MANAGEMENT'S DISCUSSION & ANALYSIS

This management discussion and analysis ("MD&A") of the financial condition and results of operations of Aphria Inc., (the "Company" or "Aphria"), is for the three and nine months ended February 29, 2016. It is supplemental to, and should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and the accompanying notes for the three and nine months ended February 29, 2015, as well as the financial statements and MD&A for the year ended May 31, 2015. The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts presented herein are stated in Canadian dollars, unless otherwise indicated.

This MD&A has been prepared by reference to the MD&A disclosure requirements established under National Instrument 51-102 "Continuous Disclosure Obligations" ("NI 51-102") of the Canadian Securities Administrators. Additional information regarding Aphria Inc. is available on our website at www.aphria.com or through the SEDAR website at www.sedar.com.

In this MD&A, reference is made to cash costs to produce per gram, "all-in" cost of goods sold per gram,, adjusted gross profit, adjusted gross margin, EBITDA, cash break-even and EBITDA percentage, which are not measures of financial performance under IFRS. The Company calculates each as follows:

- *Cash costs to produce per gram is equal to cost of sales less the non-cash increase (plus the non-cash decrease) in the fair value (FV") of biological assets, if any, amortization and packaging costs divided by grams sold in the quarter. Management believes this measure provides useful information as it removes non-cash and post production expenses tied to our growing costs and provides a benchmark of the Company against its competitors*
- *"All-in" cost of goods sold per gram is equal to cost of sales divided by grams sold in the quarter. Management believes this measure provides useful information as a benchmark of the Company against its competitors.*
- *Adjusted gross profit is equal to gross profit less the non-cash increase (plus the non-cash decrease) in the FV of biological assets, if any. Management believes this measure provides useful information as it removes fair value metrics tied to increasing stock levels (decreasing stock levels) required by IFRS*
- *Adjusted gross margin is adjusted gross profit divided by sales. Management believes this measure provides useful information as it represents the gross profit based on the Company's cost to produce inventory sold and removes fair value metrics tied to increasing stock levels (decreasing stock levels) required by IFRS.*
- *EBITDA is net income(loss), plus income taxes, plus (minus) finance expense(income), plus amortization, plus share-based compensation, plus (minus) non-cash fair value adjustments related to biological assets, plus amortization of non-capital assets, plus bad debts, plus (minus) loss(gain) on sale of capital assets and certain one-time non-operating items, as determined by management. Management believes this measure provides useful information as it is a commonly used measure in the capital markets and as it is a close proxy for repeatable cash generated by operations.*
- *Cash break-even is the year-to-date EBITDA of the Company. Management believes this measure provides useful information as it includes all EBITDA for the year-to-date.*
- *EBITDA percentage is equal to EBITDA divided by revenue. Management believes this measure provides useful information as it is a commonly used measure in the capital markets.*

The Company included information concerning these measures because they are used by management as a measure of performance and management believes they are used by certain investors and analysts as a measure of the Company's performance. This measure is not necessarily comparable to similarly titled measures used by other companies.

All amounts in this MD&A are expressed in Canadian dollars and where otherwise indicated.

This MD&A is prepared as of April 20, 2016.

COMPANY OVERVIEW

Aphria Inc. 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. On December 2, 2014, Black Sparrow, a Capital Pool Company, completed its qualifying transaction with Pure Natures Wellness Inc. d/b/a Aphria ("PNW"). For further information on this transaction, please refer to the management information circular dated October 28, 2014. The Company's common shares are listed under the symbol "APH" on the TSX Venture Exchange ("TSX-V").

PNW, a wholly-owned subsidiary of the Company, is licenced to produce and sell medical marijuana under the provisions of the *Marihuana for Medical Purposes Regulations* ("MMPR"). PNW received its licence to produce and sell medical marijuana on November 26, 2014. PNW's operations are based in Leamington, Ontario. The Leamington greenhouse facility provides Aphria with the opportunity to be a scalable low cost producer of medical marijuana.

