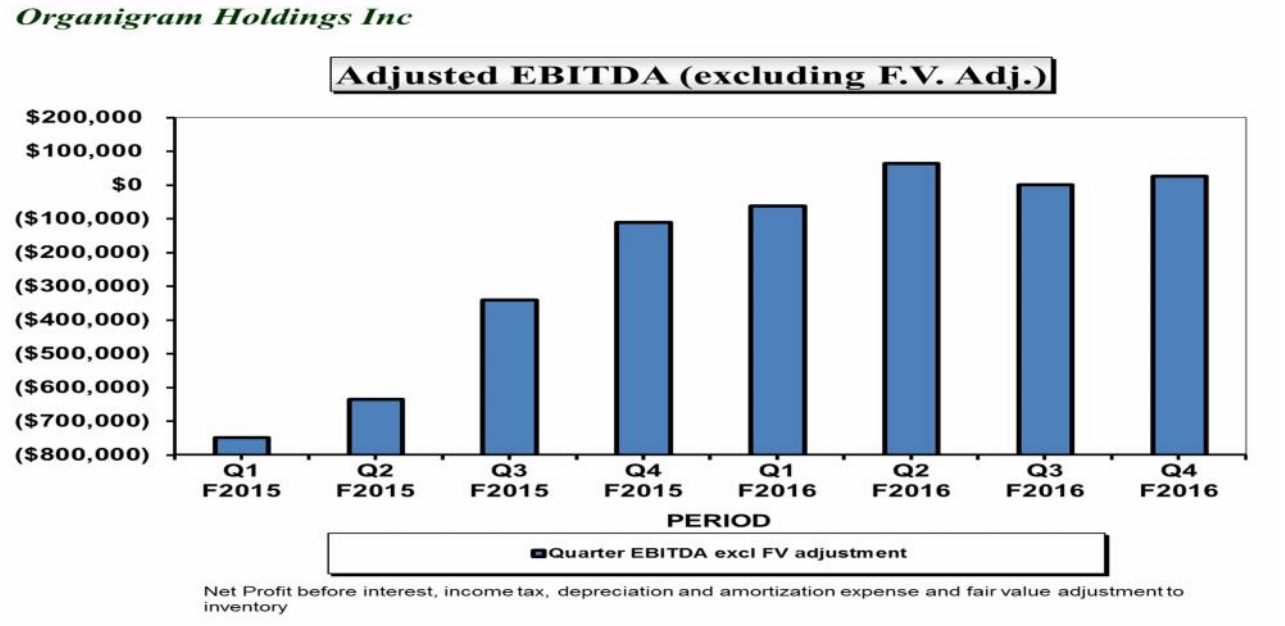
Adjusted Net Profit

This is a non-GAAP measure and the Company calculates adjusted net profit as net profit before the fair value adjustment to biological assets and inventory. Management believes the exclusion is a better representation of performance. The fair value adjustment is a non-cash gain (loss) and is based on fair market value less cost to sell. The most directly comparable measure calculated in accordance with IFRS is net income (loss).



Adjusted EBITDA

This is a non-GAAP measure and the Company calculates adjusted EBITDA as net profit before interest, income tax, depreciation and amortization, and the fair value adjustment to biological assets and inventory. Management believes the exclusion of the fair value adjustment is a better representation of performance. The fair value adjustment is a non-cash gain (loss) and is based on fair market value less cost to sell. The most directly comparable measure to adjusted EBITDA (excluding fair value adjustment to inventory and biological assets) calculated in accordance with IFRS is net income (loss).



3.1 Subsequent Events

(i) Issuance of Stock Options

In September, 2016, the Company issued an aggregate of 850,600 employee options to purchase 850,600 common shares of the Company, to various employees and consultants of OGI, at an average exercise price of $1.42 per share. In accordance with the Company's Stock Option Plan, the foregoing options shall vest over a three year period. Vested options may be exercised until September, 2026, subject to forfeiture provisions requiring the options to expire 90 days after termination of the individual's employment.

