



Aphria Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND SIX MONTHS ENDED NOVEMBER 30, 2016 and NOVEMBER 30,
2015

(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 Professional Accountants.

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

	Note	November 30, 2016	May 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents		\$ 98,614,981	\$16,472,664
Accounts receivable		1,606,792	1,778,679
Other receivables	5	2,241,395	126,952
Inventory	6	2,875,409	2,088,850
Biological assets	7	533,402	697,997
Prepaid assets		341,016	160,156
Promissory notes receivable	8	127,822	567,588
		106,340,817	21,892,886
Capital assets			
Capital assets	9	17,803,055	7,309,220
Intangible assets	4,10	5,740,515	4,317,680
Long-term investments	11	7,632,388	1,560,200
Goodwill		1,200,000	1,200,000
		\$ 138,716,775	\$ 36,279,986
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		\$ 3,159,319	\$1,266,492
Current portion of long-term debt	13	743,141	--
		3,902,460	1,266,492
Long-term liabilities			
Long-term debt	13	6,806,521	--
		10,708,981	1,266,492
Shareholders' equity			
Share capital	15	131,969,431	40,916,880
Warrants	16	573,058	693,675
Share-based payment reserve	17	1,945,322	1,723,903
Deficit		(6,480,017)	(8,320,964)
		128,007,794	35,013,494
		\$ 138,716,775	\$ 36,279,986

Nature of operations (Note 1)

Commitments (Note 22)

Subsequent events (Note 23)

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.

 Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
 (Unaudited)

	Note	For the three months ended		For the six months ended	
		November		November	
		2016	2015	2016	2015
Revenue		\$ 5,226,589	\$ 2,026,975	\$ 9,602,101	\$ 2,977,715
Cost of sales:					
Cost of goods sold		951,525	521,906	1,752,233	810,437
Amortization	9,10	228,324	113,565	481,532	222,259
Net effect of unrealized changes in fair value of biological assets	7	(74,268)	82,250	(534,817)	(42,790)
		1,105,581	717,721	1,698,948	989,906
Gross profit		4,121,008	1,309,254	7,903,153	1,987,809
Expenses:					
General and administrative	20	1,224,718	506,902	2,184,310	930,834
Share-based compensation	17	251,494	212,318	454,589	259,331
Selling, marketing and promotion		1,819,193	965,602	3,199,840	1,581,250
Amortization	9,10	250,570	44,631	452,240	74,656
Research and development		88,651	54,752	337,964	141,251
		3,634,626	1,784,205	6,628,943	2,987,322
Income (loss) from operations		486,382	(474,951)	1,274,210	(999,513)
Finance income		291,483	37,402	436,109	85,139
Finance expense		(95,286)	--	(143,838)	--
Gain on sale of investments		263,099	--	263,099	--
Gain on sale of capital assets		--	6,451	11,367	6,451
Net income (loss) and comprehensive income (loss)		\$ 945,678	\$ (431,098)	\$ 1,840,947	\$ (907,923)
Weighted average number of common shares – basic		95,624,114	52,481,510	84,644,788	52,480,543
Weighted average number of common shares – diluted		101,606,150	52,481,510	90,626,824	52,480,543
Earnings (loss) per share – basic	19	\$ 0.01	\$ (0.01)	\$ 0.02	\$ (0.02)
Earnings (loss) per share – diluted	19	\$ 0.01	\$ (0.01)	\$ 0.02	\$ (0.02)

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 (Note 15)	Warrants (Note 16)	Share-based payment reserve (Note 17)	Deficit	Total
Balance at May 31, 2015	52,479,587	\$ 20,246,095	\$ 556,589	\$ 1,261,589	\$ (8,718,925)	\$ 13,345,348
Share-based payments	--	--	--	259,331	--	259,331
Warrants exercised	58,333	70,000	--	--	--	70,000
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

	Number of common shares	Share capital (Note 15)	Warrants (Note 16)	Share-based payment reserve (Note 17)	Deficit	Total
Balance at May 31, 2016	70,053,933	\$ 40,916,880	\$ 693,675	\$ 1,723,903	\$ (8,320,964)	\$ 35,013,494
Warrants exercised	13,769,966	21,132,263	(480,097)	--	--	20,652,166
Shares issued on Bought Deal August 2016	17,250,000	31,959,093	--	--	--	31,959,093
Shares issued on Bought Deal November 2016	10,062,500	37,263,475	--	--	--	37,263,475
Share issuance on options exercised	435,815	597,720	--	(233,170)	--	364,550
Share issuance in exchange for intangible asset acquisition	38,759	100,000	359,480	--	--	459,480
Share-based payments	--	--	--	454,589	--	454,589
Net income for the period	--	--	--	--	1,840,947	1,840,947
Balance at November 30, 2016	111,610,973	\$ 131,969,431	\$ 573,058	\$ 1,945,322	\$ (6,480,017)	\$ 128,007,794

The accompanying notes are an integral part of these financial statements

Aphria Inc.

