

Licensed Producer of Medical Marijuana for the Canadian Marketplace



Vic Neufeld
Chief Executive Officer

Aphria Inc.
(TSXV: APH)
www.aphria.com

Contact:
Vic Neufeld
1-844-427-4742
investors@aphria.com

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFO Magazine

CEOCFO: *Mr. Neufeld, what is Aphria?*

Mr. Neufeld: Aphria is one of Canada's largest licensed producers serving the medical cannabis space in Canada. We are committed to growing and selling high quality, pharmaceutical grade cannabis to patients across Canada while supporting them with superior patient care. We started our journey several years ago under the old MMAR system. When Health Canada moved from the old to the new system called MMPR we were the thirteenth organization awarded a license to cultivate and distribute medical cannabis to patients across the country. We have been on this journey for about two and a half years after having received our full status license in late November of 2014. In early December of 2015 we had already completed our RTO financing and we became a publicly listed company on the TSX Venture Exchange. In fact, we are conditionally approved to list on the Toronto Stock Exchange by May 3rd, 2017.

CEOCFO: *Would you tell us a little bit about the market today for medical cannabis in Canada?*

Mr. Neufeld: The market has demonstrated approximately fifteen to twenty percent growth, month over month over month depending on what literature one reads. Currently, there are approximately one hundred thousand patients that have received a prescription and purchased from a licensed producer in Canada. The industry is growing. One of the reasons is the increasing level of comfort that doctors are having writing scripts. At the beginning of this journey, there were only a handful of doctors willing to prescribe medical cannabis and now there are more than four thousand doctors that have scripted the product. The Canadian population is getting more and more comfortable with the patient evidence and other literature touting the benefits of this alternative health treatment. According to multiple sources including Health Canada, the Parliamentary Budget Office and Deloitte, the estimate is that the medical cannabis market will grow to one point two billion dollars by the year 2020. There is a lot of growth potential ahead of us.

CEOCFO: *Once doctors write the prescription are they involved? Are they directing the patient at all into how or where or what they should be looking for or is it strictly the patient's decision at the end? Are patients somewhat on their own in finding the right provider?*

Mr. Neufeld: That is a very good question and this speaks to the heart of how licensed producers grow their business. Doctors, for the most part, are self educated in terms of what cannabinoids, what ratios and what percentages they feel comfortable scripting, and also the script size. These doctors are also increasingly at ease with assessing patients and their fit for medical cannabis as an alternative course of treatment. Once trust and fit is established with the patient, they look at which licensed producers are best equipped to deliver an effective, consistent, and standardized product that meets their patient's needs. However, for the most part, they do not direct their patients to a licensed producer, but perhaps talk about who they deem to be their top two or three producers based on criteria such as product availability,

strain efficacy, pricing and service. This is where we need to stand out to win. But to answer your question, at the end of the day, the patient always has right to choose which licensed producer they wish to work with.

CEOCFO: *Where does Aphria fit into the picture?*

Mr. Neufeld: To most, we are viewed as the second largest licensed producer in Canada with a 15% share of the market, measured by revenues and grams sold on a monthly basis as a public company. There are probably six or seven others that are publicly listed so we can always compare ourselves to quarterly releases and MD&As. On the flip side, from an investor's perspective, we are one of the lowest cost producers, if not the lowest cost producer. You see, we grow in a greenhouse meaning we use one twelfth of the hydro that our competitors who grow indoors use, giving us a significant cost advantage versus indoor growers. This expertise comes directly from our two co-founders who come from commercial greenhouse growing backgrounds. Looking at our quarterly statements, you can see that we are the only licensed producer that can boast four consecutive quarters of positive EBITDA and three consecutive quarters of positive earnings.

CEOCFO: *Do patients understand better or is cheaper more important or maybe a combination?*

Mr. Neufeld: I would say the latter. While the industry does have its share of experienced connoisseurs, you know, the 'scotch and cigar type user' that prefers the older ritual of smoking or vaporizing, there is a growing segment of new users that are more concerned with efficacy and precise dosing. While we do not necessarily grow the biggest or spongier bud that would appeal to the connoisseurs, we do excel at growing clean and safe pharmaceutical-grade cannabis for medical purposes. We are especially strong when it comes to oil extraction where the size of the bud is irrelevant but consistency and potency is key. As the medical industry grows, patients are looking at these factors more and more. They are also looking at the customer service experience; who can really help them navigate this space and understand the differences between strains, potencies and ingestion methods best suited to meet their needs. Last but not least, they are looking at their pocketbook and at who can best satisfy their requirements from a product, availability and service level standpoint but at a price that they can afford.

