QUADRON CANNATECH CORPORATION
(formerly Quadron Capital Corporation)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS AT AND FOR THE THREE MONTHS ENDED JULY 31, 2017

Dated: September 29, 2017

MANAGEMENT'S RESPONSIBILTY FOR FINANCIAL REPORTING

This management's discussion and analysis ("MD&A") reports on the operating results and financial condition of Quadron Cannatech Corporation (formerly Quadron Capital Corporation) (the "Company" or "Quadron") for the three months ended July 31, 2017. This MD&A should be read in conjunction with the Company's audited annual financial statements for the years ended April 30, 2017 and 2016 and the notes thereto which were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"), together with the unaudited condensed consolidated interim financial statements for the three months ended July 31, 2017, which were prepared in accordance with IFRS and in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting (collectively referred to as the "Financial Statements"). Other information contained in these documents has also been prepared by management and is consistent with the data contained in the Financial Statements.

All dollar amounts referred to in this MD&A are expressed in Canadian dollars except where indicated otherwise.

APPROVAL

The Company's certifying officers, based on their knowledge, having exercised reasonable diligence, are also responsible to ensure that this MD&A does not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading considering the circumstances under which it was made, with respect to the periods reported. The Financial Statements together with the other financial information included in this MD&A fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented in this MD&A. The Board's review is accomplished principally through the Audit Committee, which meets periodically to review all financial reports, prior to filing. The Board of Directors has approved the Financial Statements and MD&A, as well as ensured that management has discharged its financial responsibilities as at September 29, 2017.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This MD&A includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein.

Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These forward-looking statements include but are not limited to statements concerning:

- The Company's success at completing future financings
- The Company's strategies and objectives
- The Company's cost reductions and other financial operating objectives
- The availability of qualified employees for business operations
- General business and economic conditions
- The Company's ability to meet its financial obligations as they become due
- The Company's ability to identify, successfully negotiate and/or finance an acquisition of a new business opportunity
- The positive cash flows and financial viability of new business opportunities
- The Company's ability to manage growth with respect to a new business opportunity
- The Company's tax position, anticipated tax refunds and the tax rates applicable to the Company

Readers are cautioned that the preceding list of risks, uncertainties, assumptions and other factors are not exhaustive. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by these forward-looking statements. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, investors in securities of the Company should not place undue reliance on these forward-looking statements.

OVERVIEW AND OUTLOOK

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, and in Ontario on February 24, 2017. The Company's head office is located at Suite 1600, 609 Granville Street, Vancouver, BC, V7Y 1C3, and it's registered and records office is located at Suite 2200, 885 West Georgia Street, Vancouver, BC, V6C 3E8.

The Company operates through its three wholly owned subsidiaries, Soma Labs Scientific Inc. ("Soma Labs"), Greenmantle Products Limited ("Greenmantle"), and Cybernetic Control Systems Inc. ("Cybernetic"). Through its subsidiaries, Quadron provides a variety of products and services structured to address the complex needs and requirements of cannabis industry participants in Canada and the US. Quadron continues to develop its line of automated extraction and processing solutions to provide fully integrated extraction and processing laboratories, via services agreements and sales, including equipment, ancillary products and services (via Soma Labs). In addition, the Company distributes ancillary products, such as customized dispensing devices (i.e. vaporizer pens) and branded consumption products (i.e. capsules) along with a variety of packaging options to authorized cannabis industry participants (via Greenmantle). Cybernetic specializes in providing equipment automation services, control solutions and process manufacturing expertise to a variety of industry sectors.

Cannabis extractions and ancillary devices

Quadron's business is focused on providing a value add service to growers and processors of varying sizes. The market is moving toward extracts as researchers have witnessed early from the US just how fast the oils market is growing. According to data released by the Washington State Liquor and Cannabis Board, sales of cannabis concentrates have increased exponentially in the last two years from $3,483,681 in 2014 to $143,282,686 in 2016. An analyst from Mackie Research has estimated that cannabis oil consumption in Canada alone is projected to rise from 284 litres in 2015 to 562,613 litres by 2020, which equates to roughly a C$2.8 billion market segment.

