



Pure Natures Wellness Inc. d/b/a Aphria

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED NOVEMBER 30, 2014 AND SEVEN MONTHS ENDED NOVEMBER
30, 2013

(Unaudited, Expressed in Canadian Dollars, unless otherwise noted)

Notice of No Auditor Review of Interim Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying condensed interim financial statements of the company have been prepared by and are the responsibility of the company's management.

The company's independent auditor has not performed an audit or review of these condensed interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants.

Pure Natures Wellness Inc. d/b/a Aphria

Condensed Interim Statements of Financial Position
(Unaudited)

	Note	November 30, 2014	May 31, 2014
Assets			
Current assets:			
Cash		\$ 233,255	\$ 170,455
Restricted cash	8	11,685,999	-
Other receivables		303,835	-
Inventory	4	397,822	-
Biological assets	5	157,257	-
Prepaid expenses		54,889	-
		12,833,057	170,455
Property and equipment	6	2,944,662	1,568,796
Intangible assets	6	95,751	-
		\$ 15,873,470	\$ 1,739,251

Liabilities and Shareholders' Equity

Current liabilities:

Accounts payable and accrued liabilities		\$ 1,565,982	\$ 1,000,172
Due to related parties	7	174,491	2,912,060
		1,740,473	3,912,232

Shareholders' equity (deficit):

Share capital	8	6,538,248	2,500
Subscription receipts	8	11,518,175	-
Warrants	8	216,261	-
Share-based payment reserve	8	994,747	-
Deficit		(5,134,434)	(2,175,481)
		14,132,997	(2,172,981)
		\$ 15,873,470	\$ 1,739,251

Nature of operations (Note 1)

Commitments (Note 10)

Subsequent events (Note 11)

Approved on behalf of the Board

"John Cervini"
Signed: Director

"Cole Cacciavillani"
Signed: Director

The accompanying notes are an integral part of these financial statements

Pure Natures Wellness Inc. d/b/a Aphria

Condensed Interim Statements of Loss and Comprehensive Loss
(Unaudited)

	Note	3 months ended Nov 30, 2014	3 months ended Nov 30, 2013	6 months ended Nov 30, 2014	7 months ended Nov 30, 2013
Revenue		\$ -	\$ -	\$ -	\$ -
Cost of sales:					
Pre-distribution growing costs		133,458	68,631	321,028	150,659
Change in biological assets	5	(272,807)	-	(272,807)	-
Gross margin		139,349	(68,631)	(48,221)	(150,659)
Expenses:					
General and administrative		551,934	142,364	1,122,888	312,827
Share-based compensation	8	449,141	-	994,747	-
Listing costs		314,037	-	570,037	-
Selling, marketing and promotion		173,305	16,786	210,532	16,786
Amortization and depreciation		9,781	486	12,528	1,066
Net loss and comprehensive loss		\$ (1,358,849)	\$ (228,267)	\$ (2,958,953)	\$ (481,338)
Weighted average number of common shares		38,679,587	26,666,667	38,482,654	16,985,919
Loss per share - basic and diluted		\$ (0.04)	\$ (0.01)	\$ (0.08)	\$ (0.03)

The accompanying notes are an integral part of these financial statements

Pure Natures Wellness Inc. d/b/a Aphria

Condensed Interim Statements of Changes in Equity (Deficiency)
(Unaudited)

	Number of common shares	Share capital	Subscription receipts	Warrants	Share-based payment reserve	Deficit	Total
Balance at May 31, 2014	26,666,667	\$ 2,500	\$ -	\$ -	\$ -	\$ (2,175,481)	\$ (2,172,981)
Shares issued, net of issuance costs	10,346,253	5,535,748	-	216,261	-	-	5,752,009
Conversion of due to related parties	1,666,667	1,000,000	-	-	-	-	1,000,000
Subscription receipts, net of issuance costs	-	-	11,518,175	-	-	-	11,518,175
Share-based payments	-	-	-	-	994,747	-	994,747
Net loss for the period	-	-	-	-	-	(2,958,953)	(2,958,953)
Balance at November 30, 2014	38,679,587	\$ 6,538,248	\$ 11,518,175	\$ 216,261	\$ 994,747	\$ (5,134,434)	\$ 14,132,997

