

**BMO Capital Markets  
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**OrganiGram**

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Greg Engel:

-- our net revenue was CAD 23.2 million, and you compare that quarter over quarter to the Q1, we were down CAD 2 million versus the previous quarter, and that was predominantly due to a reduction in wholesale revenue. Wholesale was new to us in Q1 as a company of 2020, and you know, certainly was a very opportunistic approach for us to take, you know, dried flower and certain strains that we were not getting, you know, a lot of sales on and looked to convert those through wholesale sales. So, we did, you know, again, that was primarily driven by a reduction in wholesale sales.

Our adult rec revenue, though, however, grew 16 percent to CAD 15 million in the quarter, and our Rec 2.0 products, which was the launch quarter for us, was really -- primarily in Q1 for us was one of our three big pen lines. So, our Trailblazer line, we launched right in December, at the start, and then we did not launch our chocolates or our Feather pen until right at the very end of the quarter, so we had some minimal sales of them, which we'll see more sales in our Q3, which ends at the end of May, and then I'll talk a little bit more about our portfolio in a minute.

You know, one of the things, as Tammy said, I mean, one of the big differentiators for us as a company is, we're primarily an indoor producer. You know, we have historically had one of the lowest average production costs in the marketplace. In that quarter, our costs were CAD 0.53 per gram on flower and a all-in cash cost of CAD 0.75 per gram. So, maybe we'll move on to the next slide.

So, we've also, and we just announced this morning, actually, that we've started to bring some of our workforce back. So, you know, we actually -- I think we were very proactive in terms of COVID-19. Going back to January, we saw potential disruptions in the supply chain and made sure that we were ordering hardware and necessary packaging supplies to last us for a significant period of time. But, you know, certainly, no one could have predicted what would have happened with this global pandemic, per se. but, you know, I think we, in March, made a number -- or before the end of February, we were already starting to move to work-from-home with people, where they could, and both within our Toronto and Ottawa offices, as well as our facility in Moncton.

And then, on April 7th, we had been working with our staff in the facility to ensure a safe workplace, but we actually offered a temporary layoff for staff. So, 45 percent of our workforce did take that temporary layoff, and certainly, a number of impacted by schools being closed or having family members that are immunocompromised. And, again, we were very proactive, and I think the province of New Brunswick has done a phenomenal job in terms of managing.

And, you know, so part of that activity was to bridge people until they were eligible for government programs, which we did. And, now that things have been really starting to improve in New Brunswick, you know, New Brunswick has currently only 120 active cases, with a population of roughly 750,000 people -- sorry, had 120 total cases -- and only two active cases

right now, which are both travel-related from last week. And prior to that, they'd gone more than two weeks without any active or new cases. So, there has been some lifting of some of the restrictions in New Brunswick, and so with that, we're starting to return employees. So, we announced this morning that we now have roughly 50 employees scheduled, and we'll continue to gauge from a safety perspective and an ability to return to work perspective.

And, during this time, one of the things we focused on is, we had sufficient inventory with our -- in our working capital of inventory to, both in extract concentrate as well as dried flower, that we could temporarily reduce our production capacity. And, you know, our goal was to supplement the inventories by using our most automated lines, so we've been focusing on dried flower, on vapes, and chocolate during kind of this COVID-19 period. It has really limited our ability to produce pre-rolls because it's kind of semi-automated and was partially dependent on labor. But, as people return to work, we'll continue to look at where we can best utilize them. So, we'll go to the next slide, please.

So, just a couple key highlights. The other key thing to look at, as I said, at the end of the Q2, we had CAD 41 million in cash certainly available, which I'll talk to in liquidity in a few minutes. And we're really at the tail end of our capital spend as a company, and I think that's one of the critical things to look at. You know, our Phase 4, which we had previously announced, 4C, we're deferring part of that buildout. We only had CAD 2 million remaining to kind of allow us to occupy that space, and you know, we did reduce our total production footprint overall by not finishing all of Phase 4C. But we wanted to give ourselves some flexibility in the future to produce, potentially, other 2.0 products in some of that space. If we can go to the next slide, please.

And then, our Phase 5, which is really our dedicated edibles and derivatives facility, so this facility was licensed in two stages in December of last year and then March of this year. It houses our dedicated chocolate and additional extraction capacity. It really is a dedicated downstream facility. It's been designed to EU GMP standards. And at the end of the quarter, we had CAD 11 million remaining to spend on it, although, more than likely, even as we're reaching the end of May, which is the end of our quarter, we will not have spent even that, a full CAD 11 million, because on a couple of areas like our dried powder beverage plan, we've had to defer kind of completion of getting that equipment certified because of COVID, because we have not allowed external people, staff, into our facility.

So, as I said, in totality, we had CAD 30 million less in capital costs, and we expect our ongoing capital needs to be roughly 2 to 3 percent of ton of total -- total CapEx buildout on a maintenance perspective annually, so, because the facility is so new. Could we just go to the next slide, please?