With very few exceptions, not many companies are in the research and development of automation and modernization of equipment for extraction and processing of cannabis on a commercial production scale. In-house engineering, manufacturing and science-related technology experience gives Quadron a leading edge as a designer, manufacturer, supplier and innovator of safe, compliant and efficient extraction and distillation equipment.

Offering adult consumers alternatives to smoking dried cannabis is consistent with the public health approaches to the regulation of cannabis.

Cannabis odor abatement

With the expansion of legalized cannabis production worldwide, cannabis odor control is a serious problem for many cannabis production facilities and their communities. In jurisdictions where cannabis is legalized, most formal complaints against cultivation facilities are odor related. Although cannabis does not emit a toxic smell, as legalization of cannabis increases, regulations around odor abatement will likely also increase under local bylaws and regulations, making odor abatement a priority for cultivators. Facilities that do not adhere to such odor control regulations can be subject to fines, and be required to add odor control technology to their ventilation and filtration equipment. As such, effective odor control goes a long way to creating neighborhood goodwill.

Quadron is responding to this need by working with Odorchem Manufacturing Corp ("Odorchem") to produce high quality non-toxic odor control products for industrial, commercial and residential applications. Pursuant to a services agreement, Quadron is conducting research for the scientific development of new odor control processes and formulations for Odorchem. As a complement to the partnership with Odorchem, Quadron will also distribute Odorchem's odor abatement solutions to the cannabis industry.

<u>Cybernetic Acquisition</u>

On March 17, 2017, the Company acquired 100% of the issued and outstanding share capital of Cybernetic. Pursuant to the acquisition, 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.

The Company also issued 6,150,000 Series B preferred shares to Cybernetic shareholders, which shall convert into 6,150,000 common shares of Quadron in the event Cybernetic achieves revenue of not less than $2,500,000 for the fiscal year ended April 30, 2018. If revenue of Cybernetic is less than $2,500,000 during that period, the number of Series B preferred shares convertible into common shares of the Company shall be reduced on a pro-rata basis by 4.17 shares for every dollar that revenue is below $2,500,000. If revenues do not exceed $1,025,000 during the fiscal year ended April 30, 2018, no Series B preferred shares shall be convertible into common shares of the Company. 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 shall be converted.

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

Cybernetic provides the Company with automation and process manufacturing expertise to the design and manufacturing of cannabis extraction and processing equipment, as well as ancillary equipment (such as the Odor Elimination System) to service the cannabis industry. The addition of Cybernetic brings in-house the customization, fabrication, and automation of various pieces of equipment for the cannabis industry and for Quadron's use in its service agreements. Concurrently, Cybernetic will also start the manufacturing and assembly of the mobile extraction units for which Quadron has already received high interest. These capabilities will better serve and fulfill the growing needs of regulated producers and the needs of licensed medical cannabis patients in Canada.

Cybernetic also provides technical services and equipment for process automation to an existing client list of over forty (40) companies in various industry sectors including bioenergy, solar, wind, hops, algae oils, hydroponics and automated growing, aquaculture, and more. This breadth of knowledge, and experience and wide-ranging industry coverage brings a diversification of revenue to the Quadron portfolio, in addition to new revenues through the maturation and growth of 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 income		(65,797)
	$	1,388,375

Following the completion of the acquisition of Cybernetic, management impaired the carrying value of the goodwill to $Nil. As at April 30, 2017, the Company performed impairment tests on the equipment automation cash generating unit (CGU) and recognized a loss as the carrying value of this CGU, which exceeded the estimated value in use, which is negative.

Significant assumptions involved in the impairment test included future revenues, estimated expenditures and the Company's weighted average cost of capital. In accordance with the above impairment test, the Company recognized an impairment of $1,344,713 during the year ended April 30, 2017.

Listing

On February 24, 2017, the Company started trading on the Canadian Securities Exchange (the "CSE") under the trading symbol "QCC".