The Company is focused on producing and selling medical marijuana through a two-pronged growth strategy, including both retail sales and wholesale channels. Retail sales are primarily sold through Aphria's online store as well as telephone orders. Wholesale shipments are sold to other MMPR Licenced Producers.

INVESTOR HIGHLIGHTS

	Q3-2016	Q2-2016
Patient registrations	4,000	3,430
Revenue	$ 2,679,898	$ 2,026,975
Kilograms sold	322.4	256.3
Cash cost / gram	$ 1.67	$ 1.87
"All-in" cost of goods sold / gram	$ 2.22	$ 2.49
Adjusted gross margin	73.4%	68.6%
Cash and cash equivalents on hand	$ 12,053,547	$ 3,285,867
Working capital	$ 15,868,075	$ 6,448,082
Investment in capital assets[1]	$ 1,175,007	$ 1,460,221

(1) Following the end of the quarter management announced the purchase of land, building and equipment, for a cost of $6.5 million, at the company's current operations site.

- Retail & wholesale platforms
- Sales break-even below $8 million
- No crop failures since inception
- Strong capital base with dilutive warrant attributes largely priced at $1.20 or higher
- Strong executive team
    - 20+ years of Pharma experience
    - 35+ years of greenhouse growing experience

QUARTERLY HIGHLIGHTS

Aphria positive earnings for the third quarter

The Company reported positive earnings for the quarter including net income both with and without IFRS fair value adjustments, earnings for the quarter were $3,720 with IFRS fair value adjustments and $88,543 without IFRS fair value adjustments, respectively.

Closing of bought deal financing

On December 11, 2015, the Company announced the closing of its bought deal financing. Under the bought deal, the Company raised net proceeds of $10,485,264, after accounting for underwriting, legal and other costs and issued 8,846,370 units each consisting of one share and one half warrant at an exercise price of $1.75. The Company plans to use the proceeds primarily to fund future expansion.

Cannway Purchase

On January 13, 2016, the Company acquired 100% of the outstanding shares of Cannway Pharmaceuticals Inc. Cannway specializes in providing support services to veterans and first responders. As a result of the acquisition the Company expects to further secure ties to Canada's veteran and first responder population allowing it to further improve treatment solutions for these men and women. The Company expects the acquisition to have an immediate effect on operational income.

Approval of Part 1 Expansion

On February 11, 2016, Aphria received Health Canada approval to begin cultivation in its newly built out expansion. The expansion is comprised of an additional 21,000 square feet of production space, 900 square foot oil extraction room, as well as a 6,100 square feet of fully functional research and development laboratories. The expansion doubles the company's annual production capabilities. In addition to the added production, with the approval of the expansion, the company can begin to fully utilize its extraction facility and work towards launching commercial oil production and sale.

FAIR VALUE MEASUREMENTS

Impact of fair value metrics on biological assets and inventory

In accordance with IFRS, the Company is required to record its biological assets at fair value. During the growth phase, the cost of each plant is accumulated on a weekly basis. At the time of harvest, the accumulated cost of each plant is based on the number of grams harvested. Upon harvest, the Company increases the cost value to fair value.

As at February 29, 2016, the Company's harvested cannabis, as detailed in Note 6 of its financial statements, is as follows:

Harvested cannabis – at cost	$ 991,188
Harvested cannabis – fair value increment	741,988
Harvested cannabis – at fair value	$ 1,733,176

In an effort to increase transparency, the Company's harvested cannabis, which consists solely of dried flower, is carried at a fair value of $3.75 a gram. For clarification purposes, the Company does not assign any value to sugar leaf or fan leaf.

INDUSTRY TRENDS AND RISKS

The Company's overall performance and results of operations are subject to a number of risks and uncertainties. The economic, industry and risk factors discussed in our Annual Report, each in respect of the year ended May 31, 2015 and in our Short Form Prospectus, dated December 4, 2015, remain substantially unchanged in respect of the three and nine months ended February 29, 2016, however, the most significant of which are repeated below.

