TETRA BIO-PHARMA INC.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three months ended February 28, 2019

Management's Responsibility for the consolidated interim financial statements

The accompanying consolidated interim financial statements of Tetra Bio-Pharma Inc. (the "Company") are the responsibility of management and the Board of Directors.

The consolidated interim financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the financial position date. In the opinion of management, the consolidated interim financial statements have been prepared within acceptable limits of materiality and are materially in compliance with all applicable International Financial Reporting Standards.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the consolidated interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the consolidated interim financial statements and (ii) the consolidated interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the consolidated interim financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed)	(signed)
Guy Chamberland	Bernard Lessard, MBA, CPA, CMA
CEO	CFO

Ottawa, Canada
April 26, 2019

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 consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying consolidated interim 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 consolidated interim financial statements in accordance with standards established by the Canadian Institute of Chartered Professional Accountants.

Tetra Bio-Pharma Inc.
Consolidated Interim Statements of Financial Position
(Expressed in Canadian dollars)

As at	**February 28, 2019**	November 30, 2018
	$	$
ASSETS		
Current assets		
Cash	**7,868,428**	13,585,673
Accounts and sales tax receivable (Note 5)	**589,996**	759,389
Prepaid expenses	**1,737,781**	182,395
Inventory	**71,573**	-
Total current assets	**10,267,778**	14,527,457
Non-current assets		
Intangible assets (Note 6)	**8,636,890**	8,638,690
Prepaid expenses	**264,667**	264,667
Total assets	**19,169,335**	23,430,814
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**1,966,160**	2,543,734
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	**38,885,347**	34,841,667
Warrants (Note 8)	**11,488,852**	15,332,398
Contributed surplus	**3,616,956**	3,515,581
Accumulated deficit	**(36,787,980)**	(32,802,566)
Total equity	**17,203,175**	20,887,080
Total liabilities and shareholders' equity	**19,169,335**	23,430,814

Commitments and contingencies (Note 17)
Going concern (Note 2)

Approved on behalf of the Board of Directors

(signed) "William M. Cheliak"	(signed) "Carl Merton"
Bill Cheliak, Chairman of the Board	Carl Merton, Director

The accompanying notes are an integral part of these consolidated financial statements.

Tetra Bio-Pharma Inc.

Consolidated Interim Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	For the period of three months ended February 28,	
	2019	2018
	$	$
Expenses		
Research and development	**1,729,345**	851,152
Stock based compensation (Note 9)	**101,438**	649,459
General and administrative expense (Note 10)	**1,694,379**	613,366
Loss before other items	**3,525,162**	2,113,977
Other items		
Transaction costs related to acquisition of Panag	**342,087**	-
Foreign exchange loss	**151,585**	15,265
Other income and interest	**(33,420)**	(462)
Total other items	**460,252**	14,803
Net loss and total comprehensive loss	**3,985,414**	2,128,780
Attributable to:		
Equity holders of the Company	**3,985,414**	1,938,960
Non controlling interest	**-**	189,820
	3,985,414	2,128,780
Basic and diluted loss per common share (Note 11)	**(0.02)**	(0.02)
Basic and diluted weighted average number of common shares outstanding	**166,653,940**	127,228,759

The accompanying notes are an integral part of these consolidated financial statements.

Tetra Bio-Pharma Inc.

