

# **QUADRON CAPITAL CORPORATION**

Condensed Interim Consolidated Financial Statements  
(Unaudited – Prepared by Management)  
(Expressed in Canadian Dollars)

As at and for the nine months ended January 31, 2017 and 2016

# **QUADRON CAPITAL CORPORATION**

("Quadron" or the "Company")

## **CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**As at and for the nine months ended January 31, 2017**

### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

The Management of the Company is responsible for the preparation of the accompanying unaudited condensed interim consolidated financial statements. The unaudited condensed interim consolidated financial statements have been prepared using accounting policies in compliance with International Financial Reporting Standards ("IFRS") for the preparation of condensed interim financial statements and are in accordance with IAS 34 – Interim Financial Reporting.

The Company's auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# Quadron Capital Corporation

Condensed Interim Consolidated Statements of Financial Position

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

As at

	January 31, 2017	April 30, 2016
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 467,477	\$ 662,960
Restricted cash (Note 10)	71,500	-
Inventory (Note 6)	109,119	464,050
Accounts receivable	519,189	140,795
Prepaid expenses	23,696	35,317
Promissory note (Note 7)	350,000	-
GST recoverable	37,041	55,275
	<b>1,578,022</b>	<b>1,358,397</b>
<b>Promissory note (Note 7)</b>	<b>-</b>	<b>450,000</b>
<b>Equipment (Note 8)</b>	<b>12,247</b>	<b>384,984</b>
	<b>\$ 1,590,269</b>	<b>\$ 2,193,381</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 198,143	\$ 721,991
Amounts payable to related parties (Note 11)	78,813	52,690
	<b>276,956</b>	<b>774,681</b>
Shareholders' equity		
Share capital (Note 10)	2,990,000	2,990,000
Subscriptions received (Note 10)	71,500	-
Share-based payment reserve (Note 10)	103,799	103,799
Deficit	(1,851,986)	(1,675,099)
	<b>1,313,313</b>	<b>1,418,700</b>
	<b>\$ 1,590,269</b>	<b>\$ 2,193,381</b>

Nature and continuance of operations (Note 1)

Related party transactions (Note 11)

Subsequent Events (Note 15)

Approved on behalf of the Board on April 03, 2017:

"Rosy Mondin"

Rosy Mondin – CEO and President

"Doug McFaul"

Doug McFaul - Director

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

# Quadron Capital Corporation

Condensed Interim Consolidated Statements of Net Income (Loss) and Comprehensive Income (Loss)

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	For the three months ended		For the nine months ended	
	January 31,		January 31,	
	2017	2016	2017	2016
<b>Sales</b>	\$ 986,430	\$ 7,300	\$ 1,639,060	\$ 7,300
<b>Cost of Sales</b>	971,136	2,713	1,196,977	2,713
	15,294	4,587	442,083	4,587
<b>Expenses/(income)</b>				
Accounting and legal (Note 11)	63,997	32,609	104,897	57,709
Bank charges	1,186	130	4,936	130
Consulting fees (Note 11)	65,000	10,375	131,094	10,375
Depreciation (Note 8)	4,270	7,408	43,087	7,408
Development and research	100,000	-	116,662	-
Filing fees	14,577	375	17,639	2,054
General and administrative	6,502	6,026	25,697	6,083
Interest income (Note 7)	(6,171)	(1,560)	(20,521)	(1,560)
Management fees (Note 11)	22,500	8,500	67,500	11,500
Marketing	9,949	-	23,659	-
Remuneration and benefits (Note 11)	39,053	-	104,320	-
	320,863	69,208	618,970	99,044
<b>Loss and comprehensive loss for the period</b>	\$ (305,569)	\$ (64,621)	\$ (176,887)	\$ (94,457)
<b>Weighted average number of shares outstanding</b>	36,500,000	7,800,000	36,500,000	7,800,000
<b>Basic and diluted loss per share</b>	\$ (0.01)	\$ (0.01)	\$ (0.00)	\$ (0.01)

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

# Quadron Capital Corporation

Condensed Interim Consolidated Statements of Changes of Cash Flows  
(Unaudited – Prepared by Management)  
(Expressed in Canadian dollars)

