

Aphria Inc.

Management's Discussion & Analysis

For the year ended May 31, 2015

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 year ended May 31, 2015. It is supplemental to, and should be read in conjunction with the Company's consolidated financial statements and the accompanying notes for the year ended May 31, 2015, and the management information circular dated October 28, 2014. This MD&A is prepared as of September 8, 2015.

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.

Notice Concerning Forward-looking Statements

This MD&A contains forward-looking statements with respect to expected financial performance, strategy and business conditions. The words "forecast", "future", "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 growth in the number of patients using the Company's medical marijuana; and
- the anticipated future gross margins of the Company's operations.

Company Overview

Aphria Inc. was incorporated under the Business Corporations Act (Alberta) on June 22, 2011 as Black Sparrow Capital Corp. ("Black Sparrow") and was continued in Ontario on December 1, 2014. On December 2, 2014, Black Sparrow, a Capital Pool Company, completed its qualifying transaction with PNW. For further information on this transaction, please refer to the management information circular dated October 28, 2014. The Company's common shares are listed under the symbol "APH" on the TSX Venture Exchange ("TSX-V").

Pure Natures Wellness Inc. d/b/a Aphria ("PNW"), a wholly-owned subsidiary of the Company, is licensed to produce and sell medical marijuana under the provisions of the Marihuana for Medical Purposes Regulations ("MMPR"). PNW received its license to produce and sell medical marijuana on November 26, 2014. 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 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 MMPR licensed producers.

Additional information relating to the Company is available on SEDAR at www.sedar.com.

Highlights

On November 26, 2014, Aphria received its license from Health Canada to cultivate and sell marijuana under the MMPR. Aphria is currently licensed to produce and sell 700 kilograms of medical marijuana until September 24, 2015. Soon thereafter, the Company completed its reverse acquisition transaction with Black Sparrow and began trading on the TSX-V under the ticker symbol "APH". Since receiving its license, Aphria has grown its patient base to 1,050 by May 31st, 2015 and over 2,200 registered patients as of the date of this MD&A.

To expand patient reach further, Aphria has entered into agreements with two national organizations committed to helping first responders and veterans deal with chronic ailments. Each of the agreements has a three-year term. These recently engaged go-to-market sales platforms are currently providing Aphria with an accelerated rate of patient registration requests.

In addition, the Company was successful in amending its license with Health Canada to allow for wholesale shipping of medical marijuana plant cuttings as well as medical marijuana in dried bud form earlier in the year. Aphria has already completed several sales through its wholesale strategy and based on current costs, management expects the wholesale shipment strategy to deliver, on average, adjusted gross margins in excess of fifty percent.

In order to keep up with anticipated demand, Aphria's board of directors approved a two-phase expansion. The initial expansion involves the retrofit of three existing greenhouses adjacent to the current facilities for an additional 20,000 square feet, budgeted at approximately $1 million, or $50 per square foot. Following completion of construction (which is nearing completion as at the date of this MD&A) and the receipt of various required Health Canada approvals, Aphria expects to have total annualized growing capacity of approximately 2,500 kilograms.

Recent Developments

On June 11, 2015, the Supreme Court of Canada released its decision on R v. Smith, 2015 SCC 34. As a result of the Supreme Court of Canada decision, individuals authorized to possess marijuana under the MMPR and those falling under the terms of a court injunction (for example, Allard injunction) may now possess marijuana derivatives for their own use. In order to eliminate uncertainty around a legal source of supply of marijuana, Health Canada has taken the immediate step of issuing a section 56 exemption under the Controlled Drugs and Substances Act ("CDSA"), allowing licensed producers to produce and sell cannabis oil and fresh marijuana buds and leaves in addition to dried marijuana (plant material that can be used to propagate marijuana will not be permitted to be sold by licensed producers to clients). The role of healthcare practitioners in authorizing marijuana for medical purposes does not change.

The Section 56 exemption under the CDSA enables licensed producers to provide a legal source of cannabis oil and fresh marijuana buds and leaves. This exemption, effective immediately, sets out the strict terms and conditions with which licensed producers must comply. These build on the regulatory requirements set out in the MMPR.

