TETRA BIO-PHARMA INC.

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the years ended November 30, 2017 and 2016

Management's Responsibility for the consolidated financial statements

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

The consolidated 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 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 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 financial statements and (ii) the consolidated 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 financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated 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 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)
André Rancourt
Chairman of the Board

(signed)
Bernard Fortier
Chief Executive Officer

Ottawa, Canada
March 31, 2018

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Chartered Professional Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Tetra Bio-Pharma Inc.:

We have audited the accompanying consolidated financial statements of Tetra Bio-Pharma Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at November 30, 2017 and 2016, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Tetra Bio-Pharma Inc. and its subsidiaries as at November 30, 2017 and 2016, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
March 31, 2018

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

As at	**November 30, 2017**	November 30, 2016
	$	$
ASSETS		
Current assets		
Cash	**2,193,114**	1,218,639
Accounts receivable (Note 6)	**194,157**	62,703
Prepaid expenses	**60,957**	90,869
Inventory	**44,542**	-
Total current assets	**2,492,770**	1,372,211
Non-current assets		
Intangible assets (Note 7)	**8,645,890**	216,000
Total assets	**11,138,660**	1,588,211
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**499,053**	191,667
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	**9,193,852**	2,511,021
Warrants (Note 9)	**7,793,431**	503,195
Contributed surplus	**2,303,257**	337,922
Accumulated deficit	**(8,128,179)**	(1,902,885)
Equity attributable to equity holders of the Company	**11,162,361**	1,449,253
Equity attributable to non controlling interest (Note 11)	**(522,754)**	(52,709)
Total equity	**10,639,607**	1,396,544
Total liabilities and shareholders' equity	**11,138,660**	1,588,211

Commitments and contingencies (Note 20)
Subsequent Events (Note 21)
Going concern (Note 2)

Approved on behalf of the Board of Directors

(signed) "Andre Rancourt"	(signed) "Bernard Fortier"
Andre Rancourt, Chairman of the Board	Bernard Fortier, CEO and Director

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

Tetra Bio-Pharma Inc.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian dollars)

	Year ended November 30, 2017	Year ended November 30, 2016
	$	$
Expenses		
Research and development	**2,060,059**	263,544
Stock based compensation (Note 10)	**2,141,172**	125,400
General and administrative expense (Note 12)	**2,478,277**	662,098
Loss before other items	**6,679,508**	1,051,042
Other items		
Interest and other income	**(487)**	(55,762)
Foreign exchange loss	**16,318**	1,686
Total other items	**15,831**	(54,076)
Net loss before income taxes	**6,695,339**	996,966
Income tax expense	**-**	-
Net loss and total comprehensive loss	**6,695,339**	996,966
Attributable to:		
Equity holders of the Parent Company	**6,225,294**	944,257
Non controlling interest (Note 11)	**470,045**	52,709
	6,695,339	996,966
Basic and diluted loss per common share (Note 13)	**(0.06)**	(0.02)
Basic and diluted weighted average number of common shares outstanding	**107,795,390**	64,807,092

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

Tetra Bio-Pharma Inc.

Consolidated 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 (Note 11)	Total
	# of shares	$	$	$	$			$
Balance, November 30, 2015	**58,070,487**	**602,881**	**8,990**	**116,537**	**(958,628)**	**(230,220)**	**-**	**(230,220)**
Shares issued as part of a private placement	18,466,369	1,532,956	-	-	-	1,532,956	-	1,532,956
Shares issued as part of warrants exercised	5,292,800	564,720	(37,024)	-	-	527,696	-	527,696
Shares issued as part of options exercised	300,000	20,779	-	(5,779)	-	15,000	-	15,000
Shares issued as part of agent options exercised	1,002,600	126,820	-	(1,395)	-	125,425	-	125,425
Shares issued for acqusition of natural health numb	1,800,000	216,000	-	-	-	216,000	-	216,000
Warrants issued as part of a private placement	-	(470,891)	470,891	-	-	-	-	-
Warrants and options issued for services	-	-	39,079	102,344	-	141,423	-	141,423
Expiry of warrants	-		(815)	815				
Share issue costs	81,600	(82,244)	22,074	-	-	(60,170)	-	(60,170)
Issuance of stock options	-	-	-	125,400	-	125,400	-	125,400
Transactions with owners	26,943,369	1,908,140	494,205	221,385	-	2,623,730	-	2,623,730
Net loss	-	-	-	-	(944,257)	(944,257)	(52,709)	(996,966)
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	25,692,603	4,767,402	(920,214)	-	-	3,847,188	-	3,847,188
Shares issued as part of options exercised	4,900,000	473,477	-	(176,477)	-	297,000	-	297,000
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 intangible asset	-	-	7,687,090	-	-	7,687,090	-	7,687,090
Expiry of warrants	-	-	(640)	640	-	-	-	-
Share issue costs	-	(6,800)	-	-	-	(6,800)	-	(6,800)
Issuance of stock options	-	-	-	2,141,172	-	2,141,172	-	2,141,172
Transactions with owners	38,739,903	6,682,831	7,290,236	1,965,335	-	15,938,402	-	15,938,402
Net loss	-	-	-	-	(6,225,294)	(6,225,294)	(470,045)	(6,695,339)
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**