Consolidated Interim Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

	Share Capital		Warrants	Contributed Surplus	Accumulated Deficit	Equity attributable to equity holders of the Company	Non controlling interest	Total
	# of shares	$	$	$	$	$	$	$
Balance, November 30, 2017	**123,753,759**	**9,193,852**	**7,793,431**	**2,303,257**	**(8,128,179)**	**11,162,361**	**(522,754)**	**10,639,607**
Shares issued as part of warrants exercised	2,025,000	615,909	(104,609)	-	-	511,300	-	511,300
Shares issued as part of options exercised	1,450,000	323,411	-	(118,911)	-	204,500	-	204,500
Expiry of warrants	-		(1,484)	1,484		-	-	-
Issuance of stock options	-	-	-	649,459	-	649,459	-	649,459
Transactions with owners	3,475,000	939,320	(106,093)	532,032	-	1,365,259	-	1,365,259
Net loss	-	-	-	-	(1,938,960)	(1,938,960)	(189,820)	(2,128,780)
Balance, February 28, 2018	**127,228,759**	**10,133,172**	**7,687,338**	**2,835,289**	**(10,067,139)**	**10,588,660**	**(712,574)**	**9,876,086**
Shares issued in bought deal	11,500,000	11,500,000	-	-	-	11,500,000	-	11,500,000
Shares issued from exercised compensation warrants in bought deal	805,000	805,000	-	-	-	805,000	-	805,000
Shares issued as part of private placements	11,192,000	11,399,000	-	-	-	11,399,000	-	11,399,000
Shares issued as part of warrants exercised	2,015,000	2,117,827	(2,016,777)	-	-	101,050	-	101,050
Shares issued as part of options exercised	150,000	201,000	-	(96,000)	-	105,000	-	105,000
Shares issued for acquisition of PPP	9,940,872	9,940,872	-	-	-	9,940,872	-	9,940,872
Warrants issued in bought deal	-	(5,163,941)	5,163,941	-	-	-	-	-
Warrants issued as part of private placements	-	(4,361,147)	4,497,896	-	-	136,749	-	136,749
Expiry of warrants	-	-	-	-	-	-	-	-
Share issuance costs	-	(1,730,116)	-	-	-	(1,730,116)	-	(1,730,116)
Issuance of stock options, net of cancelled	-	-	-	776,292	-	776,292	-	776,292
Aquisition of non-controlling interest by the Company	-	-	-	-	(13,226,832)	(13,226,832)	801,743	(12,425,089)
Dividend-in-kind declared to shareholders	-	-	-	-	(3,875,000)	(3,875,000)	-	(3,875,000)
Transactions with owners	35,602,872	24,708,495	7,645,060	680,292	(17,101,832)	15,932,015	801,743	16,733,758
Net loss	-	-	-	-	(5,633,595)	(5,633,595)	(89,169)	(5,722,764)
Balance, November 30, 2018	**162,831,631**	**34,841,667**	**15,332,398**	**3,515,581**	**(32,802,566)**	**20,887,080**	**-**	**20,887,080**
Shares issued as part of warrants exercised	4,000,000	4,043,546	(3,843,546)	-	-	200,000	-	200,000
Shares issued as part of options exercised	100	134	-	(63)	-	71	-	71
Issuance of stock options	-	-	-	101,438	-	101,438	-	101,438
Transactions with owners	4,000,100	4,043,680	(3,843,546)	101,375	-	301,509	-	301,509
Net loss for the period	-	-	-	-	(3,985,414)	(3,985,414)	-	(3,985,414)
Balance, February 28, 2019	**166,831,731**	**38,885,347**	**11,488,852**	**3,616,956**	**(36,787,980)**	**17,203,175**	**-**	**17,203,175**

The accompanying notes are an integral part of these consolidated financial statements.

Tetra Bio-Pharma Inc.
Consolidated Interim Statements of Cash Flows
(*Expressed in Canadian dollars)*

	For the period of three months ended February 28,	
	2019	2018
	$	$
OPERATING ACTIVITIES		
Net loss for the year	**(3,985,414)**	(2,128,780)
Adjustments for:		
Stock-based compensation	**101,438**	649,459
Depreciation	**1,800**	1,800
Changes in working capital items (Note 12)	**(2,035,140)**	(48,936)
Net cash (used) in operating activities	**(5,917,316)**	(1,526,457)
FINANCING ACTIVITIES		
Warrants exercised	**200,000**	511,300
Stock options exercised	**71**	204,500
Net cash provided by financing activities	**200,071**	715,800
Decrease in cash	**(5,717,245)**	(810,657)
Cash, beginning of the period	**13,585,673**	2,193,114
Cash, end of the period	**7,868,428**	1,382,457

Supplemental cash flow information is provided in Note 12

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of operations

Tetra Bio-Pharma Inc. ("Tetra" or the "Company"), was incorporated under the name Mazorro Resources Inc. (“Mazorro”) under the Canada Business Corporations Act on May 17, 2007. On December 29, 2014, GrowPros MMP Inc. (“GrowPros MMP”) completed an amalgamation agreement with Mazorro and 9048073 Canada Inc., a newly-incorporated subsidiary of Mazorro, in order to effect the November 1, 2014 definitive agreement. Legally, Mazorro is the parent of GrowPros MMP; however, as a result of the share exchange, control of the combined companies passed to the former shareholders of GrowPros MMP, which for accounting purposes is deemed to be the acquirer. For financial reporting purposes the transaction has been accounted for as an acquisition of Mazorro by GrowPros MMP under IFRS 2 Share Based Payment and therefore the financial statements have been prepared as a continuation of GrowPros MMP. As part of the amalgamation agreement Mazorro changed its name to GrowPros Cannabis Ventures Inc.

On September 28, 2016, the Company formally changed its name from GrowPros Cannabis Ventures Inc. to Tetra Bio-Pharma Inc. The Company’s common shares were listed for trading on the Canadian Securities Exchange (“CSE”’) under the symbol “TBP” and the OTCQB under the symbol “TBPMF”. On August 16, 2017, the Company’s common shares became listed for trading on the TSX Venture Exchange (“TSXV”’) under the symbol “TBP” and the OTCQB under the symbol “TBPMF”. On August 16, 2017, the Company voluntarily delisted from CSE.

The principal business of the Company is cannabinoid-based drug development and delivery programs. During the year ended November 30, 2018, the Company began acting as a Canadian wholesaler of Hemp Energy Drinks and recognized its first revenue from this source. The Company’s head office is located at 50 O’Connor Street, Suite 1600, Ottawa, Ontario, K1P 6L2.