Reliance on the Licence

Aphria's ability to grow, store and sell medical marijuana in Canada is dependent on maintaining its licence with Health Canada. Failure to comply with the requirements of the licence or any failure to maintain its licence would have a material adverse impact on the business, financial condition and operating results of Aphria. Although Aphria believes it will meet the requirements of the MMPR for extension of the licence, there can be no guarantee that Health Canada will extend or renew the licence or, if it is extended or renewed, that it will be extended or renewed on the same or similar terms. Should Health Canada not extend or renew the licence or should it renew the licence on different terms, the business, financial condition and results of the operation of Aphria would be materially adversely affected.

Legislative or Regulatory Reform

The commercial medical marijuana industry is a new industry and the Company anticipates that such regulations will be subject to change as the Federal Government monitors Licenced Producers in action. Aphria's operations are subject to a variety of laws, regulations, guidelines and policies relating to the manufacture, import, export, management, packaging/labelling, advertising, sale, transportation, storage and disposal of medical marijuana but also including laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. While to the knowledge of management, Aphria is currently in compliance with all such laws, any changes to such laws, regulations, guidelines and policies due to matters beyond the control of Aphria may cause adverse effects to its operations.

Limited Operating History

Aphria, through its operating subsidiary PNW, which incorporated in 1994, began carrying on business in 2012 and did not generate revenue from the sale of products until late 2014. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

History of Losses

The Company has incurred losses in recent periods. Aphria may not be able to achieve or maintain profitability and may continue to incur significant losses in the future. In addition, Aphria expects to continue to increase operating expenses as it implements initiatives to continue to grow its business. If Aphria's revenues do not increase to offset these expected increases in costs and operating expenses, Aphria will not be profitable.

Competition

On October 19, 2015, the Liberal Party of Canada ("Party") obtained a majority government in Canada. The Party has committed to the legalization of recreational cannabis in Canada, though no model for this regulatory change has been publicly disclosed or timeline for implementation put forward. This regulatory change may not be implemented at all. The introduction of a recreational model for cannabis production and distribution may impact the medical marijuana market. The impact of this potential development may be negative for the Company and could result in increased levels of competition in its existing medical market and/or the entry of new competitors in the overall cannabis market in which the Company operates.

There is potential that the Company will face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company.

The government has only issued to date a limited number of licenses, under the MMPR, to produce and sell medical marijuana. There are, however, several hundred applicants for licenses. The number of licenses granted could have an impact on the operations of the Company. Because of the early stage of the industry in which the Company operates, the Company expects to face additional competition from new entrants. According to Health Canada there are currently 29 Licensed Producers. If the number of users of medical marijuana in Canada increases, the demand for products will increase and the Company expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Company will require a continued level of investment in research and development, marketing, sales and client support. The Company may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Exchange Restrictions on Business

The Toronto Venture Stock Exchange ("TSX-V") required that, as a condition to listing, the Company deliver an undertaking confirming that, while listed on the TSX-V, the Company will only conduct the business of production, acquisition, sale and distribution of medical marijuana in Canada as permitted under our Licence with Health

Canada. This undertaking could have an adverse effect on the Company's ability to export marijuana from Canada and on its ability to expand its business into other areas including the provision of non-medical marijuana in the event that the laws were to change to permit such sales and the Company is still listed on the TSX-V and still subject to such undertaking at the time. This undertaking may prevent the Company from expanding into new areas of business when the Company's competitors have no such restrictions. All such restrictions could materially and adversely affect the growth, business, financial condition and results of operations of the Company.

RESULTS OF OPERATIONS

Revenue

Revenue for the three months ended February 29, 2016 was $2,679,898 versus $51,540 in 2015 and $2,026,975 in the second quarter of 2016. The Company obtained its licence to sell medical marijuana in late November 2014, with the Company completing its first commercial shipment in December 2014. No revenue was earned prior to December 2014.