In August, Aphria received authorization from Health Canada under the section 56 exemption to begin the production of oil extracts from cannabis. In response to these changes, Aphria has commenced the building of a research & development laboratory and related advanced equipment at its Leamington, Ontario facility. This expansion is in addition to the two-phase expansion described above and will provide Aphria the opportunity to diversify into marijuana oil extracts. This expansion is budgeted at approximately $1.7 million, is expected to be funded by cash on hand, with the expansion remaining subject to Health Canada approval. In total, the initial phase expansion and research and development laboratory are expected to cost approximately $2.7-2.9 million.

Aphria has also entered into a sponsorship agreement with The Arthritis Society to provide $100,000 for medical marijuana research and education programs. With this support, The Arthritis Society will investigate medical cannabis treatment benefits in arthritis pain and disease management and develop medical cannabis educational resources for Canadians living with arthritis.

Selected Financial Information

Selected Annual Financial Information

	Year ended May 31/15 ($)	Thirteen months ended May 31/14 ($)	Year ended Apr 30/13 ($)
Revenue	551,430	-	-
Net loss	6,543,444	1,566,637	608,844
Net loss per share (basic and diluted)	0.14	0.07	5.71
Total assets	14,292,571	1,739,251	14,970
Long-term liabilities	-	-	-
Working capital	9,390,844	(3,741,777)	(623,794)
Dividends per share	-	-	-

Selected Quarterly Financial Information

	Q4-2015 May 31/15 $	Q3-2015 Feb 28/15 $	Q2-2015 Nov 30/14 $	Q1-2015 Aug 31/14 $	Q4-2014 May 31/14 $	Q3-2014 Feb 28/14 $	Q2-2014 Nov 30/13 $	Q1-2014 Aug 31/13 $
Revenue	499,890	51,540	-	-	-	-	-	-
Net loss	(481,380)	(3,103,111)	(1,358,849)	(1,600,104)	(783,415)	(301,884)	(228,267)	(253,071)
Net loss per share (basic and diluted)	(0.01)	(0.06)	(0.04)	(0.04)	(0.03)	(0.01)	(0.01)	(0.03)

The Company obtained its MMPR license to produce and sell on November 26, 2014, with sales commencing shortly thereafter. The Company recognized listing costs of $2,708,031 in the third quarter of 2015, $314,037 in the second quarter of 2015, and $256,000 in the first quarter of 2015.

Results of Operations

Revenue and Cost of Sales

	Year ended May 31, 2015	13 months ended May 31, 2014
Revenue	**$ 551,430**	$ -
Cost of sales:		
Cost of goods sold	**433,262**	-
Pre-distribution growing costs	**321,028**	463,343
Change in biological assets	**(997,711)**	-
	(243,421)	463,343
Gross profit	**$ 794,851**	$ (463,343)

Revenue for the year ended May 31, 2015 was $551,430 versus $nil in 2014. The Company obtained its license to sell medical marijuana in late November 2014, with the Company completing its first commercial shipment in December 2014. No revenue was earned prior to December 2014.

Cost of sales currently consist of three main categories: (i) cost of goods sold, (ii) pre-distribution growing costs, and (iii) change in biological assets.

(i) Cost of goods sold include the direct cost of materials and labour related to the medical marijuana sold. This would include growing, cultivation and harvesting costs, stringent quality assurance and quality control, as well as packaging and labelling. In the year ended May 31, 2015, the Company recognized $433,262 of cost of goods sold (2014 - $nil). Cost of goods sold were not recognized prior to this, as the Company had not yet commenced sales. All medical marijuana shipped and sold by Aphria has been grown and produced by the Company.

(ii) Pre-distribution growing costs include costs directly attributable to the growing and cultivation of medical marijuana that were expensed prior to the Company receiving its full license to produce and sell medical marijuana under the MMPR. No costs were classified as pre-distribution growing costs after receiving its full license. The Company incurred $321,028 pre-distribution growing costs in the year ended May 31, 2015 (2014 - $463,343).

(iii) 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 currently represents the change in fair value in biological assets (medical marijuana) during the period. The change in biological assets for the year ended May 31, 2015 was a $997,711 gain (2014 - $nil). There were no changes recognized prior to receiving the full license under the MMPR.