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

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

	Year ended November 30, 2017	Year ended November 30, 2016
	$	$
OPERATING ACTIVITIES		
Net loss for the period	**(6,695,339)**	(996,966)
Adjustments for:		
Finance costs	**-**	62
Non cash performance bonuses	**-**	141,423
Shares issued for promotion	**172,500**	-
Stock-based compensation	**2,141,172**	125,400
Loss on settlement of debt	**282,732**	-
Impairment expense	**-**	13,899
Depreciation	**7,200**	-
Changes in working capital items (Note 14)	**199,722**	(226,149)
Net cash used in operating activities	**(3,892,013)**	(942,331)
INVESTING ACTIVITIES		
Acquisition of licenses	**(750,000)**	-
Net cash (used) from investing activities	**(750,000)**	-
FINANCING ACTIVITIES		
Finance costs	**-**	(62)
Common shares and warrants issued	**1,479,100**	1,532,956
Warrants exercised	**3,847,188**	527,696
Stock options exercised	**297,000**	15,000
Agent options exercised	**-**	125,425
Share issue costs	**(6,800)**	(60,170)
Net cash provided by financing activities	**5,616,488**	2,140,845
Increase in cash	**974,475**	1,198,514
Cash, beginning of the year	**1,218,639**	20,125
Cash, end of the year	**2,193,114**	1,218,639

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

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”.

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.

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

2. Going concern

These consolidated 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 $8,128,179 as at November 30, 2017 (November 30, 2016 - $1,902,885).

As at November 30, 2017, the Company had a working capital surplus of $1,993,717 (November 30, 2016 – 1,180,544), including $2,193,114 (November 30, 2016 - $1,218,639) in cash and current liabilities totalling $499,053 (November 30, 2016 - $191,667). 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 21).

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 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 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 financial statements are disclosed in note 5.

These consolidated financial statements were approved by the Board of Directors on March 31, 2018.

4. Significant accounting policies

(a) Accounting policies applied in financial statements

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of November 30, 2017 and have been consistently applied to all periods presented unless otherwise noted.

(b) Basis of presentation and measurement

These consolidated 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.

(d) Basis of consolidation

These consolidated 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 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 November 30, 2017, and November 30, 2016, the Company did not have any associates.

The subsidiaries of the Company at November 30, 2017, and their principal activities are described below:

Name of subsidiary	Place of incorporation	Ownership interest	Principal activity
PhytoPain Pharma Inc.	Canada	80%	Marijuana related clinical trials
GrowPros Agro-Tek Inc.	Canada	100%	Development of health products
Grow Pros MMP Inc.	Canada	100%	Medical Marijuana
Minera Mazorro, S. de R.L. de C.V.	Mexico	100%	Inactive

PhytoPain Pharma (“PPP”) was incorporated on May 11, 2016, and is owned 80% by Tetra and 20% owned by Dr. Guy Chamberland, M.Sc., Ph.D. and Mr. André Rancourt as co-founders. 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.

(d) Impairment of long-lived assets

Long-lived assets, including equipment and intangible assets are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds its recoverable amount. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit, or "CGU"). The recoverable amount of an asset or a CGU is the higher of its fair value, less costs to sell, and its value in use. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognized immediately in profit or loss by the amount by which the carrying amount of the asset exceeds the recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the lesser of the revised estimate of recoverable amount, and the carrying amount that would have been recorded had no impairment loss been recognized previously.

(e) Financial Instruments

Financial instruments are defined as any contract that gives rise to a financial asset for one entity and a financial liability or equity instrument for another entity. The Company recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument.

Financial assets of the Company are classified into the following categories at their initial recognition:

- loans and receivables;
- available for sale investments;
- fair value though profit or loss.

4. Significant accounting policies (continued)

(e) Financial Instruments (continued)

Financial assets and liabilities are initially measured at fair value, plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issuance of the financial asset or liability. In a purchase or sale of financial assets, recognition and derecognition occurs using trade date accounting.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and accounts receivable, except sales tax, fall into this category of financial instruments.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Company does not have any assets designated as available for sale.

Available-for-sale financial assets are measured at fair value. Net change in fair value is recognized in other comprehensive income and reported within the accumulated other comprehensive income reserve within equity. When the asset is derecognized, the cumulative gain or loss recognized in other comprehensive income is reclassified to profit or loss as a gain (loss) on sale of marketable securities, if applicable, and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognized in profit or loss within finance income.

Financial liabilities at amortized cost
The Company's financial liabilities include accounts payable and accrued liabilities. Financial liabilities are measured subsequently at amortized cost using the effective interest method. All interest-related charges are reported in profit and loss, if applicable.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire or when all of the substantial risks and rewards are transferred.

Financial liabilities are derecognized when they are extinguished, discharged, cancelled, or expire.

Impairment of financial assets
Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investments have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; or default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

The carrying amount of financial assets is reduced by any impairment loss directly for all financial assets with the exception of financial assets classified as loans and receivables, where the carrying amount is reduced through the use of an allowance account. When these assets are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

4. Significant accounting policies (continued)

(f) Impairment of non-financial assets

The Company assesses non-financial assets including property and equipment for impairment when facts and circumstances suggest that the carrying amount of the assets are impaired. An impairment review is undertaken when indicators of impairment arise.

