Aphria Inc.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS AND NINE MONTHS ENDED FEBRUARY 28, 2017 and FEBRUARY 29, 2016

(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	February 28, 2017	May 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents		$ 84,351,132	$ 16,472,664
Marketable securities	5	37,678,063	--
Accounts receivable		2,039,425	1,778,679
Other receivables	6	1,494,703	126,952
Inventory	7	2,654,705	2,088,850
Biological assets	8	652,047	697,997
Prepaid assets		429,430	160,156
Promissory notes receivable	9	64,150	567,588
		129,363,655	21,892,886
Capital assets	10	40,895,668	7,309,220
Intangible assets	4,11	2,052,189	4,317,680
Long-term investments	12	29,385,266	1,560,200
Goodwill		1,200,000	1,200,000
		$202,896,778	$ 36,279,986
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		$4,612,462	$1,266,492
Current portion of promissory note payable	14	852,112	--
Current portion of long-term debt	15	754,098	--
		6,218,672	1,266,492
Long-term liabilities			
Promissory note payable	14	568,075	--
Long-term debt	15	6,615,588	--
		13,402,335	1,266,492
Shareholders' equity			
Share capital	16	187,657,471	40,916,880
Warrants	17	444,912	693,675
Share-based payment reserve	20	2,921,827	1,723,903
Deficit		(1,529,767)	(8,320,964)
		189,494,443	35,013,494
		$ 202,896,778	$ 36,279,986

Nature of operations (Note 1)
Commitments (Note 28)
Subsequent events (Note 29)

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

		For the three months ended February		For the nine months ended February	
	Note	2017	2016	2017	2016
Revenue		$ 5,118,516	$ 2,679,898	$ 14,720,617	$ 5,657,613
Cost of sales:					
Cost of goods sold		1,300,029	591,204	3,052,262	1,401,641
Amortization	10,11	236,175	120,646	717,707	342,905
Net effect of unrealized changes in fair value of biological assets	8	14,243	84,823	(520,574)	42,033
		1,550,447	796,673	3,249,395	1,786,579
Gross profit		3,568,069	1,883,225	11,471,222	3,871,034
Expenses:					
General and administrative	23	1,230,626	711,153	3,414,936	1,641,987
Share-based compensation	19	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	10,11	263,055	123,644	715,295	198,300
Research and development		96,134	79,155	434,098	220,406
Impairment of intangible asset	11	3,500,000	--	3,500,000	--
		8,200,368	1,966,987	14,829,311	4,954,309
Income (loss) from operations		(4,632,299)	(83,762)	(3,358,089)	(1,083,275)
Consulting revenue		216,667	--	216,667	--
Foreign exchange gain		65,431	--	65,431	--
Finance income, net	22	406,213	86,808	698,484	171,947
Gain on disposal of marketable securities		13,930	--	13,930	--
Gain on long-term investments	25	8,880,308	--	9,143,407	--
Gain on sale of capital assets	10	--	674	11,367	7,125
Net income (loss) and comprehensive income (loss)		$ 4,950,250	$ 3,720	$ 6,791,197	$ (904,203)
Weighted average number of common shares – basic		111,976,759	62,174,289	93,655,328	55,699,999
Weighted average number of common shares – diluted		118,298,038	84,798,131	99,976,607	75,259,294
Earnings (loss) per share – basic	26	$ 0.04	$ 0.00	$ 0.07	$ (0.02)
Earnings (loss) per share – diluted	26	$ 0.04	$ 0.00	$ 0.07	$ (0.01)

The accompanying notes are an integral part of these financial statements

Aphria Inc.
Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited)

	Number of common shares	Share capital (Note 16)	Warrants (Note 17)	Share-based payment reserve (Note 20)	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 issuance – November 2015 bought deal	8,846,370	9,922,696	477,414	--	--	10,400,110
Share issuance – CannWay purchase	3,600,000	4,342,616	--	--	--	4,342,616
Share issuance – warrant exercise	58,333	70,000	--	--	--	70,000
Share-based payments	--	--	--	405,079	--	405,079
Net loss for the period	--	--	--	--	(904,203)	(904,203)
Balance at February 29, 2016	64,984,290	$ 34,581,407	$ 1,034,003	$ 1,666,668	$ (9,623,128)	$ 27,658,950