Condensed Interim Consolidated Statements of Cash Flows

(Unaudited)

	Note	Six months ended November 30, 2016	Six months ended November 30, 2015
Cash provided by (used in) operating activities:			
Net income(loss) for the period		\$ 1,840,947	\$ (907,923)
Adjustments for:			
Amortization	9,10	933,772	296,915
Amortization of finance fees on long-term debt		2,083	--
Gain on sale of capital assets		(11,367)	(6,451)
Disposition and usage of bearer plants		47,141	--
Gain on sale of investments		(263,099)	--
Foreign exchange loss on investment	11	7,812	--
Share-based compensation	17	454,589	259,331
Change in fair value of biological assets	7	(534,817)	(42,790)
Change in non-cash working capital		(317,736)	(576,773)
		2,159,325	(977,691)
Cash provided by financing activities:			
Share capital issued, net of cash issuance costs	15	69,222,568	--
Share capital issued on warrants exercised	15	20,652,166	70,000
Share capital issued on stock options exercised	15	364,550	--
Increase in long-term debt	13	7,825,000	--
Repayment of long-term debt	13	(277,421)	--
Advances from related parties	14	266,946	648,725
Repayment of amounts due to related parties	14	(266,946)	(648,725)
		97,786,863	70,000
Cash used in investing activities:			
Investment in capital assets	9	(11,153,439)	(2,816,452)
Investment in intangible assets, net of shares issued	10	(1,306,120)	--
Proceeds from disposal of capital assets		32,823	35,896
Proceeds from divestiture of investments		600,599	--
Issuance of promissory notes receivable	8	--	(200,000)
Repayment of promissory notes receivable	8	439,766	122,205
Long term investment in third parties	11	(6,417,500)	--
		(17,803,871)	(2,858,351)
Increase (decrease) in cash and cash equivalents		82,142,317	(3,766,042)
Cash and cash equivalents, beginning of period		16,472,664	7,051,909
Cash and cash equivalents, end of period		\$ 98,614,981	\$ 3,285,867

The accompanying notes are an integral part of these financial statements

Aphria Inc.

Notes to the Condensed Interim Consolidated Financial Statements
For the six months ended November 30, 2016 and November 30, 2015
(Unaudited)

1. Nature of operations

Aphria Inc. (the "Company" or "Aphria") is incorporated in Ontario.

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 *Access to Medical Cannabis Purposes Regulations* ("ACMPR"). 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") and under the symbol "APHQF" on the United States OTCQB Venture Market exchange.

These financial statements were approved by the Company's board of directors on January 10, 2017.

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, 2016, 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 subsidiaries' functional currency, as determined by management is Canadian dollars. These financial statements are presented in Canadian dollars.

(d) Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Subsidiaries	Jurisdiction of incorporation
Pure Natures Wellness Inc.	Ontario
Aphria (Arizona) Inc.	Arizona
CannWay Pharmaceuticals Ltd	New Brunswick

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Intragroup balances, and any unrealized gains and losses or income and expenses arising from gains arising from transactions with jointly controlled entities are eliminated to the extent of the Company's interest in the entity. Unrealized losses are eliminated to the extent of the gains, but only to the extent that there is no evidence of impairment.

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, 2016.

Changes in accounting policy

Effective June 1, 2016, the Company adopted 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 were effective for annual periods beginning on or after January 1, 2016, with earlier application being permitted. These amendments did not require any significant changes to the Company's accounting practices.

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.

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.

IFRS 16 – Leases In January 2016, the IASB issued IFRS 16, which specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 is effective for annual reporting periods beginning on or after January 1, 2019, and a lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. Early adoption is permitted if IFRS 15 has also been adopted. The Company is assessing the potential impact of IFRS 16.

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

4. Disclosure of Business Transaction

Effective January 13, 2016, Aphria acquired 100% of the issued and outstanding shares of CannWay Pharmaceuticals Inc. CannWay Pharmaceuticals Inc. provides support services to veteran and first responders in the form of medical consultations, group therapy, and rehabilitation.

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Pursuant to the acquisition, Aphria issued 3,600,000 common shares at \$1.23 per share to the former shareholders of CannWay Pharmaceuticals Inc., of which 1,800,000 shares were subject to escrow and will be either (i) released to the former shareholders of CannWay Pharmaceuticals Inc., based on the achievement of certain operating metrics or (ii) released to the Company for cancellation, if the operating metrics are not achieved by December 31, 2018.

The shares held in escrow are recorded as equity and will be continuously evaluated and adjusted based on the probability of the operating metrics being achieved, as of November 30, 2016 management expects 100% of milestones to be achieved by December 31, 2018.

