ORGANIGRAM HOLDINGS INC.

Interim Condensed Consolidated Financial Statements

As at May 31, 2016

Auditor's Involvement

In accordance with National Instrument 51-102, Part 4, subsection 4.3 (3)(a), notice is hereby given that the accompanying statements of the Company for the three and nine- month periods ended May 31, 2016 and May 31, 2015 have not been reviewed by the Company's auditors in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of the interim consolidated financial statements by the Company's auditors.

ORGANIGRAM

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July 25, 2016

Management's Responsibility for the Financial Statements

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

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

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

(signed) 'Denis Arsenault'

Chief Executive Officer

Moncton, New Brunswick

(signed) 'Peter R Hanson, CPA, CMA'

Chief Financial Officer (interim)

Moncton, New Brunswick

OrganiGram Holdings Inc.
Condensed Consolidated Interim Statements of Financial Position
As at May 31, 2016 and August 31, 2015
(Unaudited- in Canadian dollars)

	May 31, 2016	August 31, 2015
Assets		
Current Assets		
Cash	$ 1,929,130	$ 1,473,694
Short term investments (Note 4)	1,800,000	-
Accounts receivable (Note 5)	1,399,174	766,788
Biological assets (Note 6)	2,417,236	1,309,814
Inventories (Note 7)	2,517,390	969,263
Prepaid expenses	326,371	73,182
	10,389,301	4,592,741
Property, plant and equipment (Note 8)	11,172,952	9,583,376
	$ 21,562,253	$ 14,176,117
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 2,324,651	$ 1,463,119
Current portion of long term debt (Note 9)	326,096	284,713
	2,650,747	1,747,832
Long-term Debt		
Long-term debt (Note 9)	7,244,043	4,574,153
	9,894,790	6,321,985
Shareholders' Equity		
Share capital (Note 10)	19,934,552	16,753,777
Reserve for options and warrants (Notes 10 (iv) to (vi))	1,222,807	812,027
Accumulated deficit	(9,489,896)	(9,711,672)
	11,667,463	7,854,132
	$ 21,562,253	$ 14,176,117

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

OrganiGram Holdings Inc.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
For the three and nine months ended May 31, 2016 and 2015
(Unaudited- in Canadian dollars)

	3-Months Ended May 31		9-Months ended May 31	
	2016	**2015**	**2016**	**2015**
Revenue				
Sales	$ 1,806,849	$ 230,053	$ 4,261,691	$ 311,146
Cost of sales	833,622	72,851	1,831,995	113,737
Indirect production	78,916	142,540	188,436	339,128
	894,311	14,662	2,241,260	(141,719)
Add: Fair value adjustment to biological assets and inventory	687,651	637,164	1,064,184	747,738
Gross margin	1,581,962	651,826	3,305,444	606,019
Expenses				
Sales and marketing	460,790	151,949	1,198,193	469,223
General and administrative (note 18)	562,638	279,562	1,287,331	1,165,258
Share-based compensation	66,562	62,459	278,028	238,583
Financing costs	124,259	38,161	320,123	66,735
Loss (gain) on disposal of fixed asset	(7)	-	(7)	-
Total expenses	1,214,242	532,131	3,083,668	1,939,799
Net income (loss) and comprehensive loss for the period	$ 367,720	$ 119,695	$ 221,776	$ (1,333,780)
Weighted-average number of shares, basic and diluted	56,402,954	53,026,787	55,276,582	52,194,562
Net income (loss) per common share, basic and diluted	$ 0.007	$ 0.002	$ 0.004	$ (0.026)

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

OrganiGram Holdings Inc.
Condensed Consolidated Interim Statements of Changes in Equity
For the three and nine months ended May 31, 2016 and 2015
(Unaudited- in Canadian dollars)

