

Interim Consolidated Financial Statements of

NAMASTE TECHNOLOGIES INC.

Three and twelve months ended
August 31, 2018

(Unaudited – Expressed in Canadian dollars)

MANAGEMENT'S COMMENTS ON UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if any auditor has not performed a review of the interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.

NAMASTE TECHNOLOGIES INC.

Consolidated Statements of Financial Position

As at August 31, 2018 and 2017

(Unaudited - Expressed in Canadian dollars)

	Notes	2018	2017
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents		\$ 34,403,445	1,132,770
Accounts receivable		795,577	303,230
Sales tax receivable		776,041	170,822
Inventories	5	2,741,587	2,497,884
Prepaid expenses and other assets		3,152,988	667,912
Income tax receivable		37,535	15,009
Derivatives	6	81,134	-
Due from related parties	7	46,124	81,612
Total current assets		42,034,431	4,869,239
<i>Non-current assets</i>			
Available for sale investments	6	2,600,163	-
Property and equipment, net	8	1,141,841	-
Intangible assets, net	9, 11	17,536,353	6,227,711
Goodwill	10, 11	7,749,798	2,827,420
Long-term deposits		12,652	-
Total non-current assets		29,040,807	9,055,131
Total assets	17	\$ 71,075,238	13,924,370
LIABILITIES AND SHAREHOLDERS' EQUITY			
<i>Current liabilities</i>			
Accounts payable and accrued liabilities	12	\$ 2,546,275	777,402
Earn-out payable		-	489,230
Current portion of loans payable	13	19,394	94,981
Deferred revenue		61,548	-
Income tax payable		35,158	-
Due to related parties	7	13,334	552
Total current liabilities		2,675,709	1,362,165
<i>Non-current liabilities</i>			
Loans payable	13	25,008	284,943
Deferred tax liabilities		2,676,320	749,868
Total non-current liabilities		2,701,328	1,034,811
<i>Shareholders' equity</i>			
Share capital	14	86,029,235	21,637,191
Contributed surplus		12,048,879	1,798,564
Deferred shares		28,000	1,190,636
Warrants and options reserve		11,995,055	6,354,364
Accumulated deficit		(44,711,232)	(19,154,345)
Accumulated other comprehensive income (loss)		319,344	(299,016)
Total equity attributable to owners of the Company		65,709,281	11,527,394
Non-controlling interest		(11,080)	-
Total shareholders' equity		65,698,201	11,527,394
Commitments	6, 19		
Total liabilities and shareholders' equity		\$ 71,075,238	13,924,370

See accompanying notes to interim consolidated financial statements.

NAMASTE TECHNOLOGIES INC.

Consolidated Statements of Operations

Three and twelve months ended August 31, 2018 and 2017

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

	Notes	Three months ended August 31		Twelve months ended August 31	
		2018	2017	2018	2017
Revenue	17	\$ 3,934,150	3,895,915	18,561,311	10,981,414
Cost of goods sold	5	3,003,264	4,196,968	13,383,802	9,603,286
Gross profit (loss)		930,886	(301,053)	5,177,509	1,378,128
Operating expenses					
Selling and distribution expenses		2,499,807	362,871	7,313,597	3,119,285
General and administration expenses		6,867,527	2,002,801	19,909,707	6,687,474
Other expenses		902,561	239,719	2,401,095	513,340
Impairment	9, 10	-	9,187,428	-	9,187,428
Total operating expenses		10,269,895	11,792,819	29,624,399	19,507,527
Other income	15	373,137	771,799	825,270	771,799
Loss before income taxes		(8,965,872)	(11,322,073)	(23,621,620)	(17,357,600)
Income tax expense (recovery):					
Current		74,336	134,667	231,248	163,843
Deferred		(350,488)	(78,137)	(619,729)	(164,179)
Net loss		\$ (8,689,720)	(11,378,603)	(23,233,139)	(17,357,264)
Net loss attributable to:					
Owners of the Company		\$ (8,678,640)	(11,378,603)	(23,222,059)	(17,357,264)
Non-controlling interest		(11,080)	-	(11,080)	-
		\$ (8,689,720)	(11,378,603)	(23,233,139)	(17,357,264)
Net loss per share (basic and diluted)		\$ (0.03)	(0.06)	(0.09)	(0.12)
Weighted average number of outstanding common shares (basic and diluted)		283,119,300	185,221,510	249,674,958	140,038,698

See accompanying notes to interim consolidated financial statements.