Cost of sales was a recovery of $243,421 for the year ended May 31, 2015 versus costs of $463,343 in 2014. Gross profit for the year ended May 31, 2015 was $794,851 (2014 – negative $463,343).

Management believes the use of an adjusted gross profit and adjusted gross margin currently provides a better representation of performance by excluding non-cash fair value metrics required by IFRS. The following is the Company's adjusted gross profit and adjusted gross margin as compared to IFRS for the year:

	Year ended May 31, 2015 IFRS	Adjustments	**Year ended May 31, 2015 Adjusted**
Revenue	$ 551,430	$ -	**551,430**
Cost of sales:			
Cost of goods sold	433,262	(213,690)	**219,572**
Pre-distribution growing costs	321,028	(321,028)	**-**
Change in biological assets	(997,711)	997,711	**-**
	(243,421)	462,993	**219,572**
Gross profit	$ 794,851	$ (462,993)	**$ 331,858**
Gross margin	144.1%		**60.2%**

The adjusted gross profit and adjusted gross margin 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 gross profit has been adjusted from IFRS by removing the non-cash change in biological assets of $997,711 and removing $213,690 from cost of goods sold, which represents the non-cash fair value less costs to sell markup on dried marijuana inventory sold during the year. In addition, pre-distribution growing costs have been removed, which relate to costs incurred prior to the Company receiving its full license from Health Canada. The resulting adjusted gross profit is $331,858 and combined adjusted gross margin of 60.2% from retail and wholesale shipments for the year. Management believes this measure provides useful information as it represents the gross profit and gross margin based on the Company's cost to produce inventory sold and removes fair value metrics required by IFRS.

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

	Three months ended May 31, 2015 IFRS	Adjustments	**Three months ended May 31, 2015 Adjusted**
Revenue	$ 499,890	$ -	**499,890**
Cost of sales:			
Cost of goods sold	406,404	(202,975)	**203,429**
Pre-distribution growing costs	-	-	**-**
Change in biological assets	(492,222)	492,222	**-**
	(85,818)	289,247	**203,429**
Gross profit	$ 585,708	$ (289,247)	**$ 296,461**
Gross margin	117.2%		**59.3%**

The adjusted gross profit increased in the fourth quarter to $296,461 from $35,396 in the third quarter of 2015. However, the adjusted gross margin decreased from 68.7% to 59.3%. This is due to approximately half of fourth quarter's sales coming from wholesale shipments, which have a lower gross margin than retail sales.

General and Administrative Costs

	Year ended May 31, 2015	13 months ended May 31, 2014
Executive compensation	**$ 679,692**	$ 673,750
Consulting fees	**390,893**	145,000
Office and general	**380,063**	15,130
Professional fees	**259,488**	48,031
Salaries and wages	**162,235**	-
Travel and accomodation	**147,136**	1,574
Rent	**62,910**	102,500
	$ 2,082,417	$ 985,985

General and administrative costs were $2,082,417 in the year ended May 31, 2015, compared to $985,985 for the thirteen months ended May 31, 2014. The Company transitioned from application stage to a fully licensed producer as well as becoming a publicly traded company during fiscal 2015, resulting in additional costs compared to the prior year. During the year ended May 31, 2015, the Company incurred $250,000 of consulting fees that relate to the departure of a minority shareholder that are not expected to be recurring in nature.

Selling, Marketing and Promotion Costs

For the year ended May 31, 2015, the Company incurred selling, marketing and promotion costs of $720,217, versus $105,000 in the comparable prior period. This increase in the fiscal 2015 periods is related to the commencement of the Company's call centre operations, which were outsourced to a third party, shipping costs, as well as the development of promotional and information materials. The Company is currently bringing the majority of call centre operations in-house to reduce costs going forward.

Share-based Compensation

The Company recognized share-based compensation expense of $1,261,589 for the year ended May 31, 2015 compared to $nil for the prior year. The share-based compensation expense recognized is related to the 4,520,000 stock options granted throughout fiscal 2015 to various directors, officers, employees and consultants of the Company. Share-based compensation was valued using the Black-Scholes valuation model and represents a non-cash expense.