The increase in revenue during the quarter was largely related to:

- Continued patient onboarding;
- Continued improvement in grams sold per order; and,
- A refinement in the strains, resulting in an increase in the average selling price per gram.

These factors were offset by:

- Lower re-order rates within certain patient categories.

Revenue for the nine months ended February 29, 2016 was $5,657,613 versus $51,540 in the same period in the prior year. The reason for the increase in sales in the nine-month period is consistent with the reasons for the increase in sales in the three-month period above.

Gross profit and gross margin

The gross profit for the three months ended February 29, 2016 was $1,883,225, compared to $257,364 in the same period in the prior year. The increase in gross profit from the prior year is consistent with the much larger patient base over the prior year.

The gross profit for the nine months ended February 29, 2016 was $3,871,034, compared to a gross profit of $209,143 in the same period of the prior year. The gross profit in the prior year was a result of low sales volumes combined with pre-distribution growing costs that did not offset the non-cash increase in the fair value of its biological assets being grown, this produced a gross profit value greater than sales for the nine-month period.

With sales volumes in their infancy in the prior year, due to not beginning commercial sale until December 2014, management believes more appropriate comparisons of gross profit and gross margin are between the three months ended February 29, 2016 and the three months ended November 30, 2015.

The gross profit for the three months ended February 29, 2016 increased $573,971 to $1,883,225, compared to $1,309,254 in the prior quarter, as shown below:

	Three months ended February 29, 2016	Three months ended November 30, 2015
Revenue	$ **2,679,898**	$ 2,026,975
Cost of sales		
Cost of goods sold	**591,204**	521,906
Amortization	**120,646**	113,565
Net effect of FV change in biological assets	**84,823**	82,250
	796,673	717,721
Gross profit	$ **1,883,225**	$ 1,309,254
Gross margin	**70.3%**	64.6%

Cost of sales currently consist of three main categories: (i) cost of goods sold; (ii) amortization and, (iii) change in biological assets.

(i) Cost of goods sold include the direct cost of materials and labour related to the medical marijuana sold. This would include growing, cultivation and harvesting costs, stringent quality assurance and quality control, as well as packaging and labelling. All medical marijuana shipped and sold by Aphria has been grown and produced by the Company.

(ii) Amortization includes the amortization of production equipment and leasehold improvements utilized in the production of medical marijuana.

(iii) Net effect of FV change in biological assets is part of the Company's cost of sales due to IFRS standards relating to agriculture and biological assets (i.e. living plants or animals). This line item represents the net effect of the non-cash fair value adjustment of biological assets (medical marijuana) produced and sold in the period.

The increase in gross margin in the third quarter compared to the second quarter was attributable to continuous refinements and improvements in production processes and increased yields per square foot allowing the company to spread its fix overhead cost across higher volumes of finished goods in the quarter. In the third quarter, the cost of goods sold as a percentage of sales was 22.1% compared to 25.7% in the second quarter.

Management believes that the use of non-cash IFRS adjustments in calculating gross profit and gross margin can be confusing due to the large value of non-cash fair value metrics required. Accordingly, management believes the use of an adjusted gross profit and adjusted gross margin provides a better representation of performance by excluding non-cash fair value metrics required by IFRS.

Adjusted gross profit and adjusted gross margin are non-GAAP financial measures that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. The gross profit has been adjusted from IFRS by removing the non-cash change in biological assets of $84,823.

The following is the Company's adjusted gross profit and adjusted gross margin as compared to IFRS for the quarter:

	Three months ended February 29, 2016 IFRS	Adjustments	Three months ended February 29, 2016 Adjusted
Revenue	$ 2,679,898	$ --	**$ 2,679,898**
Cost of sales			
Cost of goods sold	591,204	--	**591,204**
Amortization	120,646	--	**120,646**
Net effect of FV change in biological assets	84,823	(84,823)	**--**
	796,673	(84,823)	**711,850**
Gross profit	$ 1,883,225	(84,823)	**$ 1,968,048**
Gross margin	70.3%		**73.4%**

In our press release dated March 10, 2016, with respect to our preliminary results for the third quarter of 2016, we reported that our adjusted gross margin would be 77%. Subsequent to March 10th, we realized that the net effect of the fair value change in biological assets was inadvertently removed twice in the calculation of adjusted gross margin. The actual adjusted gross margin was 73.4%.