Purchase price allocation was as follows:

Net tangible assets acquired	\$ --
Intangible asset – CannWay brand	4,428,000
Goodwill	1,200,000
Deferred tax liability	(1,200,000)
Total purchase price recorded	\$ 4,428,000

Net tangible assets acquired included the following:

Cash held in trust to fund liabilities outstanding at closing	\$ 269,717
Accounts receivable	91,872
Accounts payable	(219,505)
HST payable	(58,107)
Income taxes payable	(83,977)
Net tangible assets acquired	\$ --

The CannWay brand is being amortized over 10 years on a straight line basis. Amortization began in January 2016.

Goodwill arose in the acquisition of the CannWay brand because the cost of the acquisition reflected revenue growth and the future market development of the brand. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Acquisition costs of \$10,375 have been expensed in the prior year under General and administrative. Costs of issuing equity of \$85,384 were applied against the fair value of the equity issued at the time of the acquisition.

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5. Other receivables

Other receivables are comprised of:

	November 30, 2016	May 31, 2016
Warrant exercise receivable	2,055,952	--
HST payable	(24,720)	(35,909)
Accrued interest	165,920	98,197
Credit card receivable	44,243	64,621
Other	--	43
	\$ 2,241,395	\$ 126,952

6. Inventory

Inventory is comprised of:

	November 30, 2016	May 31, 2016
Harvested cannabis	\$ 1,800,032	\$ 1,714,897
Cannabis oil	875,310	165,060
Packaging and supplies	200,067	208,893
	\$ 2,875,409	\$ 2,088,850

Cost of inventory is recognized as expense and included in cost of sales.

7. Biological assets

Biological assets are comprised of:

	Amount
Balance as at May 31, 2016	\$ 697,997
Increase in fair value less costs to sell due to biological transformation	6,697,646
Transferred to inventory upon harvest	(6,828,358)
Transferred to capital assets	(33,883)
Balance as at November 30, 2016	\$ 533,402

The net effect of the fair value less cost to sell over and above historical cost was an increase in non-cash value of inventory of \$74,268 and \$534,817 during the three and six months ended November 30, 2016 (2015 – (\$82,250) decrease, and \$42,790 increase). 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.

The fair value of medical cannabis plants is considered to be Level 3 and the significant assumptions used in determining the fair value of medical cannabis plants are as follows:

- yield by plant; and,

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- percentage of costs incurred for each stage of plant growth.

8. Promissory notes receivable

	May 31, 2016	Additions	Payments	Nov. 30, 2016
Note receivable - \$100,000, bearing interest at prime + 3%, one-year term, collected in the period	\$ 93,039	\$ --	\$ 93,039	\$ --
Note receivable - \$500,000, bearing interest at 3%, repayable in 24 equal blended monthly instalments, due in May 2017	274,549	--	146,727	127,822
Note receivable - \$100,000, non-interest bearing, one-year term, collected in the period	100,000	--	100,000	--
Note receivable - \$100,000, non-interest, one-year term, collected in the period	100,000	--	100,000	--
	\$ 567,588	\$ --	\$439,766	\$127,822

9. Capital assets

	Land	Greenhouse infrastructure	Bearer plants	Equipment	Leasehold improvements	Construction in process	Total capital assets
Cost							
At May 31, 2015	\$ --	\$ --	\$ --	\$ 1,450,011	\$ 2,231,612	\$ 304,701	\$ 3,986,324
Additions	--	--	--	1,051,980	221,204	3,152,875	4,426,059
Transfers	--	--	--	1,033,433	2,359,337	(3,392,770)	--
Disposals	--	--	--	(35,896)	--	--	(35,896)
At May 31, 2016	--	--	--	3,499,528	4,812,153	64,806	8,376,487
Additions	3,510,000	4,018,080	81,024	481,819	16,129	3,046,387	11,153,439
Transfers	--	4,565,987	--	--	(4,565,987)	--	--
Disposals	--	--	(47,141)	(32,823)	--	--	(79,964)
At Nov 30, 2016	\$3,510,000	\$ 8,584,067	\$ 33,883	\$ 3,948,524	\$ 262,295	\$ 3,111,193	\$ 19,449,962
Accumulated amortization							
At May 31, 2015	\$ --	\$ --	\$ --	\$ 172,860	\$ 187,303	--	\$ 360,163
Amortization	--	--	--	387,992	325,563	--	713,555
Disposals	--	--	--	(6,451)	--	--	(6,451)
At May 31, 2016	--	--	--	554,401	512,866	--	1,067,267
Amortization	--	211,662	--	319,801	59,544	--	591,007
Transfers	--	524,749	--	--	(524,749)	--	--
Disposals	--	--	--	(11,367)	--	--	(11,367)
At Nov. 30, 2016	\$ --	\$ 736,411	\$ --	\$ 862,835	\$ 47,661	\$ --	\$ 1,646,907
Net book value							
At May 31, 2015	--	--	--	\$ 1,277,151	\$ 2,044,309	\$ 304,701	\$ 3,626,161
At May 31, 2016	--	--	--	\$ 2,945,127	\$ 4,299,287	\$ 64,806	\$ 7,309,220
At Nov 30, 2016	\$ 3,510,000	\$ 7,847,656	\$ 33,883	\$ 3,085,689	\$ 214,634	\$ 3,111,193	\$ 17,803,055

