QUADRON CANNATECH CORPORATION

Consolidated Financial Statements
(Expressed in Canadian Dollars)

As at and for the years ended April 30, 2018 and 2017

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Quadron Cannatech Corporation

We have audited the accompanying consolidated financial statements of Quadron Cannatech Corporation, which comprise the consolidated statements of financial position as at April 30, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, shareholders' equity and 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.

Auditors' 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 auditors' 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Quadron Cannatech Corporation as at April 30, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Quadron Cannatech Corporation's ability to continue as a going concern.

"DAVIDSON & COMPANY LLP"

Vancouver, Canada — Chartered Professional Accountants

August 28, 2018

Quadron Cannatech Corporation

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)
As at April 30,

	2018	2017
Assets		
Current assets		
Cash and cash equivalents	**$ 4,336,172**	$ 1,394,397
Inventory (Note 5)	**1,185,283**	53,817
Accounts receivable	**549,288**	532,469
Prepaid expenses	**254,246**	271,837
Loan receivable (Note 6)	**-**	145,000
GST recoverable	**186,649**	56,470
	6,511,638	2,453,990
Equipment (Note 7)	**802,617**	302,669
	$ 7,314,255	$ 2,756,659
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 381,695**	$ 247,284
Amounts payable to related parties (Note 11)	**36,921**	53,842
Customer deposits	**118,478**	78,478
Unearned revenue	**5,978**	30,978
	543,072	410,582
Shareholders' equity		
Share capital (Note 9)	**12,628,334**	5,559,489
Preferred shares (Note 8)	**-**	160,875
Obligation to issue shares (Note 9(a))	**53,625**	-
Share-based payment reserve (Note 9)	**637,791**	273,739
Warrants reserve (Note 9)	**153,202**	14,161
Deficit	**(6,701,769)**	(3,662,187)
	6,771,183	2,346,077
	$ 7,314,255	$ 2,756,659

Nature and continuance of operations (Note 1)
Subsequent event (Note 16)

Approved on behalf of the Board August 27, 2018:

"Rosy Mondin"
Rosy Mondin – CEO and President

"Doug McFaul"
Doug McFaul - Director

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

Quadron Cannatech Corporation

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)
For the years ended April 30,

		2018		2017
Sales (Note 15)	**$**	**1,683,832**	$	1,789,188
Cost of sales		**(1,330,546)**		(1,286,868)
		353,286		502,320
Expenses (income)				
Accounting and legal		**194,591**		187,585
Bank charges		**6,885**		5,888
Bad debt		**5,000**		-
Consulting fees (Note 11)		**284,300**		185,094
Depreciation (Note 7)		**149,246**		59,863
Development and research		**135,074**		117,753
Filing fees		**28,455**		21,073
General and administrative		**505,441**		61,435
Interest income		**(809)**		(22,419)
Investor relations		**73,242**		30,000
Management fees (Note 11)		**100,500**		90,000
Marketing and research		**433,919**		46,285
Remuneration and benefits (Note 11)		**720,457**		192,198
Rent		**155,265**		-
Share-based payments (Note 9(c), 11)		**486,452**		169,940
		(3,278,018)		(1,144,695)
Inventory impairment (Note 5)		**(77,100)**		-
Unrecoverable loan receivable (Note 6)		**(145,000)**		-
Impairment of goodwill (Note 8)		**-**		(1,344,713)
		(222,100)		(1,344,713)
Loss and comprehensive loss for the year	**$**	**(3,146,832)**	$	(1,987,088)
Weighted average number of common shares outstanding – basic and diluted		**55,236,799**		38,432,414
Basic and diluted loss per share	**$**	**(0.06)**	$	(0.05)

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

Quadron Cannatech Corporation

Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
For the years ended April 30,

	2018	2017
Cash flows from operating activities:		
Net loss for the year	$ (3,146,832)	$ (1,987,088)
Items not involving cash:		
Depreciation	149,246	59,863
Bad debt	5,000	-
Share-based payments	486,452	169,940
Impairment of goodwill	-	1,344,713
Impairment of inventory	77,100	-
Unrecoverable loan receivable	145,000	-
Change in non-cash operating working capital:		
Accounts receivable	(21,819)	(310,075)
Accounts payable and accrued liabilities	134,411	(375,149)
Amounts payable to related parties	(16,921)	1,152
GST recoverable	(130,179)	(1,195)
Inventory	(1,124,557)	844,100
Prepaid expenses	17,591	(231,020)
Customer deposits	40,000	78,478
Unearned revenue	(25,000)	(34,919)
	(3,410,508)	(441,200)
Cash flows from investing activities:		
Purchase of equipment	(733,203)	(435,361)
Cash received on acquisition of subsidiary	-	46,848
	(733,203)	(388,513)
Cash flows from financing activities:		
Shares issued for cash	7,519,843	1,742,900
Share issue costs	(434,357)	(36,750)
Issuance of short-term loan	-	(145,000)
	7,085,486	1,561,150
Change in cash and cash equivalents for the year	2,941,775	731,437
Cash and cash equivalents, beginning of the year	1,394,397	662,960
Cash and cash equivalents, end of the year	$ 4,336,172	$ 1,394,397
Cash and cash equivalents are comprised of:		
Cash	$ 936,172	$ 1,394,397
Guaranteed investment certificate	3,400,000	-
	$ 4,336,172	$ 1,394,397

Significant non-cash transactions (Note 10)

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

Quadron Cannatech Corporation

Consolidated Statement of Shareholders' Equity
(Expressed in Canadian dollars)