	For the nine months ended January 31,	
	2017	2016
Cash flows from operating activities:		
Net loss for the period	\$ (176,887)	\$ (94,457)
Items not involving cash:		
Depreciation	43,087	7,408
Change in non-cash operating working capital:		
Accounts receivable	(278,394)	(9,199)
Accounts payable and accrued liabilities	(523,848)	(237,586)
Amounts payable to related parties	26,123	61,637
GST recoverable	18,234	(3,016)
Inventory	354,931	-
Prepaid expenses	11,621	60,100
	<b>(525,133)</b>	<b>(215,113)</b>
Cash flows from investing activities:		
Cash received on amalgamation with subsidiary	-	300,658
Loan to subsidiary prior to Acquisition	-	(250,000)
Purchase of equipment	(59,662)	-
Restricted cash	(71,500)	-
Sale of equipment	389,312	-
	<b>258,150</b>	<b>50,658</b>
Cash flows from financing activities:		
Share subscriptions received	71,500	-
Issuance of common shares	-	1,127,750
	<b>71,500</b>	<b>1,127,750</b>
Change in cash for the period	<b>(195,483)</b>	<b>963,295</b>
Cash and cash equivalents, beginning of the period	<b>662,960</b>	<b>1,583</b>
Cash and cash equivalents, end of the period	<b>\$ 467,477</b>	<b>\$ 964,878</b>
Supplementary information with respect to cash flows:		
Income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -

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

## Quadron Capital Corporation

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

	Number of Common Shares	Number of Preferred Shares – Series A	Share Capital	Share-based Payment Reserve	Subscription Received	Deficit	Total Shareholder's Equity (Deficiency)
Balance, April 30, 2015	7,800,000	-	\$ 120,000	\$ -	\$ -	\$ (130,481)	\$ (10,481)
Issuance of common shares – private placements	11,277,500	-	1,127,750	-	-	-	1,127,750
Issuance of common shares – amalgamation with Soma Labs Scientific Inc.	17,422,500	2,000,000	1,742,250	-	-	-	1,742,250
Net loss for the period	-	-	-	-	-	(94,457)	(94,457)
<b>Balance, January 31, 2016</b>	<b>36,500,000</b>	<b>2,000,000</b>	<b>\$ 2,990,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (224,938)</b>	<b>\$ 2,765,062</b>
Balance, April 30, 2016	36,500,000	2,000,000	\$ 2,990,000	\$ 103,799	\$ -	\$ (1,675,099)	\$ 1,418,700
Subscriptions received	-	-	-	-	71,500	-	71,500
Net income for the period	-	-	-	-	-	(176,887)	(176,887)
<b>Balance, January 31, 2017</b>	<b>36,500,000</b>	<b>2,000,000</b>	<b>\$ 2,990,000</b>	<b>\$ 103,799</b>	<b>\$ 71,500</b>	<b>\$ (1,851,986)</b>	<b>\$ 1,313,313</b>

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

# Quadron Capital Corporation

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the nine months ended January 31, 2017 and 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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## 1. NATURE AND CONTINUANCE OF OPERATIONS

Quadron Capital 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 it's registered and records office is located at Suite 885 W Georgia St #2200, Vancouver, BC V6C 3E8.

On January 8, 2016, pursuant to a definitive Amalgamation Agreement (“Amalgamation Agreement”) executed November 6, 2015, a wholly-owned subsidiary of Quadron completed an amalgamation (the “Acquisition”) with Soma Labs Scientific Inc. (“Soma”), an arm's length private company incorporated under the laws of British Columbia. Security holders of Soma received 17,422,500 common shares and 2,000,000 Series A preferred shares of Quadron in exchange for all of their common and preferred shares of Soma (See Note 9). Subject to the amalgamated entity achieving \$1,000,000 in earnings before interest, taxes, depreciation and amortization for the fiscal year ending April 30, 2017, each Series A preferred share will automatically convert into one common share of Quadron. The holders of Soma's convertible securities (warrants) also received convertible securities (warrants) of Quadron on a one-for-one basis. In contemplation of the Acquisition, the Company completed two private placements; the first on November 6, 2015 (6,640,000 units for proceeds of \$664,000) and the second on December 31, 2015 (4,637,500 units for gross proceeds of \$463,750) as discussed in Note 10.

On January 15, 2016, Greenmantle Products Limited (“Greenmantle”) was incorporated pursuant to the provisions of the BC Business Corporations Act and is a wholly owned subsidiary of Quadron. On February 24, 2017, the Company was listed and started trading on the Canadian Securities Exchange under the trading symbol “QCC”.

The Company incurred a net loss of \$176,887 for the nine-month period ended January 31, 2017. As at January 31, 2017, the Company had a history of losses and an accumulated deficit of \$1,851,986. 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.

