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 28, 2017. 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 28, 2017, as well as the financial statements and MD&A for the year ended May 31, 2016. 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, "all-in" cost of sales, adjusted gross profit, adjusted gross margin, EBITDA and EBITDA percentage, which are not measures of financial performance under IFRS. The Company calculates each as follows:

- *"All-in" cost of sales of dried cannabis per gram is equal to cost of sales of dried cannabis less the non-cash increase (plus the non-cash decrease) in the fair value ("FV") of biological assets, if any, of dried cannabis divided by gram equivalents of cannabis sold in the quarter. Management believes this measure provides useful information as a benchmark of the company against its competitors.*
- *Cash costs to produce dried cannabis per gram is equal to cost of sales of dried cannabis less the non-cash increase (plus the non-cash decrease) in the FV of biological assets, if any, amortization and packaging costs divided by gram equivalents 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 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 (minus) income tax expense (recovery) plus (minus) finance expense (income), plus amortization, plus share-based compensation, plus (minus) non-cash FV adjustments related to biological assets, plus amortization of non-capital assets, plus impairment of intangible assets, plus (minus) loss (gain) on marketable securities, plus (minus) loss (gain) on long-term investments and certain one-time non-operating expenses, 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.*
- *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. 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 12, 2017.

COMPANY OVERVIEW

Aphria Inc. is incorporated in Ontario, the Company's common shares are listed under the symbol "APH" on the Toronto Stock Exchange ("TSX") and under the symbol "APHQF" on the United States OTCQB Venture Market exchange.

Pure Natures Wellness (PNW), a wholly-owned subsidiary of the Company, is licenced to produce and sell medical marijuana under the provisions of the *Access to Cannabis for Medical Purposes Regulations* ("ACMPR"). PNW received its licence to produce and sell medical marijuana on November 26, 2014, followed by its licence to sell cannabis extracts on August 18, 2016. 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 and its derivatives 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 ACMPR Licenced Producers.

INVESTOR HIGHLIGHTS

	Q3-2017	Q2-2017
Revenue	$ 5,118,516	$ 5,226,589
Kilograms equivalents sold	652.7	639.0
Cash cost to produce dried cannabis / gram	$ 1.73	$ 1.26
"All-in" cost of sales of dried cannabis / gram	$ 2.23	$ 1.79
Adjusted gross margin	70.0%	77.4%
Cash and cash equivalents on hand	$ 84,351,132	$ 98,614,981
Working capital	$ 123,144,983	$ 102,438,357
Capital and intangible asset expenditures	$ 23,419,877	$ 5,389,351

- Retail & wholesale platforms
- Short-term capacity upgrade to 8,000 kgs (annualized) production capability expected before the end of Q1-2018
- Short-term capacity upgrade to 22,000 kgs (annualized) production capability expected in next year
- Mid-term capacity upgrade to 75,000 kgs (annualized) production capability expected in 18 months
- Long-term capacity available via additional 200-acre property in Leamington, Ontario
- No crop failures since inception
- Six consecutive quarters of EBITDA and five consecutive quarters of net income, both with and without IFRS biological asset fair value adjustments
- Strong executive team
    - 20+ years of Pharma experience
    - 35+ years of greenhouse growing experience

QUARTERLY HIGHLIGHTS

Increase in capacity expectations

During the quarter, the Company initiated efforts to capture and utilize more of each individual cannabis plant in its process. As a result of that initiative, the Company is amending its previously reported capacity expectations for its expansion projects. The Company believes that the capacity after full crop rotation in Part II will increase from 7,000 kgs to 8,000 kgs annualized, in Part III it will increase from 21,000 kgs to 22,000 kgs annualized and in Part IV it will increase from 70,000 kgs to 75,000 kgs annualized.

Aphria positive earnings for the fifth consecutive quarter

The Company reported positive earnings for the quarter including net income both with and without IFRS biological asset fair value adjustments. Net income for the quarter was $4,950,250 with IFRS biological asset fair value adjustments and $4,964,493 without IFRS biological asset fair value adjustments, respectively.

Increase in cash cost to produce and "all-in" cost of sales of dried cannabis per gram

During the quarter, our "all-in" costs of dried cannabis per gram increased from $1.79 in the prior quarter to $2.23 in the current quarter, representing a $0.44 increase. The increase largely related to abnormal winter weather conditions in Leamington but also included costs related to preparing for our Part II expansion.

This winter, the Leamington area experienced unusual conditions related to the amount of sunlight it received. The most common measure of light intensity is referred to as lumens. During the quarter, the Leamington area received approximately 80% of the historical three-year average of lumens for this period. More specifically, the month of January was 67% of the three-year lumen average and the month of February was 76% of the three-year lumen average. This reduced lumen measure directly led to (i) lower yields on individual cannabis plants during the quarter which caused a $0.20 increase in our "all-in" costs of dried cannabis per gram; and, (ii) increased heating and electrical costs, which caused a $0.14 increase in our "all-in" costs of dried cannabis per gram.

The remaining $0.10 per gram related to incremental labour costs as we added greenhouse staff during the quarter so they would be fully trained to work in our Part II expansion, the moment the area is approved by Health Canada. As we move from Health Canada's approval to use our Part II expansion toward the first sale from that area, we will continue to incur incremental labour costs in our vault and packaging staff. These incremental costs will be directly tied to revised head counts as we properly train staff in advance of additional product flow that will result from the increase in our annual harvest from 2,600 kgs to 8,000 kgs.

Investment in Resolve Digital Health Inc.