	Number of Common Shares	Number of Series A and B Preferred Shares	Share Capital	Preferred Shares	Obligation to issue shares	Share-based Payment Reserve	Warrants Reserve	Deficit	Total Shareholder's Equity
Balance, April 30, 2016	**36,500,000**	**2,000,000**	**$ 2,990,000**	**$ -**	**$ -**	**$ 103,799**	**$ -**	**$ (1,675,099)**	**$ 1,418,700**
Issuance of common shares – private placements, net of costs	8,560,500	-	1,661,189	-	-	-	14,161	-	1,675,350
Issuance – acquisition of Cybernetic (Note 8)	2,700,000	6,150,000	877,500	160,875	-	-	-	-	1,038,375
Warrants exercised	154,000	-	30,800	-	-	-	-	-	30,800
Repurchase of Series A Preferred Shares	-	(2,000,000)	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	169,940	-	-	169,940
Net loss for the year	-	-	-	-	-	-	-	(1,987,088)	(1,987,088)
Balance, April 30, 2017	**47,914,500**	**6,150,000**	**$ 5,559,489**	**$ 160,875**	**$ -**	**$ 273,739**	**$ 14,161**	**$ (3,662,187)**	**$ 2,346,077**
Issuance of common shares – private placements, net of costs	14,400,858	-	5,857,203	-	-	-	160,040	-	6,017,243
Warrants and broker warrants exercised	4,489,965	-	924,242	-	-	-	(20,999)	-	903,243
Options exercised	1,525,000	-	287,400	-	-	(122,400)	-	-	165,000
Settlement of preferred shares (Note 8, 9(a))	-	(6,150,000)	-	(160,875)	53,625	-	-	107,250	-
Share-based payments	-	-	-	-	-	486,452	-	-	486,452
Net loss for the year	-	-	-	-	-	-	-	(3,146,832)	(3,146,832)
Balance, April 30, 2018	**68,330,323**	**-**	**$12,628,334**	**$ -**	**$ 53,625**	**$ 637,791**	**$ 153,202**	**$ (6,701,769)**	**$ 6,771,183**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Quadron Cannatech Corporation (the "Company" or "Quadron") was incorporated under the British Columbia Business Corporations Act on November 7, 2011 and became a reporting issuer in British Columbia and Alberta on July 25, 2012. The Company's head office is located at Suite 1600, 609 Granville Street, Vancouver, British Columbia, V7Y 1C3, and its registered and records office is located at Suite 2200, 885 West Georgia Street, Vancouver, BC V6C 3E8. On February 24, 2017, the Company was listed and started trading on the Canadian Securities Exchange ("CSE") under the trading symbol "QCC".

The Company is an automated extraction and processing solutions company. Through its subsidiaries, Quadron provides ancillary equipment, products and services, designed and structured to address the complex needs and requirements of authorized cannabis industry participants. The Company does not currently conduct activity in the United States (the "U.S.").

On March 17, 2017, the Company completed an acquisition of Cybernetic Control Systems Inc. (Note 8).

The Company incurred a loss of $3,146,832 for the year ended April 30, 2018. As at April 30, 2018, the Company had a history of losses and an accumulated deficit of $6,701,769. Consequently, continuing business as a going concern is dependent upon the success of the Company's sale of inventory, generation of positive cash flows and the ability of the Company to obtain additional debt or equity financing all of which are uncertain. These material uncertainties may cast significant doubt on the Company's ability to continue as a going concern.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than a process of forced liquidation. These consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"), and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies set out in Note 3 have been applied consistently to all years presented in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss, which are stated at their fair value. In addition, these financial consolidated statements have been prepared using the accrual basis of accounting except for cash flow information.

2. BASIS OF PREPARATION (cont'd…)

Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities and expenses. Estimates and associated assumptions applied in determining asset or liability values are based on historical experience and various other factors including other sources that are believed to be reasonable under the circumstances, but are not necessarily readily apparent or recognizable at the time such estimate or assumption is made. Actual results may differ from these estimates.

The information about significant areas of estimation uncertainty considered by management in preparing the financial statements is as follows:

Income taxes

Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and a judgment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

Stock options and warrants

Determining the fair value of warrants and stock options requires estimates related to the choice of a pricing model, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company's future operating results or on other components of shareholders' equity.

Inventories

Inventories are valued at the lower of cost and net realizable value. Cost of inventory includes cost of purchase (purchase price, import duties, transport, handling, and other costs directly attributable to the acquisition of inventories), and other costs incurred in bringing the inventories to their present location and condition. Net realizable value for inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Provisions are made in profit or loss in the period for any difference between book value and net realizable value.

2. BASIS OF PREPARATION (cont'd…)

Use of estimates and judgments (cont'd…)

Goodwill impairment

The Company assesses the impairment of goodwill on an annual basis. Assessing impairment of goodwill and intangible assets with indefinite lives requires significant judgement including making estimates with regards to the amounts and timing of future cash flows and the discount rates used to value such cash flows.

Equipment

The estimated useful lives of assets are reviewed by management and adjusted if necessary. To estimate equipment's useful life, management must use its past experience with the same or similar assets and may review engineering estimates and industry practices for similar pieces of equipment, and apply statistical methods to assist in its determination of useful life.

Determination of fair value of Quadron preferred shares

The valuation of the Company's preferred shares required management to make certain estimates regarding the probability of Cybernetic achieving revenue milestones.