There can be no assurance that any of the Company's prospective projects will be successfully completed.

2. Going concern

These consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The Company has not yet determined whether its clinical trials will produce revenue generating pharmaceuticals. The Company has not generated any positive cash flows from its operations from inception to date. The Company has a deficit of $36,732,332 as at February 28, 2019 (November 30, 2018 - $32,802,566).

As at February 28, 2019, the Company had a working capital surplus of $8,301,618 (November 30, 2018 – $11,983,723), including $7,868,428 (November 30, 2018 - $13,585,673) in cash and current liabilities totalling $1,966,160 (November 30, 2018 - $2,543,734). The Company must secure additional financing to be able to fund its ongoing clinical trials. Management is evaluating various alternatives to secure the necessary financing so that the Company can continue as a going concern. Nevertheless, there is no assurance that these initiatives will be successful. Management believes that the Company has enough working capital to support operations and research for the next fiscal year (see Note 14).

The carrying amount of assets, liabilities and expenses presented in the financial statements and the classification used in the statement of financial position have not been adjusted as would be required if the going concern assumption was not appropriate. Those adjustments could be material.

3. Statement of compliance

These consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

The preparation of the consolidated interim financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgments in applying the Company's accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the consolidated interim financial statements are disclosed in Note 4.

These consolidated interim financial statements were approved by the Board of Directors on April 26, 2019.

4. Significant accounting policies

Accounting policies applied in financial statements

The policies applied in these consolidated interim financial statements are based on IFRS issued and outstanding as of February 28, 2019 and have been consistently applied to all periods presented unless otherwise noted.

(a) Revenue

Revenue is recognized at the fair value of consideration received or receivable. Revenue from the sale of goods is recognized when all the following conditions have been satisfied, which are generally met once the products are shipped to customers.

- The Company has transferred the significant risks and rewards of ownership of the goods to the purchaser;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

(b) Basis of presentation and measurement

These consolidated interim financial statements have been prepared on a historical cost basis. Historical cost is generally based upon the fair value of the consideration given in exchange for assets. The expenses within the statements of loss and comprehensive loss are presented by nature.

(c) Functional currency

The functional currency for the parent entity, and each of its subsidiaries, is the currency of the primary economic environment in which the entity operates. Management has determined that the functional currency of each entity is the Canadian dollar. Determination of functional currency may involve certain judgments to determine the primary economic environment. The parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the statement of financial position date. Non-monetary assets and liabilities are translated at historical exchange rates. Revenues and expenses are translated at the rate at the time of the transaction. Any resulting gain or loss is recorded in the consolidated statements of loss.

(Expressed in Canadian Dollars)

4. Significant accounting policies (continued)

(d) Basis of consolidation

These consolidated interim financial statements incorporate the financial statements of the Company and its subsidiaries. Tetra Bio-Pharma Inc. is the ultimate parent company of the consolidated group. Subsidiaries are consolidated from the date on which the Company obtains control and continue to be consolidated until control ceases. Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. These consolidated interim financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

Where the ownership of a subsidiary is less than 100%, and a non-controlling interest exists, any losses of that subsidiary are attributed to the non-controlling interests even if that results in a deficit. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

An associate is an entity in which the Company or its subsidiaries have significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in, without having control over, the financial and operating policy decisions of the entity, and generally exists where between 20% and 50% of the voting power of the entity is held by the Company. As at February 28, 2019, and November 30, 2018, the Company did not have any associates.

The subsidiaries of the Company at February 28, 2019, and their principal activities are described below:

Name of subsidiary	Place of incorporation	Ownership interest	Principal activity
PhytoPain Pharma Inc.	Canada	100%	Cannabis related clinical trials
GrowPros Agro-Tek Inc.	Canada	100%	Development of health products
Tetra Natural Health Inc.	Canada	100%	Health products
Minera Mazorro, S. de R.L. de C.V.	Mexico	100%	Inactive

PhytoPain Pharma ("PPP") was incorporated on May 11, 2016. The mission of PPP is the development and commercialization of botanical based pharmaceuticals. PPP is a clinical stage drug research and development company engaged in the development of medication to alleviate symptoms related to pain, insomnia and anxiety disorders in patients suffering from cancer and other chronic and terminal diseases that cause uncontrolled pain and or insomnia.

During the year ended November 30, 2018, Tetra Bio-Pharma purchased the remaining 20% interest in PPP held by the non-controlling shareholders. The share of net assets of subsidiaries attributable to non-controlling interest were presented as a component of equity. Their share of net income and comprehensive income were recognized directly in equity. Changes in the parent company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

(e) Standards, amendments and interpretations not yet effective

Certain new standards, amendments and interpretations to existing standards have been published but are not yet effective and have not been adopted early by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of each pronouncement and has not yet determined the impact of these new standards and amendments on its financial statements. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's financial statements is provided below.