Where such an indication exists, the recoverable amount of the asset is estimated. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are largely independent cash inflows (Cash-generating units or "CGU"). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Where an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, subject to the amount not exceeding the carrying amount that would have been determined had impairment not been recognized for the asset in prior periods. Any reversal of impairment is recognized immediately in profit or loss.

(g) Provisions and contingent liabilities

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. The Company had no material provisions or contingent liabilities as at November 30, 2017 and November 30, 2016.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination.

(h) Equity

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, stock options and share warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share capital

Share capital represents the amount received on the issue of shares. Transaction costs directly attributable to the issuance of common shares are recognized as a reduction of share capital. If shares are issued when options and warrants are exercised, the share capital account also comprises the compensation costs previously recorded as contributed surplus and warrants. In addition, if shares are issued as consideration for the services provided or some other form of non-monetary assets, they are measured at their fair value according to the quoted price on the day of the conclusion of the agreement.

4. Significant accounting policies (continued)

(h) Equity (continued)

Unit placements
Proceeds from unit placements are allocated between shares and warrants issued according to their fair value using the proportional method. The Company uses the Black-Scholes pricing model to estimate the fair value of warrants issued.

Warrants
Warrants include charges related to the issuance of warrants until the warrants are exercised or expired. Amounts related to exercised warrants are moved to share capital while amounts related to expired warrants are moved to contributed surplus.

Share based payments
Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of loss and comprehensive loss over the vesting period. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, any increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of loss and comprehensive loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the estimated fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received. Options or warrants granted related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model.

All equity-settled share-based payments are reflected in contributed surplus, unless exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

(i) Income taxes

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity.

Current income tax assets and/or liabilities are the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

4. Significant accounting policies (continued)

(i) Income taxes (continued)

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Changes in deferred tax assets and liabilities are recognized as deferred income tax expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

(j) Segmented reporting

The Company presents and discloses segmented information based on information that is regularly reviewed by the Company's CEO who is the chief operating decision-maker. The CEO has primary responsibility for allocating resources to the Company's operating segments and assessing their performance. The Company is currently in the development stage and has determined that there is only one operating segment being the sector of medical marijuana. All of the Company's operations and material assets are in Canada.

(k) Basic and diluted loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares. The Company's diluted loss per share does not include the effect of stock options and warrants as they are anti-dilutive, by reducing the loss per share.

(l) Inventory

The Company values inventories at the lower of cost and net realizable value. Cost includes the costs of purchases net of vendor allowances plus other costs, such as transportation, that are directly incurred to bring inventories to their present location and condition.

The Company estimates net realizable value as the amount that inventories are expected to be sold less estimated costs necessary to make the sale. Inventories are written down to net realizable value when the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in selling prices, the amount of the write-down previously recorded is reversed.

4. Significant accounting policies (continued)

(m) Intangible assets

Intangible assets are comprised of natural product numbers, clinical trials and licenses acquired by the Company.

A natural product number is an eight-digit number located on natural health products legally licensed for sale in Canada. The Company acquired all formulations, raw material supplier information, trade secrets and intellectual property relative to the natural product numbers. These intangible assets are recorded at cost net of accumulated amortization and impairment losses. The natural product numbers are amortized on a straight-line basis over an estimated useful life of 30 years.

The clinical trials and licenses are described in note 7.

The clinical trials and licenses are not yet ready for use and, as a result, no amortization has been recorded on these assets.

(n) 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.

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. Earlier adoption is permitted.

4. Significant accounting policies (continued)

(n) Standards, amendments and interpretations not yet effective (continued)

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. Earlier adoption is permitted.

5. Critical accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make judgments, estimates, and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In particular, the Company has identified the following areas where significant judgments, estimates, and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the consolidated financial statements.

5. Critical accounting estimates and judgments (continued)

Significant management judgments

Estimates

- The estimation of share-based payment costs requires the selection of an appropriate valuation model and data and consideration as to the volatility of the Company's own share, the probable life of share options and warrants granted and the time of exercise of those share options and warrants. The model used by the Company is the Black-Scholes valuation model.

- Determining whether facts and circumstances suggest that the carrying amount of intangible assets may exceed their recoverable amount. Determining if there are any facts and circumstances' indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

- When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset or the cash generating units must be estimated.

- Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgments. To date, management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

- Management has estimated the life of natural product numbers to be 30 years based on similar health products in the market.

Judgments

- The assessment of the Company's ability to execute its strategy by funding future working capital requirements. Further information regarding going concern is outlined in note 2.

- By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence and potential quantum of contingencies inherently involves the exercise of significant judgments and the use of estimates regarding the outcome of future events.

6. Accounts receivable

	November 30, 2017	November 30, 2016
	$	$
Sales tax receivable	**194,157**	62,703

(Expressed in Canadian Dollars)

7. Intangible assets

The following is a summary of intangible assets as at November 30, 2017 and November 30, 2016:

Cost	Natural Health Product numbers $	Clinical trials $	Licenses $	Total $
Balance as at November 30, 2015	-	-	-	-
Acquired during the year	216,000	-	-	216,000
Balance as at November 30, 2016	**216,000**	**-**	**-**	**216,000**
Acquired during the year	**-**	7,687,090	750,000	8,437,090
Amortization expense	(7,200)	-	-	(7,200)
Balance as at November 30, 2017	**208,800**	**7,687,090**	**750,000**	**8,645,890**

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.