In October, 2016, the Company issued an aggregate of 535,000 employee options to purchase 535,000 common shares of the Company, to various employees and consultants of OGI, at an average exercise price of $1.57 per share. In accordance with the Company's Stock Option Plan, the foregoing options shall vest over a three year period. Vested options may be exercised until October, 2026, subject to forfeiture provisions requiring the options to expire 90 days after termination of the individual's employment.

In November, 2016, the Company issued an aggregate of 607,500 employee options to purchase 607,500 common shares of the Company, to various employees and consultants of OGI, at an average exercise price of $1.51 per share. In accordance with the Company's Stock Option Plan, the foregoing options shall vest over a three year period. Vested options may be exercised until November, 2026, subject to forfeiture provisions requiring the options to expire 90 days after termination of the individual's employment.

(ii) Purchase and sale agreement – 320 Edinburgh Drive

In October, 2016, the Company closed a transaction to acquire a 10-acre adjoining property, which includes a 136,000 square foot industrial building for approximately $6.9 million in cash and other non-cash consideration, including real property, located at 1299 St. George Boulevard. The purchase facilitates the Company's phased expansion initiatives related to cannabis production and extracts processing.

(iii) Licensing agreement – TGS International

In October, 2016, the TSX Venture Exchange has approved the Company to issue 437,957 common shares to TGS International LLC at a deemed price of $1.37. As per the terms of the agreement, the shares will be released to TGS according to an escrow schedule that relates to certain calendar and operational milestones.

(iv) Financing – XIB Consulting

The Company entered into an engagement agreement in April, 2016, with XIB Consulting Inc. ("XIB"). In November of 2016, TSX Venture Exchange accepted the Company's proposal to issue 70,161 shares at a price of $1.72 per share in consideration of services provided to date.

(v) Financing – Bought Deal

On December 7, 2016, the Company closed a bought deal. The offering was completed by a syndicate of underwriters led by Dundee Securities in which 11,339,000 common shares of the Company were sold at a price per share of $3.55 for gross proceeds of $40,253,450. The Company plans on using the proceeds for capital expenditures, working capital, and general corporate purposes.

4.1 Changes in Accounting Policies

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.

Disclosure Initiative (Amendments to IAS 7)
This amendment was issued on December 18, 2014. The amendment will require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including non-cash changes and changes arising from cash flows. The amendment is effective for annual reporting periods beginning on or after January 1, 2017. Early adoption is permitted.

Amendments to IAS 12 – Income Taxes
This amendment provides clarify on recognition of deferred tax assets for unrealized losses to address diversity in practice. The amendment is effective for annual reporting periods beginning on or after January 1, 2017. Early adoption is permitted.

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 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 de-recognition. This new standard supersedes all prior versions of IFRS 9.

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.

IFRS 16 – Leases
In January 2016, the IASB issued IFRS 16 – Leases ("IFRS 16"), which establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 applies to annual reporting periods beginning on or after January 1, 2019.

IFRS 2 - Share-based Payments
The amendment clarifies how to account for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature and a modification to the terms and conditions that changes the classification of the transactions. The amendment is effective for annual periods beginning on or after January 1, 2018.

Management of the Company believes IAS1 will have no impact on the company and is currently evaluating the impact, if any, of the other standards.

5.1 Pre -Tax Operating Earnings

The following are the statements of income for the quarter and years ended August 31, 2016 and 2015:

	Quarter Ended August 31, 2016	Quarter Ended August 31, 2015	Year Ended August 31, 2016	Year Ended August 31, 2015
Revenue				
Sales	$ 1,865,934	$ 675,530	$ 6,127,625	$ 986,676
Cost of sales	673,781	247,900	$ 2,505,776	361,637
Indirect production	120,861	36,127	$ 309,297	375,255
	1,071,292	391,503	3,312,552	249,784
Add: Fair value adjustment to biological assets and inventory	937,510	328,665	2,001,694	1,076,403
Gross margin	2,008,802	720,168	5,314,246	1,326,187
Expenses	108%	107%	87%	134%
Sales and marketing	559,619	251,745	1,757,812	720,968
General and administrative	581,124	342,177	1,868,455	1,507,435
Share-based compensation	164,321	18,160	442,349	256,743
Financing costs	116,249	48,670	436,372	115,405
Interest Income	(37,398)	-	(37,398)	-
Loss (gain) on disposal of property, plant and equipment	-	2,490	(7)	2,490
Total expenses	1,383,915	663,242	4,467,583	2,603,041
Net income (loss) and comprehensive loss for the period	$ 624,887	$ 56,926	$ 846,663	$ (1,276,854)
Weighted-average number of shares, basic and diluted	68,188,981	53,026,787	58,682,657	52,404,328
Net income (loss) per common share, basic and diluted	$ 0.009	$ 0.001	$ 0.014	$ (0.024)