# Quadron Capital Corporation

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the nine months ended January 31, 2017 and 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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## 1. NATURE AND CONTINUANCE OF OPERATIONS (continued)

These condensed interim 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 condensed interim 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

These condensed interim consolidated financial statements have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standard Board (“IASB”) and in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, using accounting policies that the Company expects to adopt in its annual consolidated financial statements for the year ended April 30, 2017. These condensed interim consolidated financial statements do not include all the information required for the annual consolidated financial statements and should be read in conjunction with the Company’s most recent audited financial statements for the year ended April 30, 2016, which are available on [www.sedar.com](http://www.sedar.com).

The condensed interim consolidated financial statements are presented in Canadian dollars and include the accounts of the Company and its 100% wholly-owned subsidiaries, Soma, and Greenmantle each having a Canadian functional currency. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on April 03, 2017.

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies applied in these condensed interim consolidated financial statements are the same as those applied in the Company’s most recent audited annual financial statements as at and for the year ended April 30, 2016 which is available at [www.sedar.com](http://www.sedar.com), except for those new, revised and/or amended standards adopted below, and reflect all the adjustments necessary for fair presentation in accordance with IAS 34. There has been no material impact on these financial statements from changes in accounting standards during the period.



# Quadron Capital Corporation

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the nine months ended January 31, 2017 and 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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## 4. NEW ACCOUNTING PRONOUNCEMENT ADOPTED

The following amendment to existing standards has been adopted by the Company effective May 1, 2016:

- IAS 1 – Presentation of financial statements – clarifies guidance on materiality, presentation of subtotals, structure of financial statements and disclosure of accounting policies.

The adoption of this standard did not have an impact on the financial statements.

## 5. RECENT ACCOUNTING PRONOUNCEMENTS

A number of new IFRS standards, amendments to standards and interpretations are not yet effective for the period ended January 31, 2017, and have not been applied in preparing these financial statements. None of these is expected to have an effect on the Company's financial statements:

- IFRS 9 - New standard that replaced IAS 39 for classification and measurement, tentatively effective for annual periods beginning on or after January 1, 2018.
- IFRS 15 - New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers, effective for annual periods beginning on or after January 1, 2018.

## 6. INVENTORY

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Balance, April 30, 2015	\$	-
Additions		464,050
Balance, April 30, 2016		464,050
Additions: Purchase		422,549
Less: Sales and usage		(777,480)
<b>Balance, January 31, 2017</b>	<b>\$</b>	<b>109,119</b>

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The inventory as at January 31, 2017 consists primarily of Premium Disposal Vapour Pens, their activation cartridges and associated packaging materials.

# Quadron Capital Corporation

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the nine months ended January 31, 2017 and 2016

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## 7. PROMISSORY NOTE

Prior to the Acquisition, on November 5, 2015, Soma Labs advanced \$450,000 to Odorchem Manufacturing Corporation (“Odorchem”) by way of a Promissory Note (“Note”) issued to Soma Labs. Interest accrues on the Note at the simple rate of 5.5% per annum and is payable on the maturity date, November 5, 2017. Odorchem may repay the Note and all accrued interest thereon at any time from time to time without notice or penalty. Odorchem shall pay all amounts due and owing under the Note on or before November 5, 2017. During the quarter ended January 31, 2017, \$100,000 of the principle and all of the interest was offset against the Note for design and engineering work Odorchem provided to Quadron. All amounts due and owing under the Note are secured by way of a General Security Agreement over all of Odorchem’s present and after acquired assets.

From the date of the Acquisition on January 8, 2016 to January 31, 2017, \$26,310 in interest has been accrued and disclosed on the consolidated statement of loss and comprehensive loss as interest income.

On March 20, 2017, the balance owing under the Note was extinguished as part of the acquisition of Cybernetic Control Systems Inc. (See Note 15).

## 8. EQUIPMENT

	Furniture and Equipment	Computer Hardware	Total
<b>Costs:</b>			
Balance, April 30, 2016 <sup>(1)</sup>	\$ 449,998	\$ 8,468	\$ 458,466
Additions	59,662	-	59,662
Disposal	(500,466)	-	(500,466)
<b>Balance, January 31, 2017</b>	<b>\$ 9,194</b>	<b>\$ 8,468</b>	<b>\$ 17,662</b>
<b>Accumulated Depreciation:</b>			
Balance, April 30, 2016	\$ 71,365	\$ 2,117	\$ 73,482
Amortization	(71,242)	3,175	(68,067)
<b>Balance, January 31, 2017</b>	<b>\$ 123</b>	<b>\$ 5,292</b>	<b>\$ 5,415</b>
<b>Net Book Value:</b>			
April 30, 2016	\$ 378,633	\$ 6,351	\$ 384,984
<b>January 31, 2017</b>	<b>\$ 9,071</b>	<b>\$ 3,176</b>	<b>\$ 12,247</b>

<sup>(1)</sup> \$270,373 of the amount from the previous fiscal year represents the equipment acquired on the Acquisition of Soma (Note 9).