<u>Clinical trials</u>
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, Tetra 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 and during the year then ended, all milestone payments with an estimated fair value of $7,687,090 (2016 - $Nil) have been issued.

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

<u>Licences</u>
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. As at November 30, 2017, the Company incurred $250,000 (2016 - $Nil) 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 November 30, 2017, the Company incurred $500,000 (2016 - $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.

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

8. 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 November 30, 2017 and 2016, there are only Class A Common shares issued and outstanding (the "common shares").

2017 Fiscal year issuances

On December 6, 2016, the Company completed a non-brokered private placement of 5,000,000 units at a price of $0.20 per unit for aggregate gross proceeds of $1,000,000. 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 $0.26 per share for a period of 3 years following the closing date. The warrants are subject to an accelerated expiry if the Company's shares trade above $0.45 for thirty consecutive trading days at which time the warrants will expire in 30 days if not exercised.

The 5,000,000 warrants issued in connection to the private placements listed above have been recorded at an estimated value of $397,000 based on the proportional method based on the Black Scholes option pricing model, using the following assumptions: share price of $0.12, an average exercise price of $0.26, risk free interest rate of 0.87%, expected life of warrants of 3 years, annualized volatility rate of 135% (based on the Company's historical volatility for 3 years up to the issuance date) and dividend rate of 0%.

On March 20, 2017, the Company announced that the 5,000,000 warrants had been exercised for aggregate gross proceeds of $1,300,000.

There were no finders' fees issued in connection with this private placement.

On December 30, 2016, the Company completed a non-brokered private placement for 2,395,500 units at a price of $0.20 per unit for aggregate gross proceeds of $479,100. Each unit consists of one common share and one non-transferable warrant, with a whole warrant entitling the holder to purchase one common share at a price of $0.26 per share for a period of twelve months expiring December 30, 2017.

The 2,395,500 warrants issued in connection to the private placements listed above have been recorded at a value of $127,000 based on the proportional method based on the Black Scholes option pricing model, using the following assumptions: share price of $0.15, an average exercise price of $0.26, risk free interest rate of 0.76%, expected life of warrants of 1 year, annualized volatility rate of 135% (based on the Company's historical volatility for 1 year up to the issuance date) and dividend rate of 0%.

In connection with the private placement, the Company paid a finder's fee of $6,800.

During the year ended November 30, 2017, a total of 25,692,603 common share purchase warrants were exercised for gross proceeds of $3,837,088. The warrants had an average exercise price of $0.15 and expired between December 20, 2016 and December 5, 2019.

During the year ended November 30, 2017, a total of 4,900,000 stock options were exercised for gross proceeds of $297,000. The stock options had an exercise price between $0.05 and $0.18 and expired between November 5, 2017 and October 19, 2021.

During the year ended November 30, 2017, the Company issued a total of 250,000 common shares for promotional services. The estimated fair value of the common shares was $172,500 based on the quoted market price of the Company's shares on the date of the transaction.

8. Share capital (continued)

During the year ended November 30, 2017, the Company issued a total 501,800 common shares for the settlement of debt with a carrying value of $38,420. The estimated fair value of the common shares was $321,152 based on the quoted market price of the Company's shares on the date of the transaction. This resulted in a loss on settlement of debt of $282,732.

2016 Fiscal year issuances

On February 25, 2016, the Company completed a non-brokered private placement of 5,210,000 units at a price of $0.05 per unit for aggregate gross proceeds of $260,500. Each unit consisted of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of $0.07 up to February 24, 2017.

The 5,210,000 warrants issued in connection with the private placements listed above have been recorded at a value of $46,191 based on the Black Scholes option pricing model, using the following assumptions: share price of $0.04, a weighted average exercise price of $0.07, risk free interest rate of 0.49%, contractual life of warrants of 1 year, expected volatility rate of 96% (based on the Company's historical volatility for 1 year up to the issuance date) and an expected dividend rate of 0%.

In connection with the private placement, the Company paid a finder's fee of $13,640 and issued 272,800 non-transferable finder's warrants. Each finder's warrant entitles the holder to purchase one common share of the Company at a price of $0.07 per share for a period of 12 months expiring February 24, 2017. The finders' warrants have been recorded at a value of $3,674 based on the Black Scholes option pricing model using the following assumptions: share price of $0.04, an average exercise price of $0.07, risk free interest rate of 0.49%, expected life of warrants of 1 year, expected volatility rate of 96% (based on the Company's historical volatility for 1 year up to the issuance date) and expected dividend rate of 0%.

On August 15, 2016, the Company completed a non-brokered private placement of 2,160,000 units at a price of $0.05 per unit for aggregate gross proceeds of $108,000. Each unit consisted of one common share and one common share purchase warrant entitling the holder to purchase one common share at a price of $0.07 up to August 15, 2018.