4. Significant accounting policies (continued)

Certain other new standards and interpretations have been issued but are not expected to have an impact on the Company's consolidated interim financial statements.

Recent Accounting Pronouncements

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2019. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IAS 1 Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies

Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

IFRS 3 Business Combinations ("IFRS 3")

IFRS 3 was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive and the inputs and process must together significantly contribute to operating outputs. In addition it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The amendments are effective for annual reporting periods beginning on or after January 1, 2020. Earlier adoption is permitted.

IFRS 15 Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 proposes to replace IAS 18 - Revenue, IAS 11 - Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 Leases ("IFRS 16")

IFRS 16 was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. 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. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

(Expressed in Canadian Dollars)

4. Significant accounting policies (continued)

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 was issued by the IASB as a complete standard in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

(f) Accounting changes

During the year ended November 30, 2018, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included IAS 7 and IAS 12. These new standards and changes did not have any material impact on the Company's financial statements.

5. Accounts receivable

	February 28, 2019 $	November 30, 2018 $
Accounts receivable	**117,936**	117,936
Sales tax receivable	**472,060**	641,453
	589,996	759,389

6. Intangible assets

The following is a summary of intangible assets as at February 28, 2019 and November 30, 2018:

Cost	Natural Health Product numbers $	Clinical trials $	Licenses $	Total $
Balance as at November 30, 2017	208,800	7,687,090	750,000	8,645,890
Amortization expense	(7,200)	-	-	(7,200)
Balance as at November 30, 2018	**201,600**	**7,687,090**	**750,000**	**8,638,690**
Amortization expense	(1,800)	-	-	(1,800)
Balance as at February 28, 2019	**199,800**	**7,687,090**	**750,000**	**8,636,890**

Natural health product numbers consist of 8 natural product numbers registered with Health Canada.

On September 27, 2016, the Company completed the acquisition of 8 natural health product numbers related to the initiation of manufacturing and distribution of products for natural health care including products containing extracts or oils derived from Cannabis sativa for 1,800,000 common shares. The estimated fair value of the common shares was $216,000 based on the quoted market price of the Company's shares on the date of the transaction.

6. Intangible assets (continued)

Clinical trials
On May 19, 2016, the Company entered into an agreement in which it would acquire 100% of the intellectual property relating to the Health Canada pre-approved clinical trial for the inhalation of cannabis drug products for management of chronic pain.

As consideration for the acquisition of the intellectual property, the Company was required to make the following milestone payments: a) upon submission of pre-Clinical Trial Application information package: 2,500,000 options at $0.05 for 5 years and 1,500,000 common share warrants at $0.05 for 1 year; b) upon commencement of Phase 1 clinical trials of (“PPP001”): 4,000,000 common shares warrants at $0.05 for 2 years; and c) upon successful completion of Phase 1 clinical trials of: 4,000,000 common shares warrants at $0.05 for 3 years.

As at November 30, 2017, all milestone payments with an estimated fair value of $7,687,090 have been issued.

These intangible assets have not been depreciated because they are not yet ready for use.

Licences
On May 23, 2017, the Company entered into a definitive agreement with Panag Pharma Inc. and acquired licences for the development and commercialization of two cannabinoid based formulations. During the three months ended February 28, 2018, the Company incurred $Nil (2017 - $250,000) on the acquisition of the licences. The agreement is subject to certain milestone payments relating to the research and development of the two formulations totalling $550,000. The agreement is also subject to certain milestone payments and royalties related to sales. As the triggering events did not take place during the three months ended February 28, 2019, the contingent payments have not been reflected in these financial statements.

On June 2, 2017, the Company entered into a definitive agreement with IntelGenx Corp. and acquired licences for the development and commercialization of a Dronabinol XL Tablet. As at February 28, 2019, the Company incurred $Nil (2018 - $Nil) on the acquisition of the licences. The agreement is subject to certain milestone payments relating to the research and development of Dronabinol totalling $1,350,000. The agreement is also subject to certain milestone payments and royalties related to sales. As the triggering events did not take place during the three months ended February 28, 2019, the contingent payments have not been reflected in these financial statements.

These intangible assets have not been depreciated because they are not yet ready for use.

7. Share capital

Authorized: the authorized share capital consists of an unlimited number of each of the following classes of shares: Class A Common shares, Class B Common shares, Class C Common shares, Class A Special shares, Class B Special shares, Class C Special shares, Class D Special shares and Class E Special shares, each with no par value.

As at February 28, 2019 and November 30, 2018, there are only Class A Common shares issued and outstanding (the “common shares”).

2019 Fiscal year issuances

During the three months ended February 28, 2019, a total of 4,000,000 common share purchase warrants were exercised for gross proceeds of $200,000. The warrants had an average exercise price of $0.05 and expired between February 16, 2019 and June 7, 2020.

