



Aphria Inc.
(formerly Black Sparrow Capital Corp.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED FEBRUARY 28, 2015 AND TEN MONTHS ENDED FEBRUARY 28,
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. (formerly Black Sparrow Capital Corp.)

Condensed Interim Consolidated Statements of Financial Position
(Unaudited)

	Note	February 28, 2015	May 31, 2014
Assets			
Current assets:			
Cash		\$ 9,242,336	\$ 170,455
Other receivables		631,725	-
Inventory	5	902,449	-
Biological assets	6	375,689	-
Prepaid expenses		46,766	-
		11,198,965	170,455
Property and equipment	7	3,130,886	1,568,796
Intangible assets	7	163,410	-
		\$ 14,493,261	\$ 1,739,251

Liabilities and Shareholders' Equity

Current liabilities:

Accounts payable and accrued liabilities		\$ 649,246	\$ 1,000,172
Due to related parties	8	121,465	2,912,060
		770,711	3,912,232

Shareholders' equity (deficit):

Share capital	9	20,246,095	2,500
Warrants	9	556,589	-
Share-based payment reserve	9	1,157,411	-
Deficit		(8,237,545)	(2,175,481)
		13,722,550	(2,172,981)
		\$ 14,493,261	\$ 1,739,251

Nature of operations (Note 1)
Commitments (Note 11)
Subsequent events (Note 12)

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

Aphria Inc. (formerly Black Sparrow Capital Corp.)

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(Unaudited)

	Note	3 months ended Feb 28, 2015	3 months ended Feb 28, 2014	9 months ended Feb 28, 2015	10 months ended Feb 28, 2014
Revenue		\$ 51,540	\$ -	\$ 51,540	\$ -
Cost of sales:					
Cost of goods sold		26,858	-	26,858	-
Pre-distribution growing costs		-	85,455	321,028	236,114
Change in biological assets	6	(232,682)	-	(505,489)	-
Gross margin		257,364	(85,455)	209,143	(236,114)
Expenses:					
General and administrative		357,819	171,398	1,480,707	484,225
Share-based compensation	9	162,664	-	1,157,411	-
Selling, marketing and promotion		181,270	44,107	391,802	60,893
Amortization and depreciation		21,958	924	34,486	1,990
Loss from operations		(466,347)	(301,884)	(2,855,263)	(783,222)
Listing costs	4	(2,708,031)	-	(3,278,068)	-
Finance income		71,267	-	71,267	-
Net loss and comprehensive loss		\$ (3,103,111)	\$ (301,884)	\$ (6,062,064)	\$ (783,222)
Weighted average number of common shares		52,172,920	26,666,667	42,995,929	19,851,930
Loss per share - basic and diluted		\$ (0.06)	\$ (0.01)	\$ (0.14)	\$ (0.04)

The accompanying notes are an integral part of these financial statements

Aprhia Inc. (formerly Black Sparrow Capital Corp.)
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 receipt shares, net of issuance costs	11,500,000	11,177,847	-	340,328	-	-	11,518,175
Shares retained by Black Sparrow shareholders	2,300,000	2,530,000	-	-	-	-	2,530,000
Share-based payments	-	-	-	-	1,157,411	-	1,157,411
Net loss for the period	-	-	-	-	-	(6,062,064)	(6,062,064)
Balance at February 28, 2015	52,479,587	\$ 20,246,095	\$ -	\$ 556,589	\$ 1,157,411	\$ (8,237,545)	\$ 13,722,550

	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	-	-	-	-	-	(783,222)	(783,222)
Balance at February 28, 2014	26,666,667	\$ 2,500	\$ -	\$ -	\$ -	\$ (1,392,066)	\$ (1,389,566)

The accompanying notes are an integral part of these financial statements

Aphria Inc. (formerly Black Sparrow Capital Corp.)

Condensed Interim Consolidated Statements of Cash Flows (Unaudited)

	Note	3 months ended Feb 28, 2015	3 months ended Feb 28, 2014	9 months ended Feb 28, 2015	10 months ended Feb 28, 2014
Cash flows from operating activities:					
Net loss for the period		\$ (3,103,111)	\$ (301,884)	\$ (6,062,064)	\$ (783,222)
Adjustments for					
Amortization and depreciation		134,081	924	255,319	1,990
Share-based compensation	9	162,664	-	1,157,411	-
Change in biological assets	6	(232,682)	-	(505,489)	-
Non-cash listing costs	4	2,468,020	-	2,468,020	-
Change in non-cash operating working capital					
Other receivables		(311,532)	-	(615,367)	-
Inventory		(271,945)	-	(396,960)	-
Biological assets		(218,432)	-	(375,689)	-
Prepaid expenses		8,123	-	(46,766)	-
Accounts payable and accrued liabilities		(782,478)	-	(384,492)	104,286
		(2,147,292)	(300,960)	(4,506,077)	(676,946)
Cash flows from financing activities:					
Common shares issued, net of cash issuance costs	9	11,518,175	-	17,270,184	2,490
Increase in due to related parties	8	46,974	300,960	420,534	683,463
Repayment of due to related parties	8	(100,000)	-	(2,211,129)	-
		11,465,149	300,960	15,479,589	685,953
Cash flows from investing activities:					
Investment in property and equipment	7	(302,439)	-	(1,792,824)	(6,517)
Investment in intangible assets		(85,525)	-	(187,995)	-
Net cash acquired in reverse takeover		79,188	-	79,188	-
		(308,776)	-	(1,901,631)	(6,517)
Increase in cash during the period		9,009,081	-	9,071,881	2,490
Cash, beginning of period		233,255	2,500	170,455	10
Cash, end of period		\$ 9,242,336	\$ 2,500	\$ 9,242,336	\$ 2,500