NAMASTE TECHNOLOGIES INC.

Consolidated Statements of Comprehensive Loss

Three and twelve months ended August 31, 2018 and 2017

(Unaudited - Expressed in Canadian dollars)

	Three months ended August 31		Twelve months ended August 31	
	2018	2017	2018	2017
Net loss	\$ (8,689,720)	(11,378,603)	(23,233,139)	(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	320,546	-	701,180	-
Reclassification of unrealized gain on disposition of AFS investments	(122,051)	-	(122,051)	-
Cumulative translation adjustment (CTA)	(6,866)	(95,107)	(124,441)	(135,344)
Reclassification of CTA on disposal of subsidiary	-	-	163,672	-
	191,629	(95,107)	618,360	(135,344)
Net comprehensive loss	\$ (8,498,091)	(11,473,710)	(22,614,779)	(17,492,608)
Net comprehensive loss attributable to:				
Owners of the Company	\$ (8,487,011)	(11,473,710)	(22,603,699)	(17,492,608)
Non-controlling interest	(11,080)	-	(11,080)	-
	\$ (8,498,091)	(11,473,710)	(22,614,779)	(17,492,608)

See accompanying notes to interim consolidated financial statements.

NAMASTE TECHNOLOGIES INC.

Consolidated Statements of Changes in Shareholders' Equity

Twelve months ended August 31, 2018 and 2017

(Unaudited - Expressed in Canadian dollars, except for share)

	-----Attributable to owners of the Company-----									
	Common shares	Share capital	Contributed surplus	Deferred shares	Warrants and options reserve	Accumulated OCI	Accumulated deficit	Total	Non controlling interest	Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance on 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	-	-	-	-	-	-	(23,222,059)	(23,222,059)	(11,080)	(23,233,139)
Other comprehensive income	-	-	-	-	-	618,360	-	618,360	-	618,360
Transactions directly recorded in equity:										
Issue of shares	30,193,900	29,593,626	-	-	14,260,119	-	-	43,853,745	-	43,853,745
Share issuance costs	-	(5,309,598)	-	-	1,699,318	-	-	(3,610,280)	-	(3,610,280)
Issue of shares for acquisition of Findify	7,142,857	11,785,714	-	-	-	-	-	11,785,714	-	11,785,714
Deferred shares	-	-	-	28,000	-	-	-	28,000	-	28,000
Exercise of options and warrants	54,464,705	25,649,108	-	-	(10,330,449)	-	-	15,318,659	-	15,318,659
Share based compensation	2,537,456	1,826,968	10,250,315	-	-	-	-	12,077,283	-	12,077,283
Issue of shares for services	516,882	312,635	-	-	11,703	-	-	324,338	-	324,338
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 on August 31, 2018	283,471,422	86,029,235	12,048,879	28,000	11,995,055	319,344	(44,711,232)	65,709,281	(11,080)	65,698,201

See accompanying notes to interim consolidated financial statements.

NAMASTE TECHNOLOGIES INC.

Consolidated Statements of Changes in Shareholders' Equity

Twelve months ended August 31, 2018 and 2017

(Unaudited - Expressed in Canadian dollars, except for share)

	-----Attributable to owners of the Company-----									
	Common shares	Share capital	Contributed surplus	Deferred shares	Warrants and options reserve	Accumulated OCI	Accumulated deficit	Total	Non controlling interest	Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance on 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	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 Vaporisers	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 debenture	2,804,443	400,000	-	-	-	-	-	400,000	-	400,000
Deferred shares	-	-	-	1,000,000	-	-	-	1,000,000	-	1,000,000
Exercise of 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 on 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 interim consolidated financial statements.

NAMASTE TECHNOLOGIES INC.