	Number of common shares	Share capital (Note 16)	Warrants (Note 17)	Share-based payment reserve (Note 20)	Deficit	Total
Balance at May 31, 2016	70,053,933	$ 40,916,880	$ 693,675	$ 1,723,903	$ (8,320,964)	$ 35,013,494
Share issuance – August 2016 bought deal	17,250,000	31,959,093	--	--	--	31,959,093
Share issuance – November 2016 bought deal	10,062,500	37,263,475	--	--	--	37,263,475
Share issuance – February 2017 bought deal	11,500,000	53,869,357				53,869,357
Share issuance – intangible asset acquisition	38,759	100,000	359,480	--	--	459,480
Share issuance – warrants exercised	14,558,932	22,600,975	(608,243)	--	--	21,992,732
Share issuance – options exercised	572,596	761,665	--	(310,615)	--	451,050
Share-based payments	37,500	186,026	--	1,508,539	--	1,694,565
Net income for the period	--	--	--	--	6,791,197	6,791,197
Balance at February 28, 2017	**124,074,220**	**$ 187,657,471**	**$ 444,912**	**$ 2,921,827**	**$ (1,529,767)**	**$189,494,443**

The accompanying notes are an integral part of these financial statements

	Note	Nine months ended February 28, 2017	Nine months ended February 29, 2016
Cash provided by (used in) operating activities:			
Net income(loss) for the period		$ 6,791,197	$ (904,203)
Adjustments for:			
Amortization	10,11	1,433,002	541,205
Amortization of finance fees on long-term debt		3,333	--
Impairment of intangible assets	11	3,500,000	--
Gain on sale of capital assets	10	(11,367)	(7,125)
Gain on disposal of marketable securities		(13,930)	--
Gain on long-term investments	25	(9,143,407)	--
Disposition and usage of bearer plants	10	63,501	--
Share-based compensation	19	1,710,565	405,079
Change in fair value of biological assets	8	(520,574)	42,033
Change in non-cash working capital	24	1,432,868	(1,412,030)
		5,245,188	(1,335,041)
Cash provided by financing activities:			
Share capital issued, net of cash issuance costs	16	123,091,925	10,314,726
Share capital issued on warrants exercised	17	21,992,732	70,000
Share capital issued on stock options exercised	20	451,050	--
Proceeds from long-term debt	15	7,825,000	--
Repayment of long-term debt	15	(458,647)	--
Advances from related parties	21	350,141	885,269
Repayment of amounts due to related parties	21	(350,141)	(885,269)
		152,902,060	10,384,726
Cash used in investing activities:			
Investment in capital assets	10	(34,573,316)	(3,991,459)
Proceeds from disposal of capital assets	10	32,823	36,570
Investment in intangible assets, net of shares issued	11	(1,306,120)	(27,156)
Investment in marketable securities	5	(53,366,383)	--
Proceeds from disposal of marketable securities	5	15,702,250	--
Investment in long-term investments	12	(21,401,121)	(50,000)
Proceeds from divestiture of long-term investments	25	4,139,649	--
Issuance of promissory notes receivable	9	--	(200,000)
Repayment of promissory notes receivable	9	503,438	183,998
		(90,268,780)	(4,048,047)
Increase in cash and cash equivalents		67,878,468	5,001,638
Cash and cash equivalents, beginning of period		16,472,664	7,051,909
Cash and cash equivalents, end of period		$ 84,351,132	$ 12,053,547

The accompanying notes are an integral part of these financial statements

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 Cannabis for Medical 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 Toronto Stock Exchange ("TSX") 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 April 12, 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.

Wholly owned subsidiaries	Jurisdiction of incorporation
Pure Natures Wellness Inc.	Ontario
Aphria (Arizona) Inc.	Arizona
CannWay Pharmaceuticals Ltd	Ontario

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

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

IFRS 2 – Share-based Payment, effective January 1, 2018, with early adoption permitted, introduces new requirements for the classification and measurement of share-based payment transactions.

IFRS 9 - Financial Instruments, 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.

IAS 7 – Statement of Cash Flow, effective for annual periods beginning on or after January 1, 2017, with early adoption permitted, amended to improve information provided to users of financial statements about an entity's financial activities by making the following changes:

- The following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes;

- The International Accounting Standards Board ("IASB") defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition; and
- Changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

IAS 12 – Income Taxes, effective for annual periods beginning on or after January 1, 2017, with early adoption permitted, amended to clarify the following aspects:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use;
- The carrying amount of an asset does not limit the estimation of probable future taxable profits;
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences; and
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

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.

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 February 28, 2017 management expects 0% of the remaining 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 was originally being amortized over 10 years on a straight-line basis. Amortization began in January 2016. In the current quarter, management revised its estimate for the remaining useful life and is amortizing the brand over 15 months on a straight-line basis.

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.