	Number of Shares	Share Capital	Reserve for Options and Warrants	Accumulated Deficit	Shareholders' Equity
	#	$	$	$	$
Balance - September 1, 2014	51,016,190	$ 15,477,518	$ 530,923	$ (8,434,818)	$ 7,573,623
Share-based compensation	-	-	165,002	11,122	176,124
Equity Financing	1,334,892	934,424	-	-	934,424
Equity Financing	675,705	472,994	-	-	472,994
Share issue costs	-	(131,159)	24,361	-	(106,798)
Net Loss	-	-	-	(1,453,475)	(1,453,475)
Balance - February 28, 2015	53,026,787	$ 16,753,777	$ 720,286	$ (9,877,171)	$ 7,596,892
Share-based compensation	-	-	62,459	-	62,459
Stock options forfeited	-	-	(111,033)	111,033	-
Net Income	-	-	-	119,695	119,695
Balance - May 31, 2015	53,026,787	$ 16,753,777	$ 671,712	$ (9,646,443)	$ 7,779,046
Balance - September 1, 2015	53,026,787	$ 16,753,777	$ 812,027	$ (9,711,672)	$ 7,854,132
Share-based compensation	-	-	211,467	-	211,467
Exercise of stock options	60,000	40,893	(17,393)	-	23,500
Equity Financing	3,298,073	3,429,998	-	-	3,429,998
Equity Financing - warrants	-	(156,890)	156,890	-	-
Share issue costs	-	(151,072)	-	-	(151,072)
Net income	-	-	-	(145,944)	(145,944)
Balance - February 28, 2016	56,384,860	$ 19,916,706	$ 1,162,991	$ (9,857,616)	$ 11,222,081
Share-based compensation	-	-	66,562	-	66,562
Exercise of stock options	29,167	17,846	(6,746)	-	11,100
Net income	-	-	-	367,720	367,720
Balance - May 31, 2016	56,414,027	$ 19,934,552	$ 1,222,807	$ (9,489,896)	$ 11,667,463

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

OrganiGram Holdings Inc.
Condensed Consolidated Interim Statements of Cash Flows
For the three and nine months ended May 31, 2016 and 2015
(Unaudited- in Canadian dollars)

	3-Months Ended May 31		9-Months Ended May 31	
	2016	**2015**	**2016**	**2015**
Cash Provided (Used)				
Operating Activities				
Net income (loss) for the period/year	$ 367,720	$ 119,695	$ 221,776	$ (1,333,780)
Changes not involving cash:				
Share based compensation	66,562	62,459	278,028	238,583
Loss (gain) on disposal of asset	(7)	-	(7)	-
Amortization of deferred financing	625	626	1,875	1,042
Fair value adjustment to biological assets	(263,457)	(459,051)	(614,731)	(548,265)
Depreciation	203,742	147,460	540,711	302,272
	375,185	(128,811)	427,652	(1,340,148)
Financing costs to financing activities	124,259	38,161	320,123	66,735
Net change in accounts receivable	51,161	136,750	(632,386)	(87,062)
Net change in biological assets	(185,885)	(161,480)	(492,691)	(521,285)
Net change in inventories	(662,614)	(367,808)	(1,548,127)	(442,390)
Net change in accounts payable and accrued liabilities	560,324	(80,175)	861,532	829,669
Net change in other working capital balances	110,458	(27,010)	(253,187)	(129,270)
	372,888	(590,373)	(1,317,084)	(1,623,751)
Financing activities:				
Shares issued in private placement	-	-	3,429,999	1,407,418
Share issue costs	-	-	(151,072)	(106,798)
Payment of long term loan	(78,757)	-	(195,601)	(73,779)
Proceeds of long term loan	-	(43,497)	2,900,000	2,500,000
Deferred financing costs	-	-	4,999	(22,500)
Employee stock options excercised	11,100	-	34,600	-
Financing costs	(124,259)	(38,161)	(320,123)	(66,735)
	(191,916)	(81,658)	5,702,802	3,637,606
Investing activites:				
(Increase) decrease in short-term investments	2,200,000	1,300,000	(1,800,000)	(200,000)
Proceeds on disposal of fixed asset	400	-	400	-
Acquisition of property, plant and equipment	(1,441,717)	(984,399)	(2,130,649)	(7,172,959)
Reclassification of property, plant and equipment	-	-	(33)	-
	758,683	315,601	(3,930,282)	(7,372,959)
CASH (USED) PROVIDED	939,655	(356,430)	455,436	(5,359,104)
CASH POSITION				
Beginning of period	$ 989,475	$ 724,000	$ 1,473,694	$ 5,726,674
Ending of period	$ 1,929,130	$ 367,570	$ 1,929,130	$ 367,570

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

1. Nature of Operations

OrganiGram Holdings Inc. ("OHI" or the "Company"), formerly Inform Exploration Corp. ("Inform"), was formed by a reverse take-over ("RTO"), pursuant to Policy 5.2 of the Toronto Venture Exchange, of Inform, on August 22, 2014, by the shareholders of OrganiGram Inc. ("OGI" or the "Licensed Producer"). OHI is a federally incorporated company under the Canada Business Corporations Act.