SELECTED ANNUAL FINANCIAL INFORMATION[1]

	For the year ended April 30, 2017	For the year ended April 30, 2016	For the year ended April 30, 2015
Loss and comprehensive loss:			
(i) total for the year	($1,987,088)	($1,544,618)	($34,800)
(ii) per share	($0.05)	($0.09)	($0.00)
Total assets	$2,756,659	$2,193,381	$2,822
Working capital (deficiency)	$2,043,408	$583,716	$(10,481)
Total revenues	$1,789,188	$166,823	$ Nil
Total long-term financial liabilities	$ Nil	$ Nil	$ Nil

[1] *Financial information prepared in accordance with International Financial Reporting Standards ("IFRS")*

The annual financial results reflect the Company's minimal levels of activity during the year ended April 30, 2015 as management conducted due diligence on potential new business ventures. During the year ended April 30, 2016, Quadron amalgamated with Soma Labs; through Soma Labs, Quadron entered a services agreement with Odorchem which provides revenue to Quadron. A large portion of the comprehensive loss for the year ended April 30, 2016 can be attributed to a one-time share-based payment of $1,155,903 which was the excess of the fair value of the Quadron shares issued upon amalgamating with Soma Labs over the fair value of Soma Lab's net assets. In addition to the amalgamation, Quadron incorporated Greenmantle through which it created a cannabis-related product division that acts as a distribution channel which sources and sells ancillary devices (i.e. vaporizer pens) and other products and equipment to cannabis industry participants. Through Soma Labs, Quadron developed and acquired extraction and processing equipment that it plans to deploy, via services agreements and sales to licensed and otherwise authorized third-parties operating in the cannabis industry. During the year ended April 30, 2016 Quadron generated $166,823 in gross revenue.

During the year ended April 30, 2017, the Company completed the acquisition of Cybernetic. Following the acquisition, the Company impaired the goodwill acquired with Cybernetic in a non-cash charge of $1,344,713. The Company generated revenues of $1,789,188 in the year ended April 30, 2017. Additionally, the completion of a private placement for $1,742,900 in gross proceeds improved working capital.

SUMMARY OF QUARTERLY RESULTS[1]

	1st Quarter Ended July 31, 2017	**4th Quarter Ended April 30, 2017**	**3rd Quarter Ended January 31, 2017**	**2nd Quarter Ended October 31, 2016**
Total revenues	$ 516,211	$ 150,128	$ 986,430	$ 429,180
Income/(Loss) and comprehensive loss	$ (416,820)	$ (1,810,201)	$ (305,569)	$ 148,533
Income/(Loss) per share (basic and fully diluted)	$ (0.00)	$ (0.04)	$ (0.01)	$ 0.00
Total assets	$ 2,393,740	$ 2,756,659	$ 1,590,269	$ 1,713,570
	1st Quarter Ended July 31, 2016	**4th Quarter Ended April 30, 2016**	**3rd Quarter Ended January 31, 2016**	**2nd Quarter Ended October 31, 2015**
Total revenues	$ 223,450	$ 159,523	$ 7,300	$ nil
Income (loss) and comprehensive income (loss)	$ (19,851)	$ (1,450,161)	$ (64,621)	$ (28,282)
Income (loss) per share (basic and fully diluted)	$ (0.00)	$ (0.04)	$ (0.00)	$ (0.00)
Total assets	$ 1,937,733	$2,193,381	$ 2,975,613	$ 78,850

[1] *Financial information prepared in accordance with IFRS*

RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED JULY 31, 2017

The following is an analysis of the Company's operating results for the three months ended July 31, 2017, and includes a comparison against the three months ended July 31, 2016.

Net and comprehensive loss for the three months ended July 31, 2017 amounted to $416,820 or $0.01 per share (2016 – $19,851 or $0.00 per share). As per below, the Company's operating activity between the two periods has increased following its public listing in February 2017, including the acquisition of Cybernetic.

Sales revenue for the three months ended July 31, 2017 was $516,211 (2016 – $223,450). The revenue in 2016 was generated from two divisions of the Company; a contract between Soma Labs and Odorchem to provide laboratory, research and development services and through Greenmantle from sales of ancillary devices (i.e. vaporizer pens) and other products and equipment to cannabis industry participants. The acquisition of Cybernetic complements these revenue sources and has helped provide the sales increase over 2016 with the addition of Cybernetic's automation services.

Cost of sales for the three months ended July 31, 2017 was $380,216 (2016 – $93,384). These costs are reflective of the cost of labor involved in providing laboratory, research and development services, the cost of inventory involved in offering ancillary products as part of their service agreements and automation work to cannabis industry participants.

Gross margin for the three months ended July 31, 2017 was $135,995 or 26% of sales (2016 - $130,066 or 58% of sales). Gross margins will fluctuate dependent upon product mix.