The information about significant areas of judgment considered by management in preparing the financial statements is as follows:

Going concern

The assessment of the Company's ability to continue as a going concern as discussed in Note 1 involves judgment regarding future funding available for its operations and working capital requirements.

Business combinations

Determination of whether a set of assets acquired and liabilities assumed constitute the acquisition of a business or asset may require the Company to make certain judgments as to whether or not the assets acquired and liabilities assumed include the inputs, processes and outputs necessary to constitute a business as defined in IFRS 3 – Business Combinations. Based on an assessment of the relevant facts and circumstances, the Company concluded that the acquisition disclosed in Note 8 met the criteria for accounting as a business combination.

(Expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES

a) Cash and cash equivalents

Cash and cash equivalents includes cash on deposit and highly liquid short-term interest bearing variable rate investments which are readily convertible into a known amount of cash. Cash and cash equivalents are held with Canadian financial institutions.

b) Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances, transactions and any unrealized gains and losses arising from intercompany transactions, have been eliminated. The Company's subsidiaries are as follows:

Entity	Country of Incorporation	Operations	Effective Interest
Soma Labs Scientific Inc. ("Soma")	Canada	Sale and rental of extraction and processing equipment, and provision of research and laboratory services	100%
Greenmantle Products Limited ("Greenmantle")	Canada	Sale of premium disposable vaporizer pens and related materials	100%
Cybernetic Control Systems Inc. ("Cybernetic")	Canada	Sale of automation control solution equipment	100%
1141588 BC Ltd.	Canada	Inactive	80%

On November 16, 2017, 1141588 BC Ltd. was incorporated to facilitate the development of new extraction systems. As of April 30, 2018, the subsidiary has been inactive.

c) Revenue recognition

The Company's revenue is comprised of sales of its automation control systems and solutions, extraction and procession solutions, and the provision of research and laboratory services. Revenues are recognized when persuasive evidence of a sale arrangement exists, delivery has occurred, the price is fixed or determinable, and collectability is reasonably assured. For its services, revenue is recognized when the service has been rendered.

d) Inventory

Inventory is recorded at the lower of cost and net realizable value. Cost is determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

All inventories are periodically reviewed for impairment due to slow-moving and obsolete inventory. The provisions for obsolete, slow-moving or defective inventories are recognized in profit or loss. Previous write-downs to net realizable value are reversed to the extent there is a subsequent increase in the net realizable value of the inventories.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

e) Equipment

Equipment is recorded at cost less accumulated depreciation and impairment losses. The Company provides for depreciation using the following methods at rates designed to amortize the cost of the equipment over its period of expected use by the Company. A full year of depreciation is recorded in the year of acquisition. No depreciation is recorded in the year of disposal. The estimated useful lives of assets are reviewed by management and adjusted if necessary. The annual depreciation rates and methods are as follows:

Furniture and equipment: straight-line, 5 years
Computer hardware: straight-line, 3 years
Automobile: straight-line, 3 years

Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to profit or loss during the period they are incurred.

When the Company routinely sells its items of equipment that it has held for rental to others, the Company transfers the equipment to inventory at its carrying amount when it ceases to be rented and becomes held for sale.

f) Impairment of non-financial assets

The carrying amounts of the Company's long-lived assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be individually tested are grouped together into the smallest group of assets that generate cash inflows or CGUs.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

g) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

h) Share-based payments

The stock option plan allows Company directors, officers, employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in shareholders' equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee. Consideration paid on the exercise of stock options is credited to share capital and the fair value of the options is reclassified from share-based payment reserve to share capital.

In situations where equity instruments are issued to non-employees and some or all of the services received by the entity as consideration cannot be specifically identified, they are all measured at the fair value of the share-based payment, otherwise, share-based payments are measured at the fair value of the services received.

The fair value is measured at grant date and each tranche is recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the number of stock options that are expected to vest.

i) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost. The Company does not have any provisions for the periods presented.

j) Financial instrument measurement and valuation

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly
- Level 3 - Inputs that are not based on observable market data.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

j) Financial instrument measurement and valuation

The measurement of the Company's financial instruments is disclosed in Note 14 to these financial statements. Any financial instrument that is valued using level 2 or 3 inputs will involve estimation uncertainty.

k) Financial instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

i. Fair value through profit or loss ("FVTPL")
This category comprises derivatives, or assets acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in profit or loss.

ii. Held to maturity
These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

iii. Loans and receivables
These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

iv. Available-for-sale ("AFS")
Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described above.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

k) Financial instruments (cont'd…)

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Company's accounting policy for each category is as follows:

i. Fair value through profit or loss
This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. They are carried in the statements of financial position at fair value with changes in fair value recognized in profit or loss.

ii. Other financial liabilities
This category consists of liabilities carried at amortized cost using the effective interest method. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company has classified its cash and cash equivalents as fair value through profit or loss. Accounts receivable, loan receivable and GST recoverable are classified as loans and receivables. The Company's accounts payable and accrued liabilities, and amounts payable to related parties are classified as other financial liabilities.

l) Loss per share

Basic loss per share represents the loss for the period, divided by the weighted average number of common shares issued and outstanding during the period. Diluted earnings represents the profit or loss for the period, divided by the weighted average number of common shares issued and outstanding during the period plus the weighted average number of dilutive shares that could result from the exercise of stock options, warrants and other similar instruments where the inclusion of these items would not be anti-dilutive. When a loss per share calculation based on the fully diluted number of shares would be less than the loss per share calculated on the basic number of shares, diluted loss per share is anti-dilutive and accordingly, the diluted loss per share would be the same as basic loss per share.

m) Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in shareholders' equity, in which case it is recognized in shareholders' equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at year end, adjusted for amendments to tax payable with regards to previous years.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd…)

m) Income tax (cont'd…)

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The Company does not provide for temporary differences relating to investments in subsidiaries and joint ventures to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date applicable to the period in which realization or settlement can reasonably be expected.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

n) Share capital

Common shares are classified as shareholders' equity. Transaction costs directly attributable to the issue of common shares are recognized as a deduction from share capital.