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Included in cost of goods sold, is \$47,141 of expense related to the disposition and usage of bearer plants.

10. Intangible Assets

	Other intangibles	Tokyo Smoke	CannWay brand	Total intangible assets
Cost				
At May 31, 2015	\$ 107,995	\$ --	\$ --	\$ 107,995
Additions	53,705	--	4,428,000	4,481,705
At May 31, 2016	161,700	--	4,428,000	4,589,700
Additions	1,306,120	459,480	--	1,765,600
At November 30, 2016	\$ 1,467,820	\$ 459,480	\$ 4,428,000	\$ 6,355,300
Accumulated amortization				
At May 31, 2015	\$ 33,397	\$ --	\$ --	\$ 33,397
Amortization	54,123	--	184,500	238,623
At May 31, 2016	87,520	--	184,500	272,020
Amortization	110,374	10,991	221,400	342,765
At November 30, 2016	\$ 197,894	\$ 10,991	\$ 405,900	\$ 614,785
Net book value				
At May 31, 2015	\$ 74,598	\$ --	\$ --	\$ 74,598
At May 31, 2016	74,180	--	4,243,500	4,317,680
At November 30, 2016	\$ 1,269,926	\$ 448,489	\$ 4,022,100	\$ 5,740,515

The Company valued the purchase price for the Tokyo Smoke based on the fair value of the securities issued as part of the transaction. The Tokyo Smoke brand is being amortized over the 60-month term of the branding agreement.

11. Long-term Investments

	May 31, 2016	Investments	Divestitures	Gain/(Loss) on foreign exchange	Nov. 30, 2016
Cannabis Royalties Holding Company ("CRHC")	\$ 1,510,200	\$ 3,125,000	\$ --	\$ --	\$ 4,635,200
Ample Organics	50,000	--	--	--	50,000
Copperstate Farms, LLC,	--	1,755,000	--	(7,812)	1,747,188
Kalytera Therapeutics, Inc.	--	1,000,000	--	--	1,000,000
MassRoots Inc.	--	337,500	(337,500)	--	--
SecureCom Mobile Inc.	--	200,000	--	--	200,000
	\$ 1,560,200	\$ 6,417,500	\$ (337,500)	\$ (7,812)	\$ 7,632,388

On September 9, 2016, Aphria exercised 750,000 warrants, issued by CRHC, to acquire 750,000 common shares of CRHC for \$1,125,000 and subsequently purchased an additional 250,000 common shares of CRHC for \$500,000 on September 27, 2016.

On October 18, 2016, Aphria announced it had signed an agreement with MassRoots Inc. ("MassRoots"), a technology platform for cannabis consumers, businesses and activists to help build awareness of the Aphria

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brand amongst MassRoots' Canadian user base. As part of the agreement, Aphria purchased 500,000 common shares of MassRoots for an aggregate purchase price of US\$250,000 and received warrants to purchase an additional 500,000 common shares at \$0.90 per common share, expiring October 17, 2019. Subsequent to October 18, 2016 Aphria divested itself of its 500,000 common shares of MassRoots; however, it maintains the 500,000 warrants to purchase common share at \$0.90.

On October 19, 2016, Aphria loaned \$1,500,000 to CRHC as a convertible debenture. The convertible debenture bears interest at 5%, compounded annually, matures in three years and includes the right to convert the debenture into common shares of CRHC at \$2.00 per common share at any time before maturity. CRHC maintains the option of forced conversion of the convertible debenture if the common shares of CRHC (or any successor) trade on a stock exchange at a value of \$4.00 or more. In addition, CRHC licenced, for a five-year period, its Canadian portfolio of cannabis products in exchange for a royalty fee paid by Aphria.

On October 27, 2016, Aphria entered into an intellectual property transfer agreement with Copperstate Farms, LLC ("**Copperstate**"), a licensed producer and seller of medical cannabis under the *Arizona Medical Marijuana Act*. Copperstate maintains a 40 acre greenhouse facility in Snowflake, Arizona. Under the terms of the agreement, Aphria will license certain of its intellectual property to Copperstate in exchange for a 5.0% "cashless" membership interest in Copperstate. In addition, Aphria made a direct cash contribution of \$1,300,000 USD (\$1,755,000 Cdn) to the parent company of Copperstate in return for a 5.0% membership interest in the parent company.

