

Consolidated Financial Statements of
NAMASTE TECHNOLOGIES INC.
Fifteen months ended November 30, 2018

(Expressed in Canadian dollars)



Baker Tilly WM LLP
1400 - 200 University Avenue
Toronto, Ontario
Canada M5H 3C6
T: +1 416.368.7990
F: +1 416.368.0886

INDEPENDENT AUDITOR'S REPORT

toronto@bakertilly.ca
www.bakertilly.ca

To the Shareholders of Namaste Technologies Inc.:

We have audited the accompanying consolidated financial statements of Namaste Technologies Inc. and its subsidiaries, which comprise the consolidated statement of financial position as at November 30, 2018, and the consolidated statement of operations, consolidated statement of comprehensive loss, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the fifteen months ended November 30, 2018, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Namaste Technologies Inc. and its subsidiaries as at November 30, 2018, and their financial performance and their cash flows for the fifteen months ended November 30, 2018 in accordance with International Financial Reporting Standards.

Other Matter

The consolidated financial statements of Namaste Technologies Inc. and its subsidiaries for the year ended August 31, 2017 were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on January 8, 2018.

Baker Tilly WM LLP

Chartered Professional Accountants
Licensed Public Accountants

May 31, 2019
Toronto, Ontario

ASSURANCE • TAX • ADVISORY

Baker Tilly WM LLP is a member of Baker Tilly Canada Cooperative, which is a member of the global network of Baker Tilly International Limited. All members of Baker Tilly Canada Cooperative and Baker Tilly International Limited are separate and independent legal entities.

NAMASTE TECHNOLOGIES INC.

Consolidated Statements of Financial Position

As at November 30, 2018 and August 31, 2017
(Expressed in Canadian dollars)

	Notes	2018	2017
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents		\$ 78,210,706	1,132,770
Accounts receivable	6	1,627,781	555,664
Inventories	7	5,767,729	2,497,884
Prepaid expenses and other assets		1,720,365	667,912
Income tax receivable		175,536	15,009
Total current assets		87,502,117	4,869,239
<i>Non-current assets</i>			
Investments	8	3,752,589	-
Property and equipment, net	9	1,216,043	-
Intangible assets, net	10	9,222,530	6,227,711
Goodwill	11	15,280,854	2,827,420
Long-term deposits		15,826	-
Total non-current assets		29,487,842	9,055,131
Total assets	5	\$ 116,989,959	13,924,370
LIABILITIES AND SHAREHOLDERS' EQUITY			
<i>Current liabilities</i>			
Accounts payable and accrued liabilities	12	\$ 6,508,113	1,267,184
Current portion of loans payable	13	19,828	94,981
Deferred revenue		81,425	-
Income tax payable		33,888	-
Total current liabilities		6,643,254	1,362,165
<i>Non-current liabilities</i>			
Loans payable	13	20,611	284,943
Deferred tax liabilities	17	718,732	749,868
Total non-current liabilities		739,343	1,034,811
Shareholders' equity			
Share capital	14	125,123,144	21,637,191
Contributed surplus		12,674,068	1,798,564
Deferred shares		-	1,190,636
Warrants reserve		34,340,037	6,354,364
Accumulated other comprehensive income (loss)		576,717	(299,016)
Accumulated deficit		(63,085,385)	(19,154,345)
Total equity attributable to owners of the Company		109,628,581	11,527,394
Non-controlling interest		(21,219)	-
Total shareholders' equity		109,607,362	11,527,394
Commitments and contingencies	8, 21		
Total liabilities and shareholders' equity		\$ 116,989,959	13,924,370

See accompanying notes to consolidated financial statements.

These consolidated financial statements were approved for issue on behalf of the Board of Directors on May 31, 2019 by:

Branden Spikes
Director

Kenneth Ngo
Director

NAMASTE TECHNOLOGIES INC.

Consolidated Statements of Operations

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars, except for share and per share amounts)

	Notes	Fifteen months ended November 30, 2018	Twelve months ended August 31, 2017
Revenue	5	\$ 23,795,393	10,981,414
Cost of goods sold	7	(17,668,796)	(9,603,286)
Gross profit		6,126,597	1,378,128
Selling, general and administration expenses	15	(49,281,623)	(10,320,099)
Impairment of goodwill and intangibles	10, 11	-	(9,187,428)
Other income	16	1,115,533	771,799
Loss before income taxes		(42,039,493)	(17,357,600)
Income tax (expense) recovery:			
Current	17	(210,251)	(163,843)
Deferred	17	632,313	164,179
Net income tax recovery	5, 17	422,062	336
Net loss	5	\$ (41,617,431)	(17,357,264)
Net loss attributable to:			
Owners of the Company		\$ (41,596,212)	(17,357,264)
Non-controlling interest		(21,219)	-
Net loss		\$ (41,617,431)	(17,357,264)
Net loss per share (basic and diluted) attributable to owners of the Company		\$ (0.16)	(0.12)
Weighted average number of outstanding common shares (basic and diluted)		259,064,164	140,038,698

See accompanying notes to consolidated financial statements.

NAMASTE TECHNOLOGIES INC.

Consolidated Statements of Comprehensive Loss

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars)

	Fifteen months ended November 30, 2018	Twelve months ended August 31, 2017
Net loss	\$ (41,617,431)	(17,357,264)
Other comprehensive income (loss):		
<i>Items that are or may be reclassified subsequently to profit or loss</i>		
Unrealised gain on remeasurement of available for sale (AFS) investments, net of tax	1,467,428	-
Reclassification of unrealised gain on disposition of AFS investments	(148,510)	-
Cumulative translation adjustment (CTA)	(606,857)	(135,344)
Reclassification of CTA on disposal of subsidiary	163,672	-
	875,733	(135,344)
Net comprehensive loss	\$ (40,741,698)	(17,492,608)
Net comprehensive loss attributable to:		
Owners of the Company	\$ (40,720,479)	(17,492,608)
Non-controlling interest	(21,219)	-
Net comprehensive loss	\$ (40,741,698)	(17,492,608)

See accompanying notes to consolidated financial statements.

NAMASTE TECHNOLOGIES INC.

Consolidated Statement of Changes in Shareholders' Equity

Fifteen months ended November 30, 2018

(Expressed in Canadian dollars, except for common shares)

	-----Attributable to owners of the Company-----								Non-	
	Common shares	Share capital	Contributed surplus	Deferred shares	Warrants reserve	Accumulated OCI	Accumulated deficit	Total	controlling interest	Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at August 31, 2017	185,715,916	21,637,191	1,798,564	1,190,636	6,354,364	(299,016)	(19,154,345)	11,527,394	-	11,527,394
Total comprehensive income (loss):										
Net loss	-	-	-	-	-	-	(41,596,212)	(41,596,212)	(21,219)	(41,617,431)
Other comprehensive income	-	-	-	-	-	875,733	-	875,733	-	875,733
Transactions directly recorded in equity:										
Issue of shares for cash	47,443,900	63,972,743	-	-	31,631,002	-	-	95,603,745	-	95,603,745
Share issuance costs	-	(11,773,415)	-	-	3,981,141	-	-	(7,792,274)	-	(7,792,274)
Issue of shares for acquisition of Findify	7,142,857	11,785,714	-	-	-	-	-	11,785,714	-	11,785,714
Exercise of stock options and warrants	59,864,369	28,349,405	(2,393,894)	-	(7,638,173)	-	-	18,317,338	-	18,317,338
Share-based compensation	4,845,912	8,658,937	13,269,398	-	-	-	-	21,928,335	-	21,928,335
Issue of shares for services	1,068,882	1,958,978	-	-	11,703	-	-	1,970,681	-	1,970,681
Issue of shares for earn-out	5,067,406	1,190,636	-	(1,190,636)	-	-	-	-	-	-
Shares buyback	(2,167,700)	(657,045)	-	-	-	-	(2,334,828)	(2,991,873)	-	(2,991,873)
Balance at November 30, 2018	308,981,542	125,123,144	12,674,068	-	34,340,037	576,717	(63,085,385)	109,628,581	(21,219)	109,607,362

See accompanying notes to consolidated financial statements.

NAMASTE TECHNOLOGIES INC.

Consolidated Statement of Changes in Shareholders' Equity

Twelve months ended August 31, 2017

(Expressed in Canadian dollars, except for common shares)

	-----Attributable to owners of the Company-----							Total	Non- controlling interest	Total
	Common shares	Share capital	Contributed surplus	Deferred shares	Warrants reserve	Accumulated OCI	Accumulated deficit			
		\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at August 31, 2016	67,852,297	1,929,133	250,061	595,831	872,317	(163,672)	(1,797,081)	1,686,589	-	1,686,589
Total comprehensive loss:										
Net loss	-	-	-	-	-	-	(17,357,264)	(17,357,264)	-	(17,357,264)
Other comprehensive loss	-	-	-	-	-	(135,344)	-	(135,344)	-	(135,344)
Transactions directly recorded in equity:										
Issue of shares for cash	71,176,927	8,875,804	-	-	5,561,188	-	-	14,436,992	-	14,436,992
Share issuance costs	600,000	(2,414,593)	-	-	1,200,538	-	-	(1,214,055)	-	(1,214,055)
Issue of shares for acquisition of VaporSeller	3,400,000	405,100	-	(405,100)	-	-	-	-	-	-
Issue of shares for acquisition of URT1	15,784,754	5,501,358	-	-	-	-	-	5,501,358	-	5,501,358
Issue of shares for acquisition of Australian Vaporizers	1,988,182	576,573	-	-	-	-	-	576,573	-	576,573
Issue of shares for acquisition of CannMart Inc.	8,668,515	2,500,000	-	-	-	-	-	2,500,000	-	2,500,000
Issue of shares for convertible debentures	2,804,443	400,000	-	-	-	-	-	400,000	-	400,000
Deferred shares	-	-	-	1,000,000	-	-	-	1,000,000	-	1,000,000
Exercise of stock options and warrants	10,181,362	2,994,170	-	(95)	(1,279,679)	-	-	1,714,396	-	1,714,396
Share-based compensation	2,219,214	599,188	1,548,503	-	-	-	-	2,147,691	-	2,147,691
Issue of shares for services	1,040,222	270,458	-	-	-	-	-	270,458	-	270,458
Balance at August 31, 2017	185,715,916	21,637,191	1,798,564	1,190,636	6,354,364	(299,016)	(19,154,345)	11,527,394	-	11,527,394

See accompanying notes to consolidated financial statements.

NAMASTE TECHNOLOGIES INC.