5.2 Results of operations for the quarter and year ending August 31, 2016

Revenue

Organigram posted revenue for the quarter ended August 31, 2016 of $1,865,934 on 206,747 grams of sales versus $675,530 for the quarter ended August 31, 2015 on 86,932 grams sold. This included sales of 96,957 grams of outsourced product. The outsourced product was acquired earlier in the year to ensure customer demand was met during the approval process by Health Canada for the new grow rooms. Sales in Q4 2016 were an increase of 3% from Q3 2016. The fourth quarter 2016 sales include wholesale, cannabis oil, and accessories revenue.

Organigram posted revenue for the year ended August 31, 2016 of $6,127,625 on 732,022 grams of sales versus $986,676 for the year ended August 31, 2015 on 132,099 grams sold. This included sales of 317,852 grams of outsourced product. The outsourced product was acquired to ensure customer demand was met during the approval process by Health Canada for the new grow rooms. The increase in sales was primarily the result of increased product available for sale due to increased capacity.

Gross Margin

The gross margin for the quarter ended August 31, 2016 and 2015 was $2,008,802 and $720,168 respectively. The gross margin in the prior year was a result of little product available for sale as the Company was still in its start-up phase.

The cost of sales currently consists of three main categories:

1) Costs of goods sold include the direct costs of materials and labour related to the medical marijuana sold. This includes growing, cultivation and harvesting costs, quality assurance and quality control, as well as packaging and labelling. It also includes the costs of sales related to other products such as vaporizers and cookbooks.
2) Depreciation of manufacturing related items such as building and equipment, utilized in the production of medical marijuana.
3) Change in the fair value of biological assets and inventory related to IFRS standard IAS41.

The gross margin percentage was 108% for the quarter ended August 31, 2016 and 107% for the quarter ended August 31, 2015. The gross margin percentage in the current quarter included wholesale sales for excess product compared to none the prior year.

The gross margin for the year ended August 31, 2016 and 2015 was $5,314,246 and $1,326,187 respectively. The gross margin in the prior year was a result of little product available for sale as the Company was still in its start-up phase.

The gross margin percentage was 87% for the year ended August 31, 2016 and 134% for the year ended August 31, 2015. The gross margin percentage in the prior year was a result of a positive fair value adjustment of biological assets and inventory of $1,076,403, while sales was only $986,676.

Sales and marketing

In the quarter ending August 31, 2016, the Company incurred sales and marketing expenses of $559,619 versus $251,745 in the quarter ended August 31, 2015. These costs are related to commissions on sales, medical liaison staff, the Company's client services operations, delivery costs, as well as educational materials.

In the year ending August 31, 2016, the Company incurred sales and marketing expenses of $1,757,812 versus $720,968 in the year ended August 31, 2015. These costs are related to commissions on sales, medical liaison staff, the Company's client services operations, delivery costs, as well as educational materials.

The increase from the comparable periods is due to increased sales volumes and planning for the recreational market.

General and Administrative

In the quarter ended August 31, 2016, the Company incurred expenses of $581,124 versus $342,177 in the comparable 2015 prior period.

In the year ended August 31, 2016, the Company incurred expenses of $1,868,455 versus $1,507,435 in the comparable 2015 prior period. This was a reduction to 30% of sales compared to 153% of sales for August 31, 2015.

The increase in cost compared to prior periods is related to an increase in internal resources, accounting, legal, and shareholder related fees as the Company continues in growth mode.