On November 7, 2016, Aphria entered into a subscription agreement with Kalytera Therapeutics Inc. The Company purchased 2,500,000 subscription receipts at a price of \$0.40 per receipt for a total of \$1,000,000.

On November 23, 2016, Aphria invested \$200,000 in SecureCom Mobile Inc. via an unsecured convertible debenture. The debenture bears interest at 12% and is convertible into equity at \$0.05 per share.

12. Bank Indebtedness

The Company secured an operating line of credit in the amount of \$1,000,000 which bears interest at the lender's prime rate plus 75 basis points. As of the end of the period the Company has not drawn on the line of credit. The operating line of credit is secured by first charge on 265 Talbot St West, Leamington, Ontario, and a first ranking position on a general security agreement.

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13. Long term debt

	November 30, 2016	May 31, 2016
Term loan – \$1,250,000 – 3.99%, 5-year term, with a 10-year amortization, repayable in equal monthly instalments of \$12,630 including interest, due in July 2026.	\$ 1,216,117	\$ --
Mortgage Payable – \$3,750,000 – 3.95%, 5-year term, with a 20-year amortization, repayable in equal monthly instalments of \$22,562 including interest, due in July 2036.	3,709,061	--
Vendor take-back mortgage owed to related party – \$2,850,000 – 6.75%, 5-year term due in June 2021, repayable in equal monthly instalments of \$56,097	2,647,401	--
	7,572,579	--
Deduct – unamortized finance fees	(22,917)	--
– principal portion included in current liabilities	(743,141)	--
	\$ 6,806,521	\$ --

Total long-term debt repayments are as follows:

	Period ending November 30,
Next 12 months	\$ 743,141
2 years	787,996
3 years	835,699
4 years	886,435
5 years	656,743
Thereafter	3,662,565
Balance of obligation	\$ 7,572,579

The vendor take-back mortgage payable of \$2,647,401, owed to a director of the Company, was entered into on June 30, 2016 in conjunction with the acquisition of the property at 265 Talbot St West. The mortgage is secured by a second charge on the property at 265 Talbot St West.

The mortgage payable of \$1,216,117 and term loan of \$3,709,061 were entered into on July 22, 2016 and are secured by a first charge on the property at 265 Talbot St West and a first position on a general security agreement.

14. 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, 2016 was \$nil (May 31, 2016 - \$nil). These parties are related as they are corporations that are controlled by certain officers and directors of the Company.

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	Amount
Balance as at May 31, 2016	\$ --
Related party charges in period	266,946
Payments to related parties in period	(266,946)
Balance as at November 30, 2016	\$ --

During the six months ended November 30, 2016, related party corporations charged or incurred expenditures on behalf of the Company totalling \$266,946 (2015 - \$648,725). Included in this amount was rent of \$33,033 charged during the six months ended November 30, 2016 (2015 - \$77,173).

During the period, the Company purchased 36 acres of farm land, with 9 acres of greenhouses located thereon, from F.M. and Cacciavillani Farms Ltd., a company controlled by a director, for \$6.1 million. The purchase price was allocated as follows: (i) \$1.3 million to land; (ii) \$3.55 million to greenhouse infrastructure; and, (iii) \$1.25 million to intangible assets.

Key management personnel compensation was comprised of:

	November 30, 2016	November 30, 2015
Salaries	\$ 416,924	\$ 254,495
Short-term employment benefits (included in office and general)	19,075	--
Share-based compensation	265,232	156,532
	\$ 701,231	\$ 411,027

Directors and officers of the Company control 18.6% or 20,760,966 of the voting shares of the Company.

15. Share capital

The Company is authorized to issue an unlimited number of common shares. As at November 30, 2016, the Company has issued 111,610,973 shares.

Common Shares	Number of Shares	Amount
Balance at May 31, 2016	70,053,933	\$ 40,916,880
Warrants exercised	13,769,966	21,132,263
Bought deals, net of issuance	27,312,500	69,222,568
Options exercised	435,815	597,720
Share issuance in exchange for intangible asset	38,759	100,000
Balance at November 30, 2016	111,610,973	\$ 131,969,431

- a) Throughout the six-month period 13,769,966 warrants with exercise prices ranging from \$0.60 to \$1.75 were exercised for \$21,132,263.
- b) In August 2016, the Company closed a bought deal financing in which it issued 17,250,000 common shares at a purchase price of \$2.00 per share for 31,959,093 net of cash issuance costs.
- c) In November 2016, the Company closed a bought deal financing in which it issued 10,062,500 common shares at a purchase price of \$4.00 per share for 37,263,475 net of cash issuance costs.