The accompanying notes are an integral part of these financial statements

Aphria Inc. (formerly Black Sparrow Capital Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended February 28, 2015 and ten months ended February 28, 2014

(Unaudited)

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. d/b/a 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 (refer to note 4).

These financial statements were approved by the Company's board of directors on April 23, 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 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 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 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.

Aphria Inc. (formerly Black Sparrow Capital Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended February 28, 2015 and ten months ended February 28, 2014

(Unaudited)

3. Significant accounting policies (continued)

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.

Revenue

Revenue is recognized at the fair value of consideration received or receivable. Revenue from the sale of goods is recognized when all the following conditions have been satisfied:

- The Company has transferred the significant risks and rewards of ownership of the goods to the purchaser;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

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, 2017, 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 revised standards.

Aphria Inc. (formerly Black Sparrow Capital Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended February 28, 2015 and ten months ended February 28, 2014

(Unaudited)

4. Reverse acquisition

In December 2014, the Company completed its proposed transaction between Black Sparrow and PNW as previously disclosed in July 2014. PNW amalgamated with a new and direct wholly-owned subsidiary of Black Sparrow to become a direct, wholly-owned subsidiary of Black Sparrow. Black Sparrow changed its name to Aphria Inc. and remains as the resulting issuer. The transaction constituted the qualifying transaction of Black Sparrow under the policies of the TSX Venture Exchange.

Immediately prior to the completion of the transaction, Black Sparrow 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, Black Sparrow acquired all of the issued and outstanding shares of PNW by issuing one post-consolidation share for each PNW common share held. Each of the stock options and warrants to purchase common shares of PNW thereafter is exercisable for one post-consolidation common share of Aphria Inc.

This transaction has been accounted for as a reverse acquisition that does not constitute a business combination. For accounting purposes, the legal subsidiary, PNW, has been treated as the acquirer and Black Sparrow, the legal parent, has been treated as the acquiree. The purchase price allocation for the transaction was determined as follows:

Consideration transferred (2,300,000 shares at a price of \$1.10 per share)	<u><u>\$ 2,530,000</u></u>
Net assets acquired:	
Cash and cash equivalents	\$ 79,188
Other receivables	16,358
Accounts payable and accrued liabilities	<u>(33,566)</u>
	61,980
Excess attributed to cost of listing	<u>2,468,020</u>
	<u><u>\$ 2,530,000</u></u>
Listing cost:	
Excess attributed to cost of listing	\$ 2,468,020
Legal	570,034
Consulting fees	200,000
Other	<u>40,014</u>
	<u><u>\$ 3,278,068</u></u>

For accounting purposes, these financial statements reflect a continuation of the financial position, operating results and cash flows of the Company's legal subsidiary, PNW.

5. Inventory

	February 28, 2015	May 31, 2014
Harvested cannabis	\$ 835,614	\$ -
Packaging and supplies	66,835	-
	<u>\$ 902,449</u>	<u>\$ -</u>

Aphria Inc. (formerly Black Sparrow Capital Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended February 28, 2015 and ten months ended February 28, 2014

(Unaudited)

6. Biological assets

	Amount
Balance at May 31, 2014	\$ -
Increase in fair value less costs to sell due to biological transformation	1,237,551
Transferred to inventory upon harvest	(852,639)
Sale of biological assets	(9,223)
Balance at February 28, 2015	\$ 375,689

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. 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	465,027	148,982	1,178,815	1,792,824	187,995
Disposals	-	-	-	-	-
At February 28, 2015	\$ 1,151,576	\$ 180,984	\$ 2,041,742	\$ 3,374,302	\$ 187,995
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	94,152	9,900	126,682	230,734	24,585
At February 28, 2015	\$ 102,877	\$ 11,141	\$ 129,398	\$ 243,416	\$ 24,585
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 February 28, 2015	\$ 1,048,699	\$ 169,843	\$ 1,912,344	\$ 3,130,886	\$ 163,410

Intangible assets are comprised of websites, related software and clinical data.

Aphria Inc. (formerly Black Sparrow Capital Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended February 28, 2015 and ten months ended February 28, 2014

(Unaudited)

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

The Company has historically funded operations through the support of related parties. The Company owes \$121,465 to related parties as at February 28, 2015 (\$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 nine months ended February 28, 2015, the Company repaid \$2,211,129 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 nine month period ended February 28, 2015, related party corporations charged or incurred expenditures on behalf of the Company totalling \$420,534 (2014 - \$683,463) 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 \$79,451 was charged during the nine month period ended February 28, 2015 (2014 - \$53,000) after a one-time credit due to re-negotiation of the lease during the period.

