SUMMARY OF RATIONALE FOR SETTLEMENT

The following is a summary of the factors considered by Class Counsel in forming the opinion that the (CAD) $30 million proposed Settlement is fair and reasonable and in the best interests of the Class under the circumstances. These factors will be explained in greater detail in the motion materials to be filed in support of the Plaintiff's motion for the Court approval of the Settlement. These materials will be posted at www.rochongenova.com no later than March 16, 2025.

1. Litigation risk

The trial of the Class Action was scheduled for seven weeks beginning on January 13, 2025.

To succeed at trial, the Plaintiff would have to prove that Aphria and the Individual Defendants failed to disclose material information throughout the Class Period with respect to the risks, losses, costs, and benefits associated with two international acquisitions made in 2018: (i) the Nuuvera Transaction; and the (ii) LATAM Transaction (together the "**Transactions**").

While Class Counsel were confident in the strength of the Plaintiff's case, there is always litigation risk associated with any trial and there was a risk that the trial judge would rule in the Defendants' favour.

Both sides filed extensive expert reports from highly qualified experts on:

i. the legal and regulatory regimes governing the use, importation, cultivation, sale and distribution of cannabis products in the jurisdictions where the subject assets acquired in the Transactions operated (Argentina, Colombia, Jamaica, Italy, Germany);

ii. relevant accounting standards (with respect to the disclosure of risks associated with the Transactions; the accounting treatment of the Transactions, and disclosure controls and procedures and internal controls over financial reporting);

iii. relevant corporate governance standards in the assessment of and public disclosure relating to the Transactions;

iv. valuation of the Transactions; and

v. damages suffered by Aphria shareholders.

These issues that were to be tried were forcefully contested by the Defendants.

The Plaintiff's expert evidence was that there were material misrepresentations in the Defendants' Class Period disclosure to the markets about the assets acquired in the Transactions; and that the Defendants were not duly diligent in considering the Transactions or in ensuring that the Class Period disclosure was free from misrepresentation about the Transactions. The Plaintiff's experts estimated the statutory limit on damages recoverable pursuant to the Ontario *Securities Act* was approximately $170 million.

The Defendants' expert evidence was that there were no misrepresentations in the Defendants' Class Period disclosure; and, in the alternative, if there were misrepresentations, the Defendants had established their statutory reasonable investigation or "due diligence" defence. In this regard, the Defendants' evidence was that they adequately reviewed and considered the Transactions prior to their approval and engaged external professional advisors to assess the value of the acquired assets.

The Defendants also emphasized that the Transactions took place in 2018 at a time of rapid international growth by major cannabis companies in Canada and that there was a race to acquire assets which would allow for future revenue growth in jurisdictions that were liberalizing their cannabis laws. The main defence was that there was reasonable disclosure to investors of the nature of the assets acquired in the Transactions that formed part of Aphria's international growth strategy.

The Defendants also strongly contested the length of the proposed Class Period, arguing that there was no basis for any allegation of misrepresentation about the earlier Nuuvera Transaction and, if their argument was accepted by the Court, this would eliminate any claims by shareholders who acquired Aphria shares from January 29, 2018 until July 17, 2018. This would substantially reduce the size of the damages claim and the number of shareholders who would benefit from any damages awarded.

Under the Defendants' case theory, the maximum damages recoverable pursuant to the Ontario *Securities Act* would have been approximately $135 million (rather than the Plaintiffs' approximately $170 million). But in any event, the Defendants' expert evidence was that the Class Members suffered no damages attributable to any of the alleged misrepresentations.

As is the case with any trial, there was a risk that the trial judge would prefer the Defendants' evidence over the Plaintiff's expert evidence on any of the issues of liability or damages.

Given the strong defences being asserted, it was almost a certainty that if the Plaintiff was successful at trial, the decision would be appealed, which would raise the risk of the Judgement being set aside or the quantum of damages reduced, and in any event, would further delay any recovery for shareholders for many months, if not years, if all appeals were exhausted.

2. Insolvency Risk for Aphria - The Serious Risk that any judgment obtained after Trial and Appeal Would be Unenforceable against Aphria or the Individual Defendants

Shortly before the trial was to commence on January 13, 2025, Aphria's counsel disclosed that, in the event that any substantial damages amount in the range that the Plaintiff was seeking was actually awarded by the Court, Aphria would immediately move for creditor protection under the *Companies' Creditors Arrangement Act*, RSC, 1985, c C-36 ("***CCAA***"). If Aphria moved for creditor protection, there would be an automatic Court ordered stay of all proceedings against Aphria, including this Class Action. The stay would be in effect until the conclusion of any restructuring process.

There was therefore a serious risk that Aphria would not be in the position to pay any amount of damages if the Plaintiff eventually succeeded at trial. It is likely that, in any *CCAA* restructuring of Aphria (which would take more than a year), the equity-based claims of Class Members would be subordinate to other creditor claims against Aphria, such that there would be no recovery by shareholder claimants at all.

The Defendants had incurred significant legal fees and expert fees in defending this Class Action, which diminished the available insurance coverage. If the action were prosecuted through the scheduled seven-week trial and then appeals, it was likely that there would be little or no insurance coverage available to satisfy any part of a judgment.

In short, in the circumstances that developed with respect to Aphria's threatened insolvency, there was a real risk that after a successful trial, any judgement would not be satisfied and the Class would receive nothing.

3. Settlement Certainty

The settlement was the product of extremely hard-fought litigation over six years and lengthy settlement efforts. In 2023, there was a mediation process before a very well-respected Mediator which was entirely unsuccessful. It was only immediately before the trial that the Defendants disclosed the information discussed above about Aphria's threatened CCAA protection, leading to an intense negotiation with multiple offers and counter-offers exchanged.

In light of the litigation risk, the serious risk that any judgment may not be satisfied in the event of Aphria's threatened CCAA process, and the substantial delay that would result from a prolonged trial and likely appeal, Class Counsel believes that the settlement was the largest amount achievable under the circumstances.

Class Counsel believes that the Settlement is in the best interests of the Class and would remove both the litigation risk and the risks associated with enforcing a judgment.