The 2,160,000 warrants issued in connection to the private placements listed above have been recorded at a value of $40,300 based on the Black Scholes option pricing model, using the following assumptions: share price of $0.04, a weighted average exercise price of $0.07, risk free interest rate of 0.58%, contractual life of warrants of 2 years, expected volatility rate of 115% (based on the Company's historical volatility for 2 years up to the issuance date) and expected dividend rate of 0%.

In connection with the private placement, the Company paid a finder's fee of $4,250 and issued 85,000 non-transferable finder's warrants. Each finder's warrant entitles the holder to purchase one common share of the Company at a price of $0.07 per share for a period of 24 months expiring August 15, 2018. The finders' warrants have been recorded at a value of $1,600 based on the Black Scholes option pricing model using the following assumptions: share price of $0.04, an average exercise price of $0.07, risk free interest rate of 0.58%, expected life of warrants of 2 years, expected volatility rate of 115% (based on the Company's historical volatility for 2 years up to the issuance date) and expected dividend rate of 0%.

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 (Note 7).

8. Share capital (continued)

On September, 28, 2016, the Company completed a non-brokered private placement of 5,000,000 units at a price of $0.05 per unit for aggregate gross proceeds of $250,000. Each unit consists of one common share and one transferable warrant, with a whole warrant entitling the holder to purchase one common share at a price of $0.07 for a period of twenty-four months expiring September 28, 2018.

The 5,000,000 warrants issued in connection to the private placements listed above have been recorded at a value of $80,215 based on the Black Scholes option pricing model, using the following assumptions: share price of $0.03, a weighted average exercise price of $0.07, risk free interest rate of 0.51%, contractual life of warrants of 2 years, expected volatility rate of 123% (based on the Company's historical volatility for 2 years up to the issuance date) and expected dividend rate of 0%.

In connection with the private placement, the Company paid a cash finder’s fee of $9,280 and issued 185,600 non-transferable finder’s warrants. Each finder’s warrant entitles the holder to purchase one common share of the Company at a price of $0.07 per share for a period of twenty-four months expiring September 28, 2018. The finder’s warrants have been recorded at a value of $6,400 based on the Black Scholes option pricing model using the following assumptions: share price of $0.03, an average exercise price of $0.07, risk free interest rate of 0.51%, expected life of warrants of 2 years, expected volatility rate of 123% (based on the Company's historical volatility for 2 years up to the issuance date) and expected dividend rate of 0%.

On November 4, 2016, the Company completed a non-brokered private placement of 6,096,369 units at a price of $0.15 per unit for aggregate gross proceeds of $914,456. Each unit consists of one common share and one non-transferable warrant, with a whole warrant entitling the holder to purchase one common share at a price of $0.20 per share for a period of twelve months expiring November 4, 2017.

The 6,096,369 warrants issued in connection to the private placements listed above have been recorded at a value of $304,185 based on the Black Scholes option pricing model, using the following assumptions: share price of $0.10, a weighted average exercise price of $0.20, risk free interest rate of 0.69%, contractual life of warrants of 1 year, expected volatility rate of 180% (based on the Company's historical volatility for 1 year up to the issuance date) and expected dividend rate of 0%.

In connection with the private placement, the Company paid a cash finder’s fee of $37,080 and issued 157,600 non-transferable finder’s warrants. Each finder’s warrant entitles the holder to purchase one unit at a price of $0.20 per unit. Each unit consists of one common share and one warrant, with a whole warrant entitling the holder to purchase one common share of the Company at a price of $0.20 per share for a period of twelve months expiring November 4, 2017. The finder’s warrants have been recorded at a value of $10,400 based on using the following assumptions: share price of $0.10, an average exercise price of $0.20, risk free interest rate of 0.69%, expected life of warrants of 1 year, expected volatility rate of 180% (based on the Company's historical volatility for 1 years up to the issuance date) and expected dividend rate of 0%.

During the year ended November 30, 2016, 501,300 agent options at a price of $0.10 per option as well as the 501,300 underlying agent warrants at a price of $0.15 were exercised for cash proceeds of $125,325. As a result of the exercise of the agent options $1,395 has been reclassified from contributed surplus to share capital.

During the year ended November 30, 2016, a total of 5,292,800 common share purchase warrants were exercised for gross proceeds of $527,696. The warrants had an average exercise price of $0.10 with expiry dates between September 30, 2016 and September 28, 2018. As a result of the exercise of the warrants $37,024 has been reclassified from warrants to share capital.

During the year ended November 30, 2016, a total of 300,000 stock options were exercised for gross proceeds of $15,000. The options had an exercise price of $0.05 with expiry date of November 5, 2017. As a result of the exercise of the stock options $5,779 has been reclassified from contributed surplus to share capital.