During the three months ended February 28, 2019, a total of 100 stock options were exercised for gross proceeds of $71. The stock options had an exercise price between of $0.71.

7. Share capital (continued)

2018 Fiscal year issuances

On November 30, 2018, the Company completed a non-brokered private placement of 6,900,000 units at a price of $1.03 per unit for aggregate gross proceeds of $7,107,000. Each unit consists of one common share and one non-transferable warrant, with a whole warrant entitling the holder to purchase one common share of the Company at a price of $1.29 per share for a period of 3 years following the closing date. The units were issued to a company related to one director of the Company.

The 6,900,000 warrants issued in connection to the private placements listed above have been recorded at an estimated value of $2,613,352 based on the proportional method based on the Black Scholes option pricing model, using the following assumptions: share price of $1.03, an average exercise price of $1.29, risk free interest rate of 2.03%, expected life of warrants of 3 years, annualized volatility rate of 116% (based on the Company's historical volatility for 3 years up to the issuance date) and dividend rate of 0%.

On March 27, 2018, the Company completed a non-brokered private placement of 4,292,000 units at a price of $1.00 per unit for aggregate gross proceeds of $4,292,000. Each unit consists of one common share and one non-transferable warrant, with a whole warrant entitling the holder to purchase one common share of the Company at a price of $1.30 per share for a period of 3 years following the closing date.

The 4,292,000 warrants issued in connection to the private placements listed above have been recorded at an estimated value of $1,747,795 based on the proportional method based on the Black Scholes option pricing model, using the following assumptions: share price of $0.59, an exercise price of $1.30, risk free interest rate of 1.79%, expected life of warrants of 3 years, annualized volatility rate of 141% (based on the Company's historical volatility for 3 years up to the issuance date) and dividend rate of 0%.

In connection with this private placement, the Company paid a finder’s fee of $275,800 and in addition, issued 275,800 finder’s warrants as commission, exercisable at a price of $1.00 for a period of 2 years from closing. Each finders’ warrant is exercisable into a common share and common share purchase warrant, which is exercisable at a price of $1.30 per common share purchase warrant for a period of 2 years from the closing of the financing.

The 275,800 warrants issued in connection to the private placements listed above have been recorded at an estimated value of $136,749 based on the Black Scholes option pricing model, using the following assumptions: unit price of $1.00, an average exercise price of $1.30, risk free interest rate of 1.79%, expected life of warrants of 2 years, annualized volatility rate of 127% (based on the Company's historical volatility for 2 years up to the issuance date) and dividend rate of 0%.

On March 5, 2018, the Company completed a bought deal public offering for aggregate gross proceeds of $11,500,000. A total of 11,500,000 units were sold at a price of $1.00 per unit. Each unit consists of one common share and one transferable common share purchase warrant, with a whole warrant entitling the holder to purchase one common share of the Company at a price of $1.30 per share for a period of 3 years following the closing date.

The 11,500,000 warrants issued in connection to the bought deal listed above have been recorded at an estimated value of $4,683,395 based on the proportional method based on the Black Scholes option pricing model, using the following assumptions: share price of $0.59, an average exercise price of $1.30, risk free interest rate of 1.79%, expected life of warrants of 3 years, annualized volatility rate of 141% (based on the Company's historical volatility for 3 years up to the issuance date) and dividend rate of 0%.

In connection with this bought deal, the Company paid a finder’s fee of $805,000.

In connection with this bought deal, on August 31, 2018, the Company issued compensation warrants. A total of 805,000 units were issued with an exercise a price of $1.00 per unit. Each unit consists of one common share and one transferable common share purchase warrant, with a whole warrant entitling the holder to purchase one common share of the Company at a price of $1.30 per share for a period of 2 years following the closing date.

(Expressed in Canadian Dollars)

7. Share capital (continued)

During the year ended November 30, 2018, the compensation warrants were exercised, resulting in issuance of 805,000 common shares and 805,000 warrants.

The 805,000 warrants issued in connection to the bought deal and compensation warrants listed above have been recorded at an estimated value of $480,546 based on the Black Scholes option pricing model, using the following assumptions: share price of $1.00, an average exercise price of $1.30, risk free interest rate of 1.75%, expected life of warrants of 2 years, annualized volatility rate of 116% (based on the Company's historical volatility for 2 years up to the issuance date) and dividend rate of 0%.

During the year ended November 30, 2018, a total of 4,040,000 common share purchase warrants were exercised for gross proceeds of $611,872. The warrants had an average exercise price of $0.15 and expired between February 16, 2019 and November 30, 2021.

During the year ended November 30, 2018, a total of 1,600,000 stock options were exercised for gross proceeds of $309,500. The stock options had an exercise price between $0.05 and $0.71.