Accounting and legal expenses for the three months ended July 31, 2017 were $21,446 (2016 – $10,000). Professional services have increased over the prior period as the Company's complexity has required increased support.

Consulting fees for the three months ended July 31, 2017 were $46,500 (2016 – $33,100). The fees related to management's efforts to source additional business opportunities to enhance and supplement the amalgamated entities' current business model.

Depreciation expense for the three months ended July 31, 2017 was $13,581 (2016 – $19,234). Depreciation is the amortization of the cost of the extraction equipment, its related components and computer equipment. In fiscal 2017, the Company sold assets previously under lease reducing the Company's depreciation burden.

General and administrative expenses for the three months ended July 31, 2017 were $102,797 (2016 – $17,228). The current period increase is primarily related to the Company investing into infrastructure in its working space to expand its ability to service customers.

Investor relations expenses for the three months ended July 31, 2017 were $22,500 (2016 – $Nil) as the Company has engaged support following the listing on the CSE in February 2017.

Management fees for the three months ended July 31, 2017 were $22,500 (2016 – $22,500). These expenses include fees paid to an external company for accounting services and administrative maintenance of the Company's books and records.

Marketing expenses for the three months ended July 31, 2017 were $70,849 (2016 – $27,490). These expenses include costs involved in the marketing of the Company's products and services to potential customers.

Remuneration and benefits expenses for the three months ended July 31, 2017 were $170,552 (2016 – $25,008). These expenses are for wages paid to employees of Soma Labs and Cybernetic who are responsible for customer service, inventory control, laboratory maintenance and sales management.

Share-based payments expense for the three months ended July 31, 2017 was $73,346 (2016 – $Nil) for stock options vesting.

RISKS AND UNCERTAINTIES

Lack of Dividend Policy
The Company does not presently intend to pay cash dividends in the foreseeable future, as any earnings are expected to be retained for use in developing and expanding its business. However, the actual amount of dividends from the Company will remain subject to the discretion of the Company's Board of Directors and will depend on results of operations, cash requirements and future prospects of the Company and other factors.

Possible Dilution to Present and Prospective Shareholders
The Company's plan of operation, in part, contemplates the accomplishment of business negotiations by the issuance of cash, securities of the Company, or a combination of the two, and possibly, incurring debt. Any transaction involving the issuance of previously authorized but unissued common shares would result in dilution, possibly substantial, to present and prospective holders of common shares.

Dependence of Key Personnel
The Company strongly depends on the business and technical expertise of its management and key personnel. There is little possibility that this dependence will decrease in the near term. As the Company's operations expand, additional general management resources will be required. These personnel will be central to the Company's ability to locate and develop business opportunities.

Conflicts of Interest
Certain of the directors and officers of the Company will be engaged in, and will continue to engage in, other business activities on their own behalf and on behalf of other companies and, as a result of these and other activities, such directors and officers of the Company may become subject to conflicts of interest. The British Columbia Business Corporations Act ("BCBCA") provides that in the event that a director has a material interest in a contract or proposed contract or agreement that is material to the issuer, the director must disclose his interest in such contract or agreement and refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the BCBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA.

Litigation

The Company and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit.

LIQUIDITY AND CAPITAL RESOURCES

The Company defines capital that it manages as cash and equity (consisting of issued common shares). The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, to fund existing operations and the search for new business opportunities in order to provide returns to its shareholders. The Company does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the business. The Company manages and adjusts its capital structure as a result of changes in economic conditions. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. 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 three months ended July 31, 2017.

As at July 31, 2017, the Company had working capital of $1,565,578 (April 30, 2017 – $2,043,408) including cash and cash equivalents that totaled $587,223 (April 30, 2017 - $1,394,397). As at July 31, 2017, the Company had three sources of revenue; the first being the provision of research and laboratory services to the biotech and bioceutical industries, the second source being the sale of ancillary products and equipment to cannabis industry participants, and the third being the provision of automation controls and services through Cybernetic; these revenue streams will further reduce the Company's liquidity risk. The future success of the Company is dependent on the growth of the existing businesses of its subsidiaries. The Company may incur further losses as it grows its existing business and as it pursues other complementary business opportunities. The closing of previous financings position the Company to continue the planned expansion of its activities and to continue to pursue other complementary business opportunities. However, the Company may require additional financing to accomplish its long term strategic objectives. There can be no certainty of the Company's ability to raise additional financing if needed. If the Company is unable to finance itself, and its revenue streams are insufficient to maintain operations, it is possible that the Company will be unable to continue as a going concern.

