QUADRON CANNATECH CORPORATION

(formerly Quadron Capital Corporation)

Condensed Consolidated Interim Financial Statements

(Unaudited - Expressed in Canadian Dollars)

As at and for the six months ended October 31, 2017 and 2016

QUADRON CANNATECH CORPORATION

(“Quadron” or the “Company”)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
As at and for the six months ended October 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 consolidated interim financial statements. The unaudited condensed consolidated interim 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 consolidated interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Professional Accountants for a review of interim financial statements by an entity’s auditor.

Quadron Cannatech Corporation

(formerly Quadron Capital Corporation)
Condensed Consolidated Interim Statements of Financial Position
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)
As at

		October 31, 2017		April 30, 2017
Assets				
Current assets				
Cash and cash equivalents	**$**	**1,499,699**	$	1,394,397
Inventory (Note 5)		**397,980**		53,817
Accounts receivable		**868,646**		532,469
Prepaid expenses		**95,548**		271,837
Loan receivable (Note 6)		**145,000**		145,000
GST recoverable		**93,944**		56,470
		3,100,817		2,453,990
Equipment (Note 8)		**691,385**		302,669
	$	**3,792,202**	$	2,756,659
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**669,264**	$	247,284
Amounts payable to related parties (Note 12)		**32,712**		53,842
Customer deposits		**18,478**		78,478
Unearned revenue		**5,978**		30,978
		726,432		410,582
Shareholders' equity				
Share capital (Note 10)		**6,912,954**		5,559,489
Preferred shares (Note 9)		**160,875**		160,875
Share-based payment reserve (Note 10)		**396,114**		273,739
Warrants reserve (Note 10)		**42,436**		14,161
Deficit		**(4,446,609)**		(3,662,187)
		3,065,770		2,346,077
	$	**3,792,202**	$	2,756,659

Nature and continuance of operations (Note 1)
Approved on behalf of the Board on January 2, 2018:

"Rosy Mondin"
Rosy Mondin – CEO and President

"Doug McFaul"
Doug McFaul - Director

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

Quadron Cannatech Corporation

(formerly Quadron Capital Corporation)
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)

	For the three months ended October 31,		For the six months ended October 31,	
	2017	2016	**2017**	2016
Sales	**$ 435,749**	$ 429,180	**$ 951,960**	$ 652,630
Cost of sales	**(204,083)**	(134,293)	**(584,299)**	(225,841)
	231,666	294,887	**367,661**	426,789
Expenses (income)				
Accounting and legal (Note 12)	**$ 24,618**	$ 30,900	**$ 46,064**	$ 40,900
Bank charges	**1,270**	1,762	**3,109**	3,750
Consulting fees (Note 12)	**36,750**	32,994	**83,250**	66,094
Depreciation (Note 8)	**13,555**	19,584	**27,136**	38,817
Development and research	**55,462**	-	**58,888**	-
Filing fees	**6,743**	3,062	**10,222**	3,062
General and administrative	**140,563**	131	**243,360**	19,195
Interest income (Note 7)	**-**	(7,721)	**-**	(14,350)
Investor relations	**22,500**	-	**45,000**	-
Management fees (Note 12)	**22,500**	22,500	**45,000**	45,000
Marketing and research	**39,741**	2,883	**110,590**	30,372
Remuneration and benefits (Note 12)	**186,537**	40,259	**357,089**	65,267
Share-based payment – stock options (Note 10)	**49,029**	-	**122,375**	-
	(599,268)	(146,354)	**(1,152,083)**	(298,107)
Income (loss) and comprehensive income (loss) for the period	**$ (367,602)**	$ 148,533	**$ (784,422)**	$ 128,682
Weighted average number of common shares outstanding – basic and diluted	**47,993,391**	36,500,000	**47,934,385**	36,500,000
Basic and diluted income (loss) per share	**$ (0.01)**	$ 0.00	**$ (0.02)**	$ 0.00

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

Quadron Cannatech Corporation

(formerly Quadron Capital Corporation)
Condensed Consolidated Interim Statements of Changes of Cash Flows
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)
For the six months ended October 31,