The proceeds from the issuance of units are allocated between common shares and common share purchase warrants based on the residual value method. Under this method, the proceeds are allocated to common shares based on the fair value of a common share at the issuance date of the unit offering and any residual remaining is allocated to common share purchase warrants. Subsequent to the initial recognition of warrants, any modification to the original terms of the warrants attached to units that were initially recognized in accordance with the residual value approach does not result in a re-measurement adjustment.

o) Business combinations

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values at the date of acquisition, of assets transferred, liabilities incurred or assumed, and equity instruments issued by the Company. The acquiree's identifiable assets and liabilities assumed are recognized at their fair value at the acquisition date. Acquisition related costs are recognized in profit or loss as incurred. The excess of the consideration over the fair value of the net identifiable assets and liabilities acquired is recorded as goodwill. Any gain on a bargain purchase is recorded in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. Any goodwill that arises is tested annually for impairment.

(Expressed in Canadian dollars)

4. RECENT ACCOUNTING PRONOUNCEMENTS

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company.

- IFRS 9: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018. IFRS 9 is anticipated to be adopted without material impact to the consolidated financial statements.

- IFRS 15: Revenue from contracts with customers, which covers principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The effective date of the standard is annual reporting periods beginning on or after January 1, 2018, with earlier application permitted. The Company has not early adopted IFRS 15. An assessment has been completed on the sale of the Company's products. These sales will not be significantly affected by IFRS 15 as the products are sold on a standalone basis. The Company did not identify any further impacts of the new revenue recognition policy.

- IFRS 16: A new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties to a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lease accounting model. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 and is anticipated to be adopted without material impact to the consolidated financial statements.

5. INVENTORY

	2018	**2017**
Raw materials and parts	**$ 331,972**	$ 53,817
Work in progress	**575,337**	-
Finished extractor assemblies	**277,974**	-
Total inventory	**$ 1,185,283**	$ 53,817

During the year ended April 30, 2018, the Company wrote-off $77,100 (2017 - $Nil) relating to raw materials that were used for testing purposes and are no longer intended for sale.

6. PROMISSORY NOTE AND LOAN RECEIVABLE

Promissory note

On November 5, 2015, the Company's subsidiary Soma, advanced $450,000 to Odorchem Manufacturing Corporation ("Odorchem") by way of a Promissory Note ("Note"). Interest accrued on the Note at 5.5% per annum, and matured on November 5, 2017. During the year ended April 30, 2017, $100,000 of the principal and interest accrued to date was offset against the Note for design and engineering work Odorchem provided to Quadron.

(Expressed in Canadian dollars)

6. PROMISSORY NOTE AND LOAN RECEIVABLE (cont'd…)

Promissory note (cont'd…)

From January 8, 2016 to April 30, 2017, $26,310 in interest was accrued and presented as interest income. On March 20, 2017, the balance owing under the Note was extinguished as part of the acquisition of Cybernetic (Note 8).

Loan receivable

The Company extended a short-term loan to a third party to expedite leasehold improvements at a facility Soma rents for the purpose of enabling the testing of Soma's demo extraction units which are capitalized within equipment. The Company's research and laboratory service revenue (within sales) is derived from the use of these units. The loan did not bear interest and was repayable upon demand. The Company wrote-off the balance in the year ended April 30, 2018, as it does not anticipate being able to collect the amount of $145,000.

7. EQUIPMENT

	Furniture and Equipment	Computer Hardware	Automobile	Total
Costs:				
Balance, April 30, 2016	$ 449,998	$ 8,468	$ -	$ 458,466
Additions	358,465	-	-	358,465
Acquisition of Cybernetic	4,777	3,619	-	8,396
Transfer to inventory [1]	(500,466)	-	-	(500,466)
Balance, April 30, 2017	312,774	12,087	-	324,861
Additions	681,900	42,303	9,000	733,203
Transfer to inventory [2]	(87,296)	-	-	(87,296)
Balance, April 30, 2018	**$ 907,378**	**$ 54,390**	**$ 9,000**	**$ 970,768**
Accumulated Depreciation:				
Balance, April 30, 2016	$ 71,365	$ 2,117	$ -	$ 73,482
Amortization	55,075	4,788	-	59,863
Transfer to inventory [1]	(111,153)	-	-	(111,153)
Balance, April 30, 2017	15,287	6,905	-	22,192
Amortization	147,129	2,117	-	149,246
Transfer to inventory [2]	(3,287)	-	-	(3,287)
Balance, April 30, 2018	**$ 159,129**	**$ 9,022**	**$ -**	**$ 168,151**
Net Book Value:				
April 30, 2017	$ 297,487	$ 5,182	$ -	$ 302,669
April 30, 2018	**$ 748,249**	**$ 45,368**	**$ 9,000**	**$ 802,617**

(1) During the year ended April 30, 2017, the Company transferred equipment with a carrying value of $389,313 to inventory. The equipment was previously held for rental to others, and during the year ended April 30, 2017, it became held for sale and was sold during the year ended April 30, 2017.