So, even during COVID-19, we've been able to do a number of exciting things. We recently launched Trailer Park Buds, which is our first large-value format SKU. One of the key differentiators for us on this large-SKU format is that, with TPB in the value segment is that it's two very specific indica and sativa strains. I think what we've seen with some of our competitors is they don't necessarily have these large formats in an individual strain on an ongoing, consistent basis, or in some cases, it's even a blend.

We also launched our Ankr Organics line on a limited basis in the rec market. We've been selling organically, certainly, in the medical space. And then, we've continued to focus on expanding our other Rec 1 portfolio with Limelight, which has been, really, a top seller for us as an organization, which has been consistently a 20 to 27 percent THC, and El Dorado, which was an award-

winning strain for us. So, maybe just go to the next slide, please.

So, as Tammy mentioned at the start, you know, we do have a full vape pen portfolio. In December, we launched our Torch, which is our 510 cartridge, been very well received in the marketplace. And, certainly, we were able to see good trends because we did launch that early in the Rec 2.0 launch. For our other two vape pen products, so our Edison + Feather pen we launched at the end of February. We do have national distribution in all provinces that carry vapes of all of our SKUs of the products shown here. And then, our Edison PAX ERA we've been able to launch, even with COVID, during this quarter. And, you know, we're one of six companies that are in partnership with PAX on this premium line.

The one comment I would make on our Feather disposable pen is that, quite unique in terms of, you know, it's inhalation activated. And, certainly, with a multi-clear window on there, it allows the consumer to see their utilization of it. So, our approach was to launch in the largest category first, which was the 510s, and then the second largest category secondly with our disposable pen, and then with the PAX ERA pods at last, because that was the smallest category, but we've got a strong partnership there with PAX. We'll just go to the next slide, please.

You know, as Tammy alluded to, we've made a big investment in chocolates. I think as we look at, you know, the edibles category, part of our investment in chocolate was centered around the fact that we felt, you know, by producing very high-quality chocolates and a very different type of product, at the end of the day, we can differentiate ourselves and really drive demand on chocolate. So, we invested CAD 15 million in a high-speed, high-capacity line, and you know, unlike vapes, when you think of edible products in the cannabis space, cannabinoids are not really the primary driver in the cost structure for edibles. It's really your efficiency in your ability to produce the edible product, as well as package it and get it out to market, and I think when we looked at this, if we could have a fulsome kind of automated system.

One of the other things this line allows us to do is, you know, it produces a very different product in terms of, we actually infuse the center. So, our first product we launched was our Edison Bytes, which are at the top, both in milk and dark chocolate and single, 10-miligram packs and multipacks of two 5-milligrams. So, in these truffles, we've infused the ganache, which is the center, and then the chocolate itself, which is the coating, is not infused. And it actually leads to an amazing taste. From a product perspective, we've done some blind taste testing against other leading chocolates, and you know, product was extremely well received -- other non-cannabis-infused leading chocolates.

And our bars that are shown here on the left, so our Trailblazer bar and our Edison bar will both also be -- it's called double-book molding, so you'll have a double-sided bar. That's like taking two Jersey Milks and putting, putting them back-to-back, and then the actual infusion will be in the center. So, even in our kind of value line, which will be our Trail Blazer bar, and our mainstream (ph) bar with Edison, it will also have that infusion technology. We are delayed in launching these with COVID, again, due to the fact that we've not been able to bring kind of external people in from Denmark to finish up kind of the final setup for these two products, but we're optimistic we'll be able to move forward at least on one of the two in the not-too-distant future. Can we go to the next slide, please?

So, I kind of alluded to this earlier. One of the areas, you know, we made decision, we've invested and looked at now emulsification, initially to look at liquid formulations. And as we were doing that work, our internal team developed a dried powder formulation which, you know, we believe

is question unique in terms of not only is it low molecular weight size, so in the 20-nanometer range, which means that, once mixed in a liquid and absorbed in a -- and ingested, that the onset of action following kind of intake would be in the 10 to 15 minute range. So, it should allow people to micro-dose and actually titrate their dose, and I think that's one of the big differentiators when we look at the maturity of products.

You know, if we look at the U.S., or even the products that have been launched in Canada on the beverage side, a majority of them are not kind of micro or nano emulsions. And it also gives portability and discretion. I mean, certainly, people can add it to, primarily, the beverage of their choice, and in the future, when we're all able to return to more social events and attend events, you know, it's discretionary and people can carry it with them and take it to locations of their choice. So, we don't have a timeline now, definitively, for launching this. We'd originally expected in this current quarter, but again, it's pushed out because of COVID at this point, so we'll continue to update the market as plans go forward on it.

So, last -- sorry, if you could go on to the next slide, please. So, I referenced this earlier in terms of liquidity and capital. You know, certainly at the end of our last quarter, we had CAD 41 million on our balance sheet in cash. We do have a debt facility, a credit facility agreement with BMO and three other lenders in the group. And so, we did have a violation of one of our covenants on that debt, so we negotiated an extension on a temporary waiver. We're currently in the process of renegotiating the structure of the waiver, and we're very encouraged by the progress to date of that renegotiation of the credit facility. So, you know, while there's no guarantee that we'll be able to change the structure of the credit facility, again, we're optimistic that we'll be able to do so before the end of May, and with that, that we'd also be able to -- we've drawn CAD 85 million to date on the debt facility, and that we would also be able to draw the remaining CAD 30 million.