# Quadron Capital Corporation

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the nine months ended January 31, 2017 and 2016

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## 9. AMALGAMATION AGREEMENT

Effective January 8, 2016, Quadron acquired all the issued and outstanding share capital of Soma. As consideration, Quadron issued 17,422,500 common shares and 2,000,000 Series A preferred shares in exchange for all common and preferred shares of Soma issued and outstanding immediately prior to the completion of the amalgamation. The Company also issued one warrant for each Soma warrant held immediately prior to the date of the completion of the amalgamation (4,361,250 warrants issued). The warrants had an original value, and value on reissuance, of \$nil.

The Acquisition has been accounted for as an asset acquisition. The Acquisition is not considered a reverse takeover. Soma's results of operations are included in the Company's consolidated results from January 8, 2016, onwards.

The net assets of Soma had a fair value of \$586,347, on January 8, 2016, as follows:

Cash	\$ 300,658
Receivables	28,228
GST recoverable	22,785
Prepaid expenses	137,500
Promissory note- Odorchem	450,000
Equipment	270,373
Loan payable to Quadron	(250,000)
Amounts payable to related parties	(63,409)
Accounts payable and accrued liabilities	(309,788)
	<hr/>
	\$ 586,347

The fair value of the common and Series A preferred shares issued in connection with this amalgamation was \$1,742,250. The excess of \$1,155,903 over the fair value of Soma's net assets was allocated as a share-based payment in the 2016 fiscal year.

## 10 SHARE CAPITAL AND SHARE-BASED PAYMENT RESERVE

### a) Authorized

Unlimited common shares without par value – 36,500,000 issued and outstanding as at January 31, 2017.

Unlimited Series A preferred shares without par value – 2,000,000 issued and outstanding as at January 31, 2017. Subject to the Company achieving \$1,000,000 in earnings before interest, taxes, depreciation and amortization (the "Financial Milestone") for the fiscal period ending April 30, 2017, each Series A preferred share will automatically convert into one common share of the Company. If the Company fails to achieve the Financial Milestone, it may, at any time after the effective date of the financial statements, purchase any or all of the Series A preferred shares held by any one holder at a price per Series A preferred share of CAD \$0.0001.

# Quadron Capital Corporation

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the nine months ended January 31, 2017 and 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

## 10. SHARE CAPITAL AND SHARE-BASED PAYMENT RESERVE (continued)

### b) Subscription receipts

As at January 31, 2017, the Company had received \$71,500 by way of the issuance of 357,500 subscription receipts at a deemed price of \$0.20 per subscription receipt, which was held in trust pending completion of a non-brokered private placement.

On February 21, 2017, the Company closed the non-brokered private placement for aggregate gross proceeds of \$1,712,100. The placement consisted of 8,560,550 common shares of the Company at a price of \$0.20 per common share. See also Note 15.

### c) Stock options

During the year ended April 30, 2016 the Company adopted a Stock Option Plan under which the Board of Directors may, from time to time, in 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.

No options were issued during the nine-month period ended January 31, 2017.

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	-	-
Balance, January 31, 2017	1,400,000	\$ 0.10

A summary of the Company's stock options as at January 31, 2017 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 15, 2016	1,400,000	1,400,000	\$ 0.10	February 15, 2021	4.04
Total	1,400,000	1,400,000	\$ 0.10		4.04

# Quadron Capital Corporation

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the nine months ended January 31, 2017 and 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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## 10. SHARE CAPITAL AND SHARE-BASED PAYMENT RESERVE (continued)

### d) Share issuance

On November 6, 2015, the Company closed a non-brokered private placement of 6,640,000 units at \$0.10 per unit for gross proceeds of \$664,000. Each unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.20 per share for 24 months from the date of issuance. If at any time during the 24 months, Quadron completes a going public transaction, the expiry date will be amended to 18 months following the closing of the going public transaction. The residual value of the warrants attached to the units was determined to be \$nil.