Consolidated Statements of Cash Flows

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars)

	Fifteen months ended November 30, 2018	Twelve months ended August 31, 2017
Cash flows from operating activities:		
Net loss	\$ (41,617,431)	(17,357,264)
Adjustments for:		
Depreciation (note 9)	289,703	-
Amortisation (note 10)	1,597,658	430,029
Impairment of goodwill and intangible assets (notes 10, 11)	-	9,187,428
Share-based compensation (note 14(e))	21,928,335	2,147,691
Shares issued for services	1,970,681	270,458
Gain on disposal of subsidiary (note 16)	(265,345)	-
Gain on disposition of AFS investments (note 16)	(148,510)	-
Unrealised gain on derivatives (note 16)	(80,700)	-
Net movement in provision for inventories - hardware (note 7)	(508,129)	601,902
Other non-cash income	(48,644)	(696,011)
Deferred tax recovery (note 17(a))	(632,313)	(164,179)
Foreign exchange gain	(616,053)	(79,233)
Cash used in operations before changes in working capital	(18,130,748)	(5,659,179)
Changes in non-cash working capital (note 19 (a))	852,472	(2,467,057)
Net cash used in operating activities	(17,278,276)	(8,126,236)
Cash flows from investing activities:		
Business acquisitions, net of cash acquired (note 19 (b))	(2,409,373)	(5,392,941)
Purchase of AFS investments (note 8(d))	(2,328,573)	-
Purchase of property and equipment (note 9)	(1,440,719)	-
Purchase of intangible assets (note 10)	(2,351,717)	-
Proceeds from disposition of AFS investments	304,278	-
Proceeds from sale of subsidiary	184,280	-
Proceeds from disposal of property and equipment	3,614	-
Net cash used in investing activities	(8,038,210)	(5,392,941)
Cash flows from financing activities:		
Proceeds from issuance of share capital	95,603,745	14,436,992
Proceeds from exercise of warrants and stock options	18,317,338	1,714,396
Cash used for shares buyback	(2,991,873)	-
Share issuance costs	(7,792,274)	(1,214,055)
Proceeds from issuance of convertible debentures	-	400,000
Repayment of loans payable	(389,471)	(137,301)
Earn-out payments	(489,230)	(661,750)
Net cash provided by financing activities	102,258,235	14,538,282
Net increase in cash and cash equivalents	76,941,749	1,019,105
Effect of movement in exchange rates on cash held	136,187	-
Cash and cash equivalents, beginning of period	1,132,770	113,665
Cash and cash equivalents, end of period	\$ 78,210,706	1,132,770

Refer to note 19 for additional cash flow information.

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017
(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

1. General information

Namaste Technologies Inc. (the “Company”) is an entity formed under the British Columbia Business Corporations Act. The Company is a reporting issuer in British Columbia, Alberta and Ontario, listed on the TSX Venture Exchange (“TSXV”) under the trading symbol “N”. The Company’s registered office is 2300 - 550 Burrard Street, Vancouver, British Columbia, V6C 2B5, Canada. These consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the “Group” or “Namaste”).

Namaste is ‘Your Everything Cannabis Store™’. It operates an e-commerce platform with websites and distribution hubs located around the world. Namaste has operations in Europe, Australia and Canada. Namaste's product offering includes vaporizers, glassware and accessories. CannMart Inc. (a wholly owned subsidiary of the Company) is pursuing a new revenue vertical in the online retail of medical cannabis in the Canadian market. CannMart Inc. is a Canadian-based “sales-only” licensed entity. Namaste has developed and acquired innovative technology platforms including NamasteMD.com, and in May 2018, the Company acquired a leading e-commerce Artificial Intelligence (AI) and machine learning company, Findify AB (“Findify”). Findify uses AI algorithms to optimise and personalise a consumer's on-site buying experience. Namaste is focused on leveraging its technology to enhance the user experience throughout its platforms. Namaste will continue to develop and acquire innovative technologies which will provide value to the Group and to its shareholders as well as to the broader cannabis market.

2. Basis of preparation

(a) *Change in fiscal year end*

Effective from the current fiscal year, the Company changed its fiscal year end from August 31st to November 30th in order to facilitate efficiencies in the administration, accounting and production of the annual financial statements. As a result of this change, the current fiscal year is a fifteen-months period from September 1, 2017 to November 30, 2018 and the comparative amounts representing a twelve months period from September 1, 2016 to August 31, 2017 are not entirely comparable.

(b) *Statement of compliance*

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies described herein.

The consolidated financial statements were approved and authorised by the Board of Directors of the Company on May 31, 2019.

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017
(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

(c) *Basis of measurement*

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value.

(d) *Functional and presentation currency*

The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All amounts have been rounded to the nearest dollar, unless otherwise indicated.

The functional currencies of the Company's directly and indirectly owned subsidiaries are as follows:

Entity	Percentage holding	Country of incorporation	Functional currency
Namaste Technologies Holdings Inc.	100	Canada	United States dollar
Namaste Bahamas Inc.	100	Bahamas	United States dollar
Namaste MD Inc.	100	Canada	Canadian dollar
Australian Vaporizers Pty Ltd.	100	Australia	Australian dollar
CannMart Inc.	100	Canada	Canadian dollar
Findify AB	100	Sweden	Swedish krona
CannMart Labs Inc.	51	Canada	Canadian dollar

(e) *Use of estimates and judgments*

The preparation of the consolidated financial statements requires management to make judgments, estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as at the date of the consolidated financial statements.

On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenues, and expenses. Management uses various factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

(i) *Critical judgments in applying accounting policies*

Business combination

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. In determining the fair value of all identifiable assets, liabilities and contingent liabilities acquired, the most

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

significant estimates relate to contingent consideration and intangible assets. Management exercises judgment in estimating the probability and timing of when earn-outs are expected to be achieved which is used as the basis for estimating fair value. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

Impairment of non-financial assets

Assets with finite lives are tested for impairment at each reporting date whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill and indefinite life intangibles are tested for impairment at least annually at their designated dates, and whenever there is an indication that the assets may be impaired. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount. In determining the recoverable amount, defined as the higher of the value in use and the fair value less costs of disposal, various estimates are used. Value-in-use is determined based on management's best estimate of projected future sales, gross profit margin and earnings which is discounted by using an estimate of industry pre-tax weighted average cost of capital adjusted for the Company's estimated risk profile.

Recoverability of deferred tax assets

Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilise recognised deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the reporting date could be impacted.

- (ii) Significant estimates in applying accounting policies

Inventory valuation

Inventories are valued at the lower of cost and net realisable value. The Company determines if the cost of any inventory exceeds its net realisable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged. The Company records a write-down to reflect management's best estimate of the net realisable value of inventory based on the above factors.

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

Useful lives of property and equipment and intangible assets

Depreciation of property and equipment and amortisation of intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets.

To determine the useful lives of intangible assets the Company considers the period over which the assets are expected to contribute directly or indirectly to the future cash flows. The estimate of the useful life is also based on analysis of all pertinent factors, including the expected use of the asset, legal, regulatory or contractual provisions that may limit the useful life, the Company's own historical experience in renewing or extending similar arrangements and other relevant factors.

Share-based compensation

The Company measures the cost of equity-settled transactions with employees, officers and directors by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life and volatility. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Fair value of financial instruments

Certain of the Company's assets such as share purchase options, share purchase warrants and available for sale investments are measured at fair value. The estimated fair value of financial assets, by their very nature, are subject to measurement uncertainty. The Company estimates fair value using valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Such valuation techniques include the market approach and the cost approach.

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017
(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

3. Summary of significant accounting policies

The accounting policies described below have been applied consistently to the periods presented in the consolidated financial statements:

(a) *Basis of consolidation*

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in consolidated statement of operations immediately. Transaction costs are expensed as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in consolidated statement of operations.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in consolidated statement of operations.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those adopted by the Group.

The results of Findify were included in the consolidated financial statements as of the May 18, 2018 (acquisition date).

The results of Dollinger Enterprises US Inc. ("Dollinger US") were included in the consolidated financial statements up to December 31, 2017, which was the date the Company disposed of the subsidiary.

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

(iii) Non-controlling interests

Non-controlling interests (NCI) in subsidiaries are identified separately from the Group's equity. The carrying amount of NCI is the amount of these interests at initial recognition plus the NCI's share of subsequent changes in equity. Total comprehensive income is attributed to NCI even if it results in NCI having a deficit balance.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in consolidated statement of operations. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Transactions eliminated on consolidation

All intragroup balances and transactions, and any unrealised income and expenses arising from intragroup transactions, are eliminated in full on consolidation.

(b) *Foreign currency*

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognised in consolidated statement of operations.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisitions, are translated into Canadian dollars using the exchange rate at the reporting date. Revenues and expenses of foreign operations are translated into Canadian dollars at the exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income or loss ("OCI") and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

(c) *Revenue recognition*

(i) Sale of goods

Revenue from sale of goods consists of hardware sales, including vaporizers, glassware and accessories, and cannabis through e-commerce platforms. Revenue in the ordinary course of business is measured at the fair value of the consideration received or receivable net of customer discounts and other sales related discounts. Revenue is recognised when the amount of revenue can be measured reliably, the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of products can be estimated reliably and there is no continuing management involvement with the goods.

(ii) Rendering of services

Revenue from rendering of services is recognised, on an accrual basis, when the services are rendered.

(d) *Inventories*

Inventories are measured at the lower of cost and net realisable value (NRV). Cost is determined using the weighted average method and include all costs of purchases and all other costs incurred in bringing inventories to their present location and condition. The inventory consists solely of goods currently available for sale and does not include any unfinished goods or work-in-progress. NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

When there is a decline in the price of an item which indicates that the cost is higher than the NRV, a provision for inventories is established and an expense is recognised in the period in which the write-down occurs. Reversal of such write-down is recognised in the period in which the reversal occurs.

(e) *Property and equipment*

Items of property and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

The cost of replacing a part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other expenditures, including repair and maintenance, are recognised in the consolidated statement of operations as incurred.

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of operations.

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amounts substituted for cost, less its residual value and commences when the asset is available for use. Depreciation is recognised in the consolidated statement of operations on a straight-line basis over the estimated useful lives of the items of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives of property and equipment are as follows:

Category	Useful life
Leasehold improvements	Over the lease term
Computer equipment	2 years
Furniture and equipment	3 - 5 years

Depreciation method, useful lives and residual values are reviewed at each annual reporting date and adjusted, prospectively, if appropriate.

(f) *Intangible assets and goodwill*

Goodwill is measured at cost less accumulated impairment losses.

Expenditures on research activities are recognised in consolidated statement of operations as incurred. Development expenditures are capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient funds to complete development and to use or sell the asset. Otherwise, these are recognised in consolidated statement of operations as incurred. Subsequent to initial measurement, development expenditures are measured at cost less accumulated amortisation and any accumulated impairment losses.

Purchased intangible assets are recognised as assets where it is probable that the use of the asset will generate future economic benefits and where the cost of the asset can be determined reliably. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Intangible assets that have a definite useful life are measured at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets with definite lives are amortised over their useful economic life on a straight-line basis from the date that they are available for use. Amortisation relating to customer lists and intellectual properties is recognised in selling, general and administration expenses in the consolidated statement of operations. The estimated useful lives for the current period are as follows:

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

Category	Useful life
Intellectual properties	7 years
Customer lists	3 - 7 years
Computer software	2 - 5 years

Amortisation methods, useful lives and residual values are reviewed at each annual reporting date and adjusted, prospectively, if appropriate.

Intangible assets with indefinite lives, comprising of brand names, domains and licenses are not amortised but are tested annually for impairment, or more frequently, if events or changes in circumstances indicate that the asset might be impaired, as detailed in the accounting policy note on impairment.