On December 1, 2016, Aphria purchased 4.8% of the issued and outstanding common shares of Resolve Digital Health Inc. (''Resolve''), a private company in the process of developing a delivery system for medical marijuana, and an equivalent number of common share purchase warrants for gross proceeds of $1,000,000. Following a stock split in January 2017, Aphria now owns 2,000,024 common shares and 2,000,024 common share purchase warrants of Resolve, exercisable at $0.65 per warrant at any time for a period expiring five years from the date of issuance.

Investment in Tetra Bio-Pharma Inc.

On December 6, 2016, Aphria purchased 5,000,000 common shares of Tetra Bio-Pharma Inc. ("TBP"), a company engaged in pain management research, at a price of $0.20 per share for an aggregate purchase price of $1,000,000, pursuant to a private placement. As part of the transaction, Aphria received 5,000,000 warrants, each for conversion into one common share, at a price of $0.26 per warrant for a period of three years. The warrants are subject to an accelerated expiry if TBP's shares trade above $0.45 for 30 consecutive trading days at which time the warrants will become subject to a 30-day expiry period if not exercised. The Company subsequently exercised the warrants at a cost of $1,300,000.

Task Force on Cannabis Legalization and Regulation issues report to Federal Government

On December 13, 2016, the Task Force on Cannabis Legalization and Regulation (the ''Task Force''), which was established by the Canadian Federal Government to seek input on the design of a new system to legalize, strictly regulate and restrict access to marijuana, completed its review and published its report outlining its recommendations. It is expected that the Canadian Federal Government will introduce for consideration legislation for the legalization of marijuana in the spring of 2017.

Aphria secures secondary site with 200-acre property acquisition

On December 14, 2016, Aphria entered into a purchase and sale agreement to acquire 200 acres of fully serviced vacant land for $6.24 million. As the land acquired is not adjacent to the Company's existing operations, the Company will require a new site license from Health Canada for the property. The transaction closed on January 31, 2017.

Additional investment in Copperstate Farms Investors, LLC in Arizona

On December 20, 2016, the Company paid an additional $1.3 Million USD ($1,747,188 Cdn) for an additional 5% membership interest in Copperstate Farms Investors, LLC ("Copperstate"). With this investment, the Company owned a 5% membership interest in Copperstate Farms, LLC and a 10% membership interest in its parent company, Copperstate Farms Investors, LLC. An additional investment in Copperstate was made on March 27, 2017 (See 'Recent Announcements in the United States' on Page 7 hereof).

Investment in Canabo Medical Inc.

On December 23, 2016, Aphria purchased 6,000,000 common shares of Canabo Medical Inc. ("Canabo"), the owner and operator of Cannabinoid Medical Clinics, or CMClinics, Canada's largest referral-only clinics for medical cannabis, at a price of $1.40 per common share for an aggregate price of $8,400,000 pursuant to a private placement subject to a mandatory four-month holding period. Following the financing, Aphria owned approximately 16.6% of the total issued and outstanding common shares of Canabo.

Divesture of shares in CannaRoyalty Corp.

On December 16, 2016 Aphria sold 500,000 common shares of CannaRoyalty Corp. ("CR"), a Canadian corporation with multiple investments in the cannabis space, particularly in the areas of intellectual property, delivery systems and extraction and processing technologies, at a price of $2.97. Following the first sale, Aphria sold an additional 500,000 and 300,000 shares on December 28, 2016 and December 29, 2016 at a price of $2.48 and $2.72, respectively. Total proceeds as a result of the sale of 1,300,000 shares were $3,539,050, realizing a gain of $1,908,746 on disposal.

Board Approval Received for Part IV Expansion

On January 16, 2017, the Company announced that its Board of Directors ("the Board") approved a $137 million capital project internally identified as Part IV expansion. The project will increase Aphria's capacity under the ACMPR from 300,000 square feet to 1,000,000 square feet and is expected to increase the Company's ACMPR compliant growing capabilities from 21,000 kgs annually to 70,000 kgs annually. The project includes 700,000 square feet of state-of-the-art Dutch style greenhouses, 200,000+ square feet of infrastructure, including four Level 9 vaults, automation for both the greenhouses and processing areas and security consistent with ACMPR standards. Aphria anticipates completion of this phase of the project within 18 months of the announcement, Health Canada approvals within 4 months of completing the expansion and reaching full crop rotation within 4 months after Health Canada approval.

Investment in Green Acres Capital Fund

On January 23, 2017, Aphria agreed to invest in Green Acres Capital Fund, a Canadian investment fund seeking investments in the legal marijuana sector in Canada, the United States and internationally. In relation to its participation, Aphria committed $2,000,000 to the expected $30,000,000 fund and as of the date of this MD&A, has invested $300,000.

Additional investments in Kalytera Therapeutics, Inc.

On January 31, 2017, Aphria subscribed for an additional 2,222,000 common shares of Kalytera for a purchase price of $999,900 pursuant to a private placement which closed on February 7, 2017, subject to final approval of the TSXV. On February 22, 2017, Aphria purchased an additional 1,450,000 common shares of Kalytera Therapeutics, Inc. in the secondary market for a purchase price of $1,014,420. As a result of these transactions, Aphria has acquired approximately 4.4% of Kalytera's issued and outstanding common shares for aggregate costs of $3,014,320.

Closing of bought deal financing

On February 24, 2017, the Company announced the closing of its bought deal financing. Under the bought deal, the Company raised gross proceeds of $57,500,000, and net proceeds of $53,869,357 after accounting for underwriting, legal and other costs and issued 11,500,000 common shares. The Company plans to use 80% of the proceeds primarily to fund its Part IV expansion and reserve the remainder for strategic investments.

