TETRA BIO-PHARMA INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Three months and nine months ended August 31, 2018

(Unaudited)

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

As at	**August 31, 2018**	November 30, 2017
	$	$
ASSETS		
Current assets		
Cash	**9,262,296**	2,193,114
Accounts and sales tax receivable	**573,384**	194,157
Prepaid expenses	**324,554**	60,957
Inventory	**274,560**	44,542
Marketable securities (Note 8)	**3,875,000**	-
Total current assets	**14,309,794**	2,492,770
Non-current assets		
Intangible assets (Note 6)	**8,640,490**	8,645,890
Total assets	**22,950,284**	11,138,660
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**917,267**	499,053
Dividend-in-kind payable (Note 8)	**3,875,000**	-
Total liabilities	**4,792,267**	499,053
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	**28,230,192**	9,193,852
Warrants (Note 9)	**14,735,823**	7,793,431
Contributed surplus	**3,463,664**	2,303,257
Accumulated deficit	**(28,271,662)**	(8,128,179)
Equity attributable to equity holders of the Company	**18,158,017**	11,162,361
Equity attributable to non controlling interest (Note 11)	**-**	(522,754)
Total equity	**18,158,017**	10,639,607
Total liabilities and shareholders' equity	**22,950,284**	11,138,660

Commitments and contingencies (Note 19)
Going concern (Note 2)

Approved on behalf of the Board of Directors

(signed) "Bernard Lessard" — Bernard Lessard, CFO

(signed) "Guy Chamberland" — Guy Chamberland, CEO and Director

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

Tetra Bio-Pharma Inc.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended August 31, 2018	Three months ended August 31, 2017	**Nine months ended August 31, 2018**	Nine months ended August 31, 2017
	$	$	**$**	$
Expenses				
Research and development	**1,099,405**	539,529	**3,522,663**	2,267,063
Stock based compensation (Note 10)	**418,290**	312,000	**1,373,834**	792,000
General and administrative expense (Note 12)	**930,062**	632,788	**2,678,595**	1,513,050
Loss before other items	**2,447,757**	1,484,317	**7,575,092**	4,572,113
Other items				
Gain on disposal of GrowPros MMP (Note 8)	**(4,225,000)**	-	**(4,225,000)**	-
Other income and interest	**(129,982)**	-	**(158,891)**	(12)
Foreign exchange loss	**55,327**	3,197	**129,439**	15,130
Total other items	**(4,299,655)**	3,197	**(4,254,452)**	15,118
Net (gain) loss and total comprehensive (gain) loss	**(1,851,898)**	1,487,514	**3,320,640**	4,587,231
Attributable to:				
Equity holders of the Company	**(1,851,898)**	1,364,232	**3,041,651**	4,118,442
Non controlling interest (Note 11)	**-**	123,282	**278,989**	468,789
	(1,851,898)	1,487,514	**3,320,640**	4,587,231
Basic and diluted gain (loss) per common share (Note 13)	**0.01**	(0.01)	**(0.02)**	(0.04)
Basic and diluted weighted average number of common shares outstanding	**159,735,849**	117,613,406	**142,159,093**	109,501,522

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

Tetra Bio-Pharma Inc.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

(Unaudited)