The following is the Company's adjusted gross profit and adjusted gross margin, as compared to IFRS, for the nine months ended February 29, 2016:

	Nine months ended February 29, 2016 IFRS	Adjustments	Nine months ended January 29, 2016 Adjusted
Revenue	$ 5,657,613	$ --	**$ 5,657,613**
Cost of sales			
Cost of goods sold	1,401,641	--	**1,401,641**
Amortization	342,905	--	**342,905**
Net effect of FV change in biological assets	42,033	(42,033)	**--**
	1,786,579	(42,033)	**1,744,546**
Gross profit	$ 3,871,034	$ (42,033)	**$ 3,913,067**
Gross margin	68.4%		**69.2%**

Selling, general and administrative

Selling, general and administrative expenses are comprised of General and administrative, share-based compensation, selling, marketing and promotion, amortization and research and development. These costs increased by $1,243,276 to $1,966,987 from $723,711 in the same quarter in the prior year and increased $1,889,903 to $4,954,309 from $3,064,406 in the nine-month period of the prior year.

	Three months ended February 2016	2015	Nine months ended February 2016	2015
General and administrative	$ 711,153	$ 357,819	$ 1,641,987	$ 1,480,707
Share-based compensation	145,748	162,664	405,079	1,157,411
Selling, marketing and promotion	907,287	181,270	2,488,537	391,802
Amortization	123,644	21,958	198,300	34,486
Research and development	79,155	--	220,406	--
	$ 1,966,987	$ 723,711	$ 4,954,309	$ 3,064,406

General and administrative costs

	Three months ended February 2016	2015	Nine months ended February 2016	2015
Executive compensation	$ 201,634	$ 119,977	$ 456,129	$ 538,054
Consulting fees	7,026	26,260	34,313	366,280
Office and general	202,186	116,467	426,243	175,385
Professional fees	128,577	11,425	264,158	188,728
Salaries and wages	118,110	22,910	269,579	59,340
Travel and accommodation	43,842	57,940	159,204	65,242
Rent	9,778	2,840	32,361	87,678
	$ 711,153	$ 357,819	$ 1,641,987	$ 1,480,707

The increase in general and administrative costs during the quarter was largely related to an increase in:

- Salaries and wages and office and general as a result of increased activity within the business over the same period in the prior year;
- Professional fees, predominantly comprised of legal costs, associated with various negotiations and reviews of current and potential business relationships necessary to sustain growth of the company, including acquisition costs associated with our purchase of Cannway Pharmaceuticals Inc.; and,
- Executive compensation associated with the transition to a full time CFO and increases in compensation payable to other senior executives.

These factors were partially offset by decreases in:

- Travel and accommodations associated with our reverse takeover in the prior period; and,
- Consulting fees associated with the Company's raising of capital, reverse takeover and licence with Health Canada in the prior period.

The increase in general and administrative costs during the nine-month period was largely related to the same factors as in the three-month period with two minor differences:

- Decrease in executive compensation is tied to the buy-out of the Company's original chief executive officer in the prior year; and,
- Increase in travel and accommodations relating to increased activity within the business in the current year.

Share-based compensation

The Company recognized share-based compensation expense of $145,748 for the three months ended February 29, 2016 compared to $162,664 for the prior year. Share-based compensation was valued using the Black-Scholes valuation model and represents a non-cash expense. The decrease in share-based compensation is consistent with the decrease in stock options issued during the respective period combined with all of the options issued in 2016 vesting immediately versus a staggered time based vesting of the options issued in the same period of the prior year.