(Expressed in Canadian Dollars)

9. Warrants

The following table reflects the continuity of warrants:

	Number of warrants	Grant date fair value	Weighted average exercice price
		$	$
Outstanding, November 30, 2015	**5,513,000**	**8,990**	**0.15**
Issued as part of a private placement	18,466,369	470,891	0.11
Broker warrants issued as part of private placement	782,600	22,074	0.10
Issued as compensation	1,500,000	39,079	0.05
Exipred	(500,000)	(815)	0.20
Exercised	(5,292,800)	(37,024)	0.10
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**

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
	$	$	
80,000	1,494	0.07	August 15, 2018
15,000	247	0.07	September 28, 2018
4,000,000	4,033,059	0.05	February 16, 2019
1,973,000	104,600	0.26	December 30, 2017
4,000,000	3,654,031	0.05	June 7, 2020
10,068,000	**7,793,431**		

On February 16, 2017, 4,000,000 warrants were granted in connection with an asset acquisition whereby warrants were contingently issuable on achieving the first milestone in the clinical trial application process. The warrants are exercisable at $0.05 and expire on February 16, 2019. The warrants have been recorded at a value of $4,033,059 based on the Black Scholes option pricing model using the following assumptions: share price of $1.05, an average exercise price of $0.03, risk free interest rate of 0.78%, expected life of warrants of 2 years, expected volatility rate of 136% (based on the Company's historical volatility for 2 years up to the issuance date) and expected dividend rate of 0%.

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%.

10. Stock options

2017 stock options activity

On February 23, 2017, 750,000 stock options were granted to directors and officers of the Company. The stock options are exercisable at $0.70 and expire on February 23, 2022. The stock options have been recorded at a value of $480,000 based on the Black Scholes option pricing model using the following assumptions: share price of $0.70, an average exercise price of $0.70, risk free interest rate of 1.16%, expected life of warrants of 5 years, expected volatility rate of 151% (based on the Company's historical volatility for 5 years up to the issuance date) and dividend rate of 0%.

On July 24, 2017, 400,000 stock options were granted to directors and officers of the Company. The stock options are exercisable at $0.80 and expire on July 24, 2021. The stock options have been recorded at a value of $312,000 based on the Black Scholes option pricing model using the following assumptions: share price of $0.80, an average exercise price of $0.80, risk free interest rate of 1.58%, expected life of warrants of 4 years, expected volatility rate of 165% (based on the Company's historical volatility for 5 years up to the issuance date) and dividend rate of 0%.

On November 27, 2017, 450,000 stock options were granted to consultants of the Company. The stock options are exercisable at $0.71 and expire on July 24, 2018. The stock options have been recorded at a value of $152,412 based on the Black Scholes option pricing model using the following assumptions: share price of$0.71, an average exercise price of $0.71, risk free interest rate of 1.43%, expected life of warrants of 1 year, expected volatility rate of 156% (based on the Company's historical volatility for 1 years up to the issuance date) and dividend rate of 0%.

On November 27, 2017, 3,350,000 stock options were granted to directors and officers of the Company. The stock options are exercisable at $0.71 and expire on July 24, 2021. The stock options have been recorded at a value of $1,196,760 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 dividend rate of 0%.

2016 stock option activity

On June 15, 2016, 2,500,000 stock options were granted as management compensation on achieving the first milestone in the clinical trial application process. The stock options are exercisable at $0.05 and expire on June 15, 2021. The compensation options have been recorded at a value of $102,344 based on the Black Scholes option pricing model using the following assumptions: share price of $0.05, an average exercise price of $0.05, risk free interest rate of 0.52%, expected life of warrants of 5 years, expected volatility rate of 119% (based on the Company's historical volatility for 5 years up to the issuance date) and dividend rate of 0%. This option is included in research and development in net loss.

On October 19, 2016, 800,000 stock options were granted to directors of the Company. The stock options are exercisable at $0.18 and expire on October 19, 2021. The options have been recorded at a value of $125,400 based on the Black Scholes option pricing model using the following assumptions: share price of $0.18, an average exercise price of $0.18, risk free interest rate of 0.68%, expected life of warrants of 5 years, expected volatility rate of 135% (based on the Company's historical volatility for 5 years up to the issuance date) and expected dividend rate of 0%.

During the year ended November 30, 2016, a total of 300,000 stock options was exercised for gross proceeds of $15,000. The options had an exercise price of $0.05 and an expiry date of November 5, 2017. As a result of the exercise of the stock options $5,779 has been reclassified from contributed surplus to share capital.

(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, 2015	**4,650,000**	**73,627**	**0.10**
Granted	3,300,000	227,744	0.08
Exercised	(300,000)	(5,779)	0.05
Expired	(850,000)	(427)	0.30
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**

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
750,000	750,000	480,000	0.70	February 23, 2022
1,250,000	1,250,000	51,172	0.05	June 15, 2021
400,000	400,000	312,000	0.80	July 24, 2021
450,000	450,000	360,000	0.71	July 24, 2018
3,350,000	1,870,000	993,348	0.71	July 24, 2021
6,600,000	**5,120,000**	**2,259,220**		

The unvested options vest as follows:

- 360,000 option upon the launch of phase 3 clinical trials for the Company's PPP001 formulation (vested subsequent to November 30, 2017);
- 360,000 option upon financing into the Company of $2,000,000 or more (vested subsequent to November 30, 2017);
- 200,000 options upon the achievement of certain distribution agreements (vested subsequent to November 30, 2017);
- 200,000 options upon the achievement of a distribution agreement for the USA market; and
- 360,000 options obtaining a licensing/commercialization deal.