	Share Capital		Warrants	Contributed Surplus	Accumulated Deficit	Equity attributable to equity holders of the Company	Non controlling interest (Note 12)	Total
	# of shares	$	$	$	$	$	$	$
Balance, November 30, 2016	**85,013,856**	**2,511,021**	**503,195**	**337,922**	**(1,902,885)**	**1,449,253**	**(52,709)**	**1,396,544**
Shares issued as part of a private placement	7,395,500	1,479,100	-	-	-	1,479,100	-	1,479,100
Shares issued as part of warrants exercised	21,229,399	3,759,362	(764,005)	-	-	2,995,357	-	2,995,357
Shares issued as part of options exercised	4,400,000	438,845	-	(166,845)	-	272,000	-	272,000
Shares issued for services	250,000	172,500	-	-	-	172,500	-	172,500
Shares issued for settlement of debt	501,800	321,152	-	-	-	321,152	-	321,152
Warrants issued as part of a private placement	-	(524,000)	524,000	-	-	-	-	-
Warrants issued for services	-	-	7,687,090	-	-	7,687,090	-	7,687,090
Expiry of warrants	-		(416)	416		-	-	-
Share issue costs	-	(6,800)	-	-	-	(6,800)	-	(6,800)
Issuance of stock options	-	-	-	792,000	-	792,000	-	792,000
Transactions with owners	33,776,699	5,640,159	7,446,669	625,571	-	13,712,399	-	13,712,399
Net loss	-	-	-	-	(4,118,442)	(4,118,442)	(468,789)	(4,587,231)
Balance, August 31, 2017	**118,790,555**	**8,151,180**	**7,949,864**	**963,493**	**(6,021,327)**	**11,043,210**	**(521,498)**	**10,521,712**
Shares issued as part of warrants exercised	4,463,204	1,008,040	(156,209)	-	-	851,831	-	851,831
Shares issued as part of options exercised	500,000	34,632	-	(9,632)	-	25,000	-	25,000
Warrants issued for intangible assets	-	-	-	-	-	-	-	-
Expiry of warrants	-		(224)	224		-	-	-
Issuance of stock options	-	-	-	1,349,172	-	1,349,172	-	1,349,172
Transactions with owners	4,963,204	1,042,672	(156,433)	1,339,764	-	2,226,003	-	2,226,003
Net loss	-	-	-	-	(2,106,852)	(2,106,852)	(1,256)	(2,108,108)
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 in bought deal	12,305,000	12,305,000	-	-	-	12,305,000	-	12,305,000
Shares issued as part of a private placement	4,292,000	4,292,000	-	-	-	4,292,000	-	4,292,000
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	1,600,000	524,411	-	(214,911)	-	309,500	-	309,500
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 a private placement	-	(1,747,795)	1,884,544	-	-	136,749	-	136,749
Expiry of warrants	-	-	(1,484)	1,484	-	-	-	-
Share issuance costs	-	(1,730,116)	-	-	-	(1,730,116)	-	(1,730,116)
Issuance of stock options, net of cancelled	-	-	-	1,373,834	-	1,373,834	-	1,373,834
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 (Note 8)	-	-	-	-	(3,875,000)	(3,875,000)	-	(3,875,000)
Transactions with owners	30,162,872	19,036,340	6,942,392	1,160,407	(17,101,832)	10,037,307	801,743	10,839,050
Net loss for the year	-	-	-	-	(3,041,651)	(3,041,651)	(278,989)	(3,320,640)
Balance, August 31, 2018	**153,916,631**	**28,230,192**	**14,735,823**	**3,463,664**	**(28,271,662)**	**18,158,017**	**-**	**18,158,017**

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

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

	Nine months ended August 31, 2018	Nine months ended August 31, 2017
	$	$
OPERATING ACTIVITIES		
Net loss for the period	**(3,320,640)**	(4,587,231)
Adjustments for:		
Shares issued for promotion	**-**	210,920
Stock-based compensation	**1,373,834**	792,000
Gain on disposal of GrowPros MMP	**(4,225,000)**	-
Depreciation	**5,400**	5,400
Changes in working capital items (Note 14)	**(454,149)**	(111,983)
Net cash (used) in operating activities	**(6,620,555)**	(3,690,894)
INVESTING ACTIVITIES		
Acquisition of PhytoPain Pharma net of $9,940,872 shares issued	**(2,484,696)**	**-**
Cash received on sale of GrowPros MMP	**350,000**	**-**
Acquisition of licenses	**-**	(250,000)
Net cash (used) in investing activities	**(2,134,696)**	(250,000)
FINANCING ACTIVITIES		
Shares issued in bought deal and other shares issued	**12,305,000**	1,479,100
Shares issued as part of a private placement	**4,292,000**	-
Warrants issued as part of a private placement	**136,749**	-
Warrants exercised	**511,300**	2,995,357
Stock options exercised	**309,500**	272,000
Share issue costs	**(1,730,116)**	(6,800)
Net cash provided by financing activities	**15,824,433**	4,739,657
Increase in cash	**7,069,182**	798,763
Cash, beginning of the period	**2,193,114**	1,218,639
Cash, end of the period	**9,262,296**	2,017,402

Supplemental cash flow information is provided in Note 14

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

1. Nature of operations

The principal business of the Company is that of pain management research including medical marijuana, consultations and acquisitions. The Company's head office is located at 200-2742 St. Joseph Blvd., Orleans, Ontario, K1C 1G5.

