Aphria Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED NOVEMBER 30, 2015 and 2014

(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 consolidated 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 consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants.

Aphria Inc.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited)

	Note	November 30, 2015	May 31, 2015
ASSETS			
Current assets			
Cash and cash equivalents		$ 3,285,867	$ 7,051,909
Accounts receivable		1,464,624	--
Other receivables	4	208,549	759,528
Inventory	5	2,021,974	1,724,247
Biological assets	6	304,455	288,858
Prepaid assets		219,889	167,270
Current portion of promissory notes receivable	8	549,972	346,255
		8,055,330	10,338,067
Capital assets	7	6,143,252	3,626 161
Intangible assets	7	47,599	74,598
Promissory notes receivable	8	127,823	253,745
		$ 14,374,004	$ 14,292,571
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		$ 1,607,248	$ 947,223
Shareholders' equity			
Share capital	10	20,316,095	20,246,095
Warrants	11	556,589	556,589
Share-based payment reserve	12	1,520,920	1,261,589
Deficit		(9,626,848)	(8,718,925)
		12,766,756	13,345,348
		$ 14,374,004	$ 14,292,571

Nature of operations (Note 1)
Commitments (Note 14)
Subsequent events (Note 16)

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

	Note	For the three months ended November 30, 2015	2014	For the six months ended November 30, 2015	2014
Revenue		**$ 2,026,975**	$ --	**$ 2,977,715**	$ --
Cost of sales:					
Cost of goods sold	5	**1,035,599**	--	**1,532,255**	--
Amortization	7	**113,565**	80,559	**222,259**	108,710
Pre-distribution growing costs		**--**	52,899	**--**	212,318
Change in biological assets produced	6	**(431,443)**	(272,807)	**(764,608)**	(272,807)
		717,721	(139,349)	**989,906**	48,221
Gross profit		**1,309,254**	139,349	**1,987,809**	(48,221)
Expenses:					
General and administrative	15	**506,902**	551,934	**930,834**	1,124,777
Share-based compensation	12	**212,318**	449,141	**259,331**	994,747
Selling, marketing and promotion		**965,602**	173,305	**1,581,250**	208,643
Amortization	7	**44,631**	9,781	**74,656**	12,528
Research and development		**54,752**	--	**141,251**	--
		1,784,205	1,184,161	**2,987,322**	2,340,695
Loss from operations		**(474,951)**	(1,044,812)	**(999,513)**	(2,388,916)
Listing costs		**--**	(314,037)	**--**	(570,037)
Finance income		**37,402**	--	**85,139**	--
Gain on sale of capital assets		**6,451**	--	**6,451**	--
Net loss and comprehensive loss		**$ (431,098)**	$ (1,358,849)	**$ (907,923)**	$ (2,958,953)
Weighted average number of common shares		**52,481,510**	38,572,920	**52,480,543**	38,375,987
Loss per share – basic and diluted		**$ (0.01)**	$ (0.04)	**$ (0.02)**	$ (0.08)

The accompanying notes are an integral part of these financial statements

Aphria Inc.
Condensed Interim Consolidated 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 May 31, 2015	52,479,587	$ 20,246,095	$ --	$ 556,589	$ 1,261,589	$ (8,718,925)	$ 13,345,348
Warrants exercised	58,333	70,000	--	--	--	--	70,000
Share-based payments	--	--	--	--	259,331	--	259,331
Net loss for the period	--	--	--	--	--	(907,923)	(907,923)
Balance at November 30, 2015	52,537,920	$ 20,316,095	$ --	$ 556,589	$ 1,520,920	$ (9,626,848)	$ 12,766,756

The accompanying notes are an integral part of these financial statements

	Note	Six months ended November 30, 2015	Six months ended November 30, 2014
Cash used in operating activities:			
Net loss for the period		$ (907,923)	$ (2,958,953)
Adjustments for:			
Amortization	7	296,915	121,238
Gain on sale of capital assets		(6,451)	--
Share-based compensation	10	259,331	994,747
Change in fair value of biological assets	6	(42,790)	(272,807)
Change in non-cash working capital			
Accounts receivable		(1,464,624)	--
Other receivables		550,979	(303,835)
Inventory		(254,937)	(125,015)
Biological assets		(15,597)	(157,257)
Prepaid assets		(52,619)	(54,889)
Accounts payable and accrued liabilities		660,025	397,986
		(977,691)	(2,358,785)
Cash provided by financing activities:			
Share capital issued, net of cash issuance costs		70,000	5,752,009
Advances from related parties	9	648,725	373,560
Repayment of amounts due to related parties	9	(648,725)	(2,111,129)
		70,000	4,014,440
Cash used in investing activities:			
Investment in capital assets	7	(2,816,452)	(1,490,385)
Investment in intangible assets	7	--	(102,470)
Proceeds from disposal of capital assets		35,896	--
Issuance of promissory notes receivable		(200,000)	--
Repayment of promissory notes receivable		122,205	--
		(2,858,351)	(1,592,855)
Increase (decrease) in cash and cash equivalents		(3,766,042)	62,800
Cash and cash equivalents, beginning of period		7,051,909	170,455
Cash and cash equivalents, end of period		$ 3,285,867	$ 233,255