Approval received to graduate to Toronto Stock Exchange

On February 6, 2017, Aphria received conditional approval from the TSX to graduate from the TSX Venture Exchange and to list its common shares on the TSX. On March 21, 2017, the Company announced that its common shares began trading on the TSX as of the open of the market on March 22, 2017. The common shares continue to trade under the symbol "APH". In conjunction with listing on the TSX, the common shares were voluntarily delisted from the TSX Venture Exchange prior to the commencement of trading on March 22, 2017.

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 main growth phase, the cost of each plant is accumulated on a weekly basis. This occurs from the date of clipping from a mother plant up to the end of the twelfth week of growth. For the remainder of the growing period, the cost of each plant continues to be accumulated on a weekly basis but also includes an allocation to recognize the eventual fair value of the plant. At the time of harvest, the accumulated cost of each plant is based on the number of grams harvested and the Company increases the cost value to its full fair value less costs to sell.

As at February 28, 2017, the Company's harvested cannabis and cannabis oil, as detailed in Note 7, and biological assets, as detailed in Note 8 of its financial statements, are as follows:

	February 28, 2017	November 30, 2016
Harvested cannabis – at cost	$ 801,639	$ 843,808
Harvested cannabis – fair value increment	924,068	956,224
Cannabis oil – at cost	387,845	517,342
Cannabis oil – fair value increment	298,090	357,968
Biological assets – at cost	574,256	533,402
Biological assets – fair value increment	77,791	--
Cannabis products – at fair value	$ 3,063,689	$ 3,208,744

In an effort to increase transparency, the Company's biological assets are carried at fair value increments of $0.50, $1.00, $1.50 and $2.01 per gram for weeks 13, 14, 15 and 16, respectively. Harvested cannabis and cannabis oil are carried at fair values of $3.75 per gram and $0.625 per mL, respectively. The individual components of fair values are as follows:

	February 28, 2017	November 30, 2016
Harvested cannabis – at cost – per gram	$ 1.74	$ 1.76
Harvested cannabis – fair value increment – per gram	2.01	1.99
Cannabis oil – at cost – per mL	0.35	0.37
Cannabis oil – fair value increment – per mL	0.28	0.26

COST PER GRAM

Calculation of "all-in" costs of sales of dried cannabis per gram

The Company calculates "all-in" cost of sales of dried cannabis per gram as follows:

"All-in" cost of sales of dried cannabis per gram	Three months ended February 28, 2017	November 30, 2016
Cost of sales for the quarter	**$ 1,550,447**	$ 1,105,581
Add (Less): Cost of accessories	**(26,778)**	--
Cannabis oil conversion costs	**(50,468)**	(38,190)
Net effect of FV change in biological assets	**(14,243)**	74,268
Cost of sales of dried cannabis excluding IFRS adjustments	**$ 1,458,958**	$ 1,141,659
Grams equivalents sold during the quarter	**652,472**	638,999
"All-in" cost of sales of dried cannabis per gram	**$ 2.23**	$ 1.79

During the quarter, our "all-in" costs of dried cannabis per gram increased from $1.79 in the prior quarter to $2.23 in the current quarter, representing a $0.44 increase. The increase largely related to abnormal winter weather conditions in Leamington but also included costs related to preparing for our Part II expansion.

This winter, the Leamington area experienced unusual conditions related to the amount of sunlight it received. The most common measure of light intensity is referred to as lumens. During the quarter, the Leamington area received approximately 80% of the historical three-year average of lumens for this period. More specifically, the month of January was 67% of the three-year lumen average and the month of February was 76% of the three-year lumen average. This reduced lumen measure directly led to (i) lower yields on individual cannabis plants during the quarter which caused a $0.20 increase in our "all-in" costs of dried cannabis per gram; and, (ii) increased heating and electrical costs, which caused a $0.14 increase in our "all-in" costs of dried cannabis per gram.

The remaining $0.10 per gram related to incremental labour costs as we added greenhouse staff during the quarter so they would be fully trained to work in our Part II expansion, the moment the area is approved by Health Canada. As we move from Health Canada's approval to use our Part II expansion toward the first sale from that area, we will continue to incur incremental labour costs in our vault and packaging staff. These incremental costs will be directly tied to revised head counts as we properly train staff in advance of additional product flow that will result from the increase in our annual harvest from 2,600 kgs to 8,000 kgs.

Calculation of cash costs to produce dried cannabis per gram

The Company calculates cash costs to produce dried cannabis per gram as follows:

Cash costs to produce dried cannabis per gram	Three months ended February 28, 2017	November 30, 2016
Cost of sales of dried cannabis excluding IFRS adjustments	**$ 1,458,958**	$ 1,141,659
Amortization	**(236,175)**	(228,324)
Packaging costs	**(91,411)**	(111,357)
Cash costs to produce dried cannabis	**$ 1,131,372**	$ 801,978
Gram equivalents sold in the quarter	**652,742**	638,999
Cash costs to produce per gram	**$ 1.73**	$ 1.26

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, 2016 and in our Short Form Prospectus, dated November 24, 2016 and February 17, 2017, remain substantially unchanged in respect of the three months ended February 28, 2017. However, certain additional risks are outlined below, and the most significant risks from our previous disclosure are reported for reference purposes.

Recent Announcements in the United States

On March 27, 2017, the Company announced that it had made an additional investment of US$3 million in Copperstate. The investment increased Aphria's equity ownership in Copperstate from 10% to 18.5% on a non-diluted basis. As previously disclosed, Copperstate's wholly-owned subsidiary, Copperstate Farms, LLC, is a US-based licensed producer and seller of medical cannabis under the *Arizona Medical Marijuana Act*.