(g) *Impairment of non-financial assets*

Assets with finite lives are tested for impairment at each reporting date whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill and indefinite life intangibles are tested for impairment at least annually at their designated dates, and whenever there is an indication that the assets may be impaired.

Events or changes in circumstances which may indicate impairment include a significant change to the Company's operations, a significant decline in performance, or a change in market conditions which adversely affect the Company.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in consolidated statement of operations.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss recognised in prior periods is assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) *Leases*

Leases are classified as either operating or finance, based on the substance of the transaction at inception of the lease. Classification is reassessed if the terms of the lease are changed.

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

Leases in which a significant portion of the risks and rewards of ownership are not assumed by the Group are classified as operating leases. Payments under an operating lease are recognised in selling, general and administration expenses on a straight-line basis over the term of the lease. As at November 30, 2018 and August 31, 2017, all of the Group's leases on premises were accounted for as operating leases.

(i) *Financial instruments*

Financial instruments include financial assets and financial liabilities. The financial assets and liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. On initial recognition, all financial assets and financial liabilities are recorded at fair value, net of attributable transaction costs, except for financial assets and liabilities classified as fair value through profit or loss ("FVTPL") which are expensed in the period in which they are incurred.

Subsequent measurement of financial assets and financial liabilities depends on classification of such assets and liabilities as described below.

(i) Non-derivative financial assets

Non-derivative financial assets comprise cash and cash equivalents, accounts receivable, long-term deposits and AFS investments.

Cash and cash equivalents, accounts receivable and long-term deposits are classified as loans and receivables and are subsequently measured at amortised cost using the effective interest method, less impairment losses, if any.

The Company has investments in equity securities which are classified as AFS investments and are measured at fair value with mark-to-market gains and losses recognised directly in OCI until the investments are derecognised or there is an objective evidence that the investments are impaired. When AFS investments are derecognised, the cumulative mark-to-market gains or losses that had been previously recognised in OCI are reclassified to consolidated statement of operations. When there is objective evidence that an AFS investment is impaired, the cumulative loss that had been previously recognised in OCI is reclassified to consolidated statement of operations.

AFS investments that do not have a quoted price in an active market and whose fair value cannot be reliably measured, are measured at cost. AFS investments are classified as non-current assets if the Company intends to hold the investment for more than 12 months, otherwise, they are classified as current assets. As at November 30, 2018, all of the AFS investments were classified as non-current assets.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

The Company assesses at the end of each reporting period whether there is objective evidence that financial assets are impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset that has a negative impact on the estimated future cash flows of the financial asset that can be reliably estimated.

(ii) Non-derivative financial liabilities

The Company has the following non-derivative financial liabilities: accounts payable and accrued liabilities and loans payable. Subsequent to initial recognition, all financial liabilities, except for earn-out payables (included in accounts payable and accrued liabilities), are measured at amortised cost using the effective interest method. Earn-out payables are classified as financial liabilities at FVTPL. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

(iii) Derivative financial instruments

Derivative financial assets comprise share purchase options and share purchase warrants and are measured at FVTPL.

(j) *Share-based compensation*

Share-based payments to employees, officers and directors are measured at the fair value of the instruments issued at grant date and are recognised over the vesting period. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined that fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to contributed surplus. The fair value of options is determined using the Black Scholes Option Pricing Model (“Black Scholes Model”) which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that will eventually vest.

(k) *Income tax*

Income tax expense comprises current and deferred taxes. Current income taxes and deferred income taxes are recognised in consolidated statement of operations for the period, except for items recognised directly in equity or in consolidated statement of comprehensive loss.

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

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognised for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realised, or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognised in the consolidated statement of operations in the period that substantive enactment occurs. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable income will be available against which the asset can be utilised. To the extent that the Group does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

(l) *Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(m) *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, bank balances and short-term deposits with original maturities of three months or less.

(n) *Share capital*

Ordinary shares are classified as equity. Incremental costs attributable to the issue of ordinary shares are recognised as a deduction from equity. When shares and warrants are issued under the same offering, the residual method is used to allocate proceeds between shares and warrants.

(o) *Interest income*

Interest income is recognised on an accrual basis using the effective interest rate method.

(p) *Standards issued and adopted*

(i) *Statement of Cash Flows ("IAS 7")*

The Group adopted amendments to IAS 7, effectively for the annual periods beginning on

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

September 1, 2017. The amendment clarifies that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Implementation of the amendment had no impact on the consolidated financial statements.

(ii) Income Taxes (“IAS 12”)

The Group adopted amendments to IAS 12, effectively for the annual periods beginning on September 1, 2017. The amendments clarify the requirements for recognising deferred tax assets on unrealised losses. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset’s tax base. They also clarify certain other aspects of accounting for deferred tax assets. Implementation of the amendment had no material effect on the consolidated financial statements.

(q) *New standards and interpretations not yet adopted*

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at November 30, 2018 and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group’s operations. The Group plans to adopt these pronouncements when they become effective. Information on new standards, amendments, and interpretations are provided below.

(i) Revenue from Contracts with Customers (“IFRS 15”)

Effective for the fiscal years beginning on or after January 1, 2018, the IASB issued IFRS 15 to replace the detailed standards on revenue recognition requirements that currently exists under IFRS. The new standard provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the accounting standards on leases, insurance contracts and financial instruments. IFRS 15 also contains enhanced disclosure requirements.

Management has evaluated each of the five steps in the new revenue recognition model for the Company’s revenue streams. Through its evaluation, management has concluded that the new revenue guidance will not have a significant impact to the Group’s consolidated statement of financial position or the consolidated statement of operations in comparison to the current revenue recognition guidance.

The Group will adopt this guidance effective December 1, 2018 using the retrospective approach with cumulative effect, anticipating no material adjustment to opening retained earnings.

(ii) Financial Instruments (“IFRS 9”)

In July 2014, the IASB issued the final version of IFRS 9 which reflects all phases of the

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

financial instruments project and replaces IAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of IFRS 9. IFRS 9 introduces new requirements for classification and measurement, impairment, and hedge accounting and new impairment requirements that are based on a forward-looking expected credit loss model. The standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Management has evaluated the changes introduced by IFRS 9. Through its evaluation, management has concluded that the new guidance will not have a significant impact to the Group's consolidated statement of financial position or the consolidated statement of operations.

The Group will adopt this guidance effective December 1, 2018, resulting in no significant adjustment to opening retained earnings.

(iii) Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, replacing IAS 17, Leases and related interpretations. The standard provides a new framework for lessee accounting that requires substantially all assets obtained through operating leases to be capitalised and a related liability to be recorded. The new standard seeks to provide a more accurate picture of a company's leased assets and related liabilities and create greater comparability between companies who lease assets and those who purchase assets. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019 and is to be applied retrospectively. Early adoption is permitted if IFRS 15 has been adopted. The Group is currently assessing the impact of the new standard on its consolidated financial statements.

(iv) Other amended standards and interpretations

Other amended standards and interpretations, including Foreign Currency Transactions and Advance Consideration ("IFRIC 22"), Uncertainty Over Income Tax Treatment ("IFRIC 23") and amendments to IFRS 2 Share-Based Payment, are not expected to have significant impact on the Group's consolidated financial statements.

4. Acquisitions

(a) Findify acquisition

On May 18, 2018, the Company completed the acquisition of Findify. Pursuant to the terms of the share purchase agreement, Namaste acquired all the issued and outstanding shares of Findify for cash consideration of \$2,576,000 (US\$2,000,000) and 7,142,857 shares of the Company. The shares issued as part of the acquisition included certain restrictions from trading for a period of up to 24 months from the closing date.

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

Findify's platform uses proprietary real-time machine learning algorithms to build unique user profiles and deliver a personalised experience for each user. The Company expects the integration of Findify's proprietary technology to increase monetization and propel revenue growth in both cannabis and hardware sales. The platform continuously learns from user behavior to automatically improve search results, recommendations, and product landing pages, displaying the most relevant products at any given time. It identifies product trends and, in combination with an analysis of unique customer behavior, ranks products in a way to optimise revenue, conversion rates and average order value. Due to the economic characteristics and the manner in which the chief operating decision maker reviews the operations and business performance of Findify, management considers this to be a separate operating segment.

Following is the summary of purchase price:

Cash	\$	2,576,000
Common shares		11,785,714
Net purchase price	\$	14,361,714

The purchase price allocation attributed to the identifiable net assets acquired is as follows:

Intellectual properties	\$	2,226,800
Cash and cash equivalents		166,627
Accounts receivable		90,448
Prepaid expenses and other assets		7,240
Accounts payable and accrued liabilities		(114,061)
Loans payable		(61,918)
Deferred tax liability		(406,856)
Goodwill		12,453,434
Net purchase price	\$	14,361,714

The Company used certain estimates and judgments to determine the purchase price allocation. These included the implicit weighted internal rate of return of 12.2% based on the purchase price paid and the projected results of operations and avoided costs related to Findify's technologies and computer codes, a long-term growth rate of 2%, and an effective tax rate of 22% which reflects the future tax rates applicable in Sweden. Goodwill of \$12,453,434 is primarily related to growth expectations and expected future profitability of the Group. Management has performed a preliminary assessment and, using the revenues as a basis, has allocated the goodwill to Namaste Vapes and Australian Vaporizers amounting to \$9,152,334 and \$3,301,100, respectively.

Included in the consolidated statement of operations are financial results from May 18, 2018, the acquisition date, to November 30, 2018. Acquisition costs related to the business combination amounted to \$398,247 and were included in selling, general and administration expenses within the consolidated statement of operations.

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

(b) URT1 acquisition

On October 18, 2016, (the “acquisition date”), the Company closed its purchase of the Everyonedoesit assets of URT1 Limited (“URT1”) representing its Everyonedoesit business. The Company acquired assets constituting an identifiable business thereby acquiring control of the business. The purchase price was determined as one-times the trailing revenue of the business. URT1 is one of the top five domains in the world for the sale of vaporizers, pipes and accessories. The company operates two websites, www.everyonedoesit.com and www.everyonedoesit.co.uk, and retails through select third-party marketplaces. It is anticipated the acquisition of the URT1 assets would generate synergies for the Company in the form of reduced operating costs associated with employees and consultants, software and information technology, and rent.

Pursuant to the terms of the Definitive Asset Purchase Agreement announced on September 15, 2016, Namaste acquired all the website domains, the customer list of over 40,000 individuals, the EDIT Collection of smoking accessories, direct relationships with over 190 vendors, intellectual property and related technologies. The purchase price was calculated as one-times the 12-month trailing gross revenue of URT1, subject to adjustments for inventory, wind down costs, and assumed liabilities. The assumed liabilities include a secured note of \$515,499 for 4 years at an interest rate of 4% payable in equal annual installments. Upon closing of the transaction, the Company has provided an initial 80% of the purchase price to URT1 of the estimated cash wind down costs and 13,771,933 common shares. The Company made an adjustment to the purchase price, subject to the actual wind down costs realised by URT1. The additional consideration to URT1 was provided by 2,012,821 shares of the Company at a 25% discount to the 10-day volume weighted average trading price of the common shares of the Company.