		2017		2016
Cash flows from operating activities:				
Net income (loss) for the period	**$**	**(784,422)**	$	128,682
Items not involving cash:				
Depreciation		**27,136**		38,817
Share-based payments		**122,375**		-
Change in non-cash operating working capital:				
Accounts receivable		**(336,177)**		31,454
Accounts payable and accrued liabilities		**421,980**		(573,245)
Amounts payable to related parties		**(21,130)**		(35,248)
GST recoverable		**(37,474)**		30,603
Inventory		**(260,155)**		106,931
Prepaid expenses		**176,289**		(207,619)
Customer deposits		**(60,000)**		-
Unearned income		**(25,000)**		-
		(776,578)		(479,625)
Cash flows from investing activities:				
Purchase of equipment		**(499,860)**		(10,517)
		(499,860)		(10,517)
Cash flows from financing activities:				
Shares issued for cash		**1,451,600**		-
Share issue costs		**(69,860)**		-
		1,381,740		-
Change in cash and cash equivalents for the period		**105,302**		(490,142)
Cash and cash equivalents, beginning of the period		**1,394,397**		662,960
Cash and cash equivalents, end of the period	**$**	**1,499,699**	$	172,818
Cash and cash equivalents are comprised of:				
Cash	**$**	**1,499,699**	$	172,818
Guaranteed investment certificate		**-**		-
	$	**1,499,699**	$	172,818

Significant non-cash transactions (Note 11)

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

Quadron Cannatech Corporation

(formerly Quadron Capital Corporation)
Condensed Consolidated Interim Statements of Shareholders' Equity
(Unaudited – Prepared by Management)
(Expressed in Canadian dollars)
For the six months ended October 31,

	Number of Common Shares	Number of Series A and B Preferred Shares	Share Capital	Preferred 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**
Net income for the period	-	-	-	-	-	-	128,682	128,682
Balance, October 31, 2016	**36,500,000**	**2,000,000**	**$ 2,990,000**	**$ -**	**$ 103,799**	**$ -**	**$ (1,546,417)**	**$ 1,547,382**
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 9	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 period	-	-	-	-	-	-	(2,115,770)	(2,115,770)
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	7,258,000	-	1,353,465	-	-	28,275	-	1,381,740
Share-based payments	-	-	-	-	122,375	-	-	122,375
Net loss for the period	-	-	-	-	-	-	(784,422)	(784,422)
Balance, October 31, 2017	**55,172,500**	**6,150,000**	**$ 6,912,954**	**$ 160,875**	**$ 396,114**	**$ 42,436**	**$ (4,446,609)**	**$ 3,065,770**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Quadron Cannatech Corporation (formerly 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 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 in North America.

On March 17, 2017, the Company completed an acquisition of Cybernetic Control Systems Inc. (Note 9).

The Company incurred a net loss of $784,422 for the period ended October 31, 2017. As at October 31, 2017, the Company had a history of losses and an accumulated deficit of $4,446,609. 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 condensed consolidated interim 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 consolidated interim 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 consolidated interim 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, 2018. These condensed consolidated interim 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, 2017, which are available on www.sedar.com.

2. BASIS OF PREPARATION (cont'd…)

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

Entity	Country of Incorporation	Effective Interest
Soma Labs Scientific Inc. ("Soma")	Canada	100%
Greenmantle Products Limited ("Greenmantle")	Canada	100%
Cybernetic Control Systems Inc. ("Cybernetic")	Canada	100%

3. SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim 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 consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies applied in these condensed consolidated interim 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, 2017 which is available at www.sedar.com, and reflect all the adjustments necessary for fair presentation in accordance with IAS 34.

4. RECENT ACCOUNTING PRONOUNCEMENTS

A number of new IFRS standards, amendments to standards and interpretations are not yet effective for the year ended April 30, 2018, 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.

(Expressed in Canadian dollars)

5. INVENTORY

Inventory	October 31, 2017	April 30, 2017
Premium Disposal Vapour Pens	**$ 17,896**	$ 13,489
Extractor Assemblies	**297,699**	-
Electrical supplies for automation services	**82,385**	40,328
Total inventory	**$ 397,980**	$ 53,817

6. LOAN RECEIVABLE

The Company extended a short-term loan to expedite leasehold improvements which will be used by the Company for special purpose testing of equipment. The loan does not bear interest and is repayable upon demand.