On April 4, 2017, the Company announced the launch of its US expansion strategy through a strategic lead investment in an entity to be renamed Liberty Health Sciences Inc. ("Liberty") that will operate in the United States under the brand "Aphria USA". In connection with the investment, Liberty will acquire all or substantially all of the assets of Chestnut Hill Tree Farm LLC, a licensed holder and authorized dispensing organization of low-THC medical cannabis to patients in need in the State of Florida. While the initial investment relates to the State of Florida, the intention of Aphria's US expansion strategy is to target key states that have approved the medical use of marijuana and meet the Company's stringent investment criteria.

In light of these recent announcements, the Board has undertaken to consider, evaluate, assess and provide additional disclosure on any risks there may be to investors as a result of certain investments in entities involved with medical marijuana in the United States. Outlined below is a summary of certain risks that the Board has identified as being appropriate to highlight to investors at this time. These risks will continue to be considered, evaluated, reassessed, monitored and analyzed on an on-going basis and will be supplemented, amended and communicated to investors as necessary or advisable in the Company's future public disclosure.

While marijuana is legal in many US state jurisdictions, it continues to be a controlled substance under the United States federal Controlled Substances Act

Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical marijuana under the *Access to Cannabis for Medical Purposes Regulations*, investors are cautioned that in the United States, marijuana is largely regulated at the state level. To the Company's knowledge, there are to date a total of 28 states, plus the District of Columbia, that have legalized marijuana in some form, including Arizona and Florida as noted above in connection with the investments in Copperstate and Liberty. Notwithstanding the permissive regulatory environment of medical marijuana at the state level, marijuana continues to be categorized as a controlled substance under the *Controlled Substances Act* (the "CSA") in the United States and as such, may be in violation of federal law in the United States.

The United States Congress has passed appropriations bills each of the last three years that have not appropriated funds for prosecution of marijuana offenses of individuals who are in compliance with state medical marijuana laws. American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state law. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the CSA, any individual or business—even those that have fully complied with state law—could be prosecuted for violations of federal law. And if Congress restores funding, the government will have the authority to prosecute individuals for violations of the law before it lacked funding under the CSA's five-year statute of limitations.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including but not limited to disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of medical marijuana licenses in the United States, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

The approach to the enforcement of marijuana laws may be subject to change or may not proceed as previously outlined

As a result of the conflicting views between state legislatures and the federal government regarding marijuana, investments in marijuana businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the "Cole Memorandum") addressed to all United States district attorneys acknowledging that notwithstanding the designation of marijuana as a controlled substance at the federal level in the United States, several US states have enacted laws relating to marijuana for medical purposes.

The Cole Memorandum outlined certain priorities for the Department of Justice relating to the prosecution of marijuana offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing marijuana in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of marijuana, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the Department of Justice should be focused on addressing only the most significant threats related to marijuana. States where medical marijuana had been legalized were not characterized as a high priority. In March of this year, newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit, although he disagreed that it had been implemented effectively and has not committed to utilizing the Cole Memorandum framework going forward.

The Board has informed its decision to authorize and approve the investments in Copperstate and Liberty based on the guidelines outlined in the Cole Memorandum and believes that the risk of federal prosecution and enforcement is currently unlikely. However, unless and until the Cole Memorandum is memorialized in federal legislation, there can be no assurance that the federal government will not seek to prosecute cases involving medical marijuana businesses that are otherwise compliant with state law.

Such potential proceedings could involve significant restrictions being imposed upon the Company or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Company's business, revenues, operating results and financial condition as well as the Company's reputation, even if such proceedings were concluded successfully in favour of the Company.

The Company's investments in the United States are subject to applicable anti-money laundering laws and regulations

The Company is subject to a variety of laws and regulations domestically and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the *Currency and Foreign Transactions Reporting Act of 1970* (commonly known as the *Bank Secrecy Act*), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)*, as amended and the rules and regulations thereunder, the *Criminal Code* (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In February 2014, the Financial Crimes Enforcement Network ("FCEN") of the Treasury Department issued a memorandum providing instructions to banks seeking to provide services to marijuana-related businesses. The FCEN Memo states that in some circumstances, it is permissible for banks to provide services to marijuana-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on marijuana-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FCEN Memo.

In the event that any of the Company's investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while the Company has no current intention to declare or pay dividends on its Common Shares in the foreseeable future, in the event that a determination was made that the investments in Copperstate or Liberty (or any future investments in the United States) could reasonably be shown to constitute proceeds of crime, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

The Company's investments in the United States may be subject to heightened scrutiny

For the reasons set forth above, the Company's existing investments in the United States, and any future investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the United States or any other jurisdiction.

Government policy changes or public opinion may also result in a significant influence over the regulation of the marijuana industry in Canada, the United States or elsewhere. A negative shift in the public's perception of medical marijuana in the United States or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical marijuana, thereby limiting the number of new state jurisdictions into which the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on the Company's business, financial condition and results of operations.

Risk Factors Related to Expansion

Certain contemplated capital expenditures previously publicly disclosed by the Company, including, without limitation, Part II Expansion, Part III Expansion and Part IV Expansion, will require Health Canada approval. There is no guarantee that Health Canada will approve the contemplated expansions in a timely fashion, nor is there any guarantee that the expansion will be completed in its currently proposed form, if at all. The failure of the Company to successfully execute its expansion strategy (including receiving the expected Health Canada approvals in a timely fashion) could adversely affect the business, financial condition and results of operations of the Company.