5. Marketable securities

Marketable securities are classified as fair value through profit or loss, and are comprised of:

	S&P rating at purchase	Effective interest rate	Maturity date	**February 28, 2017**	February 29, 2016
Canadian Western Bank	A-	2.531%	03/22/18	**$ 3,067,615**	--
Enercare Solutions Inc.	BBB	4.300%	11/30/17	**1,445,445**	--
Ford Motor Credit Co. LLC	BBB	3.320%	12/19/17	**2,045,200**	--
Ford Motor Credit Co. LLC	BBB	3.700%	08/02/18	**1,032,729**	
Home Trust Company	BBB	2.350%	05/24/17	**5,037,954**	--
Royal Bank of Canada	AA-	2.770%	12/11/18	**5,156,657**	--
Sobeys Inc.	BBB-	3.520%	08/08/18	**3,056,402**	--
Molson Coors Brewing Company	BBB-	3.950%	10/06/17	**1,134,894**	--
Bank of Montreal (USD)	A+	1.400%	04/10/18	**3,945,564**	--
Citigroup Inc. (USD)	BBB	2.050%	12/17/18	**3,967,917**	--
Royal Bank of Canada (USD)	AA-	1.625%	04/15/19	**3,954,392**	--
Wells Fargo & Company (USD)	A	2.150%	01/30/17	**3,833,294**	--
				$ 37,678,063	$ --

The cost of marketable securities as at February 28, 2017 was $37,547,076 (2016 – $nil). During the quarter, the company divested of $15,702,250 (2016 - $nil) of marketable securities in its Canadian portfolio, converted the proceeds to United States dollars and then re-invested the United States dollars in its U.S. portfolio.

6. Other receivables

Other receivables are comprised of:

	February 28, 2017	May 31, 2016
HST receivable (payable)	1,176,814	(35,909)
Accrued interest	154,877	98,197
Credit card receivable	113,512	64,621
Other	49,500	43
	$ 1,494,703	$ 126,952

7. Inventory

Inventory is comprised of:

	February 28, 2017	May 31, 2016
Harvested cannabis	$ 1,725,707	$ 1,714,897
Cannabis oil	685,935	165,060
Packaging and supplies	243,063	208,893
	$ 2,654,705	$ 2,088,850

Cost of inventory is recognized as expense and included in cost of sales. Included in costs of sales for the three months ended February 28, 2017 is $50,468 of cannabis oil conversion costs and $26,778 related to the cost of accessories. Included in costs of sales for the nine months ended February 28, 2017 is $88,658 of cannabis oil conversion costs and $26,778 related to the cost of accessories.

The Company holds 460.2 kilograms of harvested cannabis (2016 – 457.3 kgs), 1,097.5 litres of cannabis oils or 182.9 kilograms equivalent (2016 – 264.1 litres or 44.1 kilograms equivalent) at February 28, 2017.

8. Biological assets

Biological assets are comprised of:

	Amount
Balance as at May 31, 2016	$ 697,997
Costs incurred until harvest	248,073
Net effect of unrealized changes in fair value of biological assets	520,574
Transferred to inventory upon harvest	(720,700)
Transferred to capital assets	(93,897)
Balance as at February 28, 2017	**$ 652,047**

The Company values medical cannabis plants at cost from the date of initial clipping from mother plants until the end of the twelfth week of its growing cycle. Measurement of the biological asset at fair value less costs to sell and costs to complete begins at the thirteenth week until harvest. The Company has determined the fair value less costs to sell to be $3.75 per gram, upon harvest.

The net effect of the fair value less cost to sell over and above historical cost was a (decrease) increase in non-cash value of inventory of $(14,243) and $520,574 during the three and nine months ended February 28, 2017 (2016 – $(84,823) decrease and $(42,033) decrease). In determining the fair value of biological assets, management is required to make several 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 several 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 in the fair value hierarchy and the significant assumptions used in determining the fair value of medical cannabis plants are as follows:

- yield by plant; and,
- percentage of costs incurred for each stage of plant growth.
- fair value less costs to sell of the harvested product

9. Promissory notes receivable

	May 31, 2016	Additions	Payments	February 28, 2017
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	--	210,399	**64,150**
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	$ --	$ 503,438	$ 64,150

10. 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	10,712,604	4,018,080	93,897	1,162,246	16,129	18,570,360	**34,573,316**
Transfers	--	4,565,987	--	--	(4,565,987)	--	**--**
Disposals	--	--	(63,501)	(32,823)	--	-	**(96,324)**
At Feb 28, 2017	**$ 10,712,604**	**$ 8,584,067**	**$ 30,396**	**$4,628,951**	**$ 262,295**	**$ 18,635,166**	**$ 42,853,479**

	Land	Greenhouse infrastructure	Bearer plants	Equipment	Leasehold improvements	Construction in process	**Total capital assets**
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	--	333,423	--	501,581	66,907	--	**901,911**
Transfers	--	524,749	--	--	(524,749)	--	**--**
Disposals	--	--	--	(11,367)	--	--	**(11,367)**
At Feb. 28, 2017	**$ --**	**$ 858,172**	**$ --**	**$ 1,044,615**	**$ 55,024**	**$ --**	**$ 1,957,811**
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 Feb. 28, 2017	**$ 10,712,604**	**$ 7,725,895**	**$ 30,396**	**$ 3,584,336**	**$ 207,271**	**$ 18,635,166**	**$ 40,895,668**

Included in cost of goods sold is $63,501 of expense related to the disposition and usage of bearer plants.