9. 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	(a)	10,346,253	5,535,748
Conversion of due to related parties	(b)	1,666,667	1,000,000
Private placement, net of issuance costs	(c)	11,500,000	11,177,847
Shares retained by Black Sparrow shareholders	(d)	2,300,000	2,530,000
Closing balance at February 28, 2015		52,479,587	\$ 20,246,095

- (a) 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 expiring in June 2016. 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 expiring in June 2019. The compensation warrants were valued at \$216,261 and have been recorded in equity under Warrants.

- (b) 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.

Aphria Inc. (formerly Black Sparrow Capital Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended February 28, 2015 and ten months ended February 28, 2014

(Unaudited)

9. Share capital (continued)

- (c) 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. The gross proceeds from the private placement, less the Agents' commission, fees, and estimated costs and expenses in respect of the private placement, were 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 TSX-V to list the resulting shares on the TSX-V (collectively, the "Escrow Release Conditions"). In December 2014, the Escrow Release Conditions were satisfied and the proceeds were released to the Company.

Each Subscription Receipt was converted into one common share and one warrant of the Company. Each warrant is exercisable for one common share at a price of \$1.50 for a period of 5 years expiring in December 2019.

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 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 expiring in December 2016. The Compensation Options were valued at \$340,328 and have been recorded in equity under Warrants. Additional costs of \$167,824 were incurred for legal and other share issuance costs.

- (d) As part of the reverse acquisition, 2,300,000 common shares were retained by Black Sparrow shareholders. These shares were valued at \$1.10 for a total of \$2,530,000.

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	2,600,000
Granted - August 18, 2014	August 18, 2019	\$1.10	50,000	50,000
Granted - November 2014	November 2017	\$1.10	480,000	170,000
Granted - December 2, 2014	December 2, 2017	\$1.10	1,020,000	100,000
Balance at February 28, 2015		\$0.79	4,150,000	2,920,000

Aphria Inc. (formerly Black Sparrow Capital Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended February 28, 2015 and ten months ended February 28, 2014

(Unaudited)

9. Share capital (continued)

Stock options – continued

In June 2014, the Company issued 2,600,000 stock options at an exercise price of \$0.60 per share, exercisable for 5 years expiring in June 2019. The options vested upon the Company listing on a public stock exchange.

In August 2014, the Company issued 50,000 stock options at an exercise price of \$1.10 per share, exercisable 5 years expiring in August 2014. The options vested 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 expiring in November 2017. 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 vested upon the Company listing on a public stock exchange.

In December 2014, the Company issued 1,020,000 stock options at an exercise price of \$1.10 per share, exercisable 3 years expiring in December 2017. 100,000 of the options vested immediately. 320,000 of the options vest based on certain performance conditions after 15 months. 600,000 options vest based on certain performance conditions assessed every quarter over the life of the options.

The Company recognized a share-based compensation expense of \$1,157,411 (2014 - \$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 1.08-1.56%, expected life of 3-5 years, dividend yield of nil, forfeiture rate of 0-50%, 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 expiring in June 2016. 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 expiring in June 2019. 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.

In December 2014, as part of the subscription receipt private placement for 11,500,000 units, the Company issued 11,500,000 common share purchase warrants. Each whole common share purchase warrant is exercisable for one common share at \$1.50 per share for a period of 5 years expiring in December 2019. The full proceeds were allocated to the common share and \$nil to the warrant.

As part of this placement, 802,268 compensation options exercisable for one common share and one purchase warrant were issued to the agents. Each Compensation Option is exercisable at a price of \$1.10 for a period of 24 months expiring in December 2016. Purchase warrants received upon exercise would be exercisable for one common share at \$1.50 per share. The Compensation Options were valued at \$340,328 using the Black-Scholes option pricing model. The fair value was determined using the following assumptions: volatility of 70%, risk-free rate of 1.01%, expected life of 2 years, dividend yield of nil, and share price of \$1.10.

Aphria Inc. (formerly Black Sparrow Capital Corp.)

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended February 28, 2015 and ten months ended February 28, 2014

(Unaudited)

10. Financial risk management

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

- credit risk; and
- liquidity 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.

11. Commitments

The Company has a lease commitment until December 31, 2018 for the rental of greenhouse and office space. 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,
2015 - \$27,684
2016 - \$138,647
2017 - \$138,647
2018 - \$138,647
2019 - \$80,877

12. Subsequent events

Stock options

Subsequent to the period, the Company issued 370,000 stock options as follows:

Number of Options	Expiry	Weighted Average Exercise Price	Vesting Conditions
15,000	March 2018	\$0.90	100% upon grant
45,000	March and April 2018	\$0.99	1/3 upon grant, 1/3 upon first anniversary, 1/3 upon second anniversary
310,000	March and April 2018	\$1.04	Based on certain performance conditions assessed over the life of the options
370,000		\$1.02	

Promissory note

The Company advanced \$500,000 to a third party in the form of a promissory note subsequent to the period. The promissory note bears interest at 3% per annum and is repayable in monthly instalments over a period of two years until March 2017.