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 ACMPR 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.

History of Losses

The Company incurred losses in prior 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.

Changes to Reimbursement Allowances for Veterans

On November 22, 2016, the Minister of Veterans Affairs announced that Veterans Affairs Canada (''VAC'') will issue new rules related to the reimbursement of medical cannabis for veterans. The new rules limit the amount of reimbursement to veterans in two ways. First, the amount of medical marijuana that can be reimbursed is expected to be limited to 3.0 grams per day (per veteran), such change to be effective as of May 21, 2017. Second, effective November 22, 2016, the price per gram reimbursement was limited to $8.50 per gram. The Company understands that the new rules may allow individual veterans to receive reimbursement for more than 3.0 grams a day, on a case by case basis, subject to specific conditions, which as of the date hereof have yet to be fully delineated. Accordingly, the Company has not yet been able to fully model the impact that the proposed VAC changes may have on the Company's revenue stream. It is also unclear how many veteran patients of Aphria, if any, may meet the case by case exemption referenced herein. Investors are cautioned that the VAC changes may have a material effect on Aphria's business in the event that the Company is unable to secure offsetting revenue streams, its veteran patients do not qualify for an exemption or if further amendments to the VAC changes are announced.

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 ACMPR, 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 41 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.

RESULTS OF OPERATIONS

Revenue

Revenue for the three months ended February 28, 2017 was $5,118,516 versus $2,679,898 in the same period of 2016 and $5,226,589 in the second quarter of fiscal 2017.

The increase in revenue from the same period in the prior year was largely related to the continued growth of patients offset by a decrease in the average selling price per gram equivalent from $8.31 to $7.85.

The decrease in revenue during the quarter from the prior quarter was largely related to:

- Decrease in the average selling price per gram equivalent sold to veterans, caused by the implementation of an $8.50 per gram price cap, by Veterans Affairs Canada.

These factors were offset by the following:

- Continued acceleration of patient onboarding, including sales of 166,705 gram equivalents to patients on-boarded in the quarter;
- Continued growth of sales to existing patients, including sales of 486,037 gram equivalents to patients on-boarded prior to the quarter; and,
- Increase in the percentage of cannabis oil sold, at a higher average price than dried cannabis, to 25.6% from 10% in the prior quarter.

Revenue for the nine months ended February 28, 2017 was $14,720,617 versus $5,657,613 in the same period of 2016. 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 of the prior year above, being continued acceleration of patient onboarding, continued growth of sales to existing patients, introduction for sale of cannabis oils, offset by lower average pricing per gram to veterans and patient churn.

Gross profit and gross margin

The gross profit for the three months ended February 28, 2017 was $3,568,069, compared to $1,883,225 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 offset against increased production costs per gram equivalent over the same quarter in the prior year and by the decrease in average selling price per gram equivalent.

The gross profit for the nine months ended February 28, 2017 was $11,471,222, compared to a gross profit of $3,871,034 in the same period of the prior year.

Due to the rapid volume of growth in the Company over the past 12 months, as a result of continued patient acquisitions, management believes more appropriate comparisons of gross profit and gross margin are between the three months ended February 28, 2017 and the three months ended November 30, 2016.

The gross profit for the three months ended February 28, 2017 decreased $552,939 to $3,568,069, compared to $4,121,008 in the prior quarter, as shown below:

	Three months ended	
	February 28, 2017	**November 30, 2016**
Revenue	**$ 5,118,516**	$ 5,226,589
Cost of sales		
Cost of goods sold	**1,300,029**	951,525
Amortization	**236,175**	228,324
Net effect of FV change in biological assets	**14,243**	(74,268)
	1,550,447	1,105,581
Gross profit	**$ 3,568,069**	$ 4,121,008
Gross margin	**69.7%**	78.8%

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

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

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

(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 cannabis) produced and sold in the period. In an effort to increase transparency, management deems it necessary to disclose that inventory of Harvested cannabis (Note 7 – Interim consolidated financial statements period ended February 28, 2017) consists of dried flower and cannabis oil, all of which is carried at a value of $3.75 per gram (cannabis oil is carried at $0.625/mL, 6mL of cannabis oil is equivalent to 1 gram of dried product).

The increase in cost of goods sold is primarily attributable to increased unabsorbed overhead costs in the quarter, which represent period costs as described above. The incremental unabsorbed overhead costs were primarily a function of decreased production yields in the greenhouse as a result of less natural sunlight, measured by lumens, in the quarter.

The decrease in gross margin was attributable to a lesser fair value adjustment for change in biological assets in the quarter compared to last quarter, increasing cost of goods sold in the quarter by $348,504. In the third quarter, the cost of sales as a percentage of sales was 30.3% compared to 21.2% 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 adding the non-cash change in biological assets of $14,243 and removing $520,574 in the three and nine months respectively.