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- d) Throughout the six-month period, 435,815 stock options with exercise prices ranging from \$0.60 to \$1.30 were exercised for \$597,720.
- e) In September 2016, the Company issued 38,759 common shares pursuant to execution of an exclusive supply and licensing agreement.

The following table presents the maximum number of shares that would be outstanding if all the dilutive “in the money” instruments outstanding as at November 30, 2016 were exercised:

Common shares outstanding at November 30, 2016	111,610,973
Warrants outstanding and “in the money”	4,564,839
Options outstanding and “in the money”	5,873,000
Fully diluted balance at November 30, 2016	122,048,812

16. Warrants

The warrant details of the Company are as follows:

Type of warrant	Expiry date	Number of warrants	Weighted average price	Amount
Compensation warrant / option	December 10, 2018	265,391	\$ 1.75	213,578
Warrant	December 11, 2018	827,155	\$ 1.75	--
Warrant	December 2, 2019	3,272,293	\$ 1.50	--
Warrant	September 26, 2021	200,000	\$ 3.14	359,480
Balance at November 30, 2016		4,564,839	\$ 1.63	\$ 573,058

	November 30, 2016		May 31, 2016	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of the period	17,919,719	\$ 1.53	18,093,728	1.37
Expired during the period	(50,305)	1.20	--	--
Issued during the period	465,391	2.48	5,756,235	1.67
Exercised during the period	(13,769,966)	1.53	(5,930,244)	1.18
Cancelled during the period	--	--	--	--
Outstanding, end of period	4,564,839	\$ 1.63	17,919,719	\$ 1.53

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 0.44-1.56% on the date of grant; expected life of 3 and 5 years; volatility of 70% based on comparable companies; forfeiture rate of nil; dividend yield of nil; and, exercise price of the respective options.

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17. Share based payment reserve

Share based payment reserve is comprised of:

	November 30, 2016	November 30, 2015
Balance, beginning of year	\$ 1,723,903	\$ 1,261,589
Amounts deducted from share-based payment reserve in respect of stock options exercised during the period	(233,170)	--
Amounts charged to share-based payment reserve in respect of stock based compensation	454,589	47,013
Balance, end of year	\$ 1,945,322	\$1,308,602

18. 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 Company recognized a share-based compensation expense of \$251,494 during the three months ended November 30, 2016 (2015 - \$212,318). The total fair value of options granted during the period was \$1,998,099 (2015 - \$149,500).

	November 30, 2016		May 31, 2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of the period	4,975,000	\$ 0.84	4,520,000	0.81
Exercised during the period	(490,000)	1.01	--	--
Issued during the period	1,568,000	3.19	565,000	\$ 1.13
Cancelled during the period	(180,000)	1.11	(110,000)	1.08
Outstanding, end of period	5,873,000	\$ 1.44	4,975,000	\$ 0.84
Exercisable, end of period	4,288,433	\$ 1.06	3,906,454	\$ 0.76

In June 2016, the Company issued 283,000 stock options at an exercise price of \$1.40 per share, exercisable for 5 years to employees and officers. Of the options issued, 94,329 vest immediately and 188,671 vest over 2 years.

In June 2016, the Company issued 30,000 stock options at an exercise price of \$1.48 per share, exercisable for 5 years to a consultant of the Company. Of the options issued, 15,000 vest immediately and 15,000 vest in 1 year.

In July 2016, the Company issued 110,000 stock options at an exercise price of \$1.64 per share, exercisable for 5 years to an employee. Of the options issued, 50,000 vest immediately and 60,000 vest over three years.

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In September 2016, the Company issued 75,000 stock options at an exercise price of \$3.00 per share, exercisable for 3 years to consultants and employees of the company, 25,000 vest immediately and 50,000 vest based on certain performance metrics attainable over the three year period.

In October 2016, the Company issued 20,000 stock options at an exercise price of \$ 3.49 per share, exercisable for 3 years to an employee of the company, 6,666 vest immediately and 13,334 vest over two years.

In October 2016, the Company issued 50,000 stock options at an exercise price of \$ 3.70 per share, exercisable for 3 years to a director of the company, all 50,000 vest immediately.

In November 2016, the Company issued 1,000,000 stock options at an exercise price of \$3.90 per share, exercisable for 3 years to directors, officers, consultants and employees of the company, 333,333 vest immediately and 666,667 vest over 2 years.