"Aphria is one of Canada's largest licensed producers serving the medical cannabis space in Canada. We are committed to growing and selling high quality, pharmaceutical grade cannabis to patients across Canada while supporting them with superior patient care."- Vic Neufeld

CEOCFO: *One of your unique selling propositions is, "superior patient care." What have you learned throughout this journey with respect to patients?*

Mr. Neufeld: Each patient is unique and as a result each patient needs something different from an LP. On one hand, Aphria serves almost 1000 veterans, most suffering from PTSD. Most people have difficulty understanding PTSD because they haven't experienced it or don't know anyone afflicted by it. At Aphria, we have dedicated patient care representatives that are trained to work with PTSD patients. They know how to converse with them and give them the time, reassurance and patience that they need. For these patients, having their preferred strains available, in stock, and shipped out promptly is paramount. It is medication that they argue is saving their lives. On the other hand, there are cancer patients who are very often scared and out of hope. They may have been diagnosed with a potentially terminal illness and wondering if cannabis can truly help them improve their quality of life. These patients are often new users and need a lot of compassion and personalized care. They need to feel comforted that the person they are speaking with has their best interest at heart, is willing to take the time to help them through their journey, and is not rushing to get through the call. That is because it is a very scary journey for cancer patients. When I say cancer, it is not just cancer pain, Lynn. It is the nausea that comes with chemo treatment. It is the sleep disorder caused by anxiety and depression. It is the lack of appetite stemming from chemo treatments. What they need is compassionate support and we have really nurtured our patient care team over the last two and a half years to really understand the different mindsets of the patient on the other end of the phone. There has got to be a passion behind it and we are quite proud of the team we have.

CEOCFO: *Can your facilities keep up with demand?*

Mr. Neufeld: A year ago, yes – today, no. We are selling everything that we can harvest! We do have various expansions underway; one we refer to as a part two expansion, which more than doubles our capacity. We are currently waiting for Health Canada's pre-license inspection and are expecting that they will visit our facility within the next few weeks. That will increase our harvest from about three thousand kilos to seventy five hundred kilos on an annualized basis. That is what is necessary to really keep up to the growing demand. We have actually stopped onboarding new patients from several of our medical platforms, mostly clinics, because we know we cannot service their patients needs, and again, patient care is of utmost importance to us. Here is the Pandora's Box. Health Canada is trying their best to keep up with licensed

producers and their requirements to grow capacity, but they again are very strapped for bench strength. It takes very talented field inspectors to come in and really do a pre-license inspection to give us approvals and their plates are full.

CEOCFO: *You mentioned US expansion. What are your plans?*

Mr. Neufeld: We really feel confident in the management team of Aphria, but also in our vision. Our vision is to continue to advance the cause of medicinal cannabis in areas where the medical channel thrives. There are a number of states, as you know, that have approved medical cannabis and they are all continuing to refine, reengineer, upgrade and improve through regulations how patients and their various states can get a script from doctors and can go to a dispensary to get the right medical cannabis scripts filled. A number of states have really indicated a strong desire from their state legislatures to move the needle forward, to make this more accessible to patients, to make it more user friendly, to allow doctors a little more clarity on how to script and renewals of scripts and so on. A number of states are on our radar, Lynn, and the key to success in these states lies in our DNA. Many of us come from the pharma background where quality and safety takes priority - always. And it's no different when it comes to medical cannabis, patient safety comes first.

CEOCFO: *Why should the business, investment and patient community pay attention to Aphria?*

Mr. Neufeld: Aphria is about quality; clean, standardized and consistent, grown at an industry-leading low cost, which translates into favorable cost to the pocketbook. We are also involved in a number of science plays. We have got a number of clinical studies under way, most of them with US or Israeli institutions, which truly are clinical and ethical. This is what is necessary for the medical community to really jump on board when there is true science brought to the table. Companies that have our level of commitment to quality, science and patient care will be the winners in the end.