	Number of common shares	Share capital	Subscription receipts	Warrants	Share-based payment reserve	Deficit	Total
Balance at April 30, 2013	106,667	\$ 10	\$ -	\$ -	\$ -	\$ (608,844)	\$ (608,834)
Shares issued	26,560,000	2,490	-	-	-	-	2,490
Net loss for the period	-	-	-	-	-	(481,338)	(481,338)
Balance at November 30, 2013	26,666,667	\$ 2,500	\$ -	\$ -	\$ -	\$ (1,090,182)	\$ (1,087,682)

The accompanying notes are an integral part of these financial statements

Pure Natures Wellness Inc. d/b/a Aphria

Condensed Interim Statements of Cash Flows
(Unaudited)

	3 months ended Nov 30, 2014	3 months ended Nov 30, 2013	6 months ended Nov 30, 2014	7 months ended Nov 30, 2013
Note				
Cash flows from operating activities:				
Net loss for the period	\$ (1,358,849)	\$ (228,267)	\$ (2,958,953)	\$ (481,338)
Adjustments for				
Amortization and depreciation	90,340	486	121,238	1,066
Share-based compensation	8 449,141	-	994,747	-
Change in biological assets	(272,807)	-	(272,807)	-
Change in non-cash operating working capital				
Other receivables	(177,982)	-	(303,835)	-
Inventory	(112,562)	-	(125,015)	-
Biological assets	(157,257)	-	(157,257)	-
Prepaid expenses	29,645	-	(54,889)	-
Accounts payable and accrued liabilities	644,937	59,286	397,986	104,286
	(865,394)	(168,495)	(2,358,785)	(375,986)
Cash flows from financing activities:				
Common shares issued, net of cash issuance costs	8 -	-	5,752,009	2,490
Increase in due to related parties	7 161,531	172,383	373,560	382,503
Repayment of due to related parties	7 -	-	(2,111,129)	-
	161,531	172,383	4,014,440	384,993
Cash flows from investing activities:				
Investment in property and equipment	6 (837,332)	(3,888)	(1,490,385)	(6,517)
Investment in intangible assets	(102,470)	-	(102,470)	-
	(939,802)	(3,888)	(1,592,855)	(6,517)
(Decrease) Increase in cash during the period	(1,643,665)	-	62,800	2,490
Cash, beginning of period	1,876,920	2,500	170,455	10
Cash, end of period	\$ 233,255	\$ 2,500	\$ 233,255	\$ 2,500

The accompanying notes are an integral part of these financial statements

Pure Natures Wellness Inc. d/b/a Aphria

Notes to the Condensed Interim Financial Statements

For the six months ended November 30, 2014 and seven months ended November 30, 2013

(Unaudited)

1. Nature of operations

Pure Natures Wellness Inc. d/b/a Aphria ("Aphria" or the "Company") was incorporated on June 3, 1994 under the Ontario Business Corporations Act. Its registered office is located at 5300 Commerce Court West, 199 Bay Street, Toronto, Ontario. On November 26, 2014, Aphria received its license to produce and sell medical marijuana under the provisions of the Marihuana for Medical Purposes Regulations ("MMPR").

These financial statements were approved by the Company's board of directors on January 19, 2015.

2. Basis of preparation

(a) Statement of compliance

The Company's condensed interim financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". These condensed interim financial statements do not include all notes of the type normally included within the annual financial report and should be read in conjunction with the audited financial statements of the Company for the period ended May 31, 2014, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee ("IFRIC").

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value and biological assets that are measured at fair value less costs to sell, as detailed in the Company's accounting policies.

(c) Functional and presentation currency

The Company's functional currency, as determined by management is Canadian dollars. These financial statements are presented in Canadian dollars.

3. Significant accounting policies

These condensed interim financial statements have been prepared following the same accounting policies used in the preparation of the audited financial statements of the Company for the period ended May 31, 2014 except as disclosed below.

The Company has reclassified certain items on the statement of loss and comprehensive loss to improve clarity.

Biological assets

The Company's biological assets consist of medical cannabis plants. These biological assets are measured at fair value less costs to sell and costs to complete. At the point of harvest, the biological assets are transferred to inventory at fair value less costs to sell and costs to complete.

Gains or losses arising from changes in fair value less cost to sell are included in the results of operations of the related period.

Pure Natures Wellness Inc. d/b/a Aphria

Notes to the Condensed Interim Financial Statements

For the six months ended November 30, 2014 and seven months ended November 30, 2013

(Unaudited)

3. Significant accounting policies (continued)

Intangible assets

Intangible assets are recorded at cost less accumulated amortization. Amortization is recorded on a straight-line basis over the estimated useful life of 2 years.