The option details of the Company are as follows:

Expiry date	Exercise price	Number of options	Vested and exercisable
November 2017	\$ 1.10	360,000	360,000
December 2017	\$ 1.10	740,000	177,680
March 2018	\$ 0.90	45,000	35,000
April 2018	\$ 1.18	100,000	100,000
October 2018	\$ 1.17	20,000	13,333
November 2018	\$ 1.49	20,000	20,000
December 2018	\$ 1.30	175,000	175,000
April 2019	\$ 1.67	50,000	36,667
June 2019	\$ 0.60	2,560,000	2,560,000
September 2019	\$ 3.00	75,000	26,425
October 2019	\$ 3.49-3.70	70,000	56,666
November 2019	\$ 3.90	1,000,000	333,333
September 2020	\$ 0.85	185,000	185,000
November 2020	\$ 1.19	50,000	50,000
June 2021	\$ 1.40	283,000	94,329
June 2021	\$ 1.48	30,000	15,000
July 2021	\$ 1.64	110,000	50,000
Balance at November 30, 2016	\$ 1.44	5,873,000	4,288,433

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 0.44-1.56% on the date of grant; expected life of 3 and 5 years; volatility of 70% based on comparable companies; forfeiture rate of nil; dividend yield of nil; and, exercise price of the respective options.

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19. Earnings (loss) per share

The calculation of earnings (loss) per share for the three months ended November 30, 2016 was based on the net income (loss) attributable to common shareholders of \$945,678 (2015 - loss of \$431,098) and a weighted average number of common shares outstanding of 95,624,114 calculated as follows:

	2016	2015
Basic earnings (loss) per share:		
Net income (loss) for the three month period	945,678	\$ (431,098)
Average number of common shares outstanding during the year	95,624,114	52,481,510
Earnings (loss) per share	\$0.01	\$ (0.01)

	2016	2015
Diluted earnings (loss) per share:		
Net income (loss) for the three month period	\$ 945,678	\$ (431,098)
Average number of common shares outstanding during the year	95,624,114	52,481,510
“in the money” warrants outstanding during the period	2,760,475	--
“in the money” options outstanding during the period	3,221,561	--
	101,606,150	52,481,510
Earnings (loss) per share	\$ 0.01	\$ (0.01)

The calculation of earnings (loss) per share for the six months ended November 30, 2016 was based on the net income (loss) attributable to common shareholders of \$1,840,947 (2015 - loss of \$907,923) and a weighted average number of common shares outstanding of 84,644,788 calculated as follows:

	2016	2015
Basic earnings (loss) per share:		
Net income (loss) for the six month period	\$ 1,840,947	\$ (907,923)
Average number of common shares outstanding during the year	84,644,788	52,480,543
Earnings (loss) per share	\$ 0.02	\$ (0.02)

	2016	2015
Diluted earnings (loss) per share:		
Net income (loss) for the six month period	\$ 1,840,947	\$ (907,923)
Average number of common shares outstanding during the year	84,644,788	52,480,543
“in the money” warrants outstanding during the period	2,760,475	--
“in the money” options outstanding during the period	3,221,561	--
	90,626,824	52,480,543
Earnings (loss) per share	\$ 0.02	\$ (0.02)

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20. General and administrative expenses

	For the three months ended November 30		For the six months ended November 30	
	2016	2015	2016	2015
Executive compensation	\$ 204,615	\$ 131,541	\$ 416,924	\$254,495
Consulting fees	34,647	17,387	79,412	27,287
Office and general	417,241	103,546	708,385	224,057
Professional fees	133,857	99,755	239,864	135,581
Salaries and wages	262,932	85,379	487,580	151,469
Travel and accommodation	146,479	56,551	219,045	115,362
Rent	24,947	12,743	33,100	22,583
	\$ 1,224,718	\$ 506,902	\$ 2,184,310	\$ 930,834

21. Financial risk management and financial instruments**Financial instruments**

The Company has classified its cash and cash equivalents and long-term investments 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 long-term debt as other financial liabilities.

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

The Company's long-term debt of \$ 7,572,579 is subject to fixed interest rates. The Company's long-term debt is valued based on discounting the future cash outflows associated with the long-term debt. The discount rate is based on the incremental premium above market rates for Government of Canada securities of similar duration. In each period thereafter, the incremental premium is held constant while the Government of Canada security is based on the then current market value to derive the discount rate. The fair value of the Company's long-term debt at November 30, 2016 was \$6,924,699.