For the nine months ended February 29, 2016, the Company incurred share-based compensation of $405,079 as opposed to $1,157,411. 515,000 options were granted during the nine-month period ended February 29, 2016, as opposed to 4,150,000 options in the comparable period of the prior year.

Selling, marketing and promotion costs

For the three months ended February 29, 2016, the Company incurred selling, marketing and promotion costs of $907,287, versus $181,270 in the comparable prior period. These costs related to commissions on sales, the Company's call centre operations, shipping costs, as well as the development of promotional and information materials. The increase is directly correlated with the increase in patient volumes over the comparable period.

For the nine months ended February 29, 2016, the Company incurred selling, marketing and promotion costs of $2,488,537 as opposed to $391,802 in the comparable prior period. The increase in costs in the nine-month period is consistent with the increase in the three-month period.

Amortization

The Company incurred amortization charges of $123,644 for the three months ended February 29, 2016 compared to $21,958 for the same period in the prior year. The increase in amortization charges are a result of the capital expenditures made during the prior and current year.

The Company incurred amortization charges of $198,300 for the nine months ended February 29, 2016 compared to $34,486 for the same period in the previous year. The increase for the nine-month period is consistent with the increase for the three-month period.

Research and development

Research and development costs of $79,155 were expensed during the three months ended February 29, 2016 compared to $nil in same period last year. These relate to researching aspects of the genetics of various cannabis strains, including phenotyping, and testing the growth patterns of cannabis under different conditions. Management anticipates increasing the consistency of finished product through this testing, which would reduce costs of production while still providing customers a high quality product. The Company is also beginning to explore the extraction of cannabis oils and related derivatives for future commercialization.

For the nine months ended February 29, 2016, the Company incurred research and development costs of $220,406 as opposed to $nil in the comparable prior period. The increase in costs primarily relates to:

- Increased phenotyping of genetics; and,
- Lab testing costs associated with phenotyping and genetic selection.

Non-operating items

During the three months ended February 29, 2016, the Company earned non-operating income of $87,482 consisting of $86,808 of finance income and $674 related to a gain on sale of capital assets as opposed to a non-operating loss of $2,636,764, related primarily to listing costs in the prior year.

During the nine months ended February 29, 2016, the Company earned non-operating income of $179,072, consisting of $171,947 of finance income and $7,125 related to a gain on sale of capital assets, as opposed to a non-operating loss of $3,206,801, related primarily to listing costs in the prior year.

Net income (loss)

The net income for the three months ended February 29, 2016 was $3,720, or $0.00 per share as opposed to a net loss in the same period of the prior year of $3,103,111 or $0.06 per share.

The net loss for the nine months ended February 29, 2016 was $904,203 or $0.02 per share compared to $6,062,064 or $0.14 in the prior year.

EBITDA

EBITDA is a non-GAAP financial measure that does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. The Company calculates EBITDA as net income(loss), plus income taxes, plus (minus) finance expense(income), plus amortization, plus share-based compensation, plus (minus) non-cash fair value adjustments related to biological assets, plus amortization of non-capital assets, plus bad debts, plus (minus) loss(gain) on sale of capital assets, all as follows:

	February 29, 2016	
	Three months ended	Nine months ended
Net income (loss)	$ 3,720	$ (904,203)
Finance income	(86,808)	(171,947)
Amortization	244,290	541,205
Share-based Compensation	145,748	405,079
Non–cash fair value adjustments in biological assets	84,823	42,033
Amortization of non-capital assets	19,845	134,755
Bad debts	12,406	12,406
Gain on sale of capital assets	(674)	(7,125)
EBITDA	**423,350**	**52,203**

In our press release dated March 10, 2016, with respect to our preliminary results for the third quarter of 2016, we reported that our estimated EBITDA would be 18-20% of sales. After finishing closing the books for the quarter, our actual EBITDA as a percentage of sales is 15.8%.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow used in operations for the nine months improved by $3,261,036 from cash flow used in operations of $4,586,077 in the nine-month period of the prior year to $1,335,041 in the current nine-month period. The improvement in cash flow used in operations is primarily a result of a:

- Reduction in Net loss for the period;
- Reduction in Other receivables, which primarily related to an HST receivable; and,
- Increase in Accounts payable and accrued liabilities, which primarily related to reduced unpaid capital expenditures at the end of the period.