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". Since August 16, 2017, the Company is voluntary delisted from CSE.

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

2. Going concern

These condensed 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 operating revenues or positive cash flows from its operations from inception to date. The Company has a deficit of $23,978,372 as at August 31, 2018 (November 30, 2017 - $8,128,179).

As at August 31, 2018, the Company had a working capital surplus of $9,517,527 (November 30, 2017 – 1,993,717), including $9,262,296 (November 30, 2017 - $2,193,114) in cash and current liabilities totalling $4,792,267 (November 30, 2017 - $499,053). 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 16).

In March 2018, the Company closed a bought deal financing and a private placement for total gross proceeds of 11,500,000 and 4,292,000 shares, respectively.

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

The Condensed Consolidated Interim Financial Statements have been prepared in accordance with International Accounting Standards 34, "Interim Financial Reporting" ("IAS 34"), using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

The Condensed Consolidated Interim Financial Statements do not include all of the information required for full annual financial statements. The accounting policies and critical estimates applied by the Company in the Condensed Consolidated Interim Financial Statements are the same as those applied in the Company's annual consolidated financial statements as at and for the year ended November 30, 2017.

These Condensed Consolidated Interim Financial Statements were authorized for issuance by the Board of Directors on October 19, 2018.

4. Significant accounting policies

(a) Accounting policies applied in financial statements

The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and outstanding as of August 31, 2018 and have been consistently applied to all periods presented unless otherwise noted.

(b) Basis of presentation and measurement

These condensed 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.

(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.

(d) Basis of consolidation

These condensed 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 condensed 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.

(Expressed in Canadian Dollars)

4. Significant accounting policies (continued)

Where the ownership of a subsidiary is less than 100%, and a non-controlling interest thus 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 August 31, 2018, and November 30, 2017, the Company did not have any associates.

The subsidiaries of the Company at August 31, 2018, and their principal activities are described below:

Name of subsidiary	Place of incorporation	Ownership interest	Principal activity
PhytoPain Pharma Inc.	Canada	100%	Marijuana 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 period ended August 31, 2018, Tetra Bio-Pharma purchased the remaining 20% interest in PPP held by the non-controlling shareholders – see Note 5. The share of net assets of subsidiaries attributable to non-controlling interest is presented as a component of equity. Their share of net income and comprehensive income is 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.

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

4. Significant accounting policies (continued)

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.

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.

5. Acquisition

Purchase of the remaining interest in Phyto Pain Pharma (PPP)

Effective March 19, 2018, the Company acquired the remaining 20% interest in PPP. As a result, the Company now owns 100% of Phyto Pain Pharma (PPP). The Company acquired the remaining 20% interest in PPP from the non-controlling shareholders of PPP for a total purchase price of $2,484,696 in cash and 9,940,879 common shares of the Company.

The Company's purchase of the remaining 20% of the shares of PPP has been accounted for as an equity transaction with the excess in fair value of consideration, plus equity of the non-controlling interest, allocated to deficit.

(Expressed in Canadian Dollars)

5. Acquisition (continued)

The following is a summary of the PPP-related purchase price components, and the allocation of equity acquired on March 19, 2018:

	Purchase price **$**
Cash consideration paid	2,484,696
Fair value of 9,940,872 common shares issued	9,940,872
Difference	(479)
Non-controlling interest as at March 19, 2018	801,743
Charged to deficit	13,226,832

6. Intangible assets

The following is a summary of intangible assets as at August 31, 2018 and November 30, 2017:

Cost	Natural Health Product numbers $	Clinical trials $	Licenses $	Total $
Balance as at November 30, 2016	216,000	-	-	216,000
Amortization expense	(7,200)	-	-	(7,200)
Acquired during the year	-	7,687,090	750,000	8,437,090
Balance as at November 30, 2017	**208,800**	**7,687,090**	**750,000**	**8,645,890**
Amortization expense	(5,400)	-	-	(5,400)
Balance as at August 31, 2018	**203,400**	**7,687,090**	**750,000**	**8,640,490**

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.