The Company's financial statements have been prepared in accordance with IFRS under 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 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.

A summary of the Company's cash flows during the three months ended July 31, 2017 and 2016 is as follows:

		2017		2016
Cash flows used in operating activities	**$**	**(575,229)**	$	(205,753)
Cash flows used in investing activities		**(231,945)**		(10,517)
Cash flows provided by financing activities		**-**		-
Change in cash for the period		**(807,174)**		(216,270)
Cash, beginning of the period		**1,394,397**		662,960
Cash, end of the period	**$**	**587,223**	$	446,690

Cash flows used in operating activities were $575,229 for the three months ended July 31, 2017 compared to $205,753 during the three months ended July 31, 2016. The increased use of cash is attributable to the Company's public listing in February 2017, increased activity to expand the Company's revenue streams and acquisition of Cybernetic in March 2017. Cash is expended for marketing to attract new customers to its product lines and services and for research of potentially new product lines.

Cash flows used in investing activities were $231,945 for the three months ended July 31, 2017 compared to $10,517 for the three months ended July 31, 2016. Cash flows used were the result of the purchase of new equipment in the amount of $231,945 (2016 - $10,517).

SHARE CAPITAL AND SHARE-BASED PAYMENT RESERVE

a) Authorized

Unlimited common shares without par value

Unlimited Series A and Series B preferred shares without par value:

Unlimited Series A preferred shares without par value – 2,000,000 issued and outstanding as at April 30, 2016 and were subject to Soma Labs achieving $1,000,000 in earnings before interest, taxes, depreciation and amortization (the "Financial Milestone") for the fiscal year ending April 30, 2017. If the Financial Milestone is achieved, each Series A preferred share will automatically convert into one common share of the Company. As Soma Labs did not achieve the Financial Milestone, the Company repurchased and cancelled the Series A preferred shares at a $Nil price in the year ended April 30, 2017.

Unlimited Series B preferred shares without par value – 6,150,000 issued and outstanding as at July 31, 2017 and are convertible to 6,150,000 common shares of the Company, subject to Cybernetic achieving meeting certain revenue milestones, of up to $2,500,000, for the fiscal year ending April 30, 2018. If Cybernetic fails to achieve the revenue milestones, the Series B preferred will be cancelled without further consideration.

b) Private placements

As at July 31, 2017 and the date of this MD&A, the Company had 47,914,500 issued and outstanding.

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 private placement, valued at $14,161, and paid finder's fees of $36,750. Each broker warrant is exercisable at $0.20 per share until February 21, 2018.

	Number of Shares	Amount
Balance, April 30, 2016	**36,500,000**	**$ 2,990,000**
Share issuance – private placement, net of costs	8,560,500	1,661,189
Share issuance – acquisition of Cybernetic[1]	2,700,000	877,500
Exercise of warrants	154,000	30,800
Balance, April 30, 2017, July 31, 2017 and as at the date of this MD&A	**47,914,500**	**$ 5,559,489**

[1]As per the acquisition, an additional 6,150,000 common shares of Quadron may be issued to Cybernetic shareholders, upon Cybernetic meeting certain revenue milestones, of up to $2,500,000, for the year ending April 30, 2018.

c) Stock options

The Company has 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 Company shares, provided that the number of Company Shares reserved for issuance, together with those to be issued pursuant to options previously granted, does not exceed 10% of the issued and outstanding Company 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 of Directors 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 of Directors 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, July 31, 2017 and as at the date of this MD&A	**3,750,000**	**$ 0.16**

A summary of the Company's stock options as at the date of this MD&A are as follows:

Grant Date	Number of Options outstanding	Number of Options exercisable	Weighted Average Exercise Price	Expiry date
February 15, 2016	1,400,000	1,400,000	$ 0.10	February 15, 2021
February 1, 2017	350,000	262,500	$ 0.20	February 1, 2022
February 21, 2017	2,000,000	750,000	$ 0.20	February 21, 2022
Total	**3,750,000**	**2,412,500**	**$ 0.16**	

d) Warrants

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

	Number of warrants outstanding	**Weighted average exercise price**
Balance, April 30, 2016	10,000,000	$ 0.20
Exercised	(154,000)	0.20
Balance, April 30, 2017, July 31, 2017 and as at the date of this MD&A	**9,846,000**	**$ 0.20**