On December 31, 2015, the Company closed a non-brokered private placement of 4,637,500 units at \$0.10 per unit for gross proceeds of \$463,750. Each unit is comprised of one common share and one-half of one share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.20 per share for 24 months from the date of issuance. If at any time during the 24 months, Quadron completes a going public transaction, the expiry date will be amended to 18 months following the closing of the going public transaction. The residual value of the warrants attached to the units was determined to be \$nil.

On January 8, 2016, pursuant to acquisition of Soma, the Company issued 17,422,500 common shares and 2,000,000 Series A preferred shares of Quadron in exchange for all of the common and preferred shares of Soma.

### e) Warrants

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

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	Number of warrants outstanding	Weighted average exercise price
Balance, April 30, 2016	10,000,000	\$ 0.20
Issued	-	-
Expired	-	-
Exercised	-	-
<b>Balance, January 31, 2017</b>	<b>10,000,000</b>	<b>\$ 0.20</b>

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# Quadron Capital Corporation

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the nine months ended January 31, 2017 and 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

## 10. SHARE CAPITAL AND SHARE-BASED PAYMENT RESERVE (continued)

### e) Warrants (continued)

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	4,361,250	\$ 0.20	August 24, 2018 <sup>1</sup>	1.56
November 6, 2015	3,320,000	\$ 0.20	August 24, 2018 <sup>1</sup>	1.56
December 31, 2015	2,318,750	\$ 0.20	August 24, 2018 <sup>1</sup>	1.56
	10,000,000	\$ 0.20		1.56

<sup>1</sup> Subsequent to the end of the period, on February 24, 2017, the Company completed a Going Public Transaction and as a result under the terms of the warrants, each warrant's expiry date reverted to a period expiring 18 months from the date of the Going Public Transaction. All other terms of the warrants remained unchanged.

## 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 expenses incurred:

Type of Service	Nature of Relationship	For the nine months ended January 31,	
		2017	2016
Consulting fees <sup>1</sup>	To an officer, and to a company with a director in common with the Company	\$ 22,600	\$ 10,000
Legal fees	To a law firm, a partner of which is a director of the Company	60,427	52,609
Management fees	To a company with officers and directors in common with the Company	67,500	11,500
Remuneration and benefits <sup>1</sup>	To an officer of the Company	52,500	-
Total		\$ 203,027	\$ 74,109

<sup>1</sup>Key management personnel

# Quadron Capital Corporation

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the nine months ended January 31, 2017 and 2016

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## 11. RELATED PARTY TRANSACTIONS (continued)

Summary of amounts due to related parties:

Type of Service	Nature of Relationship	January 31, 2017	April 30, 2016
Consulting fees <sup>1</sup>	To an officer, director and to a company that has a director in common with the Company	\$ -	\$ 18,310
Loans payable	To a company that has a director in common with the Company	-	1,650
Management fees	To a company with officers and directors in common with the Company	525	8,400
Legal Fees <sup>1</sup>	To law firms that a director of the Company was and/or is a partner in	78,288	15,130
Administrative expenses	To a company with an officer and director in common with the Company	-	9,200
<b>Due to related parties</b>		<b>\$ 78,813</b>	<b>\$ 52,690</b>

<sup>1</sup>Key management personnel

Unless otherwise specified, amounts due 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. 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 January 31, 2017, 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 period ended January 31, 2017.

# Quadron Capital Corporation

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the nine months ended January 31, 2017 and 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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## 13. FINANCIAL INSTRUMENTS

### a) Fair value risk

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, promissory note, 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 and with respect to the promissory note due to its market value and interest rate. The Company's other financial instrument, cash, under the fair value hierarchy are based on level one quoted prices in active markets for identical assets or liabilities.

### 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 foreign exchange 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 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.



# Quadron Capital Corporation

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(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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## 13. FINANCIAL INSTRUMENTS (continued)

### c) 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 its contract with Odorchem (considered fully collectible) and various other customers (amounts considered fully collectible); however, these receivables do pose a moderate credit risk. The promissory note is secured by a General Security Agreement and the exposure to credit risk on this note is limited.

### d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. At January 31, 2017, the Company has a cash and cash equivalents balance of \$467,477 to settle current liabilities of \$276,956. 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 are all current. As the Company has limited sources of revenue, it may require additional financing to accomplish its long term strategic objectives. On February 21, 2017, the Company closed a non-brokered private placement for aggregate gross proceeds of \$1,712,100. The placement consisted of 8,560,550 common shares of the Company at a price of \$0.20 per common share (See Note 15).