Adoption of new and revised accounting policies

The Company assessed the effects of amendments to IAS 32 Offsetting Financial Assets and Liabilities and IAS 36 Impairment of Assets, which are effective retrospectively for annual periods beginning on or after January 1, 2014. The Company determined there was no significant impact from these adoptions.

Significant new IFRS not yet adopted

Amendments to IAS 16 and IAS 41

The amendments bring bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment. The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application being permitted.

The Company is assessing the impact of these revised standards.

4. Inventory

	November 30, 2014	May 31, 2014
Harvested cannabis	\$ 361,651	\$ -
Packaging and supplies	36,171	-
	\$ 397,822	\$ -

5. Biological assets

	Amount
Balance at May 31, 2014	\$ -
Increase in fair value less costs to sell due to biological transformation	518,908
Transferred to inventory upon harvest	(361,651)
Balance at November 30, 2014	\$ 157,257

In determining the fair value of biological assets, management is required to make a number of estimates, including the expected cost required to grow the cannabis up to the point of harvest, harvesting costs, selling costs, sales price, and expected yields for the cannabis plant. These estimates are subject to volatility in market prices and a number of uncontrollable factors, which could significantly affect the fair value of biological assets in future periods.

Pure Natures Wellness Inc. d/b/a Aphria

Notes to the Condensed Interim Financial Statements

For the six months ended November 30, 2014 and seven months ended November 30, 2013

(Unaudited)

6. Property and equipment and intangible assets

	Production equipment	Office equipment	Leasehold improvements	Total Property and equipment	Intangible assets
Cost					
At April 30, 2013	\$ 15,333	\$ -	\$ -	\$ 15,333	\$ -
Additions	671,216	32,002	862,927	1,566,145	-
At May 31, 2014	686,549	32,002	862,927	1,581,478	-
Additions	485,683	9,031	995,671	1,490,385	102,470
At November 30, 2014	\$ 1,172,232	\$ 41,033	\$ 1,858,598	\$ 3,071,863	\$ 102,470
Accumulated depreciation					
At April 30, 2013	\$ 373	\$ -	\$ -	\$ 373	\$ -
Expense for the period	8,352	1,241	2,716	12,309	-
At May 31, 2014	8,725	1,241	2,716	12,682	-
Expense for the period	55,943	5,809	52,767	114,519	6,719
At November 30, 2014	\$ 64,668	\$ 7,050	\$ 55,483	\$ 127,201	\$ 6,719
Net book value					
At April 30, 2013	\$ 14,960	\$ -	\$ -	\$ 14,960	\$ -
At May 31, 2014	\$ 677,824	\$ 30,761	\$ 860,211	\$ 1,568,796	\$ -
At November 30, 2014	\$ 1,107,564	\$ 33,983	\$ 1,803,115	\$ 2,944,662	\$ 95,751

Intangible assets are comprised of websites and related software.

7. Due to/from related parties and related party transactions

The Company has historically funded operations through the support of related parties. The Company owes \$174,491 to related parties as at November 30, 2014 (\$2,912,060 as at May 31, 2014). These parties are related as they are corporations that are controlled by certain officers and directors of the Company. These amounts are due on demand and non-interest bearing.

During the six months ended November 30, 2014, the Company repaid \$2,111,129 to related parties, and converted another \$1,000,000 that was due to related parties into share capital.

The Company transacts with related parties in the normal course of business. These transactions are measured at their exchange amounts.

- (a) During the six month period ended November 30, 2014, related party corporations incurred expenditures on behalf of the Company totalling \$373,560 (2013 - \$382,503) which were or are to be reimbursed.
- (b) The Company leased greenhouse and office space from a corporation over which an officer and director of the Company has control. Total rent of \$84,000 was charged during the six month period ended November 30, 2014 (2013 - \$17,500).

Pure Natures Wellness Inc. d/b/a Aphria

Notes to the Condensed Interim Financial Statements

For the six months ended November 30, 2014 and seven months ended November 30, 2013

(Unaudited)

8. Share capital

The Company is authorized to issue an unlimited number of common shares.