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.

6. Intangible assets (continued)

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 period ended August 31, 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.

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 August 31, 2018, the Company incurred $Nil (2017 - $500,000) 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.

On December 3, 2017, the Company entered into a definitive agreement with Constance Therapeutics Inc. and acquired licences for the pharmaceutical drug development, and eventual commercialization in Canada, of their standardized, patent-pending, medicinal cannabis extract products. As at August 31, 2018, the Company incurred $Nil (2017 - $Nil) on the acquisition of the licences. The agreement is subject to certain milestone payments relating to the research and development. The agreement is also subject to certain milestone payments and royalties related to sales. As of August 31, 2018, milestones have not yet been reached and no payment obligation has occurred.

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 August 31, 2018 and November 30, 2017, there are only Class A Common shares issued and outstanding (the “common shares”).

2018 Fiscal year issuances

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 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 private placement, the Company paid a finder’s fee of $275,800 and in addition, issued 275,800 finder’s warrants as commission, 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.

7. Share capital (continued)

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 proportional method based on the Black Scholes option pricing model, using the following assumptions: share price of $0.88, 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 3 years following the closing date.

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 proportional method 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 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%.

During the period of nine months ended August 31, 2018, a total of 2,025,000 common share purchase warrants were exercised for gross proceeds of $511,300. The warrants had an average exercise price of $0.25 and expired between December 20, 2017 and August 15, 2018.

During the period of nine months ended August 31, 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 and expired between July 24, 2018 and February 23, 2022.

8. Dividend declared during the period

On February 22, 2018, the Company entered into an agreement to sell all shares of its subsidiary “GrowPros MMP Inc.” to North Bud Farms Inc. (“North Bud”) for gross proceeds of $350,000, as well as 15,500,000 common shares of North Bud.

In August 2018, the board of directors approved the distribution of a dividend-in-kind of Class A common shares of North Bud Farms Inc. (“North Bud”), on the basis of pro rata of the Corporation’s 152,961,631 outstanding shares held on the record date of August 29, 2018, representing 0.101233 North Bud share per Common Share. 15,500,000 North Bud shares were delivered to shareholders subsequent to August 31, 2018.

(Expressed in Canadian Dollars)

8. Dividend declared during the period (continued)

The value of the dividend-in-kind was based on the estimated fair market value of the 15,500,000 shares of North Bud at the time they were earned by the Company. This value of $0.25 per share was estimated based on the concurrent financing that North Bud completed as part of its going public transaction.

The following is a summary of the GrowPros MMP Inc. disposition-related selling price components, and the gain on disposal as at August 31, 2018:

	$
Cash received	350,000
Marketable securities (15,500,000 Shares of North Bud Farms Inc.)	3,875,000
Total received on disposal of GrowPros MMP	4,225,000
Gain on disposal of GrowPros MMP	4,225,000

9. Warrants

The following table reflects the continuity of warrants:

	Number of warrants	Grant date fair value	Weighted average exercice price
		$	$
Outstanding, November 30, 2016	**20,469,169**	**503,195**	**0.08**
Issued as part of a private placement	7,395,500	524,000	0.26
Issued for intangible asset acquisition	8,000,000	7,687,090	0.05
Expired	(255,000)	(640)	0.15
Exercised	(25,541,669)	(920,214)	0.15
Outstanding, November 30, 2017	**10,068,000**	**7,793,431**	**0.18**
Issued as part of private placement	4,292,000	1,747,795	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	(2,025,000)	(104,609)	0.25
Outstanding, August 31, 2018	**24,887,800**	**14,735,823**	**0.93**

(Expressed in Canadian Dollars)

9. 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
	$	$	
15,000	248	0.07	September 28, 2018
4,000,000	4,033,059	0.05	February 16, 2019
4,000,000	3,654,031	0.05	June 7, 2020
11,500,000	4,683,395	1.30	March 5, 2021
805,000	480,546	1.30	March 5, 2020
4,292,000	1,747,795	1.30	March 29, 2021
275,800	136,749	1.30	March 29, 2020
24,887,800	**14,735,823**		

10. Stock options

2018 stock options activity

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%.