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

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

2. Basis of Preparation

The unaudited interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board (''IASB''), and therefore, do not contain all disclosures required by International Financial Reporting Standards (''IFRS'') for annual financial statements. Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with IFRS, have been omitted or condensed.

The preparation of unaudited interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates, which requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the unaudited interim financial statements have been set out in note 2 of the annual audited consolidated financial statements for the year ended August 31, 2015.

These unaudited interim condensed consolidated financial statements were prepared using the same accounting policies and methods as those used in the annual audited consolidated financial statements for the year ended August 31, 2015, and should be read in conjunction with them.

These unaudited interim condensed consolidated financial statements were authorized for issuance by the Board of Directors on July 21, 2016.

3. Significant Accounting Policies

i) New and amended standards

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

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

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

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

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

ii) New standards and interpretations not yet adopted

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

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

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

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

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

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.

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

(Unaudited- in Canadian dollars)

4. Short Term Investments

On May 31, 2016, short term investments included $1,800,000 invested in Canadian bank short term investment certificates. Maturing on November 28, 2016 is $1,800,000 paying interest at 0.8%. The certificates may be redeemed prior to maturity.

5. Accounts Receivable

The Company's accounts receivable included the following as of May 31, 2016 and August 31, 2015:

	May 31, 2016	August 31 2015
Harmonized sales taxes receivable	$ 264,409	$ 168,054
Trade receivables	976,509	402,816
Other accounts receivable	158,256	195,918
	$ 1,399,174	$ 766,788

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

(Unaudited- in Canadian dollars)

6. Biological Assets

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

	Mother Plants	Harvest in Process	Total
Carrying amount, August 31, 2015	$ 27,698	$ 1,282,116	$ 1,309,814
Net change in fair value less costs to sell due to biological transformation	(9,217)	1,619,783	1,610,566
Transferred to inventory upon harvest	-	(952,485)	(952,485)
Carrying amount, February 29, 2016	$ 18,481	$ 1,949,414	$ 1,967,895
Net change in fair value less costs to sell due to biological transformation	(11,572)	1,009,980	998,408
Transferred to inventory upon harvest	-	(549,067)	(549,067)
Carrying amount, May 31, 2016	$ 6,909	$ 2,410,327	$ 2,417,236

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

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

7. Inventory

The Company's inventory assets include the following as of February 29, 2016 and August 31, 2015:

	May 31, 2016	August 31 2015
Agricultural produce	$ 2,440,539	$ 929,223
Packaging and supplies	76,851	40,040
	$ 2,517,390	$ 969,263

(Unaudited- in Canadian dollars)