Following is the summary of purchase price:

Cash	\$	895,206
Common shares		6,197,370
Net purchase price	\$	7,092,576

The purchase price allocation attributed to the identifiable net assets acquired is as follows:

Customer list	\$	1,854,607
Brand name		194,763
Goodwill		5,372,160
Net assets acquired		188,271
Pension loan liability		(517,225)
Net purchase price	\$	7,092,576

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

Included in the share consideration is an amount of \$1,239,474 for deferred shares that were subsequently measured at \$543,462 upon issuance of the shares. The difference of \$696,012 was included in other income.

Goodwill reflects how the acquisition will impact the Company's ability to generate future profits in excess of existing profits due to the reputation of URT1 and credibility it has established in the US market for selling quality products. The consideration paid mostly relates to combined synergies, related mainly to revenue growth. These benefits are not recognised separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets.

The useful life of the brand name is indefinite. The useful life of the customer list does not exceed three years.

Total acquisition costs related to the business combination amounted to \$138,223. These expenses related mainly to legal costs incurred which are included in the consolidated statement of operations.

(c) *Australian Vaporizers Pty Ltd. acquisition*

On March 16, 2017 (the acquisition date was March 15, 2017), the Company announced that it completed its acquisition of Australian Vaporizers PTY Ltd. ("Australian Vaporizers").

Pursuant to the terms of the definitive agreement announced on February 24, 2017, Namaste acquired all of the issued and outstanding shares of Australian Vaporizers. The purchase price was calculated as 1.0x 12-month trailing sales of AUD 4.9 million, plus the value of inventory acquired within six (6) months preceding the closing, and 50% of the value of the inventory acquired prior to six (6) months preceding the closing, less all liabilities and plus trade debt and cash, and adjusted for any related deferred tax effects.

Upon closing of the transaction, the Company provided an initial 75% of the purchase price in cash, being AUD 4,256,197 and 10% of the purchase price was satisfied with 1,988,182 common shares in the capital of the Company, at an agreed price based on the 20-day volume weighted average trading price upon signing of the definitive agreement.

Following is the summary of purchase price:

Cash, net of assumed liabilities	\$	4,347,861
Common shares		576,573
Milestone		283,746
Earn-out		564,613
Net purchase price	\$	5,772,793

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017
(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

The purchase price allocation attributed to the identifiable net assets acquired is as follows:

Customer list	\$	2,814,733
Brand name		331,313
Net assets acquired		743,327
Deferred tax liability		(944,000)
Goodwill		2,827,420
Net purchase price	\$	5,772,793

Goodwill reflects how the acquisition will impact the Company's ability to generate future profits in excess of existing profits due to the reputation of Australian Vaporizers and credibility it has established in the Australian market for selling quality products. The consideration paid mostly relates to combined synergies, related mainly to revenue growth. These benefits are not recognised separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets.

The useful life of the brand name is indefinite. The useful life of the customer list does not exceed three years.

The remaining 15% of the consideration will be satisfied through an earn-out based on sales and integration milestones. Since the closing of the acquisition the milestone has been paid and all the earn-out payments have been made.

Acquisition costs related to the business combination amounted to \$78,817. These expenses related mainly to legal costs incurred which are included in the consolidated statement of operations.

(d) *CannMart acquisition*

On April 28, 2017, ("the acquisition date") the Company completed its acquisition of all of the issued and outstanding shares in the capital of Cannmart Inc. ("CannMart"), a late stage applicant under the Access to Cannabis for Medical Purposes Regulations. The acquisition of CannMart represents a strategic decision for Namaste to leverage its strength in ecommerce and logistics in becoming a leader in retail distribution of medical cannabis in Canada.

In consideration for its acquisition of CannMart, Namaste made a one-time payment of \$50,000 and issued 8,668,515 common shares of the Company to the vendors. An additional 3,467,406 common shares were issued to the vendors upon satisfaction of certain milestones outlined in the definitive agreement.

This acquisition was determined not to meet the definition of a business under the principles of IFRS 3 Business Combinations as CannMart was not an operational business, its only material asset consisted of its application to distribute medical and recreational marijuana. Therefore, this acquisition was not accounted for as a business combination but rather as an acquisition of an intangible asset.

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017
(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

Following is the summary of purchase price:

Cash, net of assumed liabilities	\$	50,000
Common shares		2,500,000
Earn-out		1,000,000
Net purchase price	\$	3,550,000

The purchase price allocation attributed to the identifiable net assets acquired is as follows:

License	\$	3,516,310
Net assets acquired		33,690
Net purchase price	\$	3,550,000

The consideration paid mostly relates to the expected revenues that will be generated with CannMart's sales license and combined synergies, related mainly to traffic generated on the Canadian website. The useful life of the license is indefinite.

5. Operating segments

(a) Segment information

The operating segments of the Group are known as Namaste Bahamas & Dollinger US (together referred to as the "Namaste Vapes"), Australian Vaporizers, CannMart Inc. and CannMart Labs Inc. (together referred to as the "CannMart"), Namaste MD, Findify and Corporate & Other. In determining the operating segments, management considered the product mix as well as the geographical segments that the business units sell under. The chief operating decision maker monitor these segments separately throughout the year.

Disclosure by segment for the fifteen months ended November 30, 2018 and twelve months ended August 31, 2017 were as follows:

	Namaste Vapes	Australian Vaporizers	CannMart	Namaste MD	Findify	Corporate & other	Total
2018:							
Revenue							
Net segment revenue	\$ 16,839,270	6,056,373	318,577	194,902	434,179	-	23,843,301
Intersegment revenue	(47,908)	-	-	-	-	-	(47,908)
External revenue	16,791,362	6,056,373	318,577	194,902	434,179	-	23,795,393
Depreciation and amortisation	56,220	1,182,841	223,372	250,871	172,312	1,745	1,887,361
Income tax recovery	-	(175,832)	-	-	(81,490)	(164,740)	(422,062)
Net loss	10,559,342	421,041	1,205,640	1,164,907	61,247	28,205,254	41,617,431
Total assets	19,454,901	9,598,520	7,160,503	1,084,958	2,353,144	77,337,933	116,989,959
Total liabilities	2,492,306	611,394	1,118,093	399,475	503,458	2,257,871	7,382,597

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

	Namaste Vapes	Australian Vaporizers	CannMart	Namaste MD	Findify	Corporate & other	Total
2017:							
Revenue							
Net segment revenue	\$ 8,933,097	2,208,752	-	-	-	-	11,141,849
Intersegment revenue	(86,915)	(73,520)	-	-	-	-	(160,435)
External revenue	8,846,182	2,135,232	-	-	-	-	10,981,414
Depreciation and amortisation	5,163	433,049	4,611	-	-	-	442,823
Income tax expense (recovery)	34,705	(35,041)	-	-	-	-	(336)
Net loss	6,381,501	77,862	29,984	-	-	10,867,917	17,357,264
Total assets	2,907,337	6,398,147	3,550,016	-	-	1,068,870	13,924,370
Total liabilities	391,685	905,079	-	-	-	1,100,212	2,396,976

(b) Geographical information

The Group markets its products globally. Sales are attributed to countries based on the location of customers. Following is the summary of revenue by geographical location of the customers for the fifteen months ended November 30, 2018 and twelve months ended August 31, 2017:

	2018	2017
Australia	\$ 6,534,763	2,578,325
United Kingdom	6,026,690	3,332,578
Canada	3,315,846	467,122
Brazil	2,048,505	521,126
United States of America	1,935,017	2,308,530
Germany	1,185,178	246,541
New Zealand	461,550	397,556
Ireland	451,669	216,608
Others	1,836,175	913,028
	\$ 23,795,393	10,981,414

(c) Customer information

The Group does not have any major customers representing more than 10% of total sales for the reporting segment.

6. Accounts receivable

Accounts receivable as at November 30, 2018 and August 31, 2017 were as follows:

	2018	2017
Accounts receivable	\$ 803,035	384,842
Sales tax receivable	824,746	170,822
	\$ 1,627,781	555,664

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017
(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

7. Inventories

Inventories as at November 30, 2018 and August 31, 2017 were as follows:

	2018	2017
Hardware	\$ 4,961,935	3,099,786
Cannabis	899,567	-
Total inventories, gross	5,861,502	3,099,786
Provision for inventories - hardware	(93,773)	(601,902)
Total inventories, net	\$ 5,767,729	2,497,884

The cost of inventories recognised as an expense and included in cost of goods sold for the fifteen months ended November 30, 2018 was \$17,668,796 (twelve months ended August 31, 2017: \$9,603,286).

Movement in provision for inventories - hardware for the fifteen months ended November 30, 2018 and twelve months ended August 31, 2017 was as follows:

	2018	2017
Opening balance	\$ 601,902	-
Write-down of inventories to NRV	53,636	601,902
Reversal of write-down of inventories to NRV	(598,494)	-
Translation adjustment	36,729	-
Closing balance	\$ 93,773	601,902

Reversal of write-down of inventories resulted from the sale of those items. The write-downs and reversals are included in cost of goods sold within the consolidated statement of operations.

8. Investments

Investments as at November 30, 2018 and August 31, 2017 were as follows:

	2018	2017
AFS investments	\$ 3,671,889	-
Derivatives	80,700	-
	\$ 3,752,589	-

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

(a) Details of AFS investments as at November 30, 2018 were as follows:

	Number of shares acquired	Cost	Fair value	Unrealised (gain)/loss - gross
Lovelabs.com	8,243	\$ 32,220	32,220	-
Atlas Biotechnologies	200,000	200,000	1,200,000	(1,000,000)
The Green Organic Dutchman Holdings	26,021	94,982	85,870	9,112
YPB Group	3,800,000	130,000	66,041	63,959
Cannbit Pharmaceutical Ltd. (i)	404,933	464,715	1,156,869	(692,154)
Inolife R&D Inc.	2,000,000	200,000	200,000	-
Pineapple Express Delivery Inc. (ii)	944	550,889	550,889	-
RMMI Corp.	100,000	250,000	130,000	120,000
Kief Cannabis Company Ltd.	46,729	250,000	250,000	-
		\$ 2,172,806	3,671,889	(1,499,083)

(i) The Company signed a subscription agreement with Cannbit Pharmaceutical Ltd. (“Cannbit”) on June 13, 2018 to purchase 779 shares of Cannbit for an aggregate purchase price of NIS2,500,000. Up to the reporting date, the Company has purchased 389 shares for a cash consideration of \$464,715 (NIS1,250,000) and has a commitment to buy the remaining 390 shares, by issuing shares of the Company, for an amount equivalent to NIS1,250,000 in the future, subject to terms and conditions of the subscription agreement.

During November 2018, Cannbit merged with a public company and as a result of share split, the Company now owns 404,933 shares in the public company.

(ii) The Company signed a subscription agreement with Pineapple Express Delivery Inc. (“Pineapple”) on June 12, 2018 to invest an aggregate purchase price of \$1,000,000 comprising of \$850,000 in cash and \$150,000 in shares of the Company. As at November 30, 2018, the Company has invested cash of \$535,000. The remaining investment, being \$315,000 in cash and \$150,000 in shares of the Company, was paid subsequent to year end.

(iii) None of the investments noted above represent either a control or a significant influence over the investee.