These factors were partially offset by:

- An increase in accounts receivable.

Cash resources / working capital requirements

The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations. As at February 29, 2016, Aphria maintained $12,053,547 of cash and cash equivalents on hand, compared to $3,285,867 at November 30, 2015 and $9,242,336 at February 28, 2015. Cash and cash equivalents on hand increased $8,767,680 in the quarter and increased $2,811,211 from February 28, 2015.

Working capital provides funds for the Company to meet its operational and capital requirements. As at February 29, 2016, the Company maintained working capital of $15,868,075. The Company does not have any long-term liabilities. Management expects the Company to have adequate funds available on hand to meet the Company's planned growth and expansion of facilities over the next 12 months.

Capital asset and investment spending

For the three months ended February 29, 2016, the Company invested $1,175,007 in capital assets. For the nine months ended February 29, 2016, the Company invested $3,991,459 in capital assets, of which $867,497 are considered maintenance CAPEX and the remainder, $3,123,962 growth CAPEX related to the Company's Part 1 expansion.

Financial covenants

The Company does not currently have any financial covenants that it must meet.

Contractual obligations and off-balance sheet financing

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. The Company has a leased commitment until April 30, 2019 for a motor vehicle. Minimum payments payable over the next five years are as follows:

		Payments due by period			
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Operating leases	$ 659,240	$ 232,673	$ 426,567	$ --	$ --
Motor vehicle lease	62,371	20,228	40,457	1,686	--
Total	**$ 721,611**	**$ 252,901**	**$ 467,024**	**$ 1,686**	**$ --**

Except as disclosed elsewhere in this MD&A, there have been no material changes with respect to the contractual obligations of the Company during the year.

Aphria does not maintain any off-balance sheet financing.

Share capital

Aphria has the following securities issued and outstanding, as at February 29, 2016:

	Presently outstanding	Exercisable	Exercisable & in-the-money*	Fully diluted
Common stock	64,984,290			64,984,290
Stock options	--	3,699,787	3,343,787	4,925,000
Warrants	--	21,037,979	5,114,794	21,037,979
Compensation warrants	--	1,951,383	1,420,601	1,951,383
Warrants on exercise of compensation options	--			265,391
Fully diluted	**64,984,290**			**93,164,043**

**Based on closing price on February 29, 2016 of $1.18 per share*

QUARTERLY RESULTS

The following table sets out certain unaudited financial information for each of the eight fiscal quarters up to and including the third quarter of fiscal 2016, ended February 29, 2016. The information has been derived from the Company's unaudited consolidated financial statements, which in management's opinion, have been prepared on a basis consistent with the audited consolidated financial statements filed in the Company's 2015 Annual Report and include all adjustments necessary for a fair presentation of the information presented. Past performance is not a guarantee of future performance and this information is not necessarily indicative of results for any future period.

	May/15	**Aug/15**	**Nov/15**	**Feb/16**
Sales	$ 499,890	$ 950,740	$ 2,026,975	$ 2,679,898
Net loss	(481,380)	(476,825)	(431,098)	3,720
Income (Loss) per share - basic	(0.01)	(0.01)	(0.01)	0.00
Income (Loss) per share – fully diluted	(0.01)	(0.01)	(0.01)	0.00
	May/14	**Aug/14**	**Nov/14**	**Feb/15**
Sales	$ --	$ --	$ --	$ 51,540
Net loss	(783,415)	(1,600,104)	(1,358,849)	(3,103,111)
Loss per share - basic	(0.03)	(0.04)	(0.04)	(0.06)
Loss per share – fully diluted	(0.03)	(0.04)	(0.04)	(0.06)

The Company obtained its MMPR licence to produce and sell on November 26, 2014, with sales commencing shortly thereafter. The Company recognized listing costs of $2,708,031 in the third quarter of 2015, $314,037 in the second quarter of 2015, and $256,000 in the first quarter of 2015.