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## 14. SEGMENTED INFORMATION

The Company has three principle reporting segments: sale of premium disposable vaporizer pens and related materials; extraction and processing laboratory (including research and development) service; 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 income/(loss) and comprehensive income/(loss)	Nine-month period ended January 31, 2017	Year ended April 30, 2016
<b>Sales to external customers</b>		
Sale of premium disposable vaporizer pens and related materials	\$ 1,020,861	\$ 144,354
Extraction and processing laboratory, research and development services	528,199	22,469
	<b>\$ 1,549,060</b>	<b>\$ 166,823</b>
<b>Income (loss) before income taxes</b>		
Sale of premium disposable vaporizer pens and related materials	\$ 187,123	\$ (19,971)
Extraction and processing laboratory, research and development services	(60,667)	(142,043)
Corporate and administration	(293,343)	(1,382,604)
	<b>\$ (166,887)</b>	<b>\$ (1,544,618)</b>
<b>Depreciation and amortization</b>		
Extraction and processing laboratory, research and development services	43,087	73,482
	<b>\$ 43,087</b>	<b>\$ 73,482</b>

# Quadron Capital Corporation

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As at and for the nine months ended January 31, 2017 and 2016

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(Expressed in Canadian dollars)

## 14. SEGMENTED INFORMATION (continued)

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 the period ended January 31, 2017 and year ended April 30, 2016:

Consolidated statements of financial position	As at January 31, 2017	As at April 30, 2016
<b>Assets</b>		
Sale of premium disposable vaporizer pens and related materials		
Identifiable assets	\$ 416,135	\$ 825,604
	<u>\$ 416,135</u>	<u>\$ 825,604</u>
Extraction and processing laboratory, research and development services		
Identifiable assets	\$ 1,169,746	\$ 936,407
	<u>\$ 1,169,746</u>	<u>\$ 936,407</u>
Corporate and administration		
Identifiable assets	\$ 108,088	\$ 431,370
	<u>\$ 108,088</u>	<u>\$ 431,370</u>
Total Assets	<u>\$ 1,693,969</u>	<u>\$ 2,193,381</u>
<b>Liabilities</b>		
Sale of premium disposable vaporizer pens and related materials	\$ (2,244)	\$ (595,575)
Extraction and processing laboratory, research and development services	(236,873)	(142,565)
Corporate and administration	(131,539)	(36,541)
	<u>\$ (370,656)</u>	<u>\$ (774,681)</u>

As at January 31, 2017 and April 30, 2016 all of the Company's identifiable assets are located in Canada.

# Quadron Capital Corporation

Notes to the Condensed Interim Consolidated Financial Statements

As at and for the nine months ended January 31, 2017 and 2016

(Unaudited – Prepared by Management)

(Expressed in Canadian dollars)

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## 15. SUBSEQUENT EVENTS

On February 7, 2017, the Company granted 350,000 incentive stock options to a consultant. The options have an exercise price of \$0.20 and vest at a rate of 25% per quarter from the date of the grant and are exercisable for a period of five years. On Feb 21, 2017, the Company granted a total of 2,000,000 incentive stock options to certain directors, officers, consultants and employees of the Company. The options have an exercise price of \$0.20 per share and expire in 5 years.

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 common share. The Company issued 183,750 brokers warrants as a finders' fee in connection with the February 2017 private placement share issuance. Each warrant is exercisable at \$0.20 per share and expiry February 21, 2018.

On February 24, 2017, the Company was listed and started trading on the Canadian Securities Exchange under the trading symbol "QCC".

On March 20, 2017, the Company closed the acquisition of Cybernetic Control Systems Inc. ("Cybernetic"). Pursuant to the acquisition, the shareholders of Cybernetic received an aggregate of 2,700,000 common shares of Quadron at a deemed price of \$0.25 per share, in consideration for all of the issued and outstanding share capital in Cybernetic. The Company also issued 1,537,500 Series B preferred shares to Cybernetic shareholders which may be convertible up to an additional 6,150,000 common shares of Quadron, upon Cybernetic meeting certain revenue milestones, of up to \$2,500,000, for the fiscal year ended April 30, 2018. The purchase price also includes the offset of \$350,000 representing the balance owed under the promissory note (See Note 7) owing to Quadron. The initial 2,700,000 common shares issued in connection with the acquisition are subject to a hold period expiring July 18, 2017.

Subsequent to the end of the period, a total of 89,000 warrants were exercised at \$0.20 per warrant.