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

	Three months ended February 28, 2017 IFRS	Adjustments	Three months ended February 28, 2017 Adjusted
Revenue	$ 5,118,516	$ --	**$ 5,118,516**
Cost of sales			
Cost of goods sold	1,300,029	--	**1,300,029**
Amortization	236,175	--	**236,175**
Net effect of FV change in biological assets	14,243	(14,243)	**--**
	1,550,447		**1,536,204**
Gross profit	$ 3,568,069		**$ 3,582,312**
Gross margin	69.7%		**70.0%**

The following is the Company's adjusted gross profit and adjusted gross margin as compared to IFRS for the nine months ended February 28, 2017:

	Nine months ended February 28, 2017 IFRS	Adjustments	Nine months ended February 28, 2017 Adjusted
Revenue	$ 14,720,617	$ --	**$ 14,720,617**
Cost of sales			
Cost of goods sold	3,052,262	--	**3,052,262**
Amortization	717,707	--	**717,707**
Net effect of FV change in biological assets	(520,574)	520,574	**--**
	3,249,395	(520,574)	**3,769,969**
Gross profit	$ 11,471,222		**$ 10,950,648**
Gross margin	77.9%		**74.4%**

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 $6,233,381 to $8,200,368 from $1,966,987 in the same quarter in the prior year and increased $9,875,002 to $14,829,311 from $4,954,309 in the nine-month period of the prior year.

Selling, general and administrative costs

	Three months ended February,		Nine months ended February,	
	2017	2016	2017	2016
General and administrative	$ 1,230,626	$ 711,153	$ 3,414,936	$ 1,641,987
Share-based compensation	1,255,976	145,748	1,710,565	405,079
Selling, marketing and promotion	1,854,577	907,287	5,054,417	2,488,537
Amortization	263,055	123,644	715,295	198,300
Research and development	96,134	79,155	434,098	220,406
Impairment of intangible asset	3,500,000	--	3,500,000	--
	$ 8,200,368	$ 1,966,987	$ 14,829,311	$ 4,954,309

General and administrative costs

	Three months ended February,		Nine months ended February,	
	2017	2016	2017	2016
Executive compensation	$ 202,831	$ 201,634	$ 619,755	$ 456,129
Consulting fees	52,899	7,026	132,311	34,313
Office and general	397,468	202,186	1,105,853	426,243
Professional fees	151,170	128,577	391,034	264,158
Salaries and wages	301,100	118,110	788,680	269,579
Travel and accommodation	100,909	43,842	319,954	159,204
Rent	24,249	9,778	57,349	32,361
	$ 1,230,626	$ 711,153	$ 3,414,936	$ 1,641,987

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;
- Consulting fees, predominantly associated with various negotiations, investor relations and reviews of current and potential business relationships necessary to sustain growth of the Company, and
- 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 our recent listing on the TSX.

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.

Share-based compensation

The Company recognized share-based compensation expense of $1,255,976 for the three months ended February 28, 2016 compared to $145,748 for the prior year. Share-based compensation was valued using the Black-Scholes valuation model and represents a non-cash expense. The increase in share-based compensation is consistent with the increase in stock options issued during the respective period, 545,000 in the current period compared to 195,000 in the same period of the prior year, of the stock options granted in the quarter only 151,500 were vested in the quarter. In addition to stock options, during the quarter, the Company issued 37,500 common shares, priced at $4.96 per share to a third-party consultant of the Company in exchange for services to be provided.

For the nine months ended February 28, 2017, the Company incurred share-based compensation of $1,710,565 as opposed to $405,079, including the expenses related to the shares for services described in the three-month period. 2,113,000 options were granted during the nine-month period ended February 28, 2017, as opposed to 515,000 options in the comparable period of the prior year. Of the options granted in the nine-month period ended February 28, 2017, only 641,500 vested in that nine-month period.

Selling, marketing and promotion costs

For the three months ended February 28, 2017, the Company incurred selling, marketing and promotion costs of $1,854,577, or 36.2% of revenue versus $907,287 or 33.9% of revenue in the comparable prior period. These costs related to patient acquisition and ongoing patient maintenance, the Company's call centre operations, shipping costs, marketing department, as well as the development of promotional and information materials. The increase is directly correlated with the increase in patient and sales volumes over the comparable period.

For the nine months ended February 28, 2017, the Company incurred selling, marketing and promotion costs of $5,054,417 or 34.3% of revenue, as opposed to $2,488,537 or 44.0% of revenue, 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 non-production related amortization charges of $263,055 for the three months ended February 28, 2017 compared to $123,644 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 largest of which relates to the acquisitions of CannWay Pharmaceuticals Ltd. and land and greenhouses purchased from Cacciavillani and F.M. Farms Ltd.

The Company incurred amortization charges of $715,295 for the nine months ended February 28, 2017 compared to $198,300 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 $96,134 were expensed during the three months ended February 28, 2017 compared to $79,155 in same period last year. These relate to costs associated with process validation of the Company's internal chemistry and micro biology labs, as well as researching different aspects of genetics. The Company is also experimenting with different growing methods and methods of extraction of cannabis oils and related derivatives for future commercialization.

For the nine months ended February 28, 2017, the Company incurred research and development costs of $434,098 as opposed to $220,406 in the comparable prior period. The increase in costs primarily relates to:

- Validation of laboratory
- Development of processes and methods associated with extraction
- Phenotyping of genetics

Impairment of Intangible Assets

The Company incurred a non-cash expense of $3,500,000 relating to the impairment of its CannWay brand intangible asset. The Company recorded the impairment for the CannWay brand following the changes to reimbursement allowances for veterans, including an $8.50 per gram cap on reimbursement and a limit to individual patient usage of 3.0 grams per day, effective May 24, 2017.

Non-operating items

During the three months ended February 28, 2017, the Company earned non-operating income of $9,582,549 consisting of $216,667 of consulting revenue, representing the forgiveness of our promissory note payable in Arizona, $65,431 foreign exchange gain, $406,213 of finance income, net, $13,930 of gain on marketable securities, $8,880,308 of gain on long-term investments, of which $1,908,746 represented a realized gain, compared to non-operating income of $87,482 in the prior year, consisting of $86,808 of finance income, and $674 related to a gain on sale of capital assets.