7. PROMISSORY NOTE

On November 5, 2015, Soma advanced $450,000 to Odorchem Manufacturing Corporation (“Odorchem”) by way of a Promissory Note (“Note”) issued to Soma. 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 year ended April 30, 2017, $100,000 of the principle and interest accrued to date 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.

In the year ended April 30, 2017, $26,310 in interest has been accrued and disclosed on the condensed consolidated interim statements 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 (Note 9).

(Expressed in Canadian dollars)

8. EQUIPMENT

	Furniture and Equipment	Computer Hardware	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	495,950	3,911	499,861
Transfer to inventory (2)	(87,296)	-	(87,296)
Balance, October 31, 2017	**$ 721,428**	**$ 15,998**	**$ 737,426**
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	25,046	2,090	27,136
Transfer to inventory (2)	(3,287)	-	(3,287)
Balance, October 31, 2017	**$ 37,046**	**$ 8,995**	**$ 46,041**
Net Book Value:			
April 30, 2017	$ 297,487	$ 5,182	$ 302,669
October 31, 2017	**$ 684,382**	**$ 7,003**	**$ 691,385**

(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.

(2) During the period ended October 31, 2017, 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.

9. 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"). 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.

(Expressed in Canadian dollars)

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

The Company also issued 6,150,000 Series B preferred shares to Cybernetic shareholders, which shall convert into one common share 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 designs, manufactures, supplies custom, standard machines, and automated control 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 income		(65,797)
	$	1,388,375

Following the completion of the acquisition of Cybernetic, management impaired the carrying value of the intangible assets to $Nil. 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, 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.

10. SHARE CAPITAL AND SHARE-BASED PAYMENT RESERVE

a) Authorized

Unlimited common 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 achieving $1,000,000 in earnings before interest, taxes, depreciation and amortization (the "Financial Milestone"). For the fiscal year ending April 30, 2017, each Series A preferred share will automatically convert into one common share of the Company. As Soma 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 October 31, 2017 and are convertible to 6,150,000 common shares of the Company, subject to Cybernetic achieving 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

<u>For the period ended October 31, 2017</u>

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 10(e)) and paid finder's fees of $69,860. Each broker warrant is exercisable at $0.20 per share and expiry October 31, 2018.

<u>For the year ended April 30, 2017</u>

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 10(e)) and paid finder's fees of $36,750. Each broker warrant is exercisable at $0.20 per share and expiry February 21, 2018.

(Expressed in Canadian dollars)

10. SHARE CAPITAL AND SHARE-BASED PAYMENT RESERVE (cont'd…)

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.

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 and October 31, 2017	**3,750,000**	**$ 0.16**

A summary of the Company's stock options as at October 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	3.23
February 1, 2017	350,000	350,000	0.20	February 1, 2022	4.26
February 21, 2017	2,000,000	750,000	0.20	February 21, 2022	4.31
Total	**3,750,000**	**2,500,000**	**$ 0.16**		**3.90**

During the six months ended October 31, 2017, the Company recorded share-based payments of $122,375 (2016 - $Nil) as a result of stock options vesting during the period

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.

(Expressed in Canadian dollars)

10. SHARE CAPITAL AND SHARE-BASED PAYMENT RESERVE (cont'd…)

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	3,629,000	0.30
Balance, October 31, 2017	**13,475,000**	**$ 0.23**

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	4,332,250	$ 0.20	August 24, 2018	0.81
November 6, 2015	3,195,000	$ 0.20	August 24, 2018	0.81
December 31, 2015	2,318,750	$ 0.20	August 24, 2018	0.81
October 31, 2017	3,629,000	$ 0.30	October 31, 2020	3.00
	13,475,000	$ 0.23		1.40

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	349,300	0.20
Balance, October 31, 2017	**533,050**	**$ 0.20**

(Expressed in Canadian dollars)

10. SHARE CAPITAL AND SHARE-BASED PAYMENT RESERVE (cont'd…)

e) Brokers' warrants (cont'd…)

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)
February 21, 2017	183,750	$ 0.20	February 21, 2018	0.31
October 31, 2017	349,300	0.20	October 31, 2018	1.00