Common shares	Number of shares	Amount
Balance at May 31, 2014	26,666,667	\$ 2,500
Private placement, net of issuance costs	10,346,253	5,535,748
Conversion of due to related parties	1,666,667	1,000,000
Closing balance at November 30, 2014	38,679,587	\$ 6,538,248

In June 2014, the Company completed a private placement for 10,346,253 units for gross proceeds of \$6,207,752. Each unit consists of a common share and one half of one common share purchase warrant. Each whole common share purchase warrant is exercisable for one common share at \$1.20 per share for a period of 24 months after close. The full proceeds were allocated to share capital.

Cash share issuance costs of \$455,743 were paid and 618,333 compensation warrants were issued. Each compensation warrant is exercisable for one common share at an exercise price of \$0.60 per share for a period of 5 years from the date of closing.

An additional \$1,000,000 of amounts due to related parties was settled with shares of the Company, at a price of \$0.60 per share, for a total of 1,666,667 shares issued.

Subscription receipts

In July 2014, the Company completed a private placement raising aggregate gross proceeds of \$12,650,000 through the sale of 11,500,000 subscription receipts ("Subscription Receipts") at \$1.10 per Subscription Receipt. Each Subscription Receipt will be converted into one common share and one warrant of the Company, conditional upon the satisfaction of various conditions, including the satisfaction of conditions necessary for the completion of the proposed definitive agreement. Each warrant is exercisable for one common share at a price of \$1.50 for a period of 5 years.

The Agents were paid, along with the reasonable expenses, a cash commission equal to seven percent (7%) of the gross proceeds raised in the private placement, excluding the proceeds raised in connection with the sale of Subscription Receipts to certain purchasers introduced to the Agents by Aphria (each a "President's List Purchaser") for a total of \$964,001. In addition, the Agents received 802,268 compensation options ("Compensation Options") entitling them to subscribe for Subscription Shares and Subscription Warrants. Each Compensation Option shall be exercisable at a price of \$1.10 for a period of 24 months commencing upon satisfaction of the Escrow Release Conditions.

The gross proceeds from the Private Placement, less the Agents' commission, fees, and estimated costs and expenses in respect of the Private Placement, is being held in escrow pending the satisfaction of: (i) all conditions precedent to the Business Combination being satisfied or waived in accordance with the terms of the Agreement; and (ii) the receipt of conditional approval from the Exchange to list the Resulting Issuer Shares (as defined below) on the Exchange (collectively, the "Escrow Release Conditions"). Additional estimated costs of \$167,824 were accrued for legal and other costs. As the amount pursuant to the Subscription Receipts was held in escrow pending the Escrow Release Conditions, the funds have been reflected as restricted cash.

In December 2014 the Escrow Release Conditions were satisfied, and the proceeds were released to the Company.

Pure Natures Wellness Inc. d/b/a Aphria

Notes to the Condensed Interim Financial Statements

For the six months ended November 30, 2014 and seven months ended November 30, 2013

(Unaudited)

8. Share capital (continued)

Stock options

The Company adopted a stock option plan under which it is authorized to grant options to officers, directors, employees, and consultants enabling them to acquire common shares of the Company. The maximum number of common shares reserved for issuance of stock options that may be granted under the plan is 10% of the issued and outstanding common shares of the Company. The options granted can be exercised for a maximum of 10 years and vest as determined by the Board of Directors. The exercise price of each option may not be less than the market price of the common shares on the date of grant.

The option details of the Company are as follows:

	Expiry date	Weighted Average Exercise Price	Number of Options	Vested and exercisable
Balance at August 31, 2013 & May 31, 2014		N/A	-	-
Granted - June 2, 2014	June 2, 2019	\$0.60	2,600,000	-
Granted - August 18, 2014	August 18, 2019	\$1.10	50,000	-
Granted - November 2014	November 2017	\$1.10	480,000	-
Balance at November 30, 2014		\$0.68	3,130,000	-

In June 2014, the Company issued 2,600,000 stock options at an exercise price of \$0.60 per share, exercisable for 5 years from the date of grant. In August 2014, the Company issued 50,000 stock options at an exercise price of \$1.10 per share, exercisable 5 years from the date of grant. The options vest upon the Company listing on a public stock exchange. In November 2014, the Company issued 480,000 stock options at an exercise price of \$1.10 per share, exercisable 3 years from the date of grant. 465,000 of the options vest 1/3 upon the Company listing on a public stock exchange, 1/3 on the first anniversary of listing, and 1/3 on the second anniversary of listing. 15,000 of the options vest upon the Company listing on a public stock exchange.