Share- based compensation

The company recognized $164,321 in share-based compensation for the quarter ended August 31, 2016 compared to $18,160 in the prior year. Options granted in the period were 265,000 compared to 150,000 in the prior year.

The company recognized $442,349 in share-based compensation for the year ended August 31, 2016 compared to $256,743 in the prior year. Options granted in the period were 1,434,165 compared to 842,500 in the prior year.

Share-based compensation was valued using the Black-Scholes valuation model and represents a non-cash expense.

Financing costs and interest income

For the quarter ending August 31, 2016, the Company incurred $116,249 in financing costs less $37,398 in interest income versus $48,670 in financing costs in the comparable prior period. These costs are related to long-term debt of $7,160,831 at August 31, 2016.

For the year ending August 31, 2016, the Company incurred $436,372 in financing costs less $37,398 in interest income versus $115,405 in financing costs in the comparable prior period. These costs are related to long-term debt of $7,160,831 at August 31, 2016. The comparable prior period had long-term debt of $4,574,153. The long-term

debt received is as follows:

Description	Prinicpal Received
Farm Credit Canada loan, November 2014	
10 year amortization, 5 year term with variable rate of 5.45%	2,500,000
Non-brokered private placement, July 2015	
Matures September 1st, 2017, 9% interest rate	1,000,000
Farm Credit Canada loan, August 2015	
10 year amortization, 5 year term with variable rate of 5.936%	1,500,000
Debentures - Private Placement, November 2015	
Matures December 31, 2018 with interest rate of 6.75%	2,600,000
Debentures - Private Placement, November 2015 Received December 2015	
Matures December 31, 2018 with interest rate of 6.75%	300,000
Total Loans Received	$ 7,900,000

Net Income

The net income for the quarter ended August 31, 2016 was $624,887 or $0.009 per share, compared to the prior quarter of net income of $56,926, or $0.001 per share.

The net income for the year ended August 31, 2016 was $846,663 or $0.014 per share, compared to the prior year of net income of ($1,276,854), or ($0.024) per share.

5.3 Related Party Transactions

Transactions and balances with related entities

A debenture 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.

Certain directors and management of the company participated in the November 27, 2015 private placement completed during the year ending August 31, 2016. Proceeds received from the directors and management related to the private placement were $98,000, which included 47,116 warrants. Proceeds received from other related parties controlled by directors related to the private placement were $140,000, which included 67,307 warrants. All of the warrants expire May 27, 2017.

Convertible debentures issued as part of the November 27, 2015 private placement were issued to certain directors and management for $45,000 and other related parties controlled by directors for $110,000. The convertible debentures carried a 6.75% interest rate and expire on December 31, 2018.

Management and Board compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly. The key management personnel of the Company are the members of the Company's executive management team and Board of Directors. For the year ended August 31, 2016, the Company's expenses included $657,204 (2015 - $403,672) respectively for salary and/or consulting fees paid to key management personnel. In addition, 300,000 options (2015 – 335,000) were issued to key management personnel during the year at an average exercise price of $0.64 (2015 - $0.56).

6.1 Liquidity and Capital Resources

The following is a statement of the cash flows of the Company for the years ended August 31, 2016 and August 31, 2015:

	Year Ended August 31, 2016	Year Ended August 31, 2015
Cash Provided (Used)		
Operating Activities		
Net income (loss) for the year	$ 846,663	$ (1,276,854)
Changes not involving cash:		
Share based payments	75,001	-
Share based compensation	367,348	256,743
Loss (gain) on disposal of asset	(7)	2,490
Amortization of deferred financing	2,500	1,667
Fair value adjustment to biological assets	(284,679)	(693,983)
Depreciation	785,593	414,801
Financing costs	436,372	115,405
Investment income	(37,398)	-
Net change in accounts receivable	(795,105)	(521,587)
Net change in biological assets	(772,370)	(500,063)
Net change in inventories	(2,971,557)	(933,111)
Net change in accounts payable and accrued liabilities	652,074	371,163
Net change in other working capital balances	(76,558)	(8,884)
	(1,772,123)	(2,772,213)
Financing Activities:		
Shares issued in private placement	37,606,853	1,407,418
Share issue costs	(2,542,792)	(106,798)
Payment of long term loan	(274,885)	(120,301)
Proceeds of long term loan	2,900,000	5,000,000
Deferred financing costs	4,999	(22,500)
Employee stock options excercised	53,087	-
Financing costs	(436,372)	(115,405)
	37,310,890	6,042,414
Investing Activites:		
(Increase) decrease in short-term investments	(22,775,000)	-
Investment income	37,398	-
Proceeds on disposal of fixed asset	400	-
Acquisition of property, plant and equipment	(4,417,622)	(7,523,181)
	(27,154,824)	(7,523,181)
Cash Provided (Used)	8,383,943	(4,252,980)
Cash Position		
Cash, beginning of year	$ 1,473,694	$ 5,726,674
Cash, end of year	$ 9,857,637	$ 1,473,694