So, in the prior quarter, we did have an ATM that was active, depending on volume and what was available in the marketplace, and we did raise through that ATM CAD 55 million in gross proceeds, or CAD 52.9 million net. And we do currently have an ATM, although certainly, with liquidity where it is right now, not that -- not as active as we would have been in the past. And so, that allows us to raise additional capital, when appropriate, and to fund future capital projects, as we (inaudible) some marginal improvements in our -- improvement on down-stream processing. Just go to the last slide, please.

So, kind of in general, I think our focus has been, as Tammy said earlier, to really look at, you know, when we go into categories, we want to go into large categories and have a strong position in them. So, our approach in chocolates, our approach in vapes has been, you know, really differentiate ourselves. I think at the end of the day, the regulated companies and the licensed producers in Canada are competing. You know, yes, we're competing with each other, but we're primarily competing with the illicit market, still, to many degrees, so it's critical for us to be able to actually provide an enhanced experience to what's available in the illicit market. And our focus, whether or not it's the hardware partners we work with, like PAX and Feather, or in terms of the products we're producing ourselves, to really produce a differentiated, high-quality product, so we've been doing that on 2.0.

And, you know, as we look at, on Cannabis 1.0, one of our focuses has been to really look at not only bringing out new strains and limited-time offers from our genetic bank, looking to -- because there's a certain part of the consumer that consistently wants to buy the same product over and over, but there's also people that want to sample new things. So we've got a strategy where we

look to bring, as we did with Limelight before we brought it into full production and we've done with other strains, like (inaudible) in the past to bring those in.

You know, I think in general, I mentioned our partnerships; that's been a big focus for us, not only with our suppliers, but both with the regulator and with customers. And, you know, certainly, working with both the provincial and private retailers across the country, it's been a big focus on an ongoing basis. We maintained a lean cost structure, and you know, cost management's part of our historical mantra and how we operate as an organization.

We also made some changes in our management team following the last quarter results coming out. So, Derrick West, who was formerly our chair -- was on our board of directors and our Ottawa committee chair, was moved into the CFO role. He's a proven CFO. And then, Paolo De Luca, who was our CFO, recently moved into the chief strategy officer role. Paolo had been spending a lot of time on strategy in the organization, and it was an opportunity for him to expand his work in that area.

So, you know, I think, as I said, we're focused on optimizing our inefficiency (ph) within our facility during COVID. And, again, we are certainly pleased to see the progress and kind of the positive signs that we're seeing in New Brunswick, where our facility is, and which has allowed us to start to bring some staff back at this point.

And, just the last, you know, we're focused on disciplined capital allocation. And as I said earlier, we're really at the tail end of any capital spend that's necessary for us as an organization.

So, with that, I'll open up questions, Tammy.

Tammy Chen:

Great, thank you, Greg. So, as a reminder to listeners, if you have a question, you can insert it into the box, but I'll kick it off. So, maybe to start on the Rec 2.0, so as you mentioned, you're in the vapes, you're in the edibles on the chocolate side. Can you comment on what initial learnings have been, what you've been seeing on what consumer demand tends to be more in, what the preferences are like, and just how things are going so far on that side?

Greg Engel:

Yeah. I would say, I mean, again, we had initial launch into vapes early, so certainly, we've got more feedback on our vape portfolio and as we've brought new products in there. I think, you know, the initial response on vapes has been very positive. I think, you know, we're seeing continued month-over-month growth of the category. I think the biggest thing consumers are looking for are, you know, performance and taste and kind of flavor profile. And then, you know, cost is important as well, depending on which category. But, you know, I think we're pleased, and I think the industry should be pleased in the penetration that vapes have had on displacing the illicit market.

I think when we look at edibles, you know, one of the challenges on the category per se is that, you know, there's been limited, infrequent supply. It's more like how Rec 1.0 launched. So, you know, we've been very good at consistently being able to bring, although we've had a couple vacancies -- you know, gaps, related to order cycles where now, in Albert and Ontario in particular, they are not accepting orders as frequently as they used to, with reduced staffing in their large warehouses. But in general, our chocolates are consistently available across the country in the provinces that allow for edibles, so everywhere except for Quebec.

You know, I think -- but in general, I think there has not been enough edibles out in the

marketplace, so it's still hard to see the trend there. You know, that's been one of the kind of challenges. And I think that's where many companies may not have invested in automation and scale, as they should have, for the building need in the market.

Tammy Chen: Sounds good. Great. Unfortunately, I'm being given the signal that we will have to move on to the next presentation, so we'll wrap it up here. Greg, thank you very much for joining us today.

Greg Engel: Okay, thanks, Tammy. I appreciate it.