Consolidated Statements of Cash Flow

Twelve months ended August 31, 2018 and 2017

(Unaudited - Expressed in Canadian dollars)

	2018	2017
Cash flows from operating activities:		
Net loss	\$ (23,233,139)	(17,357,264)
Adjustments for:		
Depreciation	202,329	12,794
Amortisation	1,437,594	430,029
Impairment of goodwill and intangible assets	-	9,187,428
Share based compensation	12,077,283	2,147,691
Shares issued for services	324,338	270,458
Gain on disposal of subsidiary	(265,345)	-
Gain on disposition of AFS investments	(122,051)	-
Unrealised gain on derivatives	(81,134)	-
Reversal of provision for obsolete inventories	(562,506)	-
Other non-cash income	(48,644)	(696,011)
Deferred tax recovery	(619,729)	(164,179)
Foreign exchange gain	(23,920)	(79,233)
Cash used in operations before changes in working capital	(10,914,924)	(6,248,287)
Changes in non-cash working capital (note 18)	(1,276,168)	(1,577,103)
Net cash used in operating activities	(12,191,092)	(7,825,390)
Cash flows from investing activities:		
Business acquisitions, net of cash acquired (note 18)	(2,409,373)	(5,392,941)
Purchase of AFS investments	(2,056,685)	-
Purchase of property and equipment	(1,281,300)	-
Purchase of intangible assets	(864,236)	-
Proceeds from disposition of AFS investments	246,157	-
Proceeds from sale of subsidiary	48,548	-
Proceeds from disposal of property and equipment	3,614	-
Net cash used in investing activities	(6,313,275)	(5,392,941)
Cash flows from financing activities:		
Change in related party balances	48,270	(300,846)
Proceeds from issuance of share capital	43,853,745	14,436,992
Proceeds from exercise of warrants and options	15,318,659	1,714,396
Proceeds from issuance of deferred shares	28,000	-
Cash used for share buyback	(2,991,873)	-
Share issuance costs	(3,610,280)	(1,214,055)
Issuance of convertible debentures	-	400,000
Repayment of loans payable	(385,507)	(137,301)
Earn-out payment	(471,339)	(661,750)
Net cash provided by financing activities	51,789,675	14,237,436
Net increase in cash and cash equivalents	33,285,308	1,019,105
Effect of movement in exchange rates on cash held	(14,633)	-
Cash and cash equivalents, beginning of period	1,132,770	113,665
Cash and cash equivalents, end of period	\$ 34,403,445	1,132,770

See accompanying notes to interim consolidated financial statements.

NAMASTE TECHNOLOGIES INC.

Notes to Interim Consolidated Financial Statements

Three and twelve months ended August 31, 2018 and 2017

(Unaudited - 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 address of registered office is 2300 - 550 Burrard Street, Vancouver, British Columbia, V6C 2B5, Canada. These interim 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 over 30 websites in more than 20 countries with distribution hubs located around the world. Namaste has operations in Europe, Australia, Canada and has opened new supply channels into emerging markets, which include Brazil, Mexico and Chile. Namaste's product offering includes vaporizers, glassware, accessories and CBD products. 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 under Canada’s *Access to Cannabis for Medical Purposes Regulations (ACMPR)*. Namaste has developed and acquired innovative technology platforms including NamasteMD.com, Canada's first Health Canada compliant telemedicine application, 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 optimize and personalize a consumer's on-site buying experience. Namaste is focused on leveraging its cutting-edge 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) Statement of compliance

These interim consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, and should be read in conjunction with the Group’s consolidated financial statements as at and for the year ended August 31, 2017 (“last annual financial statements”), which were prepared in accordance with International Financial Reporting Standards (“IFRS”). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to understanding of the changes in Group’s financial position and performance since the last annual financial statements.

On August 7, 2018, the board of directors approved the change in the fiscal year end from August 31st to November 30th, to facilitate efficiencies in the administration, accounting and production of the annual financial statements. This will result in 2018 fiscal year to be the 15 months period.

NAMASTE TECHNOLOGIES INC.

Notes to Interim Consolidated Financial Statements

Three and twelve months ended August 31, 2018 and 2017

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

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

These interim consolidated financial statements were approved and authorized by the Board of Directors of the Company on October 28, 2018.

(b) Basis of measurement

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

(c) Functional and presentation currency

The interim consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency.

The functional currencies of the Company and its subsidiaries are as follows:

Entity	Percentage holding	Country of incorporation	Functional currency
Namaste Technologies Inc.	n/a	Canada	Canadian dollar
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
CannMart Labs Inc.	51	Canada	Canadian dollar
Findify AB	100	Sweden	Swedish krona

(d) Basis of consolidation

Subsidiaries are entities controlled by the Company. The Company 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 the subsidiaries are included in the interim consolidated financial statements from the date on which control commences until the date on which control ceases.