8. Property, Plant and Equipment

	Land	Buildings	Leasehold Improvements	Growing Equipment	Other	Total
At September 1, 2014						
Net book value	$ -	$ -	$ 1,737,313	$ 669,956	$ 70,217	$ 2,477,486
Transfer on property purchase	-	1,737,313	(1,737,313)	-	-	-
Acquisitions	327,500	2,955,319	-	2,230,197	800,361	6,313,377
Depreciation	-	(74,543)	-	(56,998)	(23,271)	(154,812)
Reclassification	-	(124,817)	-	-	-	(124,817)
Balance Ended February 28, 2015	$ 327,500	$ 4,493,272	$ -	$ 2,843,155	$ 847,307	$ 8,511,234
Acquisitions	-	350,967	-	546,857	86,575	984,399
Depreciation	-	(44,773)	-	(65,833)	(36,854)	(147,460)
Balance Ended May 31, 2015	$ -	$ 4,799,466	$ -	$ 3,324,179	$ 897,028	$ 9,348,173
At May 31, 2015						
Cost	327,500	4,948,228	-	3,464,188	968,980	9,708,896
Accumulated depreciation	-	(148,762)	-	(140,009)	(71,952)	(360,723)
	$ 327,500	$ 4,799,466	$ -	$ 3,324,179	$ 897,028	$ 9,348,173
At September 1, 2015						
Net book value	$ 327,500	$ 4,644,209	$ -	$ 3,493,606	$ 1,118,061	$ 9,583,376
Acquisitions	-	228,830	-	336,415	123,687	688,932
Reclassification	-	33	-	-	-	33
Depreciation	-	(94,991)	-	(139,415)	(102,563)	(336,969)
Balance Ended February 28, 2016	$ 327,500	$ 4,778,081	$ -	$ 3,690,606	$ 1,139,185	$ 9,935,372
Acquisitions	-	357,455		1,055,064	29,198	1,441,717
Disposals	-	-	-	-	(400)	(400)
Depreciation	-	(50,403)	-	(94,603)	(58,731)	(203,737)
Balance Ended May 31, 2016	$ -	$ 5,085,133	$ -	$ 4,651,067	$ 1,109,252	$ 11,172,952
At May 31, 2016						
Cost	327,500	5,424,371	-	5,048,484	1,386,070	12,186,425
Accumulated depreciation		(339,238)		(397,417)	(276,818)	(1,013,473)
	$ 327,500	$ 5,085,133	$ -	$ 4,651,067	$ 1,109,252	$ 11,172,952

(Unaudited- in Canadian dollars)

9. Long-term debt

		May 31, 2016		August 31 2015
Opening	$	4,858,866	$	-
Farm Credit Canada loan				
10 year amortization, 5 year term with variable rate of 5.45%		-		2,500,000
Non-brokered private placement				
Matures September 1st, 2017, 9% interest rate		-		1,000,000
Farm Credit Canada loan				
10 year amortization, 5 year term with variable rate of 5.936%		-		1,500,000
Debentures - Private Placement November 2015				
Matures December 31, 2018 with interest rate of 6.75%		2,600,000		-
Debenture - Private Placement Novembver 2015, executed in December				
Matures December 31, 2018 with interest rate of 6.75%		300,000		
Less: principal repayments		(195,601)		(125,301)
reclassification of deferred financing		4,999		-
Deferred Financing		1,875		(15,833)
		7,570,139		4,858,866
Less: current portion		(326,096)		(284,713)
Long-term portion	$	7,244,043	$	4,574,153

The FCC loan is secured by a first charge on 35 English Drive, 1299 St. George Boulevard and all of the Company's other assets. The company was in compliance with the covenants at May 31, 2016.

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

2016	$	89,111
2017		1,331,002
2018		349,312
2019		3,270,621
2020		391,193
	$	5,431,239

10. Share Capital

(i) Authorized share capital

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

(ii) Issued share capital

As at May 31, 2016, the Company's issued and outstanding share capital consisted of 56,414,027 (August 31, 2015 – 53,026,787) common shares with a stated value of $19,934,552 (August 31, 2015 - $16,753,777).

As at May 31, 2016, 11,671,419 (August 31, 2015 – 17,651,568) of the Company's issued common shares were held in escrow by the TSX-V or otherwise restricted from trading. These trading restrictions expire as follows:

(Unaudited- in Canadian dollars)

August 22, 2016	5,980,203
February 22, 2017	2,845,606
August 22, 2017	2,845,610
	11,671,419

(iii) Issuances of share capital

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

(b) On November 20, 2015, 10,000 share options were exercised for proceeds of $8,500.

(c) On November 27, 2015, the Company issued 3,009,612 common shares by way of a brokered private placement, at $1.04 per common share for a total consideration of $3,129,999. Issue costs incurred in connection with these transactions totaled $145,272.

(d) During the second quarter ending February 29, 2016, 50,000 share options were exercised for proceeds of $15,000.