(Expressed in Canadian Dollars)

11. Non-controlling interest

Balance, November 30, 2015	**$ -**
Share of net loss for the year	(52,709)
Balance, November 30, 2016	**$ (52,709)**
Share of net loss for the year	(470,045)
Balance, November 30, 2017	**$ (522,754)**

	Proportion of ownership interests and voting rights held by NCI		**Loss and comprehensive loss allocation to NCI**		**Accumulated NCI**	
Name	**November 30, 2017**	November 30, 2016	**November 30, 2017**	November 30, 2016	**November 30, 2017**	November 30, 2016
PhytoPain Pharma Inc.	**20%**	20%	**$ 470,045**	$ 52,709	**$ 522,754**	$ 52,709

No dividends were paid to the NCI during the year ended November 30, 2017 and the year ended November 30, 2016.

Summarized financial information for PPP, before intragroup eliminations, is set below:

	November 30, 2017	November 30, 2016
	$	$
Current assets	**133,987**	877
Total assets	**633,987**	877
Current liabilities	**3,220,642**	237,310
Total liabilities	**3,220,642**	237,310
Deficiency attributable to owners of the parent	**(2,063,902)**	(210,835)
Deficiency attributable to NCI	**(522,754)**	(52,709)
Total deficiency	**(2,586,656)**	(263,544)

	November 30, 2017	November 30, 2016
	$	$
Loss attributable to the owners of the parent	**(1,880,178)**	(210,835)
Loss attributable to NCI	**(470,045)**	(52,709)
Total loss	**(2,350,223)**	(263,544)

	November 30, 2017	November 30, 2016
	$	$
Net cash from operating activities	**(41,376)**	(236,433)
Net cash from investing activities	**-**	-
Net cash from financing activities	**-**	-
Net cash flow	**(41,376)**	(236,433)

(Expressed in Canadian Dollars)

12. General and administrative expense

	Year ended November 30, 2017	November 30, 2016
	$	$
Management fees	**468,187**	347,512
Payroll and benefits	**388,190**	-
Professional fees	**222,475**	96,497
Exchange and regulatory fees	**139,687**	54,430
Land lease expense	**18,000**	6,000
Travel and promotion expense	**678,327**	106,390
Depreciation	**7,200**	-
Impairment expense	**-**	13,899
Loss on settlement of debt	**282,732**	-
Loss on advance inventory payments	**166,796**	-
General and administrative expense	**106,683**	37,370
Total	**2,478,277**	662,098

13. Loss per common share

Diluted loss per share did not include the effect of 6,600,000 stock options (November 30, 2016 – 6,800,000), and 10,068,000 warrants (November 30, 2016 – 20,469,169) outstanding at November 30, 2017, as they are anti-dilutive.

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

	Year ended November 30, 2017	November 30, 2016
	$	$
Accounts receivable	**(131,454)**	(57,597)
Prepaid expenses	**29,912**	(90,036)
Inventory	**(44,542)**	-
Accounts payable and accrued liabilities	**345,806**	(78,516)
Total	**199,722**	(226,149)

Non-cash transactions

The Company made cash payments for interest of $Nil (November 30, 2016 - $Nil) and income taxes of $Nil (November 30, 2016 - $Nil) 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 (note 9).

(Expressed in Canadian Dollars)

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:

	Year ended November 30, 2017	November 30, 2016
	$	$
Consulting fees	**396,667**	283,200
Land lease expense	**18,000**	-
Salary	**241,703**	-
Professional fees	**20,000**	16,350
	676,370	299,550
Stock-based compensation	**2,141,172**	125,400
Warrants issued for the acquisition of intangible assets	**7,687,090**	141,423
	10,504,632	566,373

As at November 30, 2017, directors and key management personnel were owed $8,623 (November 30, 2016 - $4,328). This amount is included in accounts payable and accrued liabilities. The amount is unsecured, non-interest bearing and due on demand.

During the year ended November 30, 2017, consulting fees of $68,750 (2016 – $43,200) were paid/payable to Sabino Di Paola, the Company's former CFO. As at November 30, 2017, there was a balance of $Nil (November 30, 2016 - $Nil) owing to him.

During the year ended November 30, 2017, consulting fees of $35,000 (2016 – $60,000) were paid/payable to Woodcliff Capital a company controlled by a director of the Company. As at November 30, 2017, there was a balance of $Nil (November 30, 2016 - $2,455) owing.

During year ended November 30, 2017, consulting fees of $152,917 (2016 – $60,000) were paid/payable to 9315-4466 Quebec Inc. a company controlled by a senior officer of the Company's subsidiary. As at November 30, 2017, there was a balance of $Nil (November 30, 2016 - $Nil) owing. During the year ended November 30, 2017, the Company issued 4,000,000 compensation warrants to 9315-4466 Quebec Inc., with a Black-Scholes value of $3,843,545.

During the year ended November 30, 2017, consulting fees of $115,000 (2016 – $60,000) were paid/payable to 9206-8618 Quebec Inc. a company controlled by a senior officer of the Company's subsidiary. As at November 30, 2017, there was a balance of $Nil (November 30, 2016 - $Nil) owing. During the year ended November 30, 2017, the Company issued 4,000,000 compensation warrants to 9206-8618 Quebec Inc., with a Black-Scholes value of $3,843,545.

15. Related party balances and transactions (continued)

During the year ended November 30, 2016, consulting fees of $60,000 was paid/payable to Ryan Brown, the Company's former CEO. As at November 30, 2016 there was a balance of $Nil owing to Ryan Brown. On September 19, 2016, Mr. Brown resigned as the CEO of the Company and was no longer considered a related party after that date.