(2) During the year ended April 30, 2018, the Company transferred equipment with a carrying value of $84,009 to inventory. The equipment was previously held for rental to others and became held for sale, and was sold during the year ended April 30, 2018.

(Expressed in Canadian dollars)

8. ACQUISITION OF CYBERNETIC CONTROL SYSTEMS INC.

On March 17, 2017, the Company acquired 100% of the issued and outstanding share capital of Cybernetic Control Systems Inc. ("Cybernetic") (the "Transaction"). Pursuant to the Transaction, the shareholders of Cybernetic received an aggregate of 2,700,000 common shares of the Company in consideration for all of the issued and outstanding share capital in Cybernetic, as well as 6,150,000 Series B preferred shares of the Company.

The Series B preferred shares were to convert into one common share of Quadron upon Cybernetic reaching specific revenue milestones during the year ended April 30, 2018. On the date of the Transaction, the Company applied probability estimates to each of the scenarios under the revenue thresholds based on management's projections, with a 75% probability that no Series B preferred shares would be converted.

During the year ended April 30, 2018, the Cybernetic shareholders became entitled to 2,050,000 common shares of the Company based on milestones earned by Cybernetic. This equates to 33% of the Series B preferred shares issued and outstanding. The balance of the Series B preferred shares were cancelled. The value of the 2,050,000 common shares issuable of $53,625, is recorded as an obligation to issue shares as at April 30, 2018. This value is based on the original value recorded upon issuance of the Series B preferred shares.

The Transaction qualified as a business combination and was accounted for using the acquisition method of accounting. To account for the Transaction, the Company determined the fair value of the assets and liabilities of Cybernetic at the date of the acquisition, March 17, 2017. These fair value assessments require management to make significant estimates and assumptions as well as applying judgement in selecting appropriate valuation techniques.

Cybernetic designs, manufactures, and supplies automated control equipment packages to the process manufacturing and industrial sectors. The acquisition of Cybernetic is consistent with the Company's corporate growth strategy in the cannabis industry.

The purchase price allocation of Cybernetic is as follows:

Consideration:		
Common shares	$	877,500
Forgiveness of promissory note		350,000
Preferred shares		160,875
	$	1,388,375
Purchase Price Allocation:		
Cash	$	46,848
Accounts receivable		81,599
Prepaid expenses		5,500
Inventory		44,454
Equipment		8,396
Goodwill		1,344,713
Accounts payable and accrued liabilities		(77,338)
Unearned revenue		(65,797)
	$	1,388,375

8. ACQUISITION OF CYBERNETIC CONTROL SYSTEMS INC. (cont'd…)

As at April 30, 2017, the Company performed impairment tests on the equipment automation CGU and recognized a loss as the carrying value of this CGU, which exceeded the estimated value in use. As a result, following the completion of the acquisition of Cybernetic, management impaired the carrying value of the goodwill to $Nil, resulting in an impairment of $1,344,713 during the year ended April 30, 2017.

Significant assumptions involved in the impairment test included future revenues, estimated expenditures and the Company's weighted average cost of capital.

9. SHARE CAPITAL

a) Authorized

Unlimited common shares without par value.

As at April 30, 2018, there were 7,860,000 common shares held in escrow (2017 – 11,790,000), subject to timed releases.

Unlimited Series A preferred shares without par value – Nil issued and outstanding at April 30, 2018 (2017 – Nil). As Soma did not achieve $1,000,000 in earnings before interest, taxes, depreciation and amortization during the year ended April 30, 2017, the Company repurchased and cancelled 2,000,000 Series A preferred shares at a price of $Nil during the year ended April 30, 2017.

Unlimited Series B preferred shares without par value – Nil issued and outstanding at April 30, 2018 (2017 - 6,150,000). During the year ended April 30, 2018, 2,050,000 Series B preferred shares became convertible into common shares of the Company on a one-for-one basis. This is presented as obligation to issue shares, as at April 30, 2018 and were issued subsequent to year end (Note 16). The balance of the preferred shares will be cancelled without further consideration (Note 8).

b) Private placements

For the year ended April 30, 2018

On January 18, 2018, the Company completed a private placement for aggregate gross proceeds of $5,000,000. The placement consisted of 7,142,858 units of the Company at a price of $0.70 per unit. Each unit consisted of one common share and one share purchase warrant. Each warrant is exercisable at a price of $0.83 until January 18, 2020, subject to accelerated expiry in the event that the Company's common shares close at a price of $1.50 or higher for ten consecutive trading days. The Company issued 428,571 brokers' warrants valued at $131,765 (Note 9(e)) and paid finder's fees of $364,497. Each broker warrant is exercisable into one Unit at $0.70 and expire January 18, 2019.

On October 31, 2017, the Company completed a non-brokered private placement for aggregate gross proceeds of $1,451,600. The placement consisted of 7,258,000 units of the Company at a price of $0.20 per unit. Each unit consisted of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable at a price of $0.30 until October 31, 2020, subject to accelerated expiry in the event that the Company's common shares close at a price of $0.50 or higher for ten consecutive trading days. The Company issued 349,300 brokers' warrants valued at $28,275 (Note 9(e)) and paid finder's fees of $69,860. Each broker warrant is exercisable at $0.20 per share and expire October 31, 2018.