(b) Details of derivatives as at November 30, 2018 were as follows:

	Number of options	Number of warrants	Fair value (\$)
BlissCo Cannabis Corp.	210,000	-	1,050
YPB Group	3,800,000	-	-
The Green Organic Dutchman Holdings	-	34,347	78,650
Inolife R&D Inc.	-	1,000,000	1,000
	4,010,000	1,034,347	80,700

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

- (c) Following is the summary of various valuation techniques and the underlying key/significant observable/unobservable inputs used to determine the fair value of the investments:

Type of investment	Fair value determination
AFS - level 1	Quoted price in active market.
AFS - level 2	Fair value is determined based on per share value in the most recent financing transaction publicly available.
AFS - level 3	Management has evaluated if any transactions or events would impact the cost and concluded that the cost approximates fair value at the reporting date.
Derivatives	Options and warrants are valued using Black-Scholes option pricing model. Quoted price of underlying share in active market is used as key input. Where underlying share price in active market was not available, management considered the fair value of those options/warrants as nominal.

- (d) Following is the movement schedule of AFS investments and derivatives for the fifteen months ended November 30, 2018:

		AFS	Derivative
Balance at August 31, 2017	\$	-	-
Purchases		2,328,573	-
Unrealised gain on changes in fair value		1,647,594	80,700
Disposition		(155,768)	-
Reclassification of unrealised gain on disposition		(148,510)	-
Balance at November 30, 2018	\$	3,671,889	80,700

During the fifteen months ended November 30, 2018, the Group disposed of a portion of its investment in The Green Organic Dutchman Holdings at a gain of \$148,510.

9. Property and equipment

		Leasehold improvements	Computer equipment	Furniture and equipment	Total
Cost:					
Balance at August 31, 2017	\$	-	-	-	-
Reclassification from prepaid expenses and other assets		58,796	11,887	112,237	182,920
Additions		985,737	192,416	262,566	1,440,719
Disposals		-	-	(9,606)	(9,606)
Translation adjustment		-	1,536	4,170	5,706
Balance at November 30, 2018	\$	1,044,533	205,839	369,367	1,619,739

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017
(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

		Leasehold improvements	Computer equipment	Furniture and equipment	Total
Accumulated depreciation:					
Balance at August 31, 2017	\$	-	-	-	-
Reclassification from prepaid expenses and other assets		42,137	7,840	68,880	118,857
Depreciation		150,109	69,362	70,232	289,703
Disposals		-	-	(5,992)	(5,992)
Translation adjustment		-	835	293	1,128
Balance at November 30, 2018	\$	192,246	78,037	133,413	403,696
Carrying amount:					
Balance at November 30, 2018	\$	852,287	127,802	235,954	1,216,043

10. Intangible assets

		Intellectual properties	Licenses	Customer lists	Brand names	Computer software and domains	Total
Cost:							
Balance at August 31, 2016	\$	-	-	577,456	-	314,886	892,342
Acquisitions (note 4)		-	3,516,310	4,669,340	526,076	-	8,711,726
Impairment		-	-	(2,406,191)	(194,763)	(300,864)	(2,901,818)
Translation adjustment		-	-	(30,488)	-	(14,022)	(44,510)
Balance at August 31, 2017		-	3,516,310	2,810,117	331,313	-	6,657,740
Acquisition (note 4)		2,226,800	-	-	-	-	2,226,800
Additions		-	110,523	182,100	-	2,059,094	2,351,717
Translation adjustment		-	-	-	-	13,960	13,960
Balance at November 30, 2018	\$	2,226,800	3,626,833	2,992,217	331,313	2,073,054	11,250,217
Accumulated amortisation:							
Balance at August 31, 2016	\$	-	-	-	-	-	-
Amortisation		-	-	430,029	-	-	430,029
Balance at August 31, 2017		-	-	430,029	-	-	430,029
Amortisation		172,312	-	1,173,983	-	251,363	1,597,658
Balance at November 30, 2018	\$	172,312	-	1,604,012	-	251,363	2,027,687
Carrying amount:							
Balance at August 31, 2017	\$	-	3,516,310	2,380,088	331,313	-	6,227,711
Balance at November 30, 2018	\$	2,054,488	3,626,833	1,388,205	331,313	1,821,691	9,222,530

Definite life intangible assets

Intellectual properties, customer lists and computer software and domains are considered definite life intangible assets and are amortised over their useful lives. Amortisation expense on definite life intangible assets for the fifteen months ended November 30, 2018 has been recognised as part of selling,

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017
(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

general and administration expenses in the consolidated statement of operations in the amount of \$1,597,658 (twelve months ended August 31, 2017: \$430,029). No impairment losses were recognised on definite life intangible assets for the fifteen months ended November 30, 2018 (twelve months ended August 31, 2017: \$2,901,818).

Indefinite life intangible assets

Licenses and brand names are considered to have indefinite lives. Licenses is considered part of the CannMart CGU and tested annually for impairment. See note 11(c).

Brand names are considered part of the Australian Vaporizers CGU and tested annually for impairment. See note 11(a).

11. Goodwill

The Company's goodwill was generated through various acquisitions and details are as follows:

	VaporSeller	URT1	Australian Vaporizers	Namaste Vapes	Total
Balance at August 31, 2016	\$ 1,990,716	-	-	-	1,990,716
Acquisitions (note 4)	-	5,372,160	2,827,420	-	8,199,580
Earn-out adjustment	(987,988)	-	-	-	(987,988)
Impairment	(913,450)	(5,372,160)	-	-	(6,285,610)
Translation adjustment	(89,278)	-	-	-	(89,278)
Balance at August 31, 2017	-	-	2,827,420	-	2,827,420
Findify acquisition (note 4)	-	-	3,301,100	9,152,334	12,453,434
Balance at November 30, 2018	\$ -	-	6,128,520	9,152,334	15,280,854

Goodwill for each cash generating unit ("CGU") is tested for impairment annually at its designated date. The designated dates for the annual impairment test for Australian Vaporizers and Namaste Vapes are August 31st and November 30th, respectively.

(a) Impairment testing for Australian Vaporizers CGU

The recoverable amount of this CGU including the goodwill is based on a value in use calculation. The value in use is determined by discounting the future cash flows generated from the continuing use of the CGU.

The key assumptions used for the value in use calculations for goodwill arising on acquisition of Australian Vaporizers are as follows:

Weighted average cost of capital ("WACC")	13.5%
Terminal value growth rate	2.0%
Expected EBITDA growth rate (average of next five years)	22.0%

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017
(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

Cash flows are projected based on actual operating results and the annual plan. Cash flows for a five year period are projected using expected annual growth rates. Cash flows after the first five years were projected using terminal value growth rate, based on internal sources, in order to calculate the terminal recoverable amount. WACC is applied in determining the recoverable amount of the CGU.

The values assigned to the key assumptions represent management's assessment of future trends in the cannabis and ecommerce industry and are based on both external and internal sources (historical data). Management believes that any reasonable possible change in key assumptions on which recoverable amounts are based will not lead to a materially different outcome.

Based on the value in use calculation, management has determined that there has not been any impairment in the carrying amount of goodwill arising in Australian Vaporizers as at August 31, 2018 (2017: \$nil).

(b) Impairment testing for Namaste Vapes CGU

The recoverable amount of Namaste Vapes CGU including the goodwill is based on a value in use calculation. The value in use is determined by discounting the future cash flows generated from the continuing use of the CGU.

The key assumptions used in estimation of recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

WACC	14.1%
Terminal value growth rate	2.0%
Expected EBITDA growth rate (average of next five years)	104.0%

Five years of cash flows were included in the discounted cash flow model. A long-term growth rate into perpetuity has been determined as the lower of the nominal gross domestic product rate for the country in which the CGU operates.

Expected EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for anticipated revenue growth. Revenue growth was projected based on future trends in the industry in which Namaste Vapes operates and historical data from external sources.

Based on the value in use calculation, management has determined that there has not been any impairment in the carrying amount of goodwill in Namaste Vapes as at November 30, 2018.

(c) Impairment testing for CannMart CGU

The recoverable amount of this CGU including indefinite life intangible assets has been determined based on its fair value less costs of disposal. Fair value is the amount that would be received to sell the assets and settle the liabilities in an orderly transaction between market participants. Costs of

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017
(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

disposal are the incremental costs directly attributable to the disposal of the CGU.

The company used revenue multiples for Namaste as well as other similar trading companies and, using sensitivity analysis, applied a size-adjusted average multiple to the forecasted revenue of CannMart to arrive at the fair value for the CGU. The company assumed the costs of disposal to be 10% of the fair value.

The values assigned to the key assumptions represent management's assessment of market conditions in the cannabis and ecommerce industry and are based on both external and internal sources (historical data). Management believes that any reasonable possible change in key assumptions on which recoverable amounts are based will not lead to a materially different outcome.

12. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities as at November 30, 2018 and August 31, 2017 were as follows:

		2018	2017
Accounts payable	\$	2,827,346	729,708
Accrued liabilities		3,680,767	48,246
Earn-out payable		-	489,230
	\$	6,508,113	1,267,184

13. Loans payable

Loans payable as at November 30, 2018 and August 31, 2017 were as follows:

		2018	2017
Current:			
NNKS Pension Trust loan (i)	\$	-	94,981
Swedish Finance loan (ii)		19,828	-
		19,828	94,981
Non-current:			
NNKS Pension Trust loan (i)		-	284,943
Swedish Finance loan (ii)		20,611	-
		20,611	284,943
	\$	40,439	379,924

- (i) The loan from NNKS Pension Trust to URT1, acquired by the Company, has been fully paid on May 14, 2018. The loan carried an annual interest rate of 4% with principal payments of \$90,920 and was secured by a floating charge over the inventory held by URT1 in the United Kingdom.
- (ii) The loan from Swedish Finance company acquired by Findify was divided into two loans. The first loan carries an annual interest rate of 8.71% and the second loan carries an annual interest rate of 5.89%.

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017
(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

14. Share capital

(a) *Authorised share capital*

The Company is authorised to issue an unlimited number of common shares with no par value. As at November 30, 2018 the Company had 308,981,542 (2017: 185,715,916) common shares issued and outstanding.

(b) *Shares buyback*

On July 18, 2018, the Company commenced a normal course issuer bid (“NCIB”) to purchase up to 25,308,136 common shares, representing approximately 8.9% of the Company’s issued and outstanding common shares at the time. The NCIB will remain in place for a 12-month period ending July 17, 2019. As at November 30, 2018, the Company had completed a buyback of 2,167,700 shares at an average price of \$1.38 per share.

