

Q2 Fiscal 2019 results

TSX Venture (OGI)

OTCQX® Best Market (OGRMF)



ORGANIGRAM

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Organigram at a Glance

- Leading licensed producer (LP) of premium quality product for Medical & Adult-Use Recreational Markets
- Market cap of ~\$1.4 Billion
- Expanding indoor, unique three-level production facility in Moncton NB
- Now in all 10 provinces¹
- Expanding global footprint with international partnerships

¹ Supply agreements in 9 provinces; signed letter of intent with the Société québécoise du cannabis (SQDC)



Three Level Growing Technology

- Maximize footprint
- Critical facets of environment controlled

Q2 2019 Highlights

- ✓ **Record net revenue; more than double net revenue in Q1 2019**
- ✓ **Lowest cost of cultivation¹** of Canadian LPs **driving industry-leading adjusted gross margin²**
- ✓ **Positive adjusted EBITDA²** for the third quarter in a row
- ✓ Signed letter of intent with SQDC - **one of only three LPs** in all 10 provinces
- ✓ **Phase 4 expansion in line with expectations to triple current target production capacity to 113,000 kgs/yr³** anticipated to be complete by end of calendar 2019
- ✓ **Positioned well for new edibles legislation:**
 - ✓ **Phase 5 refurbishment underway** for a derivatives/edibles facility and additional extraction capabilities
 - ✓ **Building up extraction material**; signed Valens GroWorks for more extraction capacity
 - ✓ **Ordered various equipment** for our initial focus on vape pen technology and chocolate line
- ✓ **Prioritizing strategic partnerships**, including international CBD markets and beverage product formulation

¹ Non-IFRS measure defined in the Company's Q2 2019 MD&A; excludes non-cash costs, packaging, and shipping costs

² Non-IFRS measure defined in the Company's Q2 2019 MD&A; excludes fair value adjustments

³ Expected pro-forma target production capacity

Q2 2019 Results Reflect Our Focus On Execution

- **Net revenue of \$26.9M** incl. first full quarter of adult-use recreational sales
 - \$24.5M of adult-use rec sales; \$2.4M of medical sales with the balance from other
 - revenue from 4,248 kgs of dried flower and 5,735L litres of oil sales
- **Industry-leading yields supporting low cultivation cash costs of \$0.65/gram¹**
 - 'all-in' cost of cultivation of \$0.85/gram² incl. non-cash depreciation and share-based comp
- **Adjusted gross margin of \$16.0M or 60%³**
- **Positive adjusted EBITDA of \$13.3M³ and adjusted EBITDA margin of 49%³**
 - SG&A represented 21% of net revenue down from 36% in Q1 2019

¹ Non-IFRS measure defined in the Company's Q2 2019 MD&A; excludes non-cash costs, packaging, and shipping costs

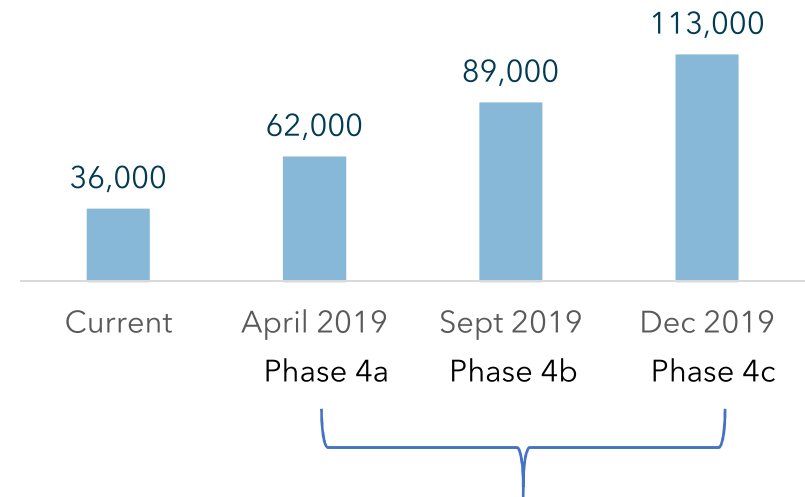
² Non-IFRS measure defined in the Company's Q2 2019 MD&A