On August 31, 2016, the Company had a cash balance of $9,857,637 (August 31, 2015 -$1,473,694).

During the year ending August 31, 2016, the Company increased its short-term investments by $22,775,000 and spent $4,417,622 on capital purchases, primarily for the expansion of growing capacity.

6.2 Share Data

(i) Outstanding shares, warrants and options

The following table sets out the number of shares, warrants and options outstanding as at August 31, 2016 and November 30, 2016:

Fully Diluted Shares

	August 31	December 8
Common shares issued and outstanding	84,685,102	100,883,672
Investor warrants	8,243,222	6,189,683
Agent warrants	84,595	84,595
Finders' warrants	4,500	4,500
Compensation options	2,742,862	4,609,932
Total fully diluted shares	95,760,281	111,772,382

(ii) 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:	**Number**	**Average Exercise Price**
Balance - September 1, 2014	1,565,000	$0.85
Options Granted	842,500	$0.60
Options Cancelled / Forfeited	(660,000)	$0.86
Balance - August 31, 2015	1,747,500	$0.73
Options Granted	1,434,165	$0.57
Exercised / Forfeited	(120,971)	$0.44
Options Cancelled / Forfeited	(317,832)	$0.68
Balance - August 31, 2016	2,742,862	$0.67

Options outstanding have exercise prices that range from $0.30 to $1.25 with a weighted average remaining life of 9 years. Total share-based compensation expense for the twelve month period ended August 31, 2016 was $367,348 (2015 – $256,743). 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	0.57% - 2.00%
Expected life of options	3 -7.5 years
Expected annualized volatility	53% -128%
Expected dividend yield	-

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.

6.3 Balance Sheet

The following is the financial position of the Company as at August 31, 2016 and August 31, 2015:

	August 31 2016	August 31 2015
Assets		
Current Assets		
Cash	$ 9,857,637	$ 1,473,694
Short term investments	22,775,000	-
Accounts receivable	1,561,893	766,788
Biological assets	2,366,863	1,309,814
Inventories	3,940,820	969,263
Prepaid expenses	149,740	73,182
	40,651,953	4,592,741
Property, plant and equipment	13,215,012	9,583,376
	$ 53,866,965	$ 14,176,117
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 2,115,193	$ 1,463,119
Current portion of long term debt	330,649	284,713
	2,445,842	1,747,832
Long-term Debt		
Long-term debt	7,160,831	4,574,153
	9,606,673	6,321,985
Shareholders' Equity		
Share capital	50,958,174	16,753,777
Reserve for options and warrants	2,167,127	812,027
Accumulated deficit	(8,865,009)	(9,711,672)
	44,260,292	7,854,132
	$ 53,866,965	$ 14,176,117

As at the date hereof, the Company has no off-balance sheet arrangements.

6.4 Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset of paid to transfer a liability in an orderly fashion between market participants. The Company does not record any financial instruments at fair value. The Company's financial instruments include cash, short-term investments, accounts receivable, accounts payable and accrued liabilities and long-term debt. The carrying values of these financial instruments approximate fair value.

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The fair value of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities, and long-term debt are classified as a level 2 measurements. During the year, there was not transfers of amounts between level 1, 2 and 3.