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 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 $522,994 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)

10. Stock options (continued)

The following table shows the continuity of options:

	Number of options	Grant date fair value	Weighted average exercice price
		$	$
Outstanding, November 30, 2016	**6,800,000**	**295,165**	**0.07**
Granted	4,950,000	2,141,172	0.71
Exercised	(4,900,000)	(176,477)	0.05
Expired	(250,000)	(640)	0.05
Outstanding, November 30, 2017	**6,600,000**	**2,259,220**	**0.56**
Granted	900,000	1,489,442	0.88
Cancelled	(440,000)	(115,608)	0.71
Exercised	(1,600,000)	(214,911)	0.05
Outstanding, August 31, 2018	**5,460,000**	**3,418,143**	**0.75**

Number of options	Number of options vested	Vested grant date fair value	Exercise price	Expiry date
		$	$	
400,000	400,000	62,700	0.18	October 19, 2021
600,000	600,000	384,000	0.70	February 23, 2022
400,000	400,000	312,000	0.80	July 24, 2021
250,000	250,000	84,673	0.71	July 24, 2018
2,910,000	2,910,000	1,830,967	0.71	July 24, 2021
250,000	125,000	237,266	1.50	February 2, 2021
125,000	125,000	150,000	1.50	June 2, 2021
125,000	-	135,728	1.50	October 2, 2021
400,000	400,000	220,809	0.75	April 4, 2022
5,460,000	**5,210,000**	**3,418,143**		

11. Non-controlling interest

Balance, November 30, 2016	**$**	(52,709)
Share of net loss for the year		(470,045)
Balance, November 30, 2017	**$**	**(522,754)**
Share of net loss for the period, as at March 19, 2018		(278,989)
Acquisition of non-controlling interest by the Company		801,743
Balance, August 31, 2018	**$**	**-**

(Expressed in Canadian Dollars)

11. Non-controlling interest (continued)

Effective March 2018, Tetra acquired the remaining 20% interest in PPP (note 5). Prior to this acquisition, non-controlling interest represented equity interests in PPP owned by the non-controlling shareholders of PPP. The share of net assets of PPP attributable to non-controlling interest is presented as a component of equity. Their share of net income and comprehensive income is recognized directly in equity. Changes in the Tetra Bio-Pharma's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

	Proportion of ownership interests and voting rights held by NCI		**Loss and comprehensive loss allocation to NCI**		**Accumulated NCI**	
Name	**August 31, 2018**	November 30, 2017	**August 31, 2018 (Note 5)**	November 30, 2017	**August 31, 2018**	November 30, 2017
PhytoPain Pharma Inc.	**Nil**	20%	**$ 278,989**	$ 470,045	**Nil**	$ 522,754

No dividends were paid to NCI during the nine months ended August 31, 2018 and during the year ended November 30, 2017.

12. General and administrative expense

	Three months ended		**Nine months ended**	
	August 31, 2018	August 31, 2017	**August 31, 2018**	August 31, 2017
	$	$	**$**	$
Management fees	**76,890**	223,047	**279,627**	371,657
Payroll and benefits	**298,297**	101,822	**728,629**	152,788
Professional fees	**310,132**	34,712	**936,507**	158,955
Exchange and regulatory fees	**12,295**	54,821	**187,855**	126,048
Land lease expense	**-**	5,000	**-**	16,000
Travel and promotion expense	**155,970**	177,647	**408,289**	596,765
Depreciation	**1,800**	1,800	**5,400**	5,400
Miscellaneous expenses	**74,678**	33,939	**132,288**	85,437
Total	**930,062**	632,788	**2,678,595**	1,513,050

13. Loss per common share

Diluted loss per share for the 3 months ended August 31, 2018 did not include the effect of 750,000 options and 16,887,800 warrants 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)

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

	Nine months ended	
	August 31, 2018	August 31, 2017
	$	$
Accounts and sales tax receivable	**(379,227)**	(102,675)
Prepaid expenses	**(263,597)**	(113,036)
Inventory	**(230,018)**	-
Accounts payable and accrued liabilities	**418,214**	103,728
Other	**479**	-
Total	**(454,149)**	(111,983)

Non-cash transactions

On January 15, 2018, 200,000 options valued at $142,000 were exercised by a consultant of the Company (Note 10).