The fair value of the brokers' warrants issued during the period ended October 31, 2017 was $28,275 (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:

	2017	2016
Risk-free interest rate	1.39%	-
Expected dividend yield	0%	-
Expected forfeiture	0%	-
Expected life	1 year	-
Expected volatility	100%	-
Fair value per finders' warrant granted	$0.08	-

11. SIGNIFICANT NON-CASH ACTIVITY

The significant non-cash investing and financing transactions during the six months ended October 31, 2017 consisted of the Company:

a) Transferring equipment with a carrying value of $84,009 to inventory (Note 8).

b) Issuing brokers' warrants valued at $28,275 (Note 10(e)).

There were no significant non-cash investing and financing transactions during the six months ended October 31, 2016.

(Expressed in Canadian dollars)

12. 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	**$ -**	$ 15,100
Legal fees	To a law firm, a partner of which is a director of the Company	**12,514**	-
Management fees	To a company with officers and directors in common with the Company	**45,000**	45,000
Remuneration and benefits[1]	To officers of the Company	**90,000**	30,000
Share-based payments[1]	To officers and directors of the Company	**86,520**	-
Total		**$ 234,034**	$ 90,100

[1]Key management personnel

Summary of amounts due to related parties:

Type of Service	Nature of Relationship	October 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	**8,400**	525
Legal Fees[1]	To law firms that a director of the Company was and/or is a partner in	**23,178**	52,182
Administrative expenses	To a company with an officer and director in common with the Company and an officer of the Company	**1,090**	1,090
Due to related parties		**$ 32,713**	$ 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.

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 October 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 October 31, 2017.

13. FINANCIAL INSTRUMENTS

a) Fair value risk

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, promissory note, 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 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.

14. FINANCIAL INSTRUMENTS (cont'd…)

b) Market risk (cont'd…)

(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 subsequent to year end; consequently, the borrower will commence repayment of the associated loan (Note 6).

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 October 31, 2017, the Company has a cash and cash equivalents balance of $1,499,699 to settle current liabilities of $726,432. 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.

15. 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.

(Expressed in Canadian dollars)

15. SEGMENTED INFORMATION (cont'd…)

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.

Condensed consolidated interim statements of loss and comprehensive loss	2017	2016
Sales to external customers		
Sale of premium disposable vaporizer pens and related materials	**$ 405,000**	$ 603,434
Extraction and processing laboratory, research and development services and equipment	**191,090**	49,196
Equipment automation	**355,870**	-
	$ 951,960	$ 652,630
Income (loss) before income taxes		
Sale of premium disposable vaporizer pens and related materials	**$ 242,989**	$ 350,652
Extraction and processing laboratory, research and development services	**(410,868)**	(74,750)
Equipment automation	**(158,574)**	-
Corporate and administration	**(457,969)**	(147,220)
	$ (784,422)	$ 128,682
Depreciation and amortization		
Extraction and processing laboratory, research and development services	**$ 27,136**	$ 38,817
Equipment automation	**-**	-
	$ 27,136	$ 38,817

(Expressed in Canadian dollars)

15. SEGMENTED INFORMATION (cont'd…)

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 October 31, 2017 and April 30, 2017:

Condensed consolidated interim statements of financial position	**October 31, 2017**	**April 30, 2017**
Identifiable assets		
Sale of premium disposable vaporizer pens and related materials	**$ 334,764**	$ 166,096
Extraction and processing laboratory, research and development services and equipment leasing	**1,580,187**	1,061,234
Equipment automation	**282,246**	259,088
Corporate and administration	**1,595,005**	1,270,241
Total assets	**$ 3,792,202**	$ 2,756,659
Liabilities		
Sale of premium disposable vaporizer pens and related materials	**$ (23,083)**	$ (79,557)
Extraction and processing laboratory, research and development services and equipment leasing	**(351,601)**	(67,688)
Equipment automation	**(228,972)**	(154,576)
Corporate and administration	**(122,776)**	(108,761)
	$ (726,432)	$ (410,582)
Additions to non-current assets		
Extraction and processing laboratory, research and development services and equipment leasing	**$ 475,008**	$ 349,830
Equipment automation	**24,853**	8,635
	$ 499,861	$ 358,465

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