7.1 Financial Risk Factors

The Company has implemented Risk Management Governance Processes that are led by the Board of Directors, with the active participation of management, and updates its assessment of its business risk on an annual basis. Notwithstanding, it is possible that the Company may not be able to foresee all of the risks that it may have to face. The market in which OrganiGram currently competes is complex, competitive and changes rapidly. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. Readers of this MD&A should not rely upon forward-looking statements as a prediction of future results.

The risks presented below may not be all of the risks that the Company may face, although they are management's current assessment of the risk factors that may cause actual results to be different from expected and historical results:

(i) Credit Risk

Credit risk arises from deposits with banks, short-term investments 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 $34,435,249 of cash, short term investments and accounts receivable on the balance sheet.

As of August 31, 2016 and August 31, 2015, the Company's aging of trade receivables was approximately as follows:

	August 31 2016	August 31 2015
0-60 days	$ 889,421	$ 276,168
61-120 days	77,672	126,647
Total	$ 967,093	$ 402,816

(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, 2016, the Company had $9,857,637 (August 31, 2015 – $1,473,694) of cash and cash equivalents and working capital of $38,137,809 (August 31, 2015 - $2,844,909).

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

	Carrying Amount	Contractual Cash Flows	Fiscal 2017	Fiscal 2018-2019	Fiscal 2020-2021
Accounts payable and accrued liabilities	$ 2,115,193	$ 2,115,193	$ 2,115,193	$ -	$ -
Long-term debt	7,491,480	7,491,480	330,649	4,618,986	804,155
Interest	-	-	483,151	598,135	252,220
	$ 9,606,673	$ 9,606,673	$ 2,928,993	$ 5,217,121	$ 1,056,375

(iii) Market risk

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 two 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, 2016 pursuant to the fixed rate loans described in Note 9. A 1% change in prime interest rates will increase or decrease the Company's interest expense by $35,998 per year.

(iv) Concentration risk

The Company's accounts receivable is primarily due from the Federal Government, legal trusts, and patients covered under group insurance, and, thus, the Company believes that the entire accounts receivable balance is collectible. Accordingly, management has not provided for an allowance for doubtful accounts as at August 31, 2016.

(v) Dependence on Senior Management

The success of the Company and its strategic focus is dependent to a significant degree upon the contributions of senior management. The loss of any of these individuals, or an inability to attract, retain and motivate sufficient numbers of qualified senior management personnel could adversely affect its business. This risk is partially mitigated by the fact that the senior management team are significant shareholders in the Company. As well, implementation of employee compensation packages, composed of monetary short-term compensation and long term stock based compensation, has been designed for the retention of key employees.

(vi) *Sufficiency of Insurance*

The Company maintains various types of insurance which may include financial institution bonds; errors and omissions insurance; directors', trustees' and officers' insurance; property coverage; and, general commercial insurance. There is no assurance that claims will not exceed the limits of available coverage; that any insurer will remain solvent or willing to continue providing insurance coverage with sufficient limits or at a reasonable cost; or, that any insurer will not dispute coverage of certain claims due to ambiguities in the policies. A judgment against any member of the Company in excess of available coverage could have a material adverse effect on the Company in terms of damages awarded and the impact on the reputation of the Company.

(vii) Competition

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company.

Because of the early stage of the industry in which OHI operates, the Company expects to face additional competition from new entrants. If the number of users of medical marijuana in Canada increases, the demand for products will increase and OHI expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products and pricing strategies. To remain competitive, OHI will require a continued high level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

(viii) General Business Risk and Liability

Given the nature of Company's business, it may from time to time be subject to claims or complaints from investors or others in the normal course of business. The legal risks facing OHI, its directors, officers, employees or agents in this respect include potential liability for violations of securities laws, breach of fiduciary duty and misuse of investors' funds. Some violations of securities laws and breach of fiduciary duty could result in civil liability, fines, sanctions, or the suspension or revocation of the Company's right to carry on its existing business. The Company may incur significant costs in connection with such potential liabilities.

(ix) Regulation of the Marijuana Industry

OGI is heavily regulated in all jurisdictions where it carries on business. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Company, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services.