The Company recognized an expense of \$994,747 during the six months ended November 30, 2014 (2013 - \$nil).

The Company uses the Black Scholes option pricing model to determine the fair value of options granted using the following assumptions: volatility of 70%, risk-free rate of 1.13-1.56%, expected life of 3-5 years, dividend yield of nil, forfeiture rate of 0%, and share price of \$0.60-\$1.10.

Warrants

In June 2014, as part of the private placement for 10,346,253 units, the Company issued 5,173,127 common share purchase warrants. Each whole common share purchase warrant is exercisable for one common share at \$1.20 per share for a period of 24 months after close. The full proceeds were allocated to the common share and \$nil to the warrant.

618,333 compensation warrants were also issued at a value of \$216,261. Each compensation warrant is exercisable for one common share at an exercise price of \$0.60 per share for a period of 5 years from the date of closing. The Company used the Black Scholes option pricing model to determine the fair value of compensation warrants granted using the following assumptions: volatility of 70%, risk-free rate of 1.56%, expected life of 5 years, dividend yield of nil, and share price of \$0.60.

Pure Natures Wellness Inc. d/b/a Aphria

Notes to the Condensed Interim Financial Statements

For the six months ended November 30, 2014 and seven months ended November 30, 2013

(Unaudited)

9. Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- currency risk

The Company's objectives and policies for managing capital, credit risk and liquidity risk are consistent with the financial statements for the period ended May 31, 2014. Other receivables consist primarily of HST recoverable.

10. Commitments

The Company has a lease commitment until 2019 for the rental of greenhouse and office space. The Company has an option to extend this lease for an additional 5 years. Minimum payments payable over the next five years are as follows:

2015 - \$84,000
2016 - \$168,000
2017 - \$168,000
2018 - \$168,000
2019 - \$98,000

11. Subsequent events

Definitive agreement

In December 2014, the Company completed its proposed transaction with Black Sparrow Capital Corp. ("Black Sparrow") as previously disclosed in July 2014. Aphria amalgamated with a new and direct wholly-owned subsidiary of Black Sparrow to become a direct, wholly-owned subsidiary of Black Sparrow (the "Business Combination"). Black Sparrow changed its name to Aphria Inc. and will remain as the resulting issuer (the "Resulting Issuer"). The Business Combination constituted the Qualifying Transaction of Black Sparrow under the policies of the TSX Venture Exchange (the "Exchange").

Immediately prior to the completion of the Business Combination, Aphria Inc. consolidated its issued and outstanding common shares on the basis of one post-consolidation common share for each ten pre-consolidation common shares held. By way of a three-cornered amalgamation, Aphria Inc. acquired all of the issued and outstanding shares of the Company by issuing one post-consolidation share for each Pure Natures Wellness Inc. common share held. Each of the stock options and warrants to purchase common shares of Pure Natures Wellness Inc. thereafter is exercisable for one post-consolidation common share of Aphria Inc.

Pure Natures Wellness Inc. d/b/a Aphria

Notes to the Condensed Interim Financial Statements

For the six months ended November 30, 2014 and seven months ended November 30, 2013

(Unaudited)

11. Subsequent events (continued)

Definitive agreement (continued)

This Business Combination has been accounted for as a reverse acquisition that does not constitute a business combination, with the purchase price allocation as follows:

Consideration transferred (2,300,000 shares at a price of \$1.10 per share)	\$ 2,530,000
Net assets acquired:	
Cash and cash equivalents	\$ 79,188
Accounts payable and accrued liabilities	(27,676)
	51,512
Excess attributed to cost of listing	2,478,488
	\$ 2,530,000
Listing cost:	
Excess attributed to cost of listing	\$ 2,478,488
Legal	570,034
Consulting fees	200,000
Other	10,014
	\$ 3,258,536

\$570,034 of listing costs have already been expensed in the six months ended November 30, 2014.

Stock options

Subsequent to the period, the Company issued 1,020,000 stock options as follows:

Number of Options	Expiry	Weighted Average Exercise Price	Vesting Conditions
100,000	3 yrs from grant date	\$1.10	Upon Company listing on public stock exchange
320,000	3 yrs from grant date	\$1.10	Based on certain performance conditions assessed after 15 months
600,000	3 yrs from grant date	\$1.10	Based on certain performance conditions assessed every quarter over the life of the options
1,020,000		\$1.10	