Listing Cost

Aphria's qualifying transaction to list on the TSX-V between Black Sparrow and PNW has been accounted for as a reverse acquisition that does not constitute a business combination. For accounting purposes, the legal subsidiary, PNW, has been treated as the acquirer and Black Sparrow, the legal parent, has been treated as the acquiree. The Company recognized a listing cost for the year ended May 31, 2015 of $3,278,068, respectively.

Listing cost:	**Year ended May 31, 2015**
Excess attributed to cost of listing	$ 2,468,020
Legal	570,034
Professional, consulting and other fees	240,014
	$ 3,278,068

Of the total listing cost expense, $2,468,020 is non-cash. The listing cost is not expected to recur in the future. For accounting purposes, these financial statements reflect a continuation of the financial position, operating results and cash flows of the Company's legal subsidiary, PNW.

Net Loss

The net loss for the year ended May 31, 2015 of $6,543,444, or $0.14 per share increased compared to the previous year of $1,566,637, or $0.07 per share. The net loss for the fourth quarter ended May 31, 2015 showed an improvement at $481,380, or $0.01 per share versus $783,415, or $0.03 per share for the fourth quarter in 2014.

Non-GAAP Financial Measures

Aphria uses the following non-GAAP financial measures which it believes provides investors and analysts with additional information to better understand results as well as assess its potential. GAAP means generally accepted principles in Canada and represent International Financial Reporting Standards ("IFRS").

Adjusted gross profit and adjusted gross margin

Adjusted gross profit and adjusted gross margin represents the gross profit and gross margin based on the Company's cost to produce inventory sold after removing non-cash IFRS fair value metrics. Gross profit and gross margin is adjusted to exclude the non-cash change in biological assets, pre-distribution growing costs, as well as the non-cash fair value less costs to sell markup on dried marijuana inventory sold during the quarter. Adjusted gross profit and adjusted gross margin is not a measurement based on GAAP, does not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies.

Additional GAAP Measures

The Company uses a subtotal "Loss from operations", which may be considered an additional GAAP measure as the subtotal heading is presented in the financial statements under IFRS that management believes is relevant to the understanding of the financial statements but is not a minimum line item mandated by IFRS.

Management believes this measure provides useful information to users by excluding items that are not related to core operations of the business. It is not intended to represent an alternative to net earnings or other measures of financial performance in accordance with IFRS.

Liquidity and Capital Resources

The Company constantly monitors and manages its cash flows to assess the liquidity necessary to fund operations. As at May 31, 2015, the Company had working capital of $9,390,844 and cash and cash equivalents of $7,051,909. Working capital provides funds for the Company to meet its operational and capital requirements. The Company does not have any long-term liabilities.

While the Company has incurred losses to date, based on the working capital available, 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 12 months.

Commitments

The Company has a lease commitment until December 31, 2018 for the rental of greenhouse and office space from a related party. The Company has an option to extend this lease for two additional 5 year periods. Minimum payments payable over the next five years are as follows:

Fiscal year ending May 31,		
2016	$	138,647
2017		138,647
2018		138,647
2019		80,877
Total	**$**	**496,818**

The Company has a commitment to fund additional sponsorships of patient studies over the next 2 years of up to $360,000, based on minimum patient enrollments in the study.

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 owes $nil to related parties as at May 31, 2015 (2014 - $2,912,060). 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). These amounts are due on demand and non-interest bearing. During the year ended May 31, 2015, the Company repaid $2,487,011 to related parties, and converted another $1,000,000 that was due to related parties into share capital.

The Company transacts with related parties in the normal course of business. Through these related parties, Aphria is able to 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 year ended May 31, 2015, related party corporations charged or incurred expenditures on behalf of the Company totalling $574,951, inclusive of rent, (2014 - $2,120,120) which have been reimbursed.

The Company leased greenhouse and office space from a corporation over which an officer and director of the Company has control. Total rent of $105,935 was charged during the year ended May 31, 2015 (2014 - $102,500).

Financial Instruments Risk Exposure and Management

The Company has classified its cash and cash equivalents as fair value through profit and loss ("FVTPL"), other receivables and promissory notes receivable as loans and receivables, and accounts payable and accrued liabilities and amounts due to related parties as other financial liabilities.

Refer to the financial statements for the year ended May 31, 2015 for additional information regarding the Company's objectives and policies for financial instruments risk exposure and management.