(e) On December 15, 2015, the Company issued an aggregate of 288,461 common shares in relation to the November private placement at $1.04 per common share for total consideration of $299,999.41. Issue costs in connection to these transactions totaled $5,800

(f) During the third quarter ending May 31, 2016, 29,167 share options were exercised for proceeds of $11,100

(iv) Investor warrants

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

(b) Pursuant to the November 27, 2015 private placements, subscribers thereto also received 1,504,804 investor warrants to acquire 1,504,804 common shares of the Company at an exercise price of $1.40 per common share, exercisable over a eighteen month period from the date of closing. The $146,279 fair value of these options was estimated at $0.097 per share using the Black-Scholes option pricing model with a market price of $0.93; a risk-free interest rate of 0.63%; an expected annualized volatility of 48%; an expected dividend yield of 0.0%; and, an expected option life of 1.5 years. All 1,504,804 warrants expire on May 27, 2017.

(c) Pursuant to the December 15, 2015 private placement, subscribers thereto also received 144,231 investor warrants to acquire 144,231 common shares of the Company at an exercise price of $1.40 per common share, exercisable over an eighteen month period from the date of closing. The $10,611 fair value of these options was estimated at $0.073 per share using the Black-Scholes option pricing model with a market price of $0.85; a risk-free interest rate of 0.52%; an expected annualized volatility of 49%; an expected dividend yield of 0.0%; and, an expected option life of 1.5 years. All 144,231 warrants expire on June 15, 2017.

(Unaudited- in Canadian dollars)

(v) Broker warrants

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

(vi) Share-based compensation (Note 18 (i))

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

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

	Options Issued	Weighted average exercise price
	#	$
Balance at August 31, 2015	1,747,500	0.73
Options Granted	1,109,165	0.42
Options exercised	-60,000	0.39
Options forfeited/cancelled	-112,082	0.76
Balance outstanding at February 29, 2016	2,684,583	0.61
Options Granted	60,000	0.85
Options exercised	-29,167	0.38
Options forfeited/cancelled	-136,667	0.61
Balance outstanding at May 31 2016	**2,578,749**	**0.62**

Options outstanding have exercise prices that range from $0.30 to $1.01 with a weighted average remaining life of 9 years. Total share-based compensation expense for the three and nine month period ended May 31, 2016 was $66,562 (2015 – $62,459) and $278,028 (2015 - $238,583). 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	0.62% - 2.00%
Expected life of options	3 -7.5 years
Expected Annualized volatility	53% -128%
Expected Dividend Yield	-
Weighted average Black Scholes value of each options	$0.45

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.

(Unaudited- in Canadian dollars)

(vii) Earnings (Loss) per share

Income (loss) per share calculations use the basic and diluted weighted-average number of common shares outstanding for the three and nine month period ended May 31, 2016, which was 56,402,954 (2015- 53,026,787) and 55,276,582 (2015 – 52,194,562) for both basic and diluted.

11. Income Taxes

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

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

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

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

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

(Unaudited- in Canadian dollars)

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

12. Related Party Transactions

Transactions and balances with related entities

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

Management and Board compensation

In the three and nine month period ended May 31, 2016, the Company's expenses included $194,389 (2015 - $94,338) and $432,501 (2015 - $304,015) respectively of salary or consulting fees paid to officers and directors.

13. Capital Management

The Company considers its capital to consist of share capital, reserve for options and warrants, long-term debt, and accumulated deficit, which is disclosed in the May 31, 2016 statement of financial position as $19,237,602 (May 31, 2015 - $10,183,810).

The Company manages its capital structure and makes adjustments to it, based on funds available to the Company, in order to fund its start-up costs and the purchase and construction of its growing facility. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There has been no change in how the Company defines or manages capital in the year.

(Unaudited- in Canadian dollars)

14. Fair Value of Financial Instruments

The carrying value of the Company's financial instruments consist of financial assets and liabilities as outlined below and as further explained in Note 3(ii):

	May 31, 2016	August 31 2015
Financial Assets		
Loans and Receiables		
Cash	$ 1,929,130	$ 1,473,694
Short Term Investments	1,800,000	-
Accounts Receivable	1,399,174	766,788
	$ 5,128,304	$ 2,240,482
Financial Liabilities		
Other Financial Liabilities		
Accounts payable and accrued liabilities	$ 2,324,651	$ 1,463,119
Current portion of long-term debt	326,096	284,713
Long-term debt	7,244,043	4,574,153
	$ 9,894,790	$ 6,321,985

As at May 31, 2016 and August 31, 2015, the carrying values and fair values of the Company's financial instruments are approximately the same.