The accompanying notes are an integral part of these financial statements

1. Nature of operations

Aphria Inc. (the "Company" or “Aphria”) was incorporated under the Business Corporations Act (Alberta) on June 22, 2011 as Black Sparrow Capital Corp. (“Black Sparrow”) and was continued in Ontario on December 1, 2014.

Pure Natures Wellness Inc. doing business as Aphria (“PNW”), a wholly-owned subsidiary of the Company, is licensed to produce and sell medical marijuana under the provisions of the *Marihuana for Medical Purposes Regulations* (“MMPR”). The registered office is located at 5300 Commerce Court West, 199 Bay Street, Toronto, Ontario.

The Company’s common shares are listed under the symbol “APH” on the TSX Venture Exchange (“TSX-V”).

On December 2, 2014, the Company closed its qualifying transaction with PNW. The Company was a capital pool company prior to the transaction. The transaction was accounted for as a reverse acquisition.

These financial statements were approved by the Company’s board of directors on January 15, 2015.

2. Basis of preparation

(a) Statement of compliance

The Company’s condensed interim consolidated financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting”. These 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 year ended May 31, 2015, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board and Interpretations of the IFRS Interpretations Committee.

(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 currency

The Company and its subsidiary’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 consolidated financial statements have been prepared following the same accounting policies used in the preparation of the audited financial statements of the Company for the year ended May 31, 2015.

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

New standards and interpretations issued but not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements.

Amendments to IAS 16 - Property Plant and Equipment and IAS 41 - Agriculture - 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 January 1, 2016, with earlier application being permitted.

IFRS 9 - Financial Instruments: Classification and Measurement, effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.

IFRS 15 - Revenue from Contracts with Customers, effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, specifies how and when to recognize revenue and enhances relevant disclosures to be applied to all contracts with customers.

The Company is assessing the impact of these new and revised standards.

4. Other receivables

Other receivables are comprised of:

	November 30, 2015	May 31, 2015
HST receivable	$ 75,214	$ 657,041
Accrued interest	74,235	58,965
Credit card receivable	57,510	30,634
Other	1,590	12,888
	$ 208,549	$ 759,528

5. Inventory

Inventory is comprised of:

	November 30, 2015	May 31, 2015
Harvested cannabis	$ 1,938,524	$ 1,655,259
Packaging and supplies	83,450	68,988
	$ 2,021,974	$ 1,724,247

6. Biological assets

Biological assets are comprised of:

	Amount
Balance as at May 31, 2015	$ 288,858
Increase in fair value less costs to sell due to biological transformation	3,458,999
Transferred to inventory upon harvest	(3,433,353)
Sale of biological assets	(10,049)
Balance as at November 30, 2015	**$ 304,455**

The increase in fair value less costs to sell over and above historical cost was $431,443 and $764,608 during the three and six months ended November 30, 2015 (2014 - $272,807 and $272,807) respectively. 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.

7. Capital assets and intangible assets

	Production equipment	Office equipment	Leasehold improvements	Construction in process	**Total capital assets**	**Intangible assets**
Cost						
At May 31, 2014	$ 686,549	$ 32,002	$ 862,927	$ --	**$ 1,581,478**	**$ --**
Additions	539,818	191,642	1,368,685	304,701	**2,404,846**	**107,995**
At May 31, 2015	1,226,367	223,644	2,231,612	304,701	**3,986,324**	**107,995**
Additions	230,958	252,755	57,153	2,275,586	**2,816,452**	**--**
Disposals	(35,896)	--	--	--	**(35,896)**	**--**
At November 30, 2015	**$ 1,421,429**	**$ 476,399**	**$ 2,288,765**	**$ 2,580,287**	**$ 6,766,880**	**$ 107,995**
Accumulated amortization						
At May 31, 2014	$ 8,725	$ 1,241	$ 2,716	$ --	**$ 12,682**	**$ --**
Amortization	139,584	23,310	184,587	--	**347,481**	**33,397**
At May 31, 2015	148,309	24,551	187,303	--	**360,163**	**33,397**
Amortization	99,291	47,657	122,968	--	**269,916**	**26,999**
Disposals	(6,451)	--	--	--	**(6,451)**	**--**
At November 30, 2015	**$ 241,149**	**$ 72,208**	**$ 310,271**	**$ --**	**$ 623,628**	**$ 60,396**
Net book value						
At May 31, 2014	$ 677,824	$ 30,761	$ 860,211	$ --	**$ 1,568,796**	**$ ---**
At May 31, 2015	$ 1,078,058	$ 199,093	$ 2,044,309	$ 304,701	**$ 3,626,161**	**$ 74,598**
At November 30, 2015	**$ 1,180,280**	**$ 404,191**	**$ 1,978,494**	**$ 2,580,287**	**$ 6,143,252**	**$ 47,599**