(c) *Issuance of shares*

(i) Shares issued during the fifteen months ended November 30, 2018 were as follows:

	Note	Date of issuance	Number of shares
Non-brokered private placement	<i>a.</i>	October 30, 2017	14,409,000
Earn-out of VaporSeller	<i>b.</i>	January 12, 2018	1,600,000
Earn-out of CannMart Inc.	<i>c.</i>	January 26, 2018	3,467,406
Bought-deal financing	<i>d.</i>	February 27, 2018	15,784,900
Acquisition of Findify	<i>e.</i>	May 18, 2018	7,142,857
Bought-deal financing	<i>f.</i>	October 25, 2018	17,250,000
Issued to officers, directors and employees	<i>g.</i>	Various	4,845,912
Issued to service providers	<i>h.</i>	Various	1,068,882
Exercise of options and warrants	<i>i.</i>	Various	59,864,369
			125,433,326

a. On October 30, 2017, the Company completed a non-brokered private placement issuing a total of 14,409,000 units of the Company at a price per unit of \$0.25, for total gross proceeds of \$3,602,250. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one share at a price of \$0.35 for a period of 24 months following the closing. The fair value of the warrants was calculated at \$1,707,028 based on the Black Scholes Model. In the event that the closing price of the Company's shares on the TSXV is greater than \$0.70 per share for a period of 10 consecutive trading days at any time after the closing of the offering, the Company may accelerate the expiry date of the warrants by giving notice to the holders thereof and in such case the warrants will expire on the 30th day after the date on which such notice is given by the Company. The securities issued pursuant to the offering are subject to a four month plus one-day hold period in Canada expiring on March 1, 2018.

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017
(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

- The Company incurred \$233,100 of share issuance costs.
- b.* On January 12, 2018, the Company issued 1,600,000 of earn-out shares to Haze Industries Inc. in relation to the acquisition of VaporSeller.
 - c.* On January 26, 2018, the Company issued 3,467,406 of earn-out shares to the former owners of CannMart in relation to the acquisition of CannMart.
 - d.* On February 27, 2018, the Company completed a bought-deal financing issuing a total of 15,784,900 units of the Company at a price per unit of \$2.55, for total gross proceeds of \$40,251,495. Each unit consisted of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one share at a price of \$3.15 for a period of 24 months following the closing. The fair value of the warrants was calculated at \$12,550,198 based on the Black Scholes Model. In the event that the closing price of the Company's shares on the TSXV is greater than \$6.00 per share for a period of 10 consecutive trading days at any time after the closing of the Offering, the Company may accelerate the expiry date of the warrants by giving notice to the holders thereof and in such case the warrants will expire on the 30th day after the date on which such notice is given by the Company. The Company incurred \$5,097,334 of share-issuance costs. The Company granted an option to buy 947,094 units to brokers as compensation, which expire in 24 months and was included in share-issuance costs. The fair value of the warrants granted to brokers was calculated at \$1,402,463.
 - e.* On May 18, 2018, the Company issued 7,142,857 shares valued at \$11,785,714 in relation to the acquisition of Findify.
 - f.* On October 25, 2018, the Company closed a bought deal of 17,250,000 units at a price of \$3.00 per unit for gross proceeds of \$51,750,000 (including the exercise in full of the over-allotment option). Each unit was comprised of one common share and three-quarters of one common share purchase warrant. Each warrant entitles the holder to acquire one share at a price of \$3.15 for a period of 60 months following the closing date. The fair value of the warrants was calculated at \$17,373,776 based on the Black Scholes Model. The Company incurred \$6,442,981 of share-issuance costs. The Company granted an option to buy 1,035,000 units to brokers as compensation, which expire in five years and are included in share issuance costs. The fair value of the warrants granted to brokers was calculated at \$2,281,823 based on the Black Scholes Model.
 - g.* For the fifteen months ended November 30, 2018, the Company issued 4,845,912 shares as compensation to certain officers, directors and employees valued at \$8,658,937 based on the market price of the shares on the date of issuance.
 - h.* For the fifteen months ended November 30, 2018, the Company issued 1,068,882 shares for services valued at \$1,958,978 based on the market price of the shares on the date of issuance.
 - i.* For the fifteen months ended November 30, 2018, the Company issued 59,864,369

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

common shares on exercise of various warrants and options for total gross cash proceeds of \$18,317,338. The fair value of the various warrants and options exercised was \$9,685,464.

(ii) Shares issued during the year ended August 31, 2017 were as follows:

	Note	Date of issuance	Number of shares
Non-brokered private placement	<i>j.</i>	September 12, 2016	825,000
Non-brokered private placement	<i>k.</i>	October 17, 2016	24,999,927
Non-brokered private placement	<i>l.</i>	March 9, 2017	45,352,000
Acquisition of Australian Vaporizers	<i>m.</i>	March 15, 2017	1,988,182
Share issuance costs	<i>l.</i>	April 11, 2017	600,000
Acquisition of VaporSeller	<i>n.</i>	April 24, 2017	3,400,000
Acquisition of CannMart Inc.	<i>o.</i>	April 28, 2017	8,668,515
Issued to service providers	<i>p.</i>	April 28, 2017	1,040,222
Acquisition of URT1	<i>q.</i>	Various	15,784,754
Convertible debentures	<i>r.</i>	Various	2,804,443
Issued to officers, directors and employees	<i>s.</i>	Various	2,219,214
Exercise of options and warrants	<i>t.</i>	Various	10,181,362
			117,863,619

- j.* On September 12, 2016, the Company closed a non-brokered private placement by issuing 825,000 units at a price of \$0.12 per unit for total gross proceeds of \$99,000. Each unit consisted of one common share of the Company and one common share purchase warrant at an exercise price of \$0.18 for a period of 24 months. The fair value of each full warrant was estimated at \$0.06 using the Black Scholes Model.
- k.* On October 17, 2016, the Company closed a non-brokered private placement by issuing 24,999,927 units at a price of \$0.12 per unit for total gross proceeds of \$3,000,000. Each unit was comprised of one common share of the Company and one-half of one common share purchase warrant, with each full warrant being exercisable for one common share at an exercise price of \$0.20 for a period of 24 months. The weighted average fair value of each full warrant is estimated at \$0.10 using the Black Scholes Model. In conjunction with the private placement, the Company issued to the underwriter 1,318,062 broker warrants with an exercise price of \$0.12 for a period of 24 months. Each broker warrant consists of one share and one half of one common share purchase warrant with an exercise price of \$0.20. The value of share issuance costs in relation to the issue of the broker warrants is \$405,807.
- l.* On March 9, 2017, the Company completed a private placement issuing a total of 45,352,000 units of the Company at a price per unit of \$0.25, for total gross proceeds of \$11,338,000. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitled the holder to acquire one common share at a price of \$0.35 for a period of 24 months following the closing date. The fair value of each warrant was calculated at \$0.19 based on the Black Scholes Model. In the event that the closing price of the Company's shares on the Canadian Securities Exchange is greater than \$0.70 per share for a period of 10 consecutive trading days at any time after the closing

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

of the offering, the Company may accelerate the expiry date of the warrants by giving notice to the holders thereof and in such case the warrants will expire on the 30th day after the date on which such notice is given by the Company. The Company incurred \$652,359 of share issuance costs. The Company issued 3,174,640 warrants to brokers as compensation units at a unit price of \$0.25 for a period of 24 months and was included in share-issuance costs. Each compensation unit consisted of one share and one-half of a common share purchase warrant with an exercise price of \$0.35. Furthermore, the Company also issued 600,000 units to one of its advisers comprised of one share and one half of one purchase warrant with an exercise price of \$0.35 in exchange for his services and these shares were issued on April 11, 2017. The value of share issuance costs in relation to the issuance of these units was \$150,000.

- m.* On March 15, 2017, the Company issued 1,988,182 shares valued at \$576,573 in relation to the acquisition of Australian Vaporizers.
- n.* On April 24, 2017, the Company issued 3,400,000 shares valued at \$405,100 in relation to the acquisition of VaporSeller.
- o.* On April 28, 2017, the Company issued 8,668,515 shares valued at \$2,500,000 in relation to the acquisition of CannMart.
- p.* On April 28, 2017, the Company issued 1,040,222 shares for services valued at \$270,458 based on the market price of the shares on the date of issuance.
- q.* During the year ended August 31, 2017, the Company issued 15,784,754 shares valued at \$5,501,358 in relation to the acquisition of URT1.
- r.* During September 2016, the Company issued an unsecured note for an aggregate principal amount of \$400,000 convertible at the option of the holder into common shares of the Company at a conversion price of \$0.15 per common share. The term of the note was for an initial 90 days with an option to extend for up to 2 years. The Company issued the lender an initial 100,000 common shares of the Company. On October 14, 2016, the full note was converted. 2,666,667 shares were issued, in addition to the initial 100,000. The Company also issued 37,777 common shares as interest payment. In total 2,804,443 shares were issued to the bridge loan lender.
- s.* For the year ended August 31, 2017, the Company issued 2,219,214 shares to certain officers, directors and employees valued at \$599,188 based on the market price of the shares on the date of issuance.
- t.* For the year ended August 31, 2017, the Company issued 10,181,362 common shares on exercise of various warrants and options.
- u.* In addition to the share issuance costs noted above, the Company incurred additional \$1,206,427 of share issuance costs in relation to the issue of shares during the year ended August 31, 2017.

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017
(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

(d) *Share purchase warrants*

The following is a summary of the changes in the Company's share purchase warrants for the fifteen months ended November 30, 2018 and for the twelve months ended August 31, 2017:

	-----2018-----		-----2017-----	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Outstanding, beginning of period	44,728,934	0.28	11,315,069	0.17
Granted (i) (ii)	47,345,961	2.16	41,191,894	0.29
Exercised	(51,221,580)	0.31	(7,681,363)	0.18
Forfeited	(357,657)	0.14	(96,666)	0.54
Outstanding, end of period	40,495,658	2.44	44,728,934	0.28

- (i) During the twelve months ended August 31, 2017, the Company previously classified 3,174,640 warrants granted to brokers as stock options. These are now classified as warrants.
- (ii) For the fifteen months ended November 30, 2018, share purchase warrants granted were the result of the following:
- 14,409,000 share purchase warrants granted as part of the private placement on October 30, 2017. These warrants have exercise price of \$0.35 and expire in 24 months from the grant date.
 - 15,784,900 share purchase warrants granted as part of the bought-deal financing on February 27, 2018. These warrants have exercise price of \$3.15 and expire in 24 months from the grant date.
 - 947,094 share purchase warrants granted to brokers as part of the bought-deal financing on February 27, 2018. These warrants have exercise price of \$2.55 and expire in 24 months from the grant date.
 - 12,937,500 share purchase warrants granted as part of the bought-deal financing on October 25, 2018. These warrants have exercise price of \$3.15 and expire in 60 months from the grant date.
 - 1,035,000 share purchase warrants granted to brokers as part of the bought-deal financing on October 25, 2018. These warrants have exercise price of \$3.00 and expire in 60 months from the grant date.
 - 2,232,467 share purchase warrants granted to brokers as part of previously granted compensation warrants from previous financings. These warrants have exercise prices between \$0.08 to \$3.15 and expire in 24 months from the grant date. Included in this was 1,587,320 warrants that were granted on December 11, 2017 on exercise of compensation units issued in March 2017. The fair value of the warrants granted to brokers was \$296,855 and has been included in share issuance costs.

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017
(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

The assumptions used for the calculation of the fair value of the warrants for the fifteen months ended November 30, 2018 and for the twelve months ended August 31, 2017 were as follows:

	2018	2017
Risk free rate	1.46% - 2.40%	0.55% - 0.82%
Expected life	2 - 5 years	2 years
Expected volatility	90% - 125%	125%
Expected dividend per share	Nil	Nil

Volatility is calculated by using the historical volatility of other companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public. The expected life in years represents the time that the warrants issued are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options.

(e) *Stock options*

The Company has established a stock option plan (the "Plan") for directors, officers and employees. Under the Plan, the exercise price of each option is determined by the Board. The aggregate number of common shares issuable pursuant to options granted under the Plan is being less than 10% of the Company's issued common shares under the Plan. The board of directors has the exclusive power over the granting of options and their vesting and cancellation provisions.

The following is a summary of the movement in the Plan for the fifteen months ended November 30, 2018 and for the twelve months ended August 31, 2017:

	-----2018-----		-----2017-----	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Outstanding, beginning of period	12,905,000	0.27	5,300,000	0.16
Granted (i)	18,655,000	1.74	10,105,000	0.29
Exercised	(8,642,788)	0.30	(2,500,000)	0.16
Forfeited	(2,565,462)	1.30	-	-
Outstanding, end of period	20,351,750	1.47	12,905,000	0.27

(i) During the twelve months ended August 31, 2017, the Company previously classified 3,174,640 warrants granted to brokers as stock options. These are now classified as warrants.

For the fifteen months ended November 30, 2018, the Company recognised share-based compensation expense of \$21,928,335 (twelve months ended August 31, 2017: \$2,147,691) which included an amount of \$8,658,937 for 4,845,912 shares that were granted to directors, officers and employees of the Company.

For the fifteen months ended November 30, 2018, the weighted average share price of options

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

exercised was \$2.43 (twelve months ended August 31, 2017: \$0.28).

The following table summarises information regarding stock options outstanding by exercise price as at November 30, 2018:

Exercise price range	Number of options outstanding	Weighted average remaining contractual life in years	Weighted average exercise price (\$)
\$0.01 - \$1.00	4,944,375	0.82	0.28
\$1.01 - \$2.00	11,856,875	2.65	1.50
\$2.01 - \$4.00	3,550,500	0.74	3.07
	20,351,750	1.87	1.48

The following table summarises information regarding exercisable stock options outstanding as at November 30, 2018:

Exercise price range	Number of options exercisable	Weighted average remaining contractual life in years	Weighted average exercise price (\$)
\$0.01 - \$1.00	3,132,500	3.22	0.28
\$1.01 - \$2.00	2,060,625	4.46	1.54
\$2.01 - \$4.00	1,092,063	3.77	3.10
	6,285,188	3.72	1.18

The assumptions used for the calculation of the fair value of the options granted during the fifteen months ended November 30, 2018 and twelve months ended August 31, 2017 were as follows:

	2018	2017
Risk free rate	1.65% - 2.10%	0.72% - 1.13%
Expected life	2 - 5 years	5 years
Expected volatility	83% - 125%	125%
Expected dividend per share	Nil	Nil

Volatility is calculated by using the historical volatility of other companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public. The expected life in years represents the time that the options granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options.

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017
(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

15. Selling, general and administration expenses

Selling, general and administration expenses for the fifteen months ended November 30, 2018 and twelve months ended August 31, 2017 were as follows:

	2018	2017
Share-based compensation	\$ 21,928,335	2,147,691
Advertising and promotion	5,813,703	966,172
General and administration	5,281,096	1,375,214
Consulting fees	4,905,591	2,153,113
Professional fees	3,613,064	1,360,836
Salaries	2,954,125	1,059,128
Depreciation and amortisation	1,887,361	442,823
Bank and merchant fees	1,214,237	714,821
Investor relations	802,788	100,301
Patient prescription costs	483,076	-
Acquisition costs	398,247	-
	\$ 49,281,623	10,320,099

16. Other income

	2018	2017
Gain on disposal of subsidiary (i)	\$ 265,345	-
Interest income	547,629	-
Realised gain on disposition of AFS investments	148,510	-
Unrealised gain on derivatives	80,700	-
Miscellaneous income	73,349	771,799
	\$ 1,115,533	771,799

- (i) On December 31, 2017, Namaste Technologies Holdings Inc. (a wholly owned subsidiary) sold its 100% interest in Dollinger US to ESC Hughes Holding Limited, an entity controlled by a member of key management personnel, for cash proceeds of \$500,000 which resulted in a gain of \$265,345. The amount of proceeds was fully collected by December 2018.

17. Income taxes

- (a) The Group's income tax (expense) recovery for the fifteen months ended November 30, 2018 and twelve months ended August 31, 2017 comprises the following:

	2018	2017
Current income tax expense	\$ (210,251)	(163,843)
Deferred income tax recovery	632,313	164,179
Net income tax recovery	\$ 422,062	336

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

- (b) The provision for income tax differs from the amount that would have resulted by applying the combined Canadian statutory income tax rates of approximately 26.5% (2017: 26.0%) for the fifteen months ended November 30, 2018 and twelve months ended August 31, 2017 as follows:

	2018	2017
Loss before income taxes	(42,039,493)	(17,357,600)
Expected income tax recovery at the statutory rate of 26.5% (2017: 26.0%)	11,140,466	4,512,976
Share-based compensation	(5,811,009)	(558,400)
Effect of tax rates of foreign jurisdictions	(2,784,280)	782,327
Tax impact of temporary differences for which no deferred tax asset was recorded	(1,978,560)	(4,808,402)
Change in statutory tax rates	55,385	-
Permanent and other differences	(199,940)	71,835
Total income tax recovery	422,062	336

The statutory tax rate used in the 2018 effective tax rate reconciliation is that of the Canadian parent entity which reflects the Canadian federal tax rate of 15.0% plus the provincial tax rate of 11.5%.

- (c) The following table reflects the changes in deferred income tax liability for the fifteen months ended November 30, 2018 and twelve months ended August 31, 2017:

	2018	2017
Balance at beginning of the period	\$ (749,868)	-
Deferred income tax recovery	632,313	164,179
Deferred income tax recorded through OCI	(198,629)	-
Deferred tax liabilities assumed on acquisitions	(406,000)	(914,047)
Foreign currency translation	3,452	-
Balance at end of the period	\$ (718,732)	(749,868)

- (d) The following table summarises the components of deferred tax assets and liabilities as at November 30, 2018 and August 31, 2017:

	2018	2017
Intangible assets	\$ (868,494)	(819,643)
AFS investments	(209,321)	-
Property and equipment	10,024	(3,945)
Accounting provision and accruals	65,903	65,903
Losses carry forward	283,156	7,817
	\$ (718,732)	(749,868)

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

- (e) Deferred tax assets have not been recognised in respect of the following deductible temporary differences as at November 30, 2018 and August 31, 2017:

	2018	2017
Intangible assets	\$ 5,712,893	9,234,685
Share issuance costs	9,548,654	2,120,697
Property and equipment, net	91,371	105,955
Resource related deductions	-	2,130,159
Non-capital losses	13,262,000	11,173,267

- (f) Tax losses in Canada can be carried forward to reduce taxable income in future years. The losses are scheduled to expire as follows:

Year	Amount
2037	1,357,000
2038	5,934,000
2039	5,971,000
	13,262,000

18. Financial instruments and associated risks

- (a) *Fair value*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

The Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1 includes quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 includes inputs that are observable other than quoted prices included in level 1;
- Level 3 includes inputs that are not based on observable market data.

Following is the summary of the financial instruments as at November 30, 2018 and August 31, 2017:

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

	Available for sale financial assets	Loans and receivables	Financial assets at FVTPL	Other financial liabilities	Total
2018					
<i>Financial assets</i>					
Cash and cash equivalents	\$ -	78,210,706	-	-	78,210,706
Accounts receivable	-	1,627,781	-	-	1,627,781
Investments	3,671,889	-	80,700	-	3,752,589
Long-term deposits	-	15,826	-	-	15,826
	\$ 3,671,889	79,854,313	80,700	-	83,606,902
<i>Financial liabilities</i>					
Accounts payable and accrued liabilities	\$ -	-	-	6,508,113	6,508,113
Loans payable	-	-	-	40,439	40,439
	\$ -	-	-	6,548,552	6,548,552
2017					
<i>Financial assets</i>					
Cash and cash equivalents	\$ -	1,132,770	-	-	1,132,770
Accounts receivable	-	555,664	-	-	555,664
	\$ -	1,688,434	-	-	1,688,434
<i>Financial liabilities</i>					
Accounts payable and accrued liabilities	\$ -	-	-	1,267,184	1,267,184
Loans payable	-	-	-	379,924	379,924
	\$ -	-	-	1,647,108	1,647,108

The carrying values of financial instruments and fair value amounts of all the Company's financial instruments approximate their fair values as at November 30, 2018.

The following is a summary of financial assets measured at fair value based on various level of inputs:

	Level 1	Level 2	Level 3	Total
AFS investments	\$ 1,438,780	1,200,000	1,033,109	3,671,889
Derivatives	-	79,700	1,000	80,700
	\$ 1,438,780	1,279,700	1,034,109	3,752,589

During the fifteen months ended November 30, 2018, there were no transfer between the levels of the fair value hierarchy except for Cannbit which moved from level 3 to level 1 as a result of going public.

(b) Risk management

A summary of the Group's risk exposures as it relates to financial instruments are reflected below:

(i) Market risk

Market risk is the risk that future changes in market conditions such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

a. *Currency risk*

The Group is party to financial instruments or enters into transactions denominated in currencies other than its functional currency. Consequently, the Group is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Group's assets or liabilities denominated in currencies other than Canadian dollars. This risk is mitigated by timely payment of creditors and monitoring of foreign exchange fluctuations by management. The Group does not hedge against movements in foreign currency exchange rates.

The Group's exposure to currency risk as at November 30, 2018 and August 31, 2017 was as follows:

	Cash and cash equivalents	AFS investments	Accounts receivable	Accounts payable	Net exposure
2018					
NIS	\$ -	1,156,869	-	-	1,156,869
BRL	578,461	-	-	(3,555)	574,906
GBP	194,211	-	324,861	(180,284)	338,788
EUR	29,065	-	196,089	(88,843)	136,311
AUD	-	66,042	-	-	66,042
USD	120,721	32,220	15,030	(134,022)	33,949
	\$ 922,458	1,255,131	535,980	(406,704)	2,306,865
2017					
GBP	\$ 53,309	-	-	(954,383)	(901,074)
BRL	76,454	-	-	(440,167)	(363,713)
EUR	18,070	-	-	(171,785)	(153,715)
AUD	-	-	-	(95,632)	(95,632)
ILS	-	-	56,590	-	56,590
NZD	-	-	41,536	-	41,536
USD	48,683	-	-	(17,000)	31,683
	\$ 196,516	-	98,126	(1,678,967)	(1,384,325)

A five percent change in the foreign currencies against functional currencies, assuming that all other variables are constant, would have changed net loss and equity by \$115,343 (2017: \$69,216), as a result of the revaluation on foreign currency denominated financial assets and liabilities.

b. *Interest rate risk*

Interest rate risk refers to the risk of loss due to adverse movements in interest rates. Interest rate risk consists of a) the extent that payments made or received on the Company's

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

monetary assets and liabilities are affected by changes in the prevailing market interest rates, and b) to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities. The Group does not have significant exposure to interest rate risk.

c. *Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, other than those arising from interest rate risk or currency risk. The Group's exposure to other price risks relates to fair value of its available for sale investments and derivatives.

If the fair value of these financial assets were to increase or decrease by 5%, net comprehensive loss and accumulated other comprehensive income (loss) would have changed by \$187,629 (2017: \$nil).

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from cash and cash equivalents, accounts receivable and due from related parties. The Group has no significant concentration of credit risk arising from operations. Cash and cash equivalents consist of cash deposited with reputable financial institutions which are closely monitored by management. Accounts receivable related to online sales are held in reputable merchant accounts and are received within a short period of time. Accounts receivable from wholesale orders are with reputable customers that have a longstanding relationship with the Group. The carrying amount of financial assets represents the maximum credit exposure.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the remaining contractual maturities of financial liabilities as at November 30, 2018 and August 31, 2017:

	Carrying value	Less than 3 months	4 - 6 months	7 - 12 months	Over 12 months
2018					
Accounts payable and accrued liabilities	\$ 6,508,113	6,508,113	-	-	-
Loans payable	40,439	4,957	4,957	9,914	20,611
	\$ 6,548,552	6,513,070	4,957	9,914	20,611

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

	Carrying value	Less than 3 months	4 - 6 months	7 - 12 months	Over 12 months
2017					
Accounts payable and accrued liabilities	\$ 1,267,184	777,954	-	489,230	-
Loans payable	379,924	94,981	-	-	284,943
	\$ 1,647,108	872,935	-	489,230	284,943

19. Additional disclosures for statement of cash flows

(a) Changes in non-cash working capital

Changes in non-cash working capital for the fifteen months ended November 30, 2018 and twelve months ended August 31, 2017 were as follows:

	2018	2017
Increase in accounts receivable	\$ (942,957)	(530,195)
Increase in inventories	(2,724,987)	(1,172,205)
Increase in prepaid expenses, other assets and long-term deposits	(1,125,102)	(518,437)
Increase in income tax receivable	(126,639)	(1,165)
Increase (decrease) in accounts payable and accrued liabilities	5,690,732	(245,055)
Increase in deferred revenue	81,425	-
Changes in non-cash working capital	\$ 852,472	(2,467,057)

(b) Non-cash transactions due to business acquisitions

Non-cash transactions due to business acquisitions for the fifteen months ended November 30, 2018 and twelve months ended August 31, 2017 were as follows:

	2018	2017
Accounts receivable	\$ (90,448)	15,777
Inventories	-	(984,275)
Prepaid expenses and other assets	(7,240)	(57,529)
Intangible assets	(2,226,800)	(8,711,727)
Goodwill	(12,453,434)	(8,199,580)
Accounts payable and accrued liabilities	114,061	812,409
Income tax payable	-	18,037
Loans payable	61,918	517,225
Deferred tax liability	406,856	922,780
Share capital	11,785,714	9,273,942
Deferred share issuance	-	1,000,000
	\$ (2,409,373)	(5,392,941)

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017
(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

(c) *Additional information*

Additional information for the fifteen months ended November 30, 2018 and twelve months ended August 31, 2017 were as follows:

	2018	2017
Taxes paid	\$ (319,728)	(175,163)
Interest paid	(2,691)	(24,221)
Interest received	547,629	-

20. Related party balances and transactions

Related parties include key management personnel and the entities controlled or directed by key management personnel. Key management personnel include board of directors and key executives of the Company together with certain individuals responsible for outsourced services who in the opinion of the Company have satisfied relevant criteria to be considered key management personnel under applicable accounting standards based on the information available as of the date of issuance of these financial statements. In addition to those described elsewhere in the financial statement, related party balances as at November 30, 2018 and as at August 31, 2017, and transactions for the fifteen and twelve month periods, respectively, were as follows:

	2018	2017
<i>Related party balances</i>		
Accounts receivable (i)	\$ 18,173	81,612
Accounts payable and accrued liabilities (i)	(305,968)	(18,639)
<i>Related party transactions</i>		
Shares issued to key management personnel as bonus (ii)	8,558,891	-
Stock options (iii)	11,802,203	1,525,437
Payment processing services (iv)	152,133	-
Consulting fees (v)	438,039	258,150
Technology and IT support services (vi)	2,906,054	311,747
Marketing services (vii)	2,555,878	515,899
Technology support income (viii)	(29,544)	-
Key management personnel compensation (ix)	1,699,629	581,671

- (i) Balances with related parties are non-interest bearing, unsecured, due on demand.
- (ii) For the fifteen months ended November 30, 2018, the Company issued 5,052,237 shares to certain officers as a bonus, valued at \$8,558,891 based on the market price of the shares on the date of issuance, and recorded as share-based compensation expense within selling, general and administration expenses.
- (iii) During the fifteen months ended November 30, 2018, key management personnel were granted the following stock options which vest in equal quarterly installments:

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017
(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

Grant date	Number of options	Exercise price	Fair value	Vesting period	Expiry date
		\$	\$		
October 2, 2017	100,000	0.24	0.20	2 years	October 2, 2022
November 21, 2017	500,000	0.40	0.34	2 years	November 21, 2022
January 16, 2018	1,040,000	2.90	2.45	2 years	January 16, 2023
March 1, 2018	200,000	1.76	1.49	2 years	March 1, 2023
April 4, 2018	5,100,000	1.60	1.35	2 years	April 4, 2023
June 27, 2018	1,200,000	1.32	0.60	2 years	June 27, 2023
August 6, 2018	1,000,000	1.39	0.62	2 years	August 6, 2023
August 7, 2018	200,000	1.39	0.64	2 years	August 7, 2023

The fair values on the grant date were determined using the Black-Scholes model.

- (iv) The Company utilises payment processing services from Dollinger Enterprises Europe Ltd., an entity controlled by the former Chief Executive Officer, and from Merrco Payments Inc., an entity whose Chief Executive Officer is a former Board Member of the Company. The amount outstanding against these services as at November 30, 2018 was \$14,138 and is included in accounts payable and accrued liabilities.
- (v) The Company received e-commerce support services in the amount of \$223,830 (2017: \$258,150) from an entity controlled by a former Board Member of the Company. The amount outstanding against these services as at November 30, 2018 was \$nil (2017: \$17,851).

The Company received consulting services in the amount of \$214,209 (2017: \$nil) from an entity controlled by a former Board Member of the Company. There was no outstanding balance as at November 30, 2018 or August 31, 2017.
- (vi) The Company outsourced substantially all of its technology and IT support services to an entity controlled by a member of key management personnel. There was no outstanding balance against these services as at November 30, 2018 and August 31, 2017.
- (vii) The Company outsourced substantially all of its marketing and related services to an entity that is controlled by a member of key management personnel. The amount outstanding against these services as at November 30, 2018 was \$25,810 (2017: \$nil).
- (viii) The Company received technology support income from an entity, the Company believes is related by virtue of the influence of a former Board Member over the entity under applicable accounting standards. The amount outstanding against these services as at November 30, 2018 was \$14,910 (2017: \$nil).
- (ix) The key management personnel compensation includes salaries, benefits and incentives.

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017
(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

21. Commitments and contingencies

(a) Operating lease commitments

The Group's commitments on future minimum lease payments under operating leases are as follows:

Less than one year	\$	311,115
Between one and five years		504,642
	\$	815,757

Rent expense for the fifteen months ended November 30, 2018 was \$533,818 (twelve months ended August 31, 2017: \$121,116) and is included in selling, general and administration expenses.

(b) Purchase commitment

CannMart Inc. entered into a definitive supply agreement with 8528934 Canada Ltd. d/b/a 7ACRES ("the seller") dated January 24, 2018 under which it committed to purchase a minimum annual quantity of 1,000 kilograms of premium dried cannabis flower at \$6 per gram within the calendar year 2018. The Company is currently disputing its obligations to the seller under the definitive supply agreement and the amount payable thereunder remains uncertain at this time.

(c) Contingencies

On October 6, 2018, a securities class action was filed in the United States District Court, Central District of California against the Company and certain officers of the Company alleging false or misleading statements in violation of U.S. federal securities laws relating to the Company's December 2017 sale of its US subsidiary Dollinger US and the Company's application for listing on the NASDAQ. The plaintiff voluntarily dismissed this lawsuit on December 26, 2018.

On October 19, 2018, a putative class action was filed in the Ontario Superior Court of Justice against the Company and certain officers of the Company alleging, among other things, that misrepresentations were made in connection with the divestiture of Dollinger US. A Fresh as Amended Statement of Claim issued on February 22, 2019 which, among other changes, expands the proposed class period. The Company intends to vigorously defend the allegations in the claim and will pursue all available legal remedies that it deems necessary.

On October 22, 2018, a second securities class action was filed in the United States District Court, Central District of California against the Company and certain officers of the Company alleging false or misleading statements in violation of U.S. federal securities laws relating to the Company's December 2017 sale of Dollinger US and the Company's application for listing on the NASDAQ. The plaintiff voluntarily dismissed this lawsuit on November 16, 2018, and refiled in the United States District Court, Southern District of New York. The Company intends to vigorously defend the allegations and will pursue all available legal remedies that it deems necessary.

NAMASTE TECHNOLOGIES INC.

Notes to the Consolidated Financial Statements

Fifteen months ended November 30, 2018 and twelve months ended August 31, 2017

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

As of the reporting date, there is an outstanding claim against the Company and one of its subsidiaries along with other individuals. This claim is for \$90 million and is for breach of contract, or, in the alternative, for breach of duty of good faith, or, in the alternative, for damages, against the Company and its subsidiary. The Company believes the claim is without merit and intends to vigorously defend the allegations and will pursue all available legal remedies that it deems necessary.

22. Subsequent events

- (a) Namaste Bahamas Inc. signed a letter of intent to acquire all of the issued and outstanding shares of CannMart Ltd. (“CannMart UK”) for an aggregate consideration of \$1,500,000, comprised of \$500,000 in cash and \$1,000,000 in shares of the Company.
- (b) On December 19, 2018, the Company completed a buyback of 460,900 shares at a net price of \$1.11 per share for the total cash proceeds of \$511,399 under a normal course issuer bid (“NCIB”). The NCIB commenced on July 18, 2018 and will remain in place for a 12-month period ending July 17, 2019.
- (c) On March 6, 2019, the Company entered into a share purchase agreement to acquire 49% of the issued and outstanding shares of Calgary, AB-based Choklat Inc. for a purchase consideration of \$1.75 million. The transaction was closed on March 8, 2019.
- (d) Effective March 13, 2019 the Company acquired common shares in Pineapple and its affiliated entity, representing an additional 34% equity in exchange for 2,487,805 common shares of Namaste having an aggregate value of approximately \$3.1 million. The Company now owns 49% of the issued and outstanding common shares of Pineapple and has the option to acquire additional 10% equity in Pineapple.
- (e) Subsequent to year-end, the exercise date of the warrants issued on October 31, 2017 was accelerated and all the remaining warrants were exercised for proceeds of \$3,468,500 in exchange for 9,910,000 common shares.

23. Comparative information

Certain comparative figures have been reclassified to conform to the current year presentation.