8. Warrants

The following table reflects the continuity of warrants:

	Number of warrants	Grant date fair value	Weighted average exercice price
		$	$
Outstanding, November 30, 2017	**10,068,000**	**7,793,431**	**0.08**
Issued as part of a private placement	11,192,000	4,361,147	1.30
Finder's warrants issued as part of private placement	275,800	136,749	1.30
Issued in bought deal	12,305,000	5,163,941	1.30
Expired	(28,000)	(1,484)	0.26
Exercised	(4,040,000)	(2,121,386)	0.15
Outstanding, November 30, 2018	**29,772,800**	**15,332,398**	**1.05**
Exercised	(4,000,000)	(3,843,546)	0.05
Outstanding, February 28, 2019	**25,772,800**	**11,488,852**	**1.15**

(Expressed in Canadian Dollars)

8. Warrants (continued)

The number of outstanding warrants which could be exercised for an equivalent number of common shares is as follows:

Number of warrants	Grant date fair value	Exercise price	Expiry date
	$	$	
805,000	480,546	1.30	March 5, 2020
275,800	136,749	1.30	March 29, 2020
2,000,000	1,827,015	0.05	June 7, 2020
11,500,000	4,683,395	1.30	March 5, 2021
4,292,000	1,747,795	1.30	March 29, 2021
6,900,000	2,613,352	1.29	November 30, 2021
25,772,800	**11,488,852**		

On June 7, 2017, 4,000,000 warrants were granted in connection with an asset acquisition whereby warrants were contingently issuable on achieving the second milestone in the clinical trial application process. The warrants are exercisable at $0.05 and expire on June 7, 2020. The warrants have been recorded at a value of $3,654,031 based on the Black Scholes option pricing model using the following assumptions: share price of $0.92, an average exercise price of $0.05, risk free interest rate of 1.05%, expected life of warrants of 3 years, expected volatility rate of 241% (based on the Company's historical volatility for 3 years up to the issuance date) and expected dividend rate of 0%.

9. Stock options

2019 stock options activity

On February 8, 2019, 75,000 stock options were granted to a director of the Company. The stock options are exercisable at $0.69 and expire February 8, 2023. The stock options have been recorded at a value of $55,648 based on the Black Scholes option pricing model using the following assumptions: share price of $0.69, an average exercise price of $0.69, risk free interest rate of 1.78%, expected life of stock option of 4 years, expected volatility rate of 141% (based on the Company's historical volatility for 4 years up to the issuance date) and expected dividend rate of 0%.

On December 24, 2018, 300,000 stock options were granted to an officer of the Company. The stock options are exercisable at $0.69 and expire December 24, 2022. The stock options have been recorded at a value of $175,610 based on the Black Scholes option pricing model using the following assumptions: share price of $0.69, an average exercise price of $0.69, risk free interest rate of 1.92%, expected life of stock option of 4 years, expected volatility rate of 141% (based on the Company's historical volatility for 4 years up to the issuance date) and expected dividend rate of 0%.

2018 stock options activity

On January 2, 2018, 500,000 stock options were granted to Momentum Public Relation Inc. The stock options are exercisable at $1.50 and expire between February 2, 2021 and October 2, 2021. The stock options have been recorded at a value of $574,912 based on the Black Scholes option pricing model using the following assumptions: share price of $1.50, an average exercise price of $1.50, risk free interest rate of 1.66%, expected life of stock option of 3 years, expected volatility rate of 141% (based on the Company's historical volatility for 3 years up to the issuance date) and expected dividend rate of 0%.

(Expressed in Canadian Dollars)

9. Stock options (continued)

On April 4, 2018, 400,000 stock options were granted to a director and officer of the Company. The stock options are exercisable at $0.75 and expire April 4, 2022. The stock options have been recorded at a value of $220,809 based on the Black Scholes option pricing model using the following assumptions: share price of $0.75, an average exercise price of $0.75, risk free interest rate of 2.03%, expected life of stock option of 4 years, expected volatility rate of 127% (based on the Company's historical volatility for 4 years up to the issuance date) and expected dividend rate of 0%.

On May 14, 2018, 440,000 stock options granted to a director and officer of the Company were cancelled. The stock options were exercisable at $0.71 and had an expiry date of July 24, 2021. The stock options had been recorded at a value of $115,608 based on the Black Scholes option pricing model using the following assumptions: share price of $0.80, an average exercise price of $0.71, risk free interest rate of 1.58%, expected life of warrants of 4 years, expected volatility rate of 132% (based on the Company's historical volatility for 4 years up to the issuance date) and expected dividend rate of 0%.