During the period, the Company disposed of capital assets with a net book value of $21,456 for proceeds of $32,823.

11. Intangible Assets

	Corporate website	Licenses & permits	Tokyo Smoke licensing agreement	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	56,120	1,250,000	459,480	--	1,765,600
At February 28, 2017	**$217,820**	**$ 1,250,000**	**$ 459,480**	**$ 4,428,000**	**$ 6,355,300**
Accumulated amortization					
At May 31, 2015	$ 33,397	$ --	$ --	$ --	$ 33,397
Additions	54,123	--	--	184,500	238,623
At May 31, 2016	87,520	--	--	184,500	272,020
Additions	54,042	110,984	33,965	332,100	531,091
Impairment	--	--	--	3,500,000	3,500,000
At February 28, 2017	**$ 141,562**	**$ 110,984**	**$ 33,965**	**$ 4,016,600**	**$ 4,303,111**
Net book value					
At May 31, 2015	$ 74,598	$ --	$ --	$ --	$ 74,598
At May 31, 2016	$ 74,180	$ --	$ --	$ 4,243,500	$ 4,317,680
At February 28, 2017	**$ 76,258**	**$ 1,139,016**	**$ 425,515**	**$ 411,400**	**$ 2,052,189**

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.

The Company recorded an impairment of its intangible asset for the CannWay brand following the changes to reimbursement allowances for veterans, as announced by Veterans Affairs Canada ("VAC"). The changes announced by VAC lowered the reimbursement amount to $8.50 per gram and effective May 26, 2017, limited individual patients usage to 3.0 grams per day.

12. Long-term Investments

	Investment	May 31, 2016	Investment	Divestiture	Cumulative change fair value	February 28, 2017
Level 1 on fair value hierarchy						
CannaRoyalty Corp.	Shares	$1,510,200	$ 1,625,000	$(1,630,304)	$ 2,287,104	**$ 3,792,000**
CannaRoyalty Corp.	Debenture	--	1,427,113	--	--	**1,427,113**
CannaRoyalty Corp.	Conversion	--	173,000	--	770,000	**943,000**
Kalytera Therapeutics, Inc.	Shares	--	3,014,320	--	627,160	**3,641,480**
MassRoots, Inc.	Shares	--	337,500	(337,500)	--	**--**
MassRoots, Inc.	Warrants	--	--	--	166,000	**166,000**
SecureCom Mobile Inc.	Debenture	--	195,327	--	--	**195,327**
SecureCom Mobile Inc.	Conversion	--	5,108	--	1,399,564	**1,404,672**
SecureCom Mobile Inc.	Warrants	--	--	--	59,000	**59,000**
Tetra Bio-Pharma Inc.	Shares	--	546,000	--	3,154,000	**3,700,000**
Tetra Bio-Pharma Inc.	Warrants	--	454,000	--	1,820,000	**2,274,000**
Canabo Medical Inc.	Shares	--	8,500,000	--	(3,160,000)	**5,340,000**
		$1,510,200	$ 16,277,368	$(1,967,804)	$ 7,122,828	**$22,942,592**
Level 3 on fair value hierarchy						
Ample Organics Inc.	Shares	$ 50,000	$ --	$ --	$ --	**$ 50,000**
Copperstate Farms, LLC	Units	--	1,755,000	--	(50,775)	**1,704,225**
Copperstate Farm Investors, LLC	Units	--	3,488,940	--	(80,491)	**3,408,449**
Resolve Digital Health Inc.	Shares	--	718,000	--	--	**718,000**
Resolve Digital Health Inc.	Warrants	--	282,000	--	(20,000)	**262,000**
Green Acres Capital Fund	Units	--	300,000	--	--	**300,000**
		$ 50,000	$ 6,543,940	$ --	$ (151,266)	**$ 6,442,674**
		$1,560,200	$ 22,821,308	$(1,967,804)	$ 6,971,562	**$29,385,266**

At quarter-end, the Company has concluded that the fair value and carrying value of the Level 3 investments are equal to the most recent financing transactions, which represent the best proxy for fair value. The fair value attached to warrants in both Level 1 and Level 3 were determined using the Black-Scholes auction pricing model.