For the nine months ended February 28, 2017, the Company earned non-operating income of $10,149,286 consisting of $216,667 of consulting revenue, $65,431 foreign exchange gain, $698,484 of finance income, net, $11,367 related to a gain on the sale of capital assets, $9,143,407 of gain on long-term investments, of which $2,171,845 represented a realized gain, compared to non-operating income of $179,072 in the prior year, consisting of $171,947 of finance income, and $7,125 related to a gain on sale of capital assets.

Net income (loss)

The net income for the three months ended February 28, 2017 was $4,950,250 or $0.04 per share as opposed to $3,720 or $0.00 per share in the same period of the prior year.

The net income for the nine months ended February 28, 2017 was $6,791,197 or $0.07 per share as opposed to a net loss in the same period of the prior year of $904,203 or $0.02 per share.

Net income without IFRS biological asset fair value adjustments and net income with IFRS biological asset fair value adjustments 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 net income without the fair value adjustment has been adjusted from IFRS by adding the non-cash change in biological assets of $14,243 and removing $520,574 in the three and nine months respectively. The net income with the fair value adjustment is equivalent to net income as reported under IFRS.

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 (minus) finance income, net plus amortization, plus impairment of intangible asset, plus share-based compensation, plus (minus) non-cash fair value ("FV") adjustments related to biological assets, plus amortization of non-capital assets, plus (minus) loss (gain) on sale of capital assets, plus allowance for bad debts, plus (minus) loss (gain) on investments all as follows:

	Three months ended February		Nine months ended February	
	2017	2016	**2017**	2016
Net income (loss)	**$ 4,950,250**	$ 3,720	**$ 6,791,197**	$ (904,203)
Finance income, net	**(406,213)**	(86,808)	**(698,484)**	(171,947)
Amortization	**499,230**	244,290	**1,433,002**	541,205
Impairment of intangible asset	**3,500,000**	--	**3,500,000**	--
Share-based compensation	**1,255,976**	145,748	**1,710,565**	405,079
Non-cash FV adjustments in biological assets	**14,243**	84,823	**(520,574)**	42,033
Amortization of non-capital assets	**16,360**	19,845	**63,501**	134,755
Gain on sale of capital assets	**--**	(674)	**(11,367)**	(7,125)
Allowance for bad debts	**69,465**	12,406	**145,376**	12,406
Sub-total	**$ 9,899,311**	$ 423,350	**$ 12,413,216**	$ 52,203
Gain on disposal of marketable securities	**(13,930)**	--	**(13,930)**	--
Gain on long-term investments	**(8,880,308)**	--	**(9,143,407)**	--
EBITDA	**$1,005,073**	$ 423,350	**$3,255,879**	$ 52,203

LIQUIDITY AND CAPITAL RESOURCES

Cash flow from operations for the nine months improved by $6,580,229 from cash flow used in operations of $1,335,041 in the nine-month period of the prior year to cash flow generated from operations of $5,245,188 in the current nine-month period. The improvement in cash flow generated from operations is primarily a result of a:

- Increased profitability for the period stemming from increased sales volume; and,
- Increased accounts payable and accrued liabilities, which primarily related to unpaid capital expenditures at the end of the period.

These factors were partially offset by:

- Increased inventory, where the increase is primarily made up of an increase in the amount of cannabis oil in storage;
- Increased production costs per gram; and,
- Increase in other receivables, where the increase is primarily made up of an increase in expected government remittances receivable related to our capital expansions.

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 28, 2017, Aphria maintained $84,351,132 of cash and cash equivalents on hand, compared to $16,472,664 at May 31, 2016 and $12,053,547 at February 28, 2016. Cash and cash equivalents on hand increased $67,878,468 in the nine-month period and increased $72,297,585 from February 28, 2016.

Working capital provides funds for the Company to meet its operational and capital requirements. As at February 28, 2017, the Company maintained working capital of $123,144,982. 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 24 months.

Capital and intangible asset expenditures

For the three months ended February 28, 2017, the Company invested $23,419,877 in capital and intangible assets, of which $233,820 are considered maintenance CAPEX and the remainder $23,186,057 growth CAPEX, related to the property acquisitions and Company's Part II Expansion and Part III Expansion.

For the nine months ended February 28, 2017, the Company invested $35,879,436 in capital and intangible assets, of which $547,844 are considered maintenance CAPEX and the remainder, $35,331,592 growth CAPEX related to the Company's Part II Expansion and Part III Expansion.

Financial covenants

The Company met its financial covenants at all times since they have come into effect. The Company believes that it has sufficient operating room with respect to its financial covenants for the next fiscal year and does not anticipate being in breach of any of its financial covenants during this period.

Contractual obligations and off-balance sheet financing

During the year, the Company terminated its lease commitment for rental of greenhouse and warehouse space in conjunction with the purchase of the 265 Talbot St. West property. The Company continues to lease office space from a related party, the lease commitment ends December 31, 2018 with the option to renew for two additional five year terms, and the Company continues to lease office pace in Toronto for $4,500 per month until September 2017. The Company has a lease commitments until September 2019 and August 2020 for motor vehicles. 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
Outstanding capital related commitments	$ 12,946,773	$ 4,736,454	$ 8,210,319	$ --	$ --
Operating leases	91,472	64,212	27,260	--	--
Motor vehicle leases	90,244	28,912	53,166	8,166	--
Total	**$ 13,128,489**	**$ 4,829,578**	**$ 8,290,745**	**$ 8,166**	**$ --**