The following table shows the continuity of options:

	Number of options	Grant date fair value	Weighted average exercice price
		$	$
Outstanding, November 30, 2017	**6,600,000**	**2,259,220**	**0.56**
Granted	900,000	1,541,359	0.88
Cancelled	(440,000)	(115,608)	0.71
Exercised	(1,600,000)	(214,911)	0.05
Outstanding, November 30, 2018	**5,460,000**	**3,470,060**	**0.75**
Granted	375,000	101,438	0.69
Exercised	(100)	(63)	0.71
Outstanding, February 28, 2019	**5,834,900**	**3,571,435**	**0.75**

(Expressed in Canadian Dollars)

9. Stock options (continued)

Number of options	Number of options vested	Vested grant date fair value	Exercise price	Expiry date
		$	$	
250,000	250,000	295,000	1.50	February 2, 2021
125,000	125,000	150,000	1.50	June 2, 2021
400,000	400,000	312,000	0.80	July 24, 2021
250,000	250,000	84,673	0.71	July 24, 2021
2,909,900	2,909,900	1,830,904	0.71	July 24, 2021
400,000	400,000	62,700	0.18	October 19, 2021
125,000	125,000	153,750	1.50	October 2, 2021
600,000	600,000	384,000	0.70	February 23, 2022
400,000	400,000	220,809	0.75	April 4, 2022
300,000	-	21,951	0.69	December 24, 2022
75,000	75,000	55,648	0.69	February 8, 2023
5,834,900	**5,534,900**	**3,571,435**		

10. General and administrative expense

	Three months ended	
	February 28, 2019	February 28, 2018
	$	$
Management fees	**136,482**	91,602
Payroll and benefits	**436,674**	182,543
Professional fees	**515,328**	196,258
Exchange and regulatory fees	**33,270**	40,531
Travel and promotion expense	**204,703**	80,246
Depreciation	**1,800**	1,800
Fees for termination of a contract	**250,000**	-
General and administrative expense	**116,122**	20,386
Total	**1,694,379**	613,366

11. Loss per common share

Diluted loss per share for the year ended February 28, 2019 did not include the effect of 5,759,900 options (November 30, 2018 – 5,460,000) and 25,772,800 warrants (November 30, 2018 – 29,772,800) as they were anti-dilutive. For all other periods presented, the effect of all options and warrants were anti-dilutive and thus all options and warrants were excluded from the computation of diluted earnings per share for all those periods.

(Expressed in Canadian Dollars)

12. Changes in non-cash working capital items and supplemental cash flow information

	Three months ended	
	February 28, 2019	February 28, 2018
	$	$
Accounts and sales tax receivable	**169,393**	(58,111)
Prepaid expenses	**(1,555,386)**	(375,741)
Inventory	**(71,573)**	-
Accounts payable and accrued liabilities	**(577,574)**	384,916
Total	**(2,035,140)**	(48,936)

Non-cash transactions

During the year ended November 30, 2018, 9,940,872 common shares valued at $9,940,872 were issued to acquire PPP.

During the year ended November 30, 2018, 15,500,000 North Bud shares were received with an estimated fair value of $3,875,000 on the sale of GrowPros MMP. On August 31, 2018, the Company distributed a dividend-in-kind of the shares with the same value.

During the year ended November 30, 2017, the Company issued 8,000,000 warrants valued at $7,687,090 for the acquisition of an intangible asset.

13. Related party balances and transactions

Related parties include the Board of Directors and key management personnel, as well as, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Unless otherwise stated, none of the transactions incorporated special terms and conditions and no guarantees were given or received.

(a) Transactions with key management personnel

Remuneration of directors and key management personnel of the Company was as follows:

	Three months ended	
	February 28, 2019	February 28, 2018
	$	$
Consulting fees	**51,250**	200,750
Salary	**290,746**	128,872
	341,996	329,622
Stock-based compensation	**101,438**	649,459
	443,434	979,081

As at February 28, 2019, directors and key management personnel were owed $7,520 (November 30, 2018 - $21,059). Aphria was owed $75,066 for Research and Development raw materials (November 30, 2018 - $ 162,051). These amounts are unsecured, non-interest bearing and due on demand, and are included in accounts payable and accrued liabilities.

13. Related party balances and transactions (continued)

During the three months ended February 28, 2019, consulting fees of $51,250 (November 30, 2018 – $191,250) were paid/payable to 9315-4466 Quebec Inc., a company controlled by a senior officer of the Company's subsidiary. As at February 28, 2019, there was a balance of $Nil (November 30, 2018 - $Nil) owing.

See shares and warrants issued to related parties in Note 7 and 8.

14. Capital management

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to achieve optimal returns to shareholders and benefits for other stakeholders. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business. The Company considers its capital to be equity, which is comprised of share capital, reserves and accumulated deficit which totalled $17,203,175 as at February 28, 2019 (November 30, 2018 – $20,887,080).

The Company is currently in a start-up stage and as of the date of these financial statements none of its projects have advanced past the early clinical trial phase. As such the Company is dependent on external financing to fund its activities. In order to fund its research, carry out its operations and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts when economic conditions permit it to do so.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital in current economic conditions by:

(i) minimizing discretionary disbursements;
(ii) focusing on obtaining Health Canada and FDA approvals for clinical trials; and
(iii) exploring alternative sources of liquidity

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate.