CannaRoyalty Corp.

On September 9, 2016, Aphria exercised 750,000 warrants, issued by CannaRoyalty Corp. (“CR”), to acquire 750,000 common shares of CR for $1,125,000 and subsequently purchased an additional 250,000 common shares of CR for $500,000 on September 27, 2016. On October 19, 2016, Aphria loaned $1,500,000 to CR 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 CR at $2.00 per common share at any time before maturity. CR maintains the option of forced conversion of the convertible debenture if the common shares of CR trade on a stock exchange at a value of $4.00 or more. In addition, CR licenced, for a five-year period, its Canadian portfolio of cannabis products in exchange for a 5% royalty fee paid by Aphria. In December 2016, Aphria sold 1,300,000 shares for total proceeds of $3,539,050, through three separate transactions, realizing a gain of $1,908,746 on disposal. As a result of these transactions, Aphria holds 1,200,000 common shares of CR at a cost of $1,504,896 and has a $1,500,000 convertible debenture, due on October 18, 2019.

MassRoots, Inc.

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 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 $250,000 USD ($337,500) and received warrants to purchase an additional 500,000 common shares at $0.90 USD per common share, expiring October 17, 2019. Subsequent to October 18, 2016 Aphria divested itself of its 500,000 common shares of MassRoots for total proceeds of $600,599, realizing a gain of $263,099 on disposal; however, the Company maintains the 500,000 warrants to purchase common shares at $0.90 USD.

Copperstate Farms

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% membership interest in Copperstate through a consulting agreement which will be used to forgive payments otherwise owing on a \$1,300,000 USD (\$1,755,000) promissory note in eight equal quarterly installments beginning in February 2017. On the same date, Aphria made a direct cash contribution of \$1,300,000 USD (\$1,733,940) to Copperstate Farms Investors, LLC, the parent company of Copperstate, in return for a 5.0% membership interest in the parent company. On December 20, 2016, Aphria made a further investment of \$1,300,000 USD (\$1,747,188) in Copperstate Farms Investors, LLC. As a result of these transactions, Aphria has acquired approximately 5% of Copperstate for \$1,300,000 USD (\$1,755,000) and approximately 10% of Copperstate Farms Investors, LLC for \$2,600,000 USD (\$3,488,940 Cdn).

Kalytera Therapeutics, Inc.

On November 7, 2016, Aphria entered into a subscription agreement with Kalytera Therapuetics, Inc. ("Kalytera") The Company purchased 2,500,000 subscription receipts at a price of \$0.40 per receipt for a total of \$1,000,000. On December 30, 2016, the Company's subscription receipts converted into common shares of Kalytera on a one-for-one basis. 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 TSX-Venture Exchange. On February 22, 2017, Aphria purchased an additional 1,450,000 common shares of Kalytera in the secondary market at a price of \$0.70 per share for a total of \$1,014,420. As a result of these transactions, Aphria owns 6,172,000 common shares in Kalytera, representing approximately 4.8% of Kalytera's issued and outstanding common shares for aggregate costs of \$3,014,320.

SecureCom Mobile Inc.

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, and includes the right to a warrant for each share of equity on conversion, priced at \$0.08. The warrant expires on December 1, 2019 and the conversion right expires November 20, 2018.

Resolve Digital Health Inc.

On December 1, 2016, Aphria purchased 10,526 common shares of Resolve Digital Health Inc. (''Resolve''), a 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. The warrants contain a forced conversion provision if Resolve trades on a public stock exchange at a price of more than \$1.30 for a period of at least 30 days.

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 also 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.

Canabo Medical Inc.

On December 23, 2016, Aphria purchased 6,000,000 common shares of Canabo Medical Inc., 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.

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 balance sheet date has invested $300,000.

13. 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.

14. Promissory Note Payable

	May 31, 2016	Additions	Payments forgiven	February 28, 2017
Note payable to Copperstate Farms, LLC - $1,300,000 USD, bearing nominal interest, two-year term, forgivable in eight quarterly instalments	$ --	$ 1,704,225	$ 284,038	$ 1,420,187
Deduct – principal portion included in current liabilities	--	--	--	(852,112)
	$ --	$ 1,704,225	$ 284,038	$ 568,075

15. Long term debt

	February 28, 2017	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 2021.	$ 1,190,369	$ --
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 2021.	3,677,899	--
Vendor take-back mortgage owed to related party – $2,850,000 – 6.75%, 5-year term, repayable in equal monthly instalments of $56,097 including interest, due in June 2021	2,523,085	--
	7,391,353	--
Deduct – unamortized finance fees	(21,667)	--
– principal portion included in current liabilities	(754,098)	--
	$ 6,615,588	$ --

Total long-term debt repayments are as follows:

	Period ending February 28,
Next 12 months	$ 754,098
2 years	799,648
3 years	848,091
4 years	899,616
5 years	4,089,900
Balance of obligation	$ 7,391,353

The vendor take-back mortgage payable of $2,523,085, 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 $3,677,899 and term loan of $1,190,369 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.