(Expressed in Canadian dollars)

9. SHARE CAPITAL (cont'd…)

For the year ended April 30, 2017

On February 21, 2017, the Company completed a non-brokered private placement for aggregate gross proceeds of $1,712,100. The placement consisted of 8,560,500 common shares of the Company at a price of $0.20 per common share. The Company issued 183,750 brokers warrants as a finders' fee in connection with the February 2017 private placement share issuance valued at $14,161 (Note 9(e)) and paid finder's fees of $36,750. Each broker warrant is exercisable at $0.20 per share and expiry February 21, 2018.

c) Stock options

The Company's Stock Option Plan allows the Board of Directors from time to time, at its discretion, and in accordance with regulatory policies, grant to directors, officers, employees and consultants of the Company, options to purchase shares, provided that the number of shares reserved for issuance, together with those to be issued pursuant to options previously granted, does not exceed 10% of the issued and outstanding shares at the time of the grant. In addition, the number of shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis, or 2% if the optionee is a consultant. All options granted to a participant under the Plan will become vested on the grant date, or at such other time as may be established by the Board at the time of the grant in compliance with requirements of the Exchange. The expiry date for each option shall be set by the Board at the time of issue of the option and shall not be more than ten years after the grant date.

A summary of the Company's stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, April 30, 2016	1,400,000	$ 0.10
Granted	2,350,000	0.20
Balance, April 30, 2017	**3,750,000**	**$ 0.16**
Granted	3,305,000	0.40
Exercised	(1,525,000)	0.11
Balance, April 30, 2018	**5,530,000**	**$ 0.32**

A summary of the Company's stock options as at April 30, 2018 are as follows:

Grant Date	Number of Options outstanding	Number of Options exercisable	Weighted Average Exercise Price	Expiry date	Weighted Average Remaining contractual life (years)
February 1, 2017	350,000	350,000	$ 0.20	February 1, 2022	3.76
February 21, 2017	1,875,000	1,125,000	0.20	February 21, 2022	3.82
March 9, 2018	3,305,000	425,625	0.40	February 21, 2022	4.86
Total	**5,530,000**	**1,900,625**	**$ 0.32**		**4.44**

(Expressed in Canadian dollars)

9. SHARE CAPITAL (cont'd…)

c) Stock options (cont'd…)

During the year ended April 30, 2018, the Company recorded share-based payments of $486,452 (2017 - $169,940) as a result of stock options vesting during the year. The fair value of stock options was estimated at the grant date based on the Black-Scholes option pricing model, using the following weighted average assumptions:

	2018	2017
Risk-free interest rate	2.03%	1.16%
Expected dividend yield	0%	0%
Expected forfeiture	0%	0%
Expected life	5 years	5 years
Expected volatility	100%	100%
Fair value per option granted	$0.29	$0.15

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions may have a material effect on the fair value of the Company's stock options and results of operations.

d) Warrants

A summary of the Company's warrant activity is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, April 30, 2016	10,000,000	$ 0.20
Exercised	(154,000)	0.20
Balance, April 30, 2017	**9,846,000**	**$ 0.20**
Issued	10,771,858	0.65
Exercised	(4,222,250)	0.20
Balance, April 30, 2018	**16,395,608**	**$ 0.50**

A summary of warrants outstanding are as follows:

Issue Date	Number of Warrants outstanding	Weighted Avg. Exercise Prices	Expiry date	Weighted Avg. Remaining contractual life (years)
January 8, 2016	2,792,250	$ 0.20	August 24, 2018[1]	0.32
November 6, 2015	2,505,000	0.20	August 24, 2018[1]	0.32
December 31, 2015	379,000	0.20	August 24, 2018[1]	0.32
October 31, 2017	3,576,500	0.30	October 31, 2020	2.51
January 18, 2018	7,142,858	0.83	January 18, 2020	1.72
	16,395,608	$ 0.50		1.41

[1] Subsequent to April 30, 2018, 1,246,500 warrants were exercised for proceeds of $249,300 with the balance expiring unexercised.

(Expressed in Canadian dollars)

9. SHARE CAPITAL (cont'd…)

e) Brokers' warrants

A summary of the Company's broker warrant activity is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, April 30, 2016	-	$ -
Issued	183,750	0.20
Balance, April 30, 2017	**183,750**	**$ 0.20**
Issued	777,871	0.48
Exercised	(267,715)	0.20
Expired	(10,500)	0.20
Balance, April 30, 2018	**683,406**	**$ 0.51**

A summary of broker warrants outstanding are as follows:

Issue Date	Number of Warrants outstanding	Weighted Avg. Exercise Prices	Expiry date	Weighted Avg. Remaining contractual life (years)
October 31, 2017	254,835	$ 0.20	October 31, 2018	0.50
January 18, 2018[1]	428,571	0.70	January 18, 2019	0.72
	683,406	$ 0.51		

[1] Warrants convert into a Unit consisting of one common share and one warrant with each warrant exercisable at a price of $0.83 until January 18, 2020.

The fair value of the brokers' warrants issued during the year ended April 30, 2018 was $160,040 (2017 - $Nil). The fair value is recorded as a share issue cost. The fair value of brokers' warrants was estimated at the issuance date based on the Black-Scholes option pricing model, using the following weighted average assumptions:

	2018	2017
Risk-free interest rate	1.62%	0.78%
Expected dividend yield	0%	0%
Expected life	1 year	1 year
Expected volatility	100%	100%
Fair value per finders' warrant granted	$0.21	$0.08

(Expressed in Canadian dollars)

10. SIGNIFICANT NON-CASH TRANSACTIONS

The significant non-cash investing and financing transactions during the year ended April 30, 2018 consisted of the Company:

a) Transferring equipment with a carrying value of $84,009 to inventory (Note 7).
b) Issuing brokers' warrants valued at $160,040 (Note 9(e)).
c) Reclassifying the fair value of $20,998 on exercised brokers' warrants to share capital (Note 9(e)).
d) Reclassifying the fair value of $122,400 on exercised options to share capital (Note 9(c)).
e) Recognizing the obligation to issue 2,050,000 common shares valued at $53,625 subject to the terms of the Series B preferred shares with the balance of $107,250 considered unearned and charged to deficit (Note 8, 9(a)).