RELATED PARTY BALANCES AND 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 Company owed $nil to related parties as at February 29, 2016 (2015 - $121,465). These amounts were due upon demand and are non-interest bearing. These parties are related as they are corporations that are controlled by certain officers and directors of the Company (Mr. Cole Cacciavillani and Mr. John Cervini).

The Company transacts with related parties in the normal course of business. Through these related parties, Aphria is able to leverage the purchasing power for growing related commodities and labour, which provides the Company with better rates than if Aphria was sourcing these on its own. These transactions are measured at their exchange amounts.

During the three months ended February 29, 2016, related party corporations charged or incurred expenditures on behalf of the Company totaling $236,544 (2015 - $46,974), which were or are to be reimbursed, including rent of $58,210 (2015 - $(4,549)).

During the nine months ended February 29, 2016, related party corporations charged or incurred expenditures on behalf of the Company totaling $885,269 (2015 - $420,534), which were or are to be reimbursed, including rent of $135,383 (2015 - $79,451).

SUBSEQUENT EVENTS

Land and Property Acquisition Purchase

Subsequent to the end of the quarter, the Company announced that it had entered into a Purchase Agreement to acquire 9 acres of greenhouses, situated on 36 acres of property, known as 265 Talbot Street West, in Leamington, Ontario. The purchase price for the land, greenhouse and ancillary equipment was $6.5 million and is considered a non-arm's length transaction because the vendor is a director and officer of the Company. $3.25 million of the purchase price is payable in cash on closing, anticipated to be June 30, 2016, and the remainder will be paid as a vendor take-back mortgage, bearing interest at 6.75% per annum, with a 5-year term and amortization. The Company maintains a right of first refusal to acquire an additional acre of property, known as 243 Talbot Street West, in Leamington, Ontario. The vendor maintains a put option on the same property valued at $1 million, subject to annual inflationary adjustments equal to the increases in the Consumer Price Index, which put option can be only be exercised on upon certain operating metrics being achieved.

Warrant exercise

Subsequent to the end of the quarter, shareholders of the Company exercised 753,333 warrants, 802,268 compensation warrants / options, through a number of individual transactions. As part of those transactions, the Company received $1,800,000 in cash and issued 802,268 warrants. The warrants issued were attached to the compensation warrants / options and were issued with an exercise price of $1.50, expiring on December 2, 2019.

Stock option grant

Subsequent to the end of the quarter, the Company granted 50,000 stock options to an employee and a consultant of the Company. The stock options were issued at $1.67

This MD&A contains forward-looking statements within the meaning of applicable securities legislation with regards to expected financial performance, strategy and business conditions. We use words such as "forecast", "future", , "should", "could", "enable", "potential", "contemplate", "believe", "anticipate", "estimate", "plan", "expect", "intend", "may", "project", "will", "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks and uncertainties. Many factors could cause actual results, performance or achievement to be materially different from any future forward-looking statements. Factors that may cause such differences include, but are not limited to, general economic and market conditions, investment performance, financial markets, legislative and regulatory changes, technological developments, catastrophic events and other business risks. These forward-looking statements are as of the date of this MD&A and the Company and management assume no obligation to update or revise them to reflect new events or circumstances except as required by securities laws. The Company and management caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made.

Some of the specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to the following:

- *the intended expansion of the Company's facilities and receipt of approval from Health Canada to complete such expansion;*

- *the expected growth in the number of patients using the Company's medical marijuana; and*
- *the anticipated future gross margins of the Company's operations.*