Accounting Standards

Changes in Accounting Standards

The Company assessed the effects of amendments to IAS 32 Offsetting Financial Assets and Liabilities and IAS 36 Impairment of Assets, which are effective retrospectively for annual periods beginning on or after January 1, 2014. The Company determined there was no significant impact from these adoptions.

Refer to the financial statements for the year ended May 31, 2015 for information on a number of new standards, amendments to standards and interpretations, which are not yet effective, and have not been applied in preparing these consolidated financial statements but may affect the Company.

Disclosure of Outstanding Share Data

As at the date of this report, the following securities were issued and outstanding:

Security	Number outstanding
Common shares	52,479,587
Stock options	4,550,000
Warrants	11,500,000
Compensation warrants	1,420,601
Warrants on exercise of compensation warrants	802,268
Fully diluted	**70,752,456**

Risk Factors

The Company's overall performance and results of operations are subject to a number of risks and uncertainties. The Company is subject to certain risks and uncertainties from both financial and operational factors. Refer to the management information circular dated October 28, 2014 for additional risk factors related to the business. Some of the key risks are highlighted as follows:

Reliance on the License

Aphria's ability to grow, store and sell medical marijuana in Canada will be dependent on maintaining its license with Health Canada. Failure to comply with the requirements of the license or any failure to maintain its license 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 MMPR for extension of the license, there can be no guarantee that Health Canada will extend or renew the license 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 license or should it renew the license on different terms, the business, financial condition and results of the operation of Aphria would be materially adversely affected.

Risks Inherent in an Agricultural Business

Aphria's business involves the growing of medical marijuana, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although Aphria expects that any such growing will be completed indoors under climate controlled conditions, there can be no assurance that natural elements will not have a material adverse effect on any such future production.

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 Licensed 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.

Federal Court Case

On March 21, 2014 the Federal Court of Canada issued an order affecting the repeal of the Marihuana Medical Access Regulations ("MMAR") and the application of certain portions of the MMPR which are inconsistent with the MMAR in response to a motion brought by four individuals. The risks to the business represented by this or similar actions are that they might lead to court rulings or legislative changes that allow those with existing licences to possess and/or grow medical marijuana and perhaps others to opt out of the regulated supply system implemented through the MMPR. This could significantly reduce the addressable market for Aphria's products and could materially and adversely affect the business, financial condition and results of operations of Aphria.

Limited Operating History

Aphria, while incorporated in 1994, began carrying on business in 2012 and did not generate revenue from the sale of products until late 2014. The Company is therefore subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

History of Losses

The Company has incurred losses in recent 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.

Product Liability

As a distributor of products designed to be ingested by humans, Aphria faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. In addition, the sale of Aphria's products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of Aphria's products alone or in combination with other medications or substances could occur. Aphria may be subject to various product liability claims, including, among others, that Aphria's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against Aphria could result in increased costs, could adversely affect Aphria's reputation with its clients and consumers generally, and could have a material adverse effect on our results of operations and financial condition of Aphria. There can be no assurances that Aphria will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of Aphria's potential products.

Reliance on a Single Facility

To date, Aphria's activities and resources have been primarily focused on the premises leased in Leamington, Ontario. Aphria expects to continue the focus on this facility for the foreseeable future. Adverse changes or developments affecting the existing facility could have a material and adverse effect on Aphria's ability to continue producing medical marijuana, its business, financial condition and prospects.

Expansion of Facilities

The expansion of facilities is subject to Health Canada regulatory approvals. While management does not anticipate significant issues receiving the necessary approvals, the delay or denial of such approvals would have a material adverse impact on the business and may result in Aphria not meeting anticipated or future demand when it arises.

Competition

The Company may face increased competition from other licensed producers as the industry matures. Increased competition from larger and/or better-financed competitors could have a material and adverse effect on the business and financial condition of Aphria. In addition, there may be pressure for industry consolidation creating larger companies with increased scope. To date, Health Canada has only issued a limited number of licenses under the MMPR. However, there are numerous pending applications for licenses. A significant increase in the number of licenses granted could have an impact on the operations of the Company. The Company intends to remain competitive through maintaining low cost production and investment in research and development, marketing, sales and client support.