The significant non-cash investing and financing transactions during the year ended April 30, 2017 consisted of the Company:

a) As part of the consideration for Cybernetic, the Company issued 2,700,000 common shares valued at $877,500, 6,150,000 preferred shares having a fair value of $160,875 and forgave a promissory note with a value of $350,000 (Note 8).
b) Issued 183,750 brokers' warrants valued at $14,161 (Note 9(e)).
c) Transferred equipment with a carrying value of $389,313 to inventory (Note 7).
d) Offset $100,000 in principal and accrued interest of the promissory note against accounts payable and accrued liabilities.

11. RELATED PARTY TRANSACTIONS

Key management personnel:

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers.

Summary of transactions with key management personnel and other related parties:

Type of Service	**Nature of Relationship**	**2018**	2017
Consulting fees	To a private company for which Rosy Mondin, CEO is a director in common	**$ -**	$ 30,100
Consulting fees	Chamberland & Associates, a company with which the President of a significant subsidiary is associated.	**115,500**	-
Legal fees	Cassels Brock & Blackwell LLP, a law firm of which a director of the Company is a partner	**107,500**	97,483
Management fees	Emprise Capital Corp., a company with officers and directors in common with the Company	**100,500**	90,000
Remuneration and benefits	CEO and Kieran Forristal, VP of Finance	**180,000**	90,000
Share-based payments	To officers and directors of the Company	**269,286**	82,561
Total		**$ 772,786**	$ 390,144

(Expressed in Canadian dollars)

11. RELATED PARTY TRANSACTIONS (cont'd…)

Summary of amounts payable to related parties:

Type of Service	**Nature of Relationship**	**2018**	2017
Consulting fees	VP of Finance	**$ 45**	$ 45
Management fees	Emprise Capital Corp.	**525**	525
Legal Fees	Cassels Brock & Blackwell LLP	**20,254**	52,182
Operating costs	Chamberland & Associates, a company with which the President of a significant subsidiary is associated.	**16,097**	-
Administrative expenses	CEO and VP of Finance	**-**	1,090
Due to related parties		**$ 36,921**	$ 53,842

On November 5, 2015, the Company's subsidiary Soma, advanced $450,000 to Odorchem by way of a Promissory Note ("Note") (Note 6). During the year ended April 30, 2017, $100,000 of the principal and interest accrued to date was offset against the Note for design and engineering work Odorchem provided to Quadron. During the year ended April 30, 2017, $26,310 in interest was accrued and presented as interest income. On March 20, 2017, the balance owing under the Note was extinguished as part of the acquisition of Cybernetic.

Included in accounts receivable as at April 30, 2018 is $201,879 (2017 - $nil) due to a private company owned by Leo Chamberland, related to transactions incurred prior to his appointment as President of Soma, in March 2018.

Unless otherwise specified, amounts payable to related parties referred to above are non-interest bearing, unsecured, receivable or payable on demand, and have arisen from the provision of services as described above.

12. INCOME TAXES

The Company has temporary differences that have not been included on the statements of financial position as follows:

Temporary differences	**2018**	**Expiry Date Range**	**2017**	**Expiry Date Range**
Equipment	$ 257,000	N/A	$ 22,000	N/A
Share issue costs	349,000	2019 – 2023	29,000	2018 - 2022
Non-capital losses available for carry forward	3,657,000	2032 to 2038	925,000	2032 to 2037

(Expressed in Canadian dollars)

13. INCOME TAXES (cont'd…)

A reconciliation of the expected income tax recovery to the actual income tax recovery is as follows:

	2018	2017
Net loss for the year before taxes	$ (3,146,832)	$ (1,987,088)
Canadian statutory income tax rate	26.30%	26.00%
Expected income tax recovery	(829,000)	(517,000)
Permanent differences	(9,000)	50,000
Temporary differences	37,000	363,000
Impact of changes in tax rates	(22,000)	-
Change in unrecognized deductible temporary differences and other	823,000	104,000
Income tax payable (recovery)	$ -	$ -

14. CAPITAL MANAGEMENT

The Company defines capital as consisting of shareholders' equity. The Company's objectives when managing capital are to support the further advancement of the Company's business objectives and existing product lines, as well as to ensure that the Company is able to meet its financial obligations as they become due.

The Company manages its capital structure to maximize its financial flexibility making adjustments to it in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities. The Company relies on the expertise of the Company's management to sustain the future development of the business. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. As at April 30, 2018, the Company is not subject to any externally imposed capital requirements or debt covenants. There was no change to the Company's approach to capital management during the year ended April 30, 2018.

15. FINANCIAL INSTRUMENTS

a) Fair value risk

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, loan receivable, GST recoverable, accounts payable and accrued liabilities and amounts payable to related parties.

The Company's financial instruments with the exception of cash and cash equivalents approximate their fair value due to their short-term maturities. The Company's other financial instrument, cash and cash equivalents under the fair value hierarchy is based on Level 1 quoted prices in active markets for identical assets or liabilities.