³ Non-IFRS measure defined in the Company's Q2 2019 MD&A; excludes fair value adjustments

Phase 4 - Expanding Indoor Production Capacity

- Phase 4 expected to more than triple current capacity to **113,000 kg/yr¹** by the end of calendar 2019
- Phase 4 expansion includes:
 - state of the art mechanical system
 - improved irrigation system expected to be one of the most sophisticated in North America
- Relatively streamlined and predictable Health Canada licensing process:
 - only need to file for amendments to our existing facility
 - modular expansion with each room largely a replica of the last license submission such that Health Canada is familiar with our design and process

PRODUCTION CAPACITY (KG/YR)¹



~\$66M estimated cost to complete as at Q2 2019 of total expected Phase 4 capex of ~\$125M

Phase 5 Expansion Under Refurbishment

- 56,000 square feet within existing facility being refurbished for additional office space and designed under EU GMP standards for:
 - **additional extraction capacity**
 - **an edibles and derivative production facility**
- Plans include separate rooms for packaging, vape pen filling, extraction by CO₂ and hydrocarbons and for formulations including short path distillation
- Adding a mezzanine for new harvesting and trim rooms, 21 individual drying rooms, final processing and sanitation rooms
- Primary construction expected to be done by October 2019 at initial estimated capex of ~\$48M

Well-positioned for Edibles and Derivatives

- Expanding capacity with the Phase 4 and Phase 5 expansions
- Exclusive consulting agreement with **The Green Solution (TGS)**, a proven US market leader for:
 - ▶ commercial scale extraction and product processing
 - ▶ derivative product development
- Partnering with **Canada's Smartest Kitchen** to develop premium chocolate products and expand edibles R&D
- Currently focusing vape pen technologies and a selection of edible products:
 - ▶ chocolate molding line, more fully automated packaging equipment ordered
 - ▶ short path distillation equipment for edibles and vape pens purchased
- Building up extraction material for conversion to high CBD concentrate for vapes, edibles
 - ▶ 4,200 kg of extractable material shipped to **Valens** with initial shipments of concentrate received back



Beverage product formulation

- Believe we have developed a shelf stable, water-soluble and tasteless cannabinoid nano-emulsion formulation to provide an initial onset within 10-15 minutes in a beverage
- Non-cannabis formulations with a similar molecule size are water-soluble in humans
 - ▶ i.e., absorbed through the bloodstream rather than requiring first-pass liver metabolism, which results in longer onset and duration uncertainty
- Expect to receive appropriate research and development licensing in Q3 2019 in order to conduct testing to confirm the onset of action and duration of effect
- Seeking a strategic partner with proven experience in beverage product development before a launch is considered

Strong Balance Sheet and Liquidity

- Cash and short-term investments of \$63.4M as at Q2 2019
- Generated positive adjusted EBITDA of \$13.3M¹ in Q2 2019; positive for the third consecutive quarter
- Subsequent to Q2 2019:
 - ▶ the remaining outstanding convertible debentures were converted which has eliminated \$49.3M in current liabilities from the balance sheet
 - ▶ Signed an indicative term sheet with a Canadian Schedule 1 chartered bank and expect to receive debt financing in the aggregate amount of ~\$140M²

¹ Non-IFRS measure defined in the Company's Q2 2019 MD&A; excludes fair value adjustments

² Finalization subject to due diligence and definitive documentation

Areas of Focus

- Providing a consistent, high quality supply of products to the adult-use recreational and medical markets in Canada
- Progressing Phase 4 expansion and Phase 5 refurbishment for additional capacity
- Prioritizing strategic partnerships to expand global footprint, focused on international CBD markets and beverage product formulation
- Building up extraction material, R&D, and capacity for edibles and derivative product legislation
- Translating operational excellence to continue generating strong revenue growth, gross margin, and EBITDA for attractive return on investment and long-term value for shareholders