



## Aphria Inc. Concludes Transformational Year With Continued Profitability in 4th Quarter

*17% increase in patient base, 31% decrease in production costs and 23% increase in EBITDA in latest quarter*

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Aphria Inc. ("Aphria" or the "Company") (TSX VENTURE: APH)(OTCQB: APHQF) today reported its fourth quarter and year-end results, for the year ended May 31, 2016. All amounts are expressed in Canadian dollars.

Three months ended May 31,			Twelve months ended May 31,	
2016	2015		2016	2015
\$ 2,776,316	\$ 499,890	Revenue	\$ 8,433,929	\$ 551,430
2,106,394	585,708	Gross profit	5,977,428	794,851
2,069,007	296,461	Adjusted gross profit	5,982,074	331,858
74.5%	59.3%	Adjusted gross margin	70.9%	60.2%
		Earnings (loss) before		
102,164	(481,380)	tax	(802,039)	(6,543,444)
1,302,164	(481,380)	Net income (loss)	397,961	(6,543,444)
520,685	(642,295)	EBITDA	572,888	(3,560,899)

Q4-2016			Q3-2016
4,675		Patient registrations	4,000
340.4		Kilograms sold	322.4
\$ 1.15		Cash cost to produce / gram	\$ 1.67
\$ 2.07		"All-in" cost of goods sold / gram	\$ 2.22
\$ 16,472,664		Cash and cash equivalents on hand	\$ 12,053,547
\$ 20,533,355		Working capital	\$ 15,868,075
\$ 434,602		Investment in capital assets	\$ 1,175,007

### Financial highlights

For the second consecutive quarter, the Company reported profitability. Last quarter, the Company reported income before tax of \$3,720. In the current quarter, income before tax was \$102,164 and net income was \$1,302,164. The increased pre-tax profitability related to reduced

growing costs, as reflected in the Company's cost per gram metrics, and strong sales growth in the last month of the fiscal year.

The Company continued to report strong EBITDA levels, growing EBITDA 23% in the quarter to \$520,685 and \$572,888 for the year. The EBITDA growth reflects the improvement in our costs after adding the additional capacity of our Part I expansion without a corresponding increase in our fixed overhead costs.

#### Patient registrations

Patient on-boarding rates continued to reflect gains from the prior quarter, growing 17% from 4,000 patients at the end of February 2016 to 4,675 at the end of May 2016. The majority of the increase occurred in the last month of the fiscal year, as the delay in the approval of Part I expansion forced the Company to slow patient acquisitions late in the prior quarter and early in the current quarter. We anticipate that once sale of oil extracts is approved by Health Canada, we will experience robust patient growth.

Year over year, our patients grew from 1,050 to 4,675, a 345% increase.

#### Revenue

As a result of the delay in the approval of our Part I expansion, the Company was unable to accept new patient registrations beginning in late December 2015 until the end of April 2016. As a result, the Company's revenue grew below expectations in the fourth quarter. The Company ended the quarter with revenue of almost \$2.8 million. While growth in the quarter was slower than anticipated, the Company earned over 40% of the quarterly revenue in the month of May.

The increase in revenue in the quarter is consistent with the Company's increase in kilograms sold from 322.4 to 340.4. For the quarter, the Company's average selling price gram was \$8.16, a decrease of \$0.15 per gram from \$8.31 per gram in the prior quarter. The decrease in average selling price gram during the quarter is a result of a greater number of grams being sold under the Company's wholesale model than in the prior quarter.

Year over year revenue grew from \$0.6 million to \$8.4 million, or over 15 fold.

#### Gross profit and cost per gram metrics

Gross profit for the quarter increased to \$2.1 million, or 75.9% of sales, from \$1.9 million, or 70.3% of sales, in the prior quarter. The increase in the gross profit as a percent of sales in the quarter was driven by the strong improvement in our "all-in" cost to sell per gram. During the quarter, "all-in" cost to sell per gram decreased from \$2.22 to \$2.07, a 7% decrease, and cash cost to produce per gram decreased from \$1.67 to \$1.15, a 31% decrease. Both figures exclude the impact of any IFRS fair value adjustments and demonstrates our industry-leading low cost producer status.

#### Selling, general and administrative expenses

Selling, general and administrative expenses were \$2.1 million in the quarter, an increase of \$0.1 million from the prior quarter. The increase in the quarter is consistent with the increase in sales in the quarter.

Year over year, selling, general and administrative expenses were \$7.1 million as compared to \$4.2 million in the prior year.

Net income (loss)

In the quarter, the Company reported income before tax, both with and without IFRS adjustments. Under both scenarios the Company reported \$0.1 million in income before tax. As a result of the Cannway brand acquisition and our profitability, we recorded a \$1.2 million income tax recovery in the quarter. As a result, the Company reported net income for the quarter of \$1.3 million or \$0.02 per share.

For the year, the Company reported a loss before tax of \$0.8 million. As a result of the fourth quarter income tax recovery, the Company reported net income of \$0.4 million for the year or \$0.01 per share compared to a net loss of \$6.5 million, or \$0.14 per share, in the prior year.

"With a strong balance sheet supported by a continued and sustainable positive operating cash flow, Aphria continues to be well positioned to capitalize on continued medical cannabis growth, while at the same time prudently planning for potential legalization for recreational use.", said Vic Neufeld.

### About Aphria

Aphria Inc., one of Canada's lowest cost producers, produces, supplies and sells medical cannabis. Located in Leamington, Ontario, the greenhouse capital of Canada. Aphria is truly powered by sunlight, allowing for the most natural growing conditions available. We are committed to providing pharma-grade medical cannabis, superior patient care while balancing patient economics and returns to shareholders. We are the first public licenced producer to report positive cash flow from operations and the first to report positive earnings in consecutive quarters.

For more information, visit [www.Aphria.com](http://www.Aphria.com).

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS:** Certain information in this news release constitutes forward-looking statements under applicable securities laws. Any statements that are contained in this news release that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements are often identified by terms such as "may", "should", "anticipate", "expect", "potential", "believe", "intend" or the negative of these terms and similar expressions. Forward-looking statements in this news release include, but are not limited to, statements with respect to internal expectations, estimated margins, expectations for future growing capacity and costs, the completion of the capital project, any commentary related to the legalization of marijuana and the timing related thereto, expectations regarding patient acquisitions and numbers, expectations of Health Canada

approvals and expectations with respect to future production costs. Forward-looking statements necessarily involve known and unknown risks, including, without limitation, risks associated with general economic conditions; adverse industry events; marketing costs; loss of markets; future legislative and regulatory developments involving medical marijuana; inability to access sufficient capital from internal and external sources, and/or inability to access sufficient capital on favourable terms; the medical marijuana industry in Canada generally, income tax and regulatory matters; the ability of Aphria to implement its business strategies; competition; crop failure; currency and interest rate fluctuations and other risks.

Readers are cautioned that the foregoing list is not exhaustive. Readers are further cautioned not to place undue reliance on forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which they are placed will occur. Such information, although considered reasonable by management at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated. Forward-looking statements contained in this news release are expressly qualified by this cautionary statement.

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Contacts:  
Aphria Inc.  
Vic Neufeld  
President & CEO  
1-844-427-4742