8. Promissory notes receivable

	May 31, 2015	Additions	Payments	Nov. 30, 2015
Note receivable - $100,000, non-interest bearing, one-year term, due in March 2016	$ 100,000	$ --	$ --	**$ 100,000**
Note receivable - $500,000, bearing interest at 3%, repayable in 24 equal blended monthly instalments, due in May 2017	500,000	--	122,205	**377,795**
Note receivable - $100,000, non-interest bearing, one-year term, due in July 2016	--	100,000	--	**100,000**
Note receivable - $100,000, non-interest, one-year term, due in September 2016	--	100,000	--	**100,000**
	$ 600,000	$ 200,000	$ 122,205	**677,795**

Presented as:

	November 30, 2015	May 31, 2015
Current portion	**$ 549,972**	$ 346,255
Long-term portion	**127,823**	253,745
	$ 677,795	$ 600,000

9. Related party transactions

Prior to going public, the Company funded operations through the support of related parties. Since going public, the Company has continued to leverage the purchasing power of these related parties for certain of its growing related expenditures. The balance owing to related parties as at November 30, 2015 was $nil (May 31, 2015 - $nil). These parties are related as they are corporations that are controlled by certain officers and directors of the Company.

	Amount
Balance as at May 31, 2015	$ --
Related party charges in period	648,725
Payments to related parties in period	(648,725)
Balance as at November 30, 2015	**$ --**

During the six months ended November 30, 2015, related party corporations charged or incurred expenditures on behalf of the Company (including rent) totalling $648,725 (2014 - $373,560). Included in this amount was rent of $77,173 charged during the six months ended November 30, 2015 (2014 - $84,000).
Key management personnel compensation was comprised of:

	November 30, 2015	May 31, 2015
Salaries	$ 254,495	$ 418,077
Share-based compensation	156,532	864,270
	$ 411,027	$ 1,282,347

Directors of the Company control 41.3% of the voting shares of the Company.

10. Share capital

The Company is authorized to issue an unlimited number of common shares. As at November 30, 2015, the Company has issued 52,537,920 shares.

11. Warrants

The warrant details of the Company are as follows:

Type of warrant	Expiry date	Number of warrants	Weighted average price	Amount
Warrant	June 3, 2016	5,114,794	$ 1.20	$ --
Compensation warrant / option	December 2, 2016	802,268	$ 1.10	340,328
Compensation warrant / option	June 3, 2019	618,333	$ 0.60	216,261
Warrant	December 2, 2019	11,500,000	$ 1.50	--
Balance at November 30, 2015		**18,035,395**	**$ 1.37**	**$ 556,589**

12. 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	Exercise price	Number of options	Vested and exercisable
November 2017	$ 1.10	480,000	170,000
December 2017	$ 1.10	1,020,000	170,960
March 2018	$ 0.90	205,000	25,000
April 2018	$ 1.18	165,000	5,000
August 2018	$ 0.93	30,000	10,000
October 2018	$ 1.17	20,000	6,667
November 2018	$ 1.49	20,000	20,000
June 2019	$ 0.60	2,600,000	2,600,000
August 2019	$ 1.10	50,000	50,000
September 2020	$ 0.85	200,000	200,000
October 2020	$ 1.19	50,000	50,000
Balance at November 30, 2015	$ 0.82	4,840,000	3,307,627

The Company recognized a share-based compensation expense of $259,331 during the six months ended November 30, 2015 (2014 - $994,747). The total fair value of options granted during the period was $149,500 (2014 - $1,186,375).

	November 30, 2015		November 30, 2014	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of the period	4,520,000	$ 0.81	--	--
Expired during the period	--	--	--	--
Issued during the period	320,000	0.97	3,130,000	$ 0.68
Cancelled during the period	--	--	--	--
Outstanding, end of period	4,840,000	$ 0.82	3,130,000	$ 0.68
Exercisable, end of period	3,307,627	$ 0.69	--	$ --

In September 2015, the Company issued 200,000 stock options at an exercise price of $0.85 per share, exercisable for 5 years. The options vested fully in December, 2015.