A summary of warrants outstanding are as follows:

Issue Date	**Number of Warrants outstanding**	**Weighted Average. Exercise Prices**	**Expiry date**
January 8, 2016	4,332,250	$ 0.20	August 24, 2018
November 6, 2015	3,195,000	$ 0.20	August 24, 2018
December 31, 2015	2,318,750	$ 0.20	August 24, 2018
	9,846,000	$ 0.20	

e) Broker Warrants

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

	Number of warrants outstanding	**Weighted average exercise price**
Balance, April 30, 2016	**-**	**-**
Granted	183,750	$0.20
Balance, April 30, 2017, July 31, 2017 and as at the date of this MD&A	**183,750**	**$ 0.20**

A summary of broker warrants outstanding are as follows:

Issue Date	**Number of Warrants outstanding**	**Weighted Average Exercise Prices**	**Expiry date**
February 21, 2017	183,750	$ 0.20	February 21, 2018

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	2017	2016
Consulting fees[1]	To an officer, and to a company with a director in common with the Company	**$ -**	$ 7,600
Legal fees	To a law firm, a partner of which is a director of the Company	**6,446**	-
Management fees	To a company with officers and directors in common with the Company	**22,500**	22,500
Remuneration and benefits[1]	To an officer of the Company	**37,500**	7,500
Share-based payments[1]	To officers and directors of the Company	**52,250**	-
Total		**$ 118,696**	$ 37,600

[1]Key management personnel

Summary of amounts due to related parties:

Type of Service	Nature of Relationship	July 31, 2017	April 30, 2017
Consulting fees[1]	To an officer, director and to a company that has a director in common with the Company	**$ 45**	$ 45
Management fees	To a company with officers and directors in common with the Company	**525**	525
Legal Fees	To law firms that a director of the Company was and/or is a partner in	**13,452**	52,182
Administrative expenses	To a company with an officer and director in common with the Company and an officer of the Company	**1,480**	1,090
Due to related parties		**$ 15,502**	$ 53,842

[1]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.

FINANCIAL INSTRUMENTS

a) Fair value risk

The Company's financial instruments consist of cash and cash equivalents, accounts 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, is classified as fair value through profit or loss under the fair value hierarchy 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.

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 loan receivable has been assessed by the Company as low risk. The leasehold improvements were completed during the period; consequently, the borrower will commence repayment of the associated loan (Note 6 of the July 31, 2017 financial statements).

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 July 31, 2017, the Company has a cash and cash equivalents balance of $587,223 to settle current liabilities of $391,137. 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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and they include:

(i) 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.

(ii) 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.

(iii) 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.

(iv) Goodwill and intangible assets

The Company assesses the impairment of goodwill and intangible assets with indefinite lives on an annual basis and finite life intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors which could trigger an impairment review include significant underperformance relative to plan, a change in the Company's business strategy, or significant negative industry or economic trends. 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.

(v) 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 experience with the same or similar assets, review engineering estimates and industry practices for similar pieces of equipment and apply statistical methods to assist in its determination of useful life.

(vi) Determination of market value of Quadron common shares

For transactions prior to the completion of its listing on the CSE, management was required to estimate the fair market value of the Company's shares when using its shares to procure assets or financing. Management has estimated the shares' value by comparing other public companies of a similar size and nature as Quadron's and applying some of their metrics to Quadron's current situation.

(vii) Determination of fair value of Quadron preferred shares

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

CHANGES IN ACCOUNTING POLICIES

There has been no material impact on these financial statements from changes in accounting standards during the period.

RECENT ACCOUNTING PRONOUNCEMENTS

A number of new IFRS standards, amendments to standards and interpretations are not yet effective for the year ended October 31, 2016, 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.
- 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.

OFF-BALANCE SHEET ARRANGEMENTS

The Company currently has no off-balance sheet arrangements.

ADDITIONAL INFORMATION

Additional information relating to the Company is available at www.sedar.com.