The interim consolidated financial statements include the results of Dollinger Enterprises US Inc. ("Dollinger US") up to December 31, 2017, which was the date the Company disposed of the subsidiary. The results of Findify were included in the interim consolidated financial statements as of the May 18, 2018 (acquisition date).

NAMASTE TECHNOLOGIES INC.
Notes to Interim Consolidated Financial Statements

Three and twelve months ended August 31, 2018 and 2017
(Unaudited - Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

2. Basis of preparation (continued)

(e) Use of management estimates, judgments and measurement uncertainty

The preparation of these interim consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the interim 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 interim 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 differ from these estimates under different assumptions and conditions.

The critical judgements and significant estimates in applying accounting policies that have the most significant effect on the amounts recognized in the interim consolidated financial statements are outlined in note 2 of last annual financial statements. There have been no significant changes in the Company's judgements and estimates applied during the twelve months ended August 31, 2018 relative to those described in last annual financial statements, except for the assumptions used in valuing the acquisition of Findify as outlined in note 11.

3. Summary of significant accounting policies

Except as described below, the accounting policies applied in these interim consolidated financial statements are the same as those applied in the Group's last annual financial statements.

AFS financial assets are initially measured at fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, are recognised in other comprehensive income. When the assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Derivatives are initially measured at fair value. Subsequent to initial recognition, they are measured at fair value and changes therein, are recognised in profit or loss.

On September 1, 2017, the Company adopted the amendments to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, and IFRS 12 Disclosure of Interests in Other Entities. The adoption of these amendments had no impact to the amounts recorded in the Company's interim consolidated financial statements as of August 31, 2018 or comparative periods.

NAMASTE TECHNOLOGIES INC.

Notes to Interim Consolidated Financial Statements

Three and twelve months ended August 31, 2018 and 2017

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

4. Update on accounting standards issued but not yet effective

The International Accounting Standards Board has issued IFRSs and Interpretations of the IFRS Interpretations Committee (“IFRIC”) that are not yet effective, including:

- IFRS 15 Revenue from Contracts with Customers (effective December 1, 2018)
- IFRS 9 Financial Instruments (effective December 1, 2018)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective December 1, 2018)
- Amendments to IFRS 2 Share-based Payment (effective December 1, 2018)
- IFRS 16 Leases (effective December 1, 2019)
- IFRIC 23 Uncertainty over income tax treatment (effective December 1, 2019)

Details are outlined in note 2 of the last annual financial statements. There have been no significant changes as of the date of these interim consolidated financial statements and the evaluation of all potential measurement and disclosure impacts is ongoing.

IFRS 15 Revenue from Contracts with Customers will be adopted by the Company effective December 1, 2018, and will replace IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations. IFRS 15 provides clarification on how and when an entity will recognize revenue and provides a single, principles-based, five-step model that will be applied to all contracts with customers. The Company is in the process of performing an assessment of IFRS 15 and has determined to adopt the modified retrospective approach. Under the modified retrospective approach, comparative figures will not be restated and the cumulative effect of initially applying the standard (if any) would be recognized at the date of adoption. The Company will be required to disclose additional information regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including a disaggregation of revenue by good or service. The Company is in the process of assessing the impact of this standard.

5. Inventories

Inventories as at August 31 were as follows:

		2018	2017
Hardware	\$	2,261,623	3,099,786
Cannabis		519,360	-
Total inventories, gross		2,780,983	3,099,786
Provision for obsolete inventories - hardware		(39,396)	(601,902)
Total inventories, net	\$	2,741,587	2,497,884

The cost of inventories recognised as expense during the three months and twelve months ended August 31, 2018 was \$3,003,264 (2017: \$4,196,968) and \$13,383,802 (2017: \$9,603,286), respectively.

NAMASTE TECHNOLOGIES INC.

Notes to Interim Consolidated Financial Statements

Three and twelve months ended August 31, 2018 and 2017

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

6. Derivatives and AFS investments

(a) Details of investments as at August 31, 2018 were as follows:

Derivatives:

	Number of options	Number of warrants	Fair value \$	Fair value hierarchy
BlissCo Cannabis Corp.	210,000	-	5,880	Level 