14. FINANCIAL INSTRUMENTS (cont'd…)

b) Market risk

Market risk is the risk that the fair value or future cash flows from a financial instrument will fluctuate because of changes in market prices or prevailing conditions. Market risk comprises three types of risk: currency risk, interest rate risk and price risk and are disclosed as follows:

(i) Currency risk

Currency risk is the risk of change in profit or loss that arises from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. The Company has only a nominal amount of assets or liabilities denominated in foreign currencies and engaged in very few transactions denominated in a foreign currency; therefore, its exposure to currency risk is limited.

(ii) Interest rate risk

The Company is not exposed to interest rate risk because it does not have any assets or liabilities that are affected by changes in interest rates except for cash and cash equivalents that earn interest in accounts at variable rates which poses an insignificant risk exposure to changes in interest rates.

(iii) Price risk

The Company has limited exposure to price risk with respect to equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market.

b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

All the Company's cash and cash equivalents are held through a Canadian chartered bank and accordingly, the Company's exposure to credit risk is considered to be limited. The Company's GST recoverable are refunds due from the Government of Canada and the exposure to credit risk on these amounts are considered to be limited.

The Company's current accounts receivable consists of amounts due from various customers (amounts considered fully collectible); however, the maximum exposure to credit risk is equal to the carrying value of accounts receivable.

(Expressed in Canadian dollars)

14. FINANCIAL INSTRUMENTS (cont'd…)

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At April 30, 2018, the Company has a cash and cash equivalents balance of $4,336,172 to settle current liabilities of $543,072 (of which $424,594 are cash-based liabilities). The Company manages its liquidity risk by attempting to maintain sufficient cash and cash equivalents balances to enable settlement of transactions on the due date. Accounts payable and accrued liabilities and amounts payable to related parties are all current. As the Company has limited sources of revenue, it may require additional financing to accomplish its long term strategic objectives.

15. SEGMENTED INFORMATION

The Company has three principal reporting segments: sale of premium disposable vaporizer pens and related materials; extraction and processing laboratory (including research and development) service; sale of automation solution equipment and corporate and administration. The reportable segments were determined based on the nature of the services provided and goods sold.

Reportable segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

Consolidated statements of loss and comprehensive loss	2018	2017
Sales to external customers		
Sale of premium disposable vaporizer pens and related materials	**$ 616,780**	$ 1,020,861
Sale and rental of extraction and processing equipment, and provision of research and laboratory services	**337,040**	679,564
Sale of automation control solution equipment	**730,012**	88,763
	$ 1,683,832	$ 1,789,188
Income (loss) before income taxes		
Sale of premium disposable vaporizer pens and related materials	**$ 357,860**	$ 183,240
Sale and rental of extraction and processing equipment, and provision of research and laboratory services	**(1,118,976)**	(117,477)
Sale of automation control solution equipment	**(672,933)**	(1,366,641)
Corporate and administration	**(1,712,783)**	(686,210)
	$ (3,146,832)	$ (1,987,088)
Depreciation and amortization		
Sale and rental of extraction and processing equipment, and provision of research and laboratory services	**$ 122,670**	$ 59,134
Sale of automation control solution equipment	**26,576**	729
	$ 149,246	$ 59,863

Continued…

(Expressed in Canadian dollars)

15. SEGMENTED INFORMATION (cont'd…)

…. continued	2018	2017
Other items in loss and comprehensive loss		
Sale and rental of extraction and processing equipment, and provision of research and laboratory services		
Impairment of inventory	**$ (77,100)**	$ -
Sale of automation control solution equipment		
Impairment of goodwill	**$ -**	$ (1,344,713)
Corporate and administration	**-**	
Unrecoverable loan receivable	**$ (145,000)**	$ -

The Company evaluates performance based on several factors, of which the primary financial measure is business segment income before taxes. The following tables summarize the operations of the Company's reportable segments for as at April 30, 2018 and 2017:

Consolidated statements of financial position	**2018**	**2017**
Assets		
Sale of premium disposable vaporizer pens and related materials	**$ 603,416**	$ 166,096
Sale and rental of extraction and processing equipment, and provision of research and laboratory services	**2,195,323**	1,061,234
Equipment automation	**670,507**	259,088
Corporate and administration	**3,845,009**	1,270,241
Total assets	**$ 7,314,255**	$ 2,756,659
Liabilities		
Sale of premium disposable vaporizer pens and related materials	**$ (38,311)**	$ (79,557)
Sale and rental of extraction and processing equipment, and provision of research and laboratory services	**(150,556)**	(67,688)
Sale of automation solution equipment	**(203,275)**	(154,576)
Corporate and administration	**(150,930)**	(108,761)
	$ (543,072)	$ (410,582)
Additions to non-current assets		
Sale and rental of extraction and processing equipment, and provision of research and laboratory services	**$ 590,456**	$ 349,830
Sale of automation solution equipment	**142,747**	8,635
	$ 733,203	$ 358,465

As at April 30, 2018 and 2017 all of the Company's identifiable assets are located in Canada. The Company's revenues are generated in Canada.

In the year ended April 30, 2018, the Company had one customer (2017 – one) which generated 12% (2017 – 25%) of revenues. No other customer generated more than 10% of annual revenues.

16. SUBSEQUENT EVENTS

Subsequent to the year ended April 30, 2018, the Company:

a) Issued 1,246,500 common shares for warrants exercised at a price of $0.20 per share for proceeds of $249,300.

b) Issued 2,050,000 common shares pursuant to the conversion of Series B preferred shares (Note 9(a)).