15. Financial Risk Factors

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

(i) **Credit risk** arises from deposits with banks and outstanding receivables. For trade receivables, the Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance. For other receivables out of the normal course of business, management may obtain guarantees and general security agreements. The maximum exposure to credit risk approximates the $5,128,304 of cash, short term investments and accounts receivable on the balance sheet.

(Unaudited- in Canadian dollars)

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

	May 31, 2016	August 31 2015
0-60 days	$ 876,626	$ 276,168
61-120 days	99,883	126,647
Total	$ 976,509	$ 402,816

Included in other accounts receivable is a secured promissory note receivable of $150,000 payable on demand by the principal in the contingency noted in Note 16.

(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 May 31, 2016, the Company had $1,929,130 (May 31, 2015 – $367,570) of cash and cash equivalents and working capital of $7,738,554 (May 31, 2015 - $640,448).

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

	Carrying Amount	Contractual Cash Flows	Fiscal 2016	Fiscal 2017-2018	Fiscal 2019-2020
Accounts payable and accrued liabilities	$ 2,324,651	$ 2,324,651	$ 2,324,651	$ -	$ -
Long-term debt	7,570,139	7,570,139	89,111	1,680,314	3,661,814
Interest	-	-	124,170	857,705	361,413
	$ 9,894,790	$ 9,894,790	$ 2,537,932	$ 2,538,019	$ 4,023,227

(iii) Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises 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 May 31, 2016 pursuant to the loan described in Note 9. A 1% change in prime interest rates will increase or decrease the Company's interest expense by $36,791 per year.

(Unaudited- in Canadian dollars)

16. Contingencies

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

During the 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. No provision has been made in these consolidated financial statements for the claim.

17. Segmented Information

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

18. General and Administrative Expenses

	3-Months Ended May 31		9-Months Ended May 31	
	2016	**2015**	**2016**	**2015**
Wages and benefits	$ 272,438	$ 92,850	$ 522,316	$ 304,766
Office and general	105,016	62,754	290,302	277,497
Professional fees	149,856	90,404	371,586	462,357
Travel and accomodation	23,984	16,790	68,352	75,839
Utilities	11,344	16,764	34,775	44,799
Total general and administrative expenses	$ 562,638	$ 279,562	$ 1,287,331	$ 1,165,258

19. Subsequent Events

(i) Issuance of Stock Options

Subsequent to the quarter ending May 31, 2016, the Company has issued 160,000 employee options to purchase 160,000 common shares of the Company, to employees and consultants of OGI, at an exercise price of $1.25 per share. Fifty percent of such options vest on issuance and ten percent on each annual anniversary thereafter. Vested options may be exercised until 2026, subject to forfeiture provisions requiring the options to expire 90 days after termination of the individual's employment.

Subsequent to the quarter ending May 31, 2016, the Company has issued 105,000 employee options to purchase 105,000 common shares of the Company, to employees and consultants of OGI, at an exercise price of $1.01 per share. Fifty percent of such options vest on issuance and ten percent on each annual anniversary thereafter. Vested options may be exercised until 2026, subject to forfeiture provisions requiring the options to expire 90 days after termination of the individual's employment.

(ii) Financing – Bought Deal

On June 2, 2016, the Company closed its bought deal offering, issuing an aggregate of 9,867,000 units ("Units") at a price of $1.05 per Unit (the "Offering Price") for net proceeds of $10,360,350. Each Unit consists of one common share of the Company (a "Common Share"), and one-half of a share purchase warrant (each whole warrant, a "Warrant"). Each Warrant will be exercisable into one additional Common Share (a "Warrant Share") of the Company at $1.40 per Warrant Share for a period of eighteen (18) months from closing of the Offering. The Company intends to use ninety percent of the proceeds from the Offering for accelerated facility expansion.

(iii) Financing – XIB Consulting

As previously announced, OrganiGram entered into an engagement agreement in April 2016 with XIB Consulting Inc. ("XIB"). The engagement agreement, which has an initial term of six months, is payable to XIB by issuing 123,456 Common Shares in the capital of OrganiGram to XIB. In June of 2016, TSX Venture Exchange accepted the Company's proposal to issue 30,864 shares at a price of $0.81 per share and 23,810 shares at a price of $1.05 in consideration of services provided to date.