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

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	Level 1	Level 2	Level 3	November 30, 2016
Financial assets at FVTPL				
Cash and cash equivalents	\$ 98,614,981	\$ --	\$ --	\$ 98,614,981
Accounts receivable	--	1,606,792	--	1,606,792
Other receivables	--	2,241,395	--	2,241,395
Long-term investments	--	--	7,632,388	7,632,388
	\$ 98,614,981	\$ 3,848,187	\$ 7,632,388	\$ 110,095,556
Financial liabilities at amortized cost				
Accounts payable and accrued liabilities	\$ 3,159,319	\$ --	\$ --	\$ 3,159,319
Current portion of long-term debt	743,141	--	--	743,141
Long-term debt	6,806,521	--	--	6,806,521
	\$ 10,708,981	\$ --	\$ --	\$ 10,708,981

	Level 1	Level 2	Level 3	May 31, 2016
Financial assets at FVTPL				
Cash	\$ 16,472,664	\$ --	\$ --	\$ 16,472,664
Long-term investments	--	--	1,560,200	1,560,200
	\$ 16,472,664	\$ --	\$ 1,560,200	\$ 18,032,864

Financial liabilities at amortized cost				
Accounts payable and accrued liabilities	\$ 1,266,492	\$ --	\$ --	\$ 1,266,492
	\$ 1,266,492	\$ --	\$ --	\$ 1,266,492

Fair value versus carrying amounts

The fair value of financial instruments, together with the carrying amounts shown in the statement of financial position, is as follows:

As at November 30, 2016	FVTPL	Loans and receivables	Carrying amount	Fair value
FINANCIAL ASSETS				
Cash and cash equivalents	\$ 98,614,981	\$ --	\$ 98,614,981	\$ 98,614,981
Accounts receivable	--	1,606,792	1,606,792	1,606,792
Other receivables	--	2,241,395	2,241,395	2,241,395
Promissory notes receivable	--	127,822	127,822	127,822
Long-term investments	7,632,388	--	7,632,388	7,632,388
	\$ 106,247,369	\$ 3,976,009	\$ 110,223,378	\$ 110,223,378

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As at May 31, 2016	FVTPL	Loans and receivables	Carrying amount	Fair value
FINANCIAL ASSETS				
Cash and cash equivalents	\$ 16,472,664	\$ --	\$ 16,472,664	\$ 16,472,664
Accounts receivable	--	1,778,679	1,778,679	1,778,679
Other receivables	--	126,952	126,952	126,952
Promissory notes receivable	--	567,588	567,588	567,588
Long-term investments	1,560,200	--	1,560,200	1,560,200
	\$ 18,032,864	\$ 2,473,219	\$ 20,506,083	\$ 20,506,083

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, 2016 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.

	Total	0-30 days	31-60 days	60-90 days	90+ days
Trade receivables	\$ 1,606,792	\$ 1,104,031	\$ 304,850	\$ 120,716	\$ 77,195
		69%	19%	7%	5%

(b) Liquidity risk

As at November 30, 2016, the Company's financial liabilities consist of accounts payable and accrued liabilities which has contractual maturity dates within one year and long-term debt which has contractual maturities over the next five years. 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, 2016, 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. 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.

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22. Commitments

The Company has a lease commitment until December 31, 2018 for rental of office space from a related party. The Company has an option to extend this lease for two additional 5 year periods. In July of 2016, the Company terminated its lease of greenhouse and warehouse property in conjunction with the acquisition of the 265 Talbot Street West property. The Company has a lease commitments for the rental of two motor vehicles expiring August 2020 and September 2019 in the amount of \$19,599 and 9,313, respectively, annually. Minimum payments payable over the next five years are as follows:

	Periods ending May 31,
2017	\$ 2,945,688
2018	79,623
2019	47,993
2020	21,927
2021	3,266
	\$ 3,098,497

The Company also has issued purchase orders outstanding at November 30, 2016 related to capital expansion of \$ 2,887,876, all of which are expected to be paid in fiscal 2017.

23. Subsequent events

On December 7, 2016, the Company announced its intention to participate in the private placement financing of Canabo Medical Inc. purchasing 6,000,000 common shares of the company at a price of \$1.40 per share representing a 16.6% of the total issued and outstanding common shares. The private placement closed on December 22, 2016.

On December 12, 2016, the Company granted 500,000 stock options to consultants. The options expire on December 12, 2019 and are exercisable at \$5.25 per option. 66,666 of the options granted vested immediately and the remainder vest based on the achievement of various operating metrics.

On December 14, 2016, the Company announced that it removed all conditions attached to a purchase and sale agreement to acquire 5 acres of largely vacant land located on the eastern border of its existing Health Canada approved site licence. The purchase price for the 5 acres was \$750,000 and closed on December 22, 2016. Concurrent with this transaction, the abutting property will be merged into Aphria's existing municipal address, thereby avoiding the need to apply for a new Health Canada site licence for this parcel of land.

On December 14, 2016, the Company entered into a purchase and sale agreement to acquire 200 acres of fully serviced vacant land for \$6.24 million located at 521 Mersea Road 8, Leamington, Ontario. As the land acquired does not abut the Company's existing operations, the Company requires a new site licence from Health Canada for the property. The Company anticipates the transaction closing in January 2017.

On December 19, 2016, the Company paid an additional \$1.3 million USD for an additional 5% membership interest in Copperstate Farms LLC.