Possible sanctions include the revocation or imposition of conditions on licenses to operate the Company's business; the suspension or expulsion from a particular market or jurisdiction or of its key personnel; and, the imposition of fines and censures. To the extent that existing or future regulations affect the sale or offering of the Company's product or services in any way, the Company's revenues may be adversely affected.

(x) Regulatory Risks

The business and activities of the Company are heavily regulated in all jurisdictions where it carries on business. The Company's operations are subject to various laws, regulations and guidelines by governmental authorities, particularly Health Canada, relating to the manufacture, marketing, management, transportation, storage, sale, pricing and disposal of medical marijuana and cannabis oil, and also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over the activities of the Company, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services.

Achievement of the Company's business objectives are contingent, in part, upon compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the production and sale of its products. The Company cannot predict the time required to secure all appropriate regulatory approvals for its products, or the extent of testing and documentation that may be required by governmental authorities. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company.

Failure to comply with the laws and regulations applicable to its operations may lead to possible sanctions including the revocation or imposition of additional conditions on licenses to operate the Company's business; the suspension or expulsion from a particular market or jurisdiction or of its key personnel; and, the imposition of fines and censures. To the extent that there are changes to the existing laws and regulations or the enactment of future laws and regulations that affect the sale or offering of the Company's products or services in any way, the Company's revenues may be adversely affected.

While the Company currently anticipates the legalization of recreational marijuana use in Canada in the future, there

can be no assurances that recreational marijuana use in Canada will in fact be legalized in the near term, or at all. The Company has invested a considerable amount of funds into the expansion of its production facilities, including the 35 English Drive Expansion and the 320 Edinburgh Drive Expansion, in anticipation of the legalization of recreational marijuana use in Canada and any significant delay in legalization or a decision by the government of Canada and other relevant regulatory authorities to not proceed with legalization could have a material adverse effect on the business, results of operations and financial condition of the Company.

(xi) Change in Laws, Regulations and Guidelines

The Company's operations are subject to a variety of laws, regulations and guidelines relating to the marketing, acquisition, manufacture, management, transportation, storage, sale and disposal of medical marijuana but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. While to the knowledge of the Company's management, it is currently in compliance with all such laws, changes to such laws, regulations and guidelines due to matters beyond the control of OHI may cause adverse effects to the Company's operations.

(xii) Reliance on License Renewal

OGI's ability to grow, store and sell medical marijuana in Canada is dependent on the license from Health Canada. Failure to comply with the requirements of the license or any failure to maintain this license would have a material adverse impact on the business, financial condition and operating results of the Company. The license was renewed March 27, 2016 and expires March 27, 2017. Although management believes it will meet the requirements of the ACMPR annually for extension of the license, there can be no guarantee that Health Canada will extend or renew the license or, if it is extended or renewed, that it will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the license, or should it renew the license on different terms or not allow for anticipated capacity increases, the business, financial condition and results of the operations of the Company will be materially adversely affected.

(xiii) Reliance on a Single Facility

To date, OGI's activities and resources have been primarily focused on its facility in Moncton, New Brunswick and OGI will continue to rely on this facility for the foreseeable future. Adverse changes or developments affecting the facility could have a material and adverse effect on the Company's business, financial condition and prospects.

(xiv) Factors which may Prevent Realization of Growth Targets

The Company's growth strategy contemplates outfitting the Moncton facility with additional production resources. There is a risk that these additional resources will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these risk factors and the following:

- delays in obtaining, or conditions imposed by, regulatory approvals;
- failure to obtain anticipated license capacity increases;
  plant design errors, non-performance by third party contractors, increases in materials or labour costs; or, construction performance falling below expected levels of output or efficiency
- environmental pollution;
- contractor or operator errors; or, breakdowns, aging or failure of equipment or processes;
- labour disputes, disruptions or declines in productivity; or, inability to attract sufficient numbers of qualified workers;
- disruption in the supply of energy and utilities; and
- major incidents and/or catastrophic events such as fires, explosions, earthquakes or storms.

As a result, there is a risk that the Company may not have product, or sufficient product, available for shipment, to meet the expectations of its potential customers or in its business plan.