On March 19, 2018, 9,940,872 common shares valued at $9,940,872 were issued to acquire PPP (Note 5).

In August 2018 North Bud shares were received on the sale of GrowPros MMP (Note 8).

15. 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		Nine months ended	
	August 31, 2018	August 31, 2017	**August 31, 2018**	August 31, 2017
	$	$	$	$
Consulting fees	**57,917**	105,167	**192,500**	357,507
Land lease expense	**-**	5,000	**-**	16,000
Salary	**87,709**	64,649	**446,120**	85,274
	145,626	174,816	**638,620**	458,781
Stock-based compensation	**418,290**	312,000	**1,489,442**	792,000
Stock-based compensation cancelled	**-**	-	**(115,608)**	-
	418,290	312,000	**1,373,834**	792,000
Compensation warrants	**-**	395,000	**-**	469,000
	563,916	881,816	**2,012,454**	1,719,781

15. Related party balances and transactions (continued)

As at August 31, 2018, directors and key management personnel were owed $Nil (November 30, 2017 - $8,623). This amount is included in accounts payable and accrued liabilities.

During the nine months ended August 31, 2018, consulting fees of $140,000 (November 30, 2017 – $152,917) were paid/payable to 9315-4466 Quebec Inc., a company controlled by a senior officer of the Company's subsidiary. As at August 31, 2018, there was a balance of $Nil (November 30, 2017 - $Nil) owing.

During the nine months ended August 31, 2018, consulting fees of $52,500 (November 30, 2017 – $115,000) were paid/payable to 9206-8618 Quebec Inc., a company controlled by a senior officer of the Company's subsidiary. As at August 31, 2018, there was a balance of $Nil (November 30, 2017 - $Nil) owing. On June 19, 2018, was resigned as senior officer and was no longer considered a related party after that date.

16. 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 $18,158,017 as at August 31, 2018 (November 30, 2017 – $11,162,361).

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 nine months ended August 31, 2018 and the year ended November 30, 2017.

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

17. 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 18. The main types of risks are credit risk and liquidity risk.

(Expressed in Canadian Dollars)

17. Financial risk factors (continued)

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.

(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 August 31, 2018, the Company had cash of $9,262,296 (November 30, 2017 - $2,193,114) and current liabilities of $917,267 (November 30, 2017 - $499,053). 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.

18. Categories of financial instruments

	August 31, 2018 **$**	November 30, 2017 $
Financial assets:		
Loans and receivables		
Accounts and sales tax receivable	**573,384**	194,157
Cash	**9,262,296**	2,193,114
Fair value through profit or loss		
Marketable Securities	**3,875,000**	-
Financial liabilities		
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities	**(917,267)**	(499,053)

As of August 31, 2018, and November 30, 2017, the estimated fair value of all the Company's financial instruments, approximated the carrying value due to the short-term nature of these instruments.

(Expressed in Canadian Dollars)

18. Categories of financial instruments (continued)

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 August 31, 2018, the Company's financial instruments include the North Bud shares which are classified as level 2 within the fair value hierarchy.

19. Commitments and contingencies

Contingent payments

The Company is party to certain management and employment contracts. These contracts require that additional payments of approximately $297,500 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.

Advance inventory purchases

During the year ended November 30, 2017, the Company entered into a supply and distribution agreement to purchase inventory. The term of this agreement is 5 years and includes the following US$ minimum purchase commitments in the following years totaling US$1,510,000 (approximately CAD$1,900,000):

Year	Minimum Purchase US$
2018	340,000
2019	360,000
2020	360,000
2021	360,000
2022	90,000
Total	1,510,000

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.

As at August 31, 2018, the Company has not made any payments towards this commitment.

Investigational service contract

During the year ended November 30, 2017 (and amended during the period ended August 31, 2018), the Company entered into an investigational service contract for research and development. 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 August 31, 2018 and as such approximately $355,000 in milestone payments were made as at August 31, 2018.