The Company's capital management objectives, policies and processes have remained unchanged during the three months ended February 28, 2019 and the year ended November 30, 2018.

The Company is not subject to any external capital requirements or restrictions.

15. Financial risk factors

Financial risk

The Company's activities expose it to a variety of financial risks in relation to financial instruments. The financial assets and liabilities by category are summarized in Note 16. The main types of risks are credit risk and liquidity risk.

Risk management is carried out by the Company's management team under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(Expressed in Canadian Dollars)

15. Financial risk factors (continued)

(i) Credit risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable. Cash is held with reputable Canadian chartered bank, from which management believes the risk of loss to be minimal. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered bank.

The Company's management considers that all the above financial assets that are not impaired or past due for each of the reporting dates under review are of good credit quality.

None of the Company's financial assets are secured by collateral or other credit enhancements.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at February 28, 2019, the Company had cash of $7,868,428 (November 30, 2018 - $13,585,673) and current liabilities of $1,966,160 (November 30, 2018 - $2,543,734). All of the Company's financial liabilities have contractual maturities of less than 30 days, and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

16. Categories of financial instruments

	February 28, 2019 **$**	November 30, 2018 $
Financial assets:		
Loans and receivables		
Accounts and sales tax receivable	**589,996**	759,389
Cash	**7,868,428**	13,585,673
Financial liabilities		
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities	**(1,966,160)**	(2,543,734)

As of February 28, 2019, and November 30, 2018, the estimated fair value of all the Company's financial instruments, approximated the carrying value due to the short-term nature of these instruments.

Financial instruments measured at fair value on the statement of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs). As at February 28, 2019 the Company does not have any financial instruments recorded at fair value and that require classification in the fair value hierarchy.

17. Commitments and contingencies

Contingent payments

The Company is party to certain management and employment contracts. These contracts require that additional payments of approximately $759,000 be made upon termination without cause. As a triggering event has not taken place, the contingent payments have not been reflected in these financial statements.

University funding agreement
During the year ended November 30, 2017, the Company entered into an agreement with a university in Canada to support cannabis research. The Company has committed to provide $500,000 to this university over 5 years if certain conditions are met.

As at February 28, 2019, the Company has not made any payments towards this commitment as a triggering event has not taken place.

Investigational service contract
During the year ended November 30, 2017 (and amended during the year ended November 30, 2018), the Company entered into an investigational service contract for research and development. As at February 28, 2019 and under the terms of this agreement, the Company must pay approximately $785,000 based on certain research related milestones. Certain milestones were reached as at February 28, 2019 and as such approximately $355,000 in milestone payments were made as at February 28, 2019.

During the year ended November 30, 2018, the Company entered into a co-development, commercialization and marketing contract to share all costs related to research, development and clinical trial studies and all potential net profit on a 50-50 basis. Under the terms of this agreement, the Company must pay approximately $300,000 based on certain research related milestones. No milestones were reached as at February 28, 2019.

Service contracts
On December 21, 2018, the Company entered into two service agreements to write, prepare and submit Investigation New Drug (IND) documents for one product as required by US Food and Drug Administration (FDA). Under the terms of these agreements, the Company must pay approximately $372,000 based on certain related milestones. No milestones were reached as at February 28, 2019.

18. Subsequent events

Acquisition of Panag

Subsequent to February 28, 2019, the Company announced the definitive agreement to acquire 100% of the issued and outstanding shares of Panag Pharma Inc. (Panag), a Canadian-based bio-tech company focused on the development of novel cannabinoid-based formulations for the treatment of pain and inflammation, for an aggregate consideration of $12,000,000. The purchase price is payable by the Company as follow: (i) $3,000,000 in cash and (ii) $9,000,000 in common shares of Company. The Agreement also contemplates the payment by the Company to the Vendors of an aggregate amount of up to $15,000,000 in cash in milestone payments upon the achievement of operational targets associated with marketing approvals and commercialization of both human and veterinary drug products by the U.S. Food and Drug Administration (FDA) and the European Medicines Agency (EMA). The Company is committed to fund Panag's research in an amount no less than $1,200,000 annually for a period of ten years after the closing date. In addition, in the event of a change of control of the Company within 24 months of the closing date of the proposed acquisition, the vendors would be entitled to receive from Tetra an additional $10 million.

18. Subsequent events (continued)

Phase 3 clinical program

Subsequent to February 28, 2019, the Company announced the resumption of its Phase 3 clinical program in advanced cancer pain patients. This resumption will result in a significant expansion of clinical trial sites in both Canada and the United States which will accelerate patient recruitment and help expedite Tetra's submission to regulatory agencies.

Warrants exercised

Subsequent to February 28, 2019 a total of 2,000,000 common share purchase warrants were exercised for gross proceeds of $100,000. The warrants had an average exercise price of $0.05 and would expire June 7, 2020 if not exercised.