(xv) Risks Inherent in an Agricultural Business

The Company's business involves the growing of medical marijuana, an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks that may create crop failures and supply interruptions for the Company's customers. Although

OGI grows its products indoors under climate controlled conditions and carefully monitors the growing conditions with trained personnel, there can be no assurance that natural elements will not have a material adverse effect on the production of its products.

(xvi) Vulnerability to Rising Energy Costs

OGI's medical marijuana growing operations consume considerable energy, making the Company vulnerable to rising energy costs. Rising or volatile energy costs may adversely impact the business of OGI and its ability to operate profitably.

(xvii) Publicity or Consumer Perception

The Company believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the medical marijuana produced. Consumer perception of OGI's products can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for OGI's products and the business, results of operations, financial condition and the Company's cash flows. OGI's dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the Company, the demand for OGI's products, and the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of medical marijuana in general, or OGI's products specifically, or associating the consumption of medical marijuana with illness or other negative effects or events, could have such a material adverse effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed.

(xix) Product Liability

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

There can be no assurances that OGI will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of OGI's potential products. As of the current date, the Company has a small amount of insurance coverage for product liabilities.

(xx) Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of OGI's products are recalled due to an alleged product defect or for any other reason, OGI could be required to

incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. OGI may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Although OGI has detailed procedures in place for testing finished products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of OGI's significant brands were subject to recall, the image of that brand and OGI could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for OGI's products and could have a material adverse effect on the results of operations and financial condition of OGI. Additionally, product recalls may lead to increased scrutiny of OGI's operations by Health Canada or other regulatory agencies, requiring further management attention and potential legal fees and other expenses.

(xxii) Reliance on Key Inputs

OGI's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of OGI. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Company.

(xxiii) Difficulties with Forecasts

OGI must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the medical marijuana industry in Canada. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Company.

(xxiv) Exchange Restrictions on Business

The TSX-V's listing conditions, for the Company, required it to deliver an undertaking confirming that, while listed on the Exchange, the Company will only conduct the business of production, acquisition, sale and distribution of medical marijuana in Canada as permitted under the Health Canada license. This undertaking could have an adverse effect on the Company's ability to export marijuana from Canada and on its ability to expand its business into other areas including the provision of non-medical marijuana in the event that the laws were to change to permit such sales and the Company is still listed on the Exchange and still subject to such undertaking at the time. This undertaking may prevent the Company from expanding into new areas of business when the OGI's competitors have no such restrictions. All such restrictions could materially and adversely affect the growth, business, financial condition and results of operations of the Company.

(xxv) Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. If OGI is unable to deal with this growth; that may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

(xxvi) Litigation

The Company may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which OHI becomes involved be determined against the Company, such a decision could adversely affect OHI's ability to continue operating and the market price for the Company's common shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

(xxvii) Dividends

The Company has no earnings or dividend record and may not pay any dividends on its common shares in the foreseeable future. Dividends paid by the Company could be subject to tax and, potentially, withholdings.

(xxviii) Limited Market for Securities

The Company's common shares are listed on the TSX-V, however, there can be no assurance that an active and liquid market for the common shares will be maintained and an investor may find it difficult to resell any securities of the Resulting Issuer.

(xxix) Environmental and Employee Health and Safety Regulations

OGI's operations are subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. OGI will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in additional costs for corrective measures, penalties or in restrictions on our manufacturing operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to OGI's operations or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company.

7.2 Commitments and Contingent Liabilities

(i) Contingent Liabilities

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 prior 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. A provision has been made in these consolidated financial statements for the claim.

8.1 Directors and Officers

The Company's directors and officers, as of the current date, are:

Larry Rogers	Director and COO
Dr. Kenneth Mitton	Independent Director
Michel J. Bourque	Independent Director and Chair of the Compensation and Human Resources Committee, Governance and Nominating Committee
Monique Imbeault[1]	Independent Director and Chair of the Board
Denis Arsenault	Director and CEO
Peter Amirault	Independent Director and Chair of the Audit Committee

Note: [1]*Subject to Health Canada regulatory approval*.