During the year ended November 30, 2017 salary of approximately $87,000 (2016 - $Nil) was paid to Bernard Fortier, the CEO of the Company. As at November 30, 2017, there was a balance of $Nil (November 30, 2016 - $Nil) owing.

During the year ended November 30, 2017 salary of approximately $26,000 (2016 - $Nil) was paid to Bernard Lessard, the CFO of the Company. As at November 30, 2017, there was a balance of $Nil (November 30, 2016 - $Nil) owing.

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 attributable to equity holders, which is comprised of share capital, reserves and retained earnings which totalled $11,162,361 as at November 30, 2017 (November 30, 2016 – $1,449,253).

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 year ended November 30, 2017 and the year ended November 30, 2016.

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.

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 banks, 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 November 30, 2017, the Company had cash of $2,193,114 (November 30, 2016 - $1,218,639) and current liabilities of $499,053 (November 30, 2016 - $191,667). 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.

(Expressed in Canadian Dollars)

18. Categories of financial instruments

	November 30, 2017 $	November 30, 2016 $
Financial assets (1):		
Loans and receivables		
Cash	**2,193,114**	1,218,639
Financial liabilities		
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities	**(499,053)**	(191,667)

(1) The accounts receivable do not include sales taxes receivable.

As of November 30, 2017, and November 30, 2016, 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 November 30, 2017 and November 30, 2016, the Company does not have any financial instruments recorded at fair value and that require classification in the fair value hierarchy.

19. Income taxes

a) Provision for income taxes

Major items causing the Company’s effective income tax rate to differ from the combined Canadian Federal and Provincial statutory rate of 26.5% (2016 – 26.5%) were as follows:

	November 30, 2017 $	**November 30, 2016** $
Net loss before income tax	**(6,695,339)**	**(996,966)**
Combined federal and provincial income tax rate	**26.50%**	**26.50%**
Expected tax recovery calculated using the combined federal and provincial income tax rate in Canada	**(1,774,000)**	**(264,000)**
Adjustments for the following items:		
Stock-based compensation	**567,000**	**71,000**
Other	**15,000**	**15,000**
Expenses not deductible for tax purposes	**1,000**	**1,000**
Changes in temporary differences not recorded	**0**	**-**
Changes in unrecognized tax assets	**1,191,000**	**177,000**
Deferred income tax recovery	**-**	**-**

(Expressed in Canadian Dollars)

19. Income taxes (continued)

b) Deferred income tax

	November 30, 2017	November 30, 2016
	$	$
Unrecognized deferred tax assets		
Non-capital loss carry-forward	8,536,000	4,258,000
Share issue costs	72,000	12,000
Mineral property costs	2,281,000	2,281,000
Other temporary differences	(51,000)	(51,000)
Deferred income tax recovery	10,838,000	6,500,000

The tax losses expire from 2027 to 2037. The other temporary differences do not expire under current legislation.

Deferred tax assets have not been recognized in respect of these items because it is not probable that the future taxable profit will be available against which the Company can use the benefit.

a) Tax loss carry-forward

As at November 30, 2017, the Company has available non-capital losses carry-forward for Canadian tax purposes that have not been recognized in the financial statements and that will expire as follows:

Expire in	Amount
	$
2027	131,000
2028	487,000
2029	328,000
2030	327,000
2031	433,000
2032	416,000
2033	178,000
2034	709,000
2035	488,000
2036	490,000
2037	4,549,000
	8,536,000

(Expressed in Canadian Dollars)

20. Commitments and contingencies

Contingent payments

The Company is party to certain management and employment contracts. These contracts require that additional payments of approximately $40,000 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.

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 $1,900,000):

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

Investigational service contract

During the year ended November 30, 2017 (and amended subsequent to November 30, 2017), 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 subsequent to November 30, 2017 and as such approximately $355,000 in milestone payments were made subsequent to November 30, 2017.

21. Subsequent events

On January 2, 2018, 500,000 stock options were granted to Momentum Public Relation Inc. The stock options are exercisable at $1.00 and expire between January 2, 2021 and August 2, 2021.

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 15,000,000 common shares of North Bud. This sale is contingent upon North Bud completing a listing transaction and becoming a publicly traded company by June 30, 2018.

On March 5, 2018, the Company closed a bought deal financing, for a total of 11,500,000 units consisting of one common share of the Corporation and one common share purchase warrant at a price of $1.00 per unit, for aggregate gross proceeds of $11,500,000. Each Warrant entitles the holder thereof to purchase one common share of the Corporation at a price of $1.30 until March 5, 2021.

On March 19, 2018, the Company completed the acquisition of the remaining 20% interest in its Phytopain Pharma subsidiary for a cash payment of $248,000, promissory notes in the principal aggregate amount of $2,236,696 and the issuance of 9,940,871 common shares of the Company.

Warrants exercised
Subsequent to November 30, 2017 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 30, 2017 and August 15, 2018.

Exercised options
Subsequent to November 30, 2017, a total of 1,450,000 stock options were exercised for gross proceeds of $204,500. The stock options had an exercise price between $0.05 and $0.71 and expired between July 24, 2018 and June 15, 2021.