In October 2015, the Company issued 20,000 stock options at an exercise price of $1.17 per share, exercisable for 3 years. The options vest 1/3 upon grant, 1/3 on first anniversary date of grant, 1/3 on 2nd anniversary date of grant.

In November 2015, the Company issued 70,000 stock options, 50,000 at an exercise price of $1.19, exercisable for 5 years, and 20,000 at an exercise price of $1.49, exercisable for 3 years. The options vested immediately upon grant.

The Company used the Black Scholes option pricing model to determine the fair value of options granted using the following assumptions: risk-free rate of 0.44% on the date of grant; expected life of 3 & 5 years;

volatility of 70% based on comparable companies; forfeiture rate of nil; dividend yield of nil; and, exercise price of the respective options.

13. Financial risk management and financial instruments

Financial instruments

The Company has classified its cash and cash equivalents as fair value through profit or loss, accounts receivable and other receivables and promissory notes receivable as loans and receivables, and accounts payable and accrued liabilities and amounts due to related parties as other financial liabilities.

The carrying values of other receivables, promissory notes receivable, accounts payable and accrued liabilities, and due to related parties approximate their fair values due to their short periods to maturity.

Fair value hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. Cash and cash equivalents are Level 1. The hierarchy is summarized as follows:

Level 1	quoted prices (unadjusted) in active markets for identical assets and liabilities
Level 2	inputs that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices) from observable market data
Level 3	inputs for assets and liabilities not based upon observable market data

Financial risk management

The Company has exposure to the following risks from its use of financial instruments: credit risk; and, liquidity risk.

(a) Credit risk

The maximum credit exposure at November 30, 2015 is the carrying amount of cash and cash equivalents, accounts receivable and other receivables and promissory notes receivable. The Company does not have significant credit risk with respect to customers. All cash and cash equivalents are placed with major Canadian financial institutions.

(b) Liquidity risk

As at November 30, 2015, the Company's financial liabilities consist of accounts payable and accrued liabilities, which have contractual maturity dates within one year. The Company manages its liquidity risk by reviewing its capital requirements on an ongoing basis. Based on the Company's working capital position at November 30, 2015, management regards liquidity risk to be low.

(c) Capital management

The Company's objectives when managing its capital are to safeguard its ability to continue as a going concern, to meet its capital expenditures for its continued operations, and to maintain a flexible capital structure which optimizes the cost of capital within a framework of acceptable risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, issue new debt, or acquire or dispose of assets. As at November 30, 2015, the Company has not entered into any debt financing. The Company is not subject to externally imposed capital requirements.

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 have been no changes to the Company's capital management approach in the period. The Company considers its cash and cash equivalents as capital.

14. Commitments

The Company has a lease commitment until December 31, 2018 for the rental of greenhouse and office space from a related party. The Company has an option to extend this lease for two additional 5 year periods. Minimum payments payable over the next five years are as follows:

	Fiscal year ending May 31,
2016	$ 116,337
2017	232,673
2018	232,673
2019	135,726
	$ 717,409

15. General and administrative expenses

	For the three months ended November 30,		For the six months ended November 30,	
	2015	2014	**2015**	2014
Executive compensation	**$ 131,541**	$ 111,577	**$ 254,495**	$ 418,077
Consulting fees	**17,387**	201,820	**27,287**	340,020
Office and general	**103,546**	45,838	**224,057**	74,150
Professional fees	**99,755**	110,726	**135,581**	163,960
Salaries and wages	**85,379**	42,332	**151,469**	42,332
Travel and accommodation	**56,551**	25,141	**115,362**	29,738
Rent	**12,743**	14,500	**22,583**	56,500
	$ 506,902	$ 551,934	**$ 930,834**	$ 1,124,777

16. Subsequent events

On December 11, 2015, the Company granted 195,000 stock options at an exercise price of $1.26 per share, expiring 3 years from the date of grant. The options vest immediately upon grant.

On December 11, 2015 the Company closed a bought deal financing in which it issued 8,846,370 units at $1.30 per unit for total financing raise of $11,500,281. Each unit contained one common share and a half warrant at an exercise price of $1.75. The Company incurred cash costs of $1,015,017 and issued 530,782 broker warrants at $1.30 with an expiry date of December 11, 2017. In addition, the Company issued

265,391 broker compensation warrants at $1.75 with an expiry date of December 11, 2018. The Company plans to use the proceeds primarily to fund future expansion.

On January 13, 2015 the Company issued 3,600,000 common shares to owners of CannWay Pharmaceuticals Ltd. ("CannWay") in exchange for 100% ownership of CannWay. The Company previously had a branding agreement with CannWay which allowed it to use the CannWay brand in exchange for a royalty on all sales of CannWay branded products, this contract is now terminated and Aphria owns full rights to the brand.