16. Share capital

The Company is authorized to issue an unlimited number of common shares. As at February 28, 2017, the Company has issued 124,074,220 shares.

Common Shares	Number of Shares	Amount
Balance at May 31, 2016	70,053,933	$ 40,916,880
Bought deals, net of issuance	38,812,500	123,091,925
Warrants exercised	14,558,932	22,600,975
Options exercised	572,596	761,665
Share issuance in exchange for services	37,500	186,026
Share issuance in exchange for intangible asset	38,759	100,000
Balance at February 28, 2017	**124,074,220**	**$ 187,657,471**

a) 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.

b) 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.

c) In February 2017, the Company closed a bought deal financing in which it issued 11,500,000 common shares at a purchase price of $5.00 per share for $53,869,357, net of cash issuance costs.

d) Throughout the nine-month period, 14,558,932 warrants with exercise prices ranging from $0.60 to $1.75 were exercised for $22,600,975.

e) Throughout the nine-month period, 572,596 stock options with exercise prices ranging from $0.60 to $1.30 were exercised for $761,665.

f) In September 2016, the Company issued 38,759 common shares pursuant to execution of an exclusive supply and licensing agreement.

g) In January 2017, the Company issued 37,500 common shares pursuant to a third party consulting agreement for greenhouse related services

The following table presents the maximum number of shares that would be outstanding if all the dilutive "in the money" instruments outstanding as at February 28, 2017 were exercised:

Common shares outstanding at February 28, 2017	124,074,220
Warrants outstanding and "in the money"	3,775,873
Options outstanding and "in the money"	6,266,500
Fully diluted balance at February 28, 2017	**134,116,593**

17. 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	106,157	$ 1.75	$ 85,432
Warrant	December 11, 2018	357,923	$ 1.75	--
Warrant	December 2, 2019	3,111,793	$ 1.50	--
Warrant	September 26, 2021	200,000	$ 3.14	359,480
Balance at February 28, 2017		**3,775,873**	**$ 1.62**	**$ 444,912**

	February 28, 2017		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	**(14,558,932)**	**1.55**	(5,930,244)	1.18
Cancelled during the period	**--**	**--**	--	--
Outstanding, end of period	**3,775,873**	**$ 1.57**	17,919,719	$ 1.53

The Company used the Black Scholes option pricing model to determine the fair value of warrants 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, the exercise price of the respective warrant.

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 $1,255,976 during the three months ended February 28, 2017 (2016 - $145,748) and $1,710,565 during the nine months ended February 28, 2017 (2016 - $405,079). The total fair value of options granted during the period was $2,846,399 (2016 - $282,040).

	February 28, 2017		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	**(641,500)**	**1.03**	--	--
Issued during the period	**2,113,000**	**3.73**	565,000	$ 1.13
Cancelled during the period	**(180,000)**	**1.11**	(110,000)	1.08
Outstanding, end of period	**6,266,500**	**$ 1.79**	4,975,000	$ 0.84
Exercisable, end of period	**4,333,287**	**$ 1.25**	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.

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.

In December 2016, the Company issued 500,000 stock options at an exercise price of $5.25 per share, exercisable for 3 years to consultants of the company. All 500,000 vest based on certain performance metrics attainable over the three-year period.

In January 2017, the Company issued 45,000 stock options at an exercise price of $5.72 per share, exercisable for 3 years to employees of the company. 5,000 vest immediately and the remainder 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	305,000	305,000
December 2017	$ 1.10	700,000	139,920
March 2018	$ 0.90	20,000	20,000
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	170,000	170,000
April 2019	$ 1.67	33,500	33,500
June 2019	$ 0.60	2,550,000	2,550,000
September 2019	$ 3.00	75,000	28,875
October 2019	$ 3.49 – 3.70	70,000	56,666
November 2019	$ 3.90	1,000,000	333,333
December 2019	$ 5.25	500,000	166,665
January 2020	$ 5.72	45,000	1,666
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 February 28, 2017	$ 1.79	6,266,500	4,333,287

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 62-70% based on comparable companies; forfeiture rate of 5%; dividend yield of nil; and, the exercise price of the respective option.