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. With the investment by the Company in MassRoots Inc., TBP and Resolve Digital Health Inc. warrants, the Company maintains a deferred gain of $1,725,000 off-balance sheet, as mandated by IFRS. `

Share capital

Aphria has the following securities issued and outstanding, as at February 28, 2017:

	Presently outstanding	Exercisable	Exercisable & in-the-money*	Fully diluted
Common stock	124,074,220			124,074,220
Warrants	--	3,775,873	3,775,873	3,775,873
Stock options	--	4,333,287	4,333,287	6,266,500
Fully diluted				134,116,593

**Based on closing price on February 28, 2017 of $6.75 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 2017, ended February 28, 2017. 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 2016 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/16	**Aug/16**	**Nov/16**	**Feb/17**
Revenue	$ 2,776,316	$ 4,375,512	$ 5,226,589	$ 5,118,516
Net income	1,302,164	895,269	945,678	4,950,250
Income per share - basic	0.02	0.01	0.01	0.04
Income per share – fully diluted	0.02	0.01	0.01	0.04
	May/15	**Aug/15**	**Nov/15**	**Feb/16**
Revenue	$ 499,890	$ 950,740	$ 2,026,975	$ 2,679,898
Net income (loss)	(481,380)	(476,825)	(431,098)	3,720
Loss per share - basic	(0.01)	(0.01)	(0.00)	0.00
Loss per share – fully diluted	(0.01)	(0.01)	(0.00)	0.00

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 28, 2017 (2015 - $nil). 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 can 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 28, 2017, related party corporations charged or incurred expenditures on behalf of the Company totaling $83,195 (2016 - $236,544), which were or are to be reimbursed, including rent of $8,178 (2016 - $58,210).

During the nine months ended February 28, 2017, related party corporations charged or incurred expenditures on behalf of the Company totaling $350,141 (2016 - $885,269), which were or are to be reimbursed, including rent of $41,211 (2016 - $135,383).

SUBSEQUENT EVENTS

On March 9, 2016, the Company sold 500,000 shares held in Canabo Medical Inc. for net proceeds of approximately $340,000, which were subject to a mandatory 4-month holding period, expiring April 23, 2017. The Company purchased 500,000 shares on March 13, 2017 for an aggregate purchase price of $370,700.

On March 18, 2016, the Company revised a consulting agreement pursuant to which the Company issued 112,500 common shares into an escrow account in exchange for future services to be provided by a greenhouse consultant. The shares are to be released by the escrow agent upon successful completion of certain time-based and performance-based milestones by the consultant. In the event that the milestones are not achieved by April 30,2018, the escrowed shares will be returned to the Company to be cancelled.
On March 20, 2017, the Company exercised its 5,000,000 warrants held in Tetra Bio-Pharma Inc. ("TBP") for the aggregate price of $1,300,000. The proceeds from the warrant exercise are to be used to advance the clinical trials being developed in PhytoPain Pharms Inc., a subsidiary of TBP.

On March 22, 2017, the Company's common shares began trading on the TSX. The Common Shares continue to trade under the symbol "APH". In conjunction with listing on the TSX, the common shares were voluntarily delisted from the TSX-Venture Exchange.

On March 27, 2017, the Company entered into a subscription agreement with Copperstate to purchase 6,000 additional membership units for $3,000,000 (USD).

On March 30, 2017, the Company exercised its 500,000 warrants held in MassRoots for the aggregate price of $450,000 USD.

On April 4, 2017, the Company announced it will invest $25 million into DFMMJ Investment Ltd., a new special purpose private company which will acquire all or substantially all of the assets of Chestnut Hill Tree Farm LLC and subsequently amalgamate into a subsidiary of SecureCom Mobile Inc., a public company listed on the Canadian Securities Exchange, as part of a business combination (the "Business Combination"). The funds, when combined with an additional $35 million to be raised in a brokered private placement led by Clarus Securities Inc., will be used for the launch of its US expansion strategy in an entity to be renamed Liberty Health Sciences Inc. that will operate in the United States under the brand "Aphria USA". Once the transaction is completed, the Company will own approximately 37.6% of the issued and outstanding common shares of Liberty. As part of the transaction, Aphria has agreed, upon completion of the Business Combination, to licence its medical brand to Liberty, in exchange for a perpetual 3% royalty on all sales of marijuana and related products. Further, Aphria has agreed, upon completion of the Business Combination, to licence its greenhouse growing intellectual property system to Liberty in exchange for additional common shares in Liberty.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer, in accordance with National Instrument 52-109 ("NI 52-109"), have both certified that they have reviewed the financial report and this MD&A (the "Filings") and that, based on their knowledge having exercised reasonable diligence, (a) the Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made with respect to the period covered by the filings; and (b) the financial report together with the other financial information included in the Filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the Filings.

Aphria Inc. is a publicly traded corporation, incorporated in Canada, with its head office located at 5300 Commerce Court West, 199 Bay Street, Toronto, Ontario. The Company's common shares are listed on the TSX, under the trading symbol "APH". Investors should be aware that inherent limitations on the ability of certifying officers of an issuer to design and implement on a cost effective basis Disclosure Controls and Procedures and Internal Controls over Financial Reporting as defined in NI 52-109 in the first financial period following the issuer becoming a non-venture issuer in the circumstances described in s. 5.5 of NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

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 cost to produce a gram of dried cannabis;*
- *the expected cost to processing cannabis oil; and*
- *the anticipated future gross margins of the Company's operations.*
- *The Company's investments in the United States, the characterization and consequences of those investments under Federal Law, and the framework for the enforcement of medical marijuana and marijuana-related offenses in the United States*