19. Share-based compensation

Share-based compensation is comprised of:

	February 28, 2017	February 29, 2016
Amounts charged to share-based payment reserve in respect of share-based compensation	$ 1,508,539	$ 405,079
Shares for services compensation	186,026	--
Deferred share units expensed in period	16,000	--
Total share-based compensation	$ 1,710,565	$405,079

20. Share-based payment reserve

Share-based payment reserve is comprised of:

	February 28, 2017	February 29, 2016
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	(310,615)	--
Amounts charged to share-based payment reserve in respect of share-based compensation	1,508,539	405,079
Balance, end of year	$ 2,921,827	$1,666,668

21. 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 February 28, 2017 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.

	Amount
Balance as at May 31, 2016	$ --
Related party charges in period	350,141
Payments to related parties in period	(350,141)
Balance as at February 28, 2017	$ --

During the nine months ended February 28, 2017, related party corporations charged or incurred expenditures on behalf of the Company totalling $350,141 (2016 - $885,269). Included in this amount was rent of $41,211 charged during the nine months ended February 28, 2017 (2016 - $135,383).

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 licenses and permits – intangible assets.

Key management personnel compensation is comprised of:

	February 28, 2017	February 29, 2016
Salaries	$ 619,755	$ 474,129
Short-term employment benefits (included in office and general)	34,673	--
Share-based compensation	423,255	243,230
	$ 1,077,683	$ 717,359

Directors and officers of the Company control 15.2% or 18,905,366 of the voting shares of the Company.

22. Finance income, net

Finance income, net is comprised of:

	February 28, 2017	February 29, 2016
Interest income	**$ 934,970**	$ 171,947
Interest expense	**(236,486)**	--
	$ 698,484	$ 171,947

23. General and administrative expenses

	For the three months ended February 28 (29)		For the nine months ended February 28 (29)	
	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

24. Change in non-cash working capital

Change in non-cash working capital is comprised of:

	February 28, 2017	February 29, 2016
Increase in accounts receivable	**$ (260,746)**	$(2,297,112)
(Increase) decrease in other receivables	**(1,367,751)**	651,940
Increase in inventory	**(123,072)**	(146,698)
Decrease (Increase) in biological assets	**123,741**	(147,663)
Increase in prepaid assets	**(269,274)**	(138,766)
Increase in accounts payable and accrued liabilities	**3,329,970**	666,269
	$ 1,432,868	$ (1,412,030)

25. Gain on long-term investments

Gain on long-term investments for the three and nine months ended February 28, 2017 is comprised of:

Investment	Proceeds	Cost	Realized gain on disposal	Change in fair value	Total
Level 1 on fair value hierarchy					
CannaRoyalty Corp - Shares.	$ 3,539,050	$ 1,630,304	$ 1,908,746	$ --	**$ 1,908,746**
MassRoots Inc. - Shares	600,599	337,500	263,099	--	**263,099**
Long-term investments (Note 12)	--	--	--	6,971,562	**6,971,562**
Nine Months Ended February 28, 2017	$ 4,139,649	$ 1,967,804	$ 2,171,845	$ 6,971,562	**$ 9,143,407**
Less transactions in previous quarters:					
MassRoots Inc. - Shares	600,599	337,500	263,099	--	**263,099**
Three Months Ended February 28, 2017	$ 3,539,050	$ 1,630,304	$ 1,908,746	$ 6,971,562	**$ 8,880,308**

26. Earnings (loss) per share

The calculation of earnings per share for the three months ended February 28, 2017 was based on the net income attributable to common shareholders of $4,950,250 (2016 – $3,720) and a weighted average number of common shares outstanding of 111,976,759 (2016 – 62,174,289) calculated as follows:

	2017	2016
Basic earnings per share:		
Net income for the three-month period	$ 4,950,250	$ 3,720
Average number of common shares outstanding during the period	111,976,759	62,174,289
Earnings per share	$ 0.04	$ 0.00

	2017	2016
Diluted earnings per share:		
Net income for the three-month period	$ 4,950,250	$ 3,720
Average number of common shares outstanding during the year	111,976,759	62,174,289
“in the money” warrants outstanding during the period	2,445,570	1,142,486
“in the money” options outstanding during the period	3,875,709	3,714,206
	118,298,038	67,030,981
Earnings per share	$ 0.04	$ 0.00

The calculation of earnings (loss) per share for the nine months ended February 28, 2017 was based on the net income (loss) attributable to common shareholders of $6,791,197 (2016 – loss of $904,203) and a weighted average number of common shares outstanding of 93,655,328 (2016 – 55,699,999) calculated as follows:

	2017	2016
Basic earnings (loss) per share:		
Net income (loss) for the nine-month period	$ 6,791,197	$ (904,203)
Average number of common shares outstanding during the period	93,655,328	55,699,999
Earnings (loss) per share	$ 0.07	$ (0.02)

	2017	2016
Diluted earnings (loss) per share:		
Net income (loss) for the nine-month period	$ 6,791,197	$ (904,203)
Average number of common shares outstanding during the period	93,655,328	55,699,999
"in the money" warrants outstanding during the period	2,445,570	1,142,486
"in the money" options outstanding during the period	3,875,709	3,714,206
	99,976,607	60,556,691
Earnings (loss) per share	$ 0.07	$ (0.01)

27. Financial risk management and financial instruments

Financial instruments

The Company has classified its cash and cash equivalents, marketable securities and long-term investments, with the exception of the debenture in CannaRoyalty Corp. and SecureCom Mobile Inc., 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, promissory notes payable, and long-term debt as other financial liabilities. The debentures in CannaRoyalty Corp. and SecureCom Mobile Inc. are accounted for on an amortized cost basis.

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

The Company's long-term debt of $7,391,353 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 February 28, 2017 was $7,312,307.

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

	Level 1	Level 2	Level 3	February 28, 2017
Financial assets at FVTPL				
Cash and cash equivalents	$ 84,351,132	$ --	$ --	$ 84,351,132
Marketable securities	37,678,063	--	--	37,678,063
Accounts receivable	--	2,039,425	--	2,039,425
Other receivables	--	1,494,703	--	1,494,703
Biological assets	--	--	652,047	652,047
Long-term investments	22,942,592	--	6,442,674	29,385,266
	$144,971,787	$ 3,534,128	$ 7,094,721	$ 155,600,636
Financial liabilities at amortized cost				
Accounts payable and accrued liabilities	$ 4,612,462	$ --	$ --	$ 4,612,462
Current portion of promissory note payable	852,112	--	--	852,112
Current portion of long-term debt	754,098	--	--	754,098
Promissory note payable	568,075	--	--	568,075
Long-term debt	6,615,588	--	--	6,615,588
	$ 13,402,335	$ --	$ --	$ 13,402,335

	Level 1	Level 2	Level 3	May 31, 2016
Financial assets at FVTPL				
Cash	$ 16,472,664	$ --	$ --	$ 16,472,664
Accounts receivable	--	1,778,679	--	1,778,679
Other receivables	--	126,952	--	126,952
Biological assets	--	--	697,997	697,997
Long-term investments	1,510,200	--	50,000	1,560,200
	$ 17,982,864	$ 1,905,631	$ 747,997	$ 20,636,492
Financial liabilities at amortized cost				
Accounts payable and accrued liabilities	$ 1,226,492	$ --	$ --	$ 1,266,492

Financial risk management

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

(a) Credit risk

The maximum credit exposure at February 28, 2017 is the carrying amount of cash and cash equivalents, marketable securities, 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. Marketable securities are placed with major Canadian investment banks.

The Company mitigates its credit risk and volatility on its marketable securities through its investment policy, which permits investments in Federal or Provincial government securities, Provincial utilities or bank institutions and Investment grade corporate bonds.

	Total	0-30 days	31-60 days	60-90 days	90+ days
Trade receivables	**$ 2,039,425**	$ 933,696	$ 552,209	$ 176,520	$ 377,000
		45.8%	27.1%	8.7%	18.4%

(b) Liquidity risk

As at February 28, 2017, the Company's financial liabilities consist of accounts payable and accrued liabilities, which has contractual maturity dates within one year, promissory note payable, which has a contractual maturity within 15 months 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 February 28, 2017, management regards liquidity risk to be low.

(c) Interest rate price risk

The Company manages interest rate risk by restricting the type of investments and varying the terms of maturity and issuers of marketable securities. Varying the terms to maturity reduces the sensitivity of the portfolio to the impact of interest rate fluctuations.

(d) 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 its capital structure and adjusts 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 and marketable securities as capital.

28. 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 use of two motor vehicles expiring September 2019 and August 2020 in the amounts of $9,313 and $19,599, respectively, annually and leased office space in Toronto for $4,500 per month until September 2017. Minimum payments payable over the next five years are as follows:

	Periods ending May 31,
2017	$ 2,028,587
2018	11,026,715
2019	47,993
2020	21,927
2021	3,267
	$ 13,128,489

The Company has purchase orders outstanding at February 28, 2017 related to capital expansion of $12,946,773, of which $1,999,681 are expected to be paid in fiscal 2017.

29. 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 Farms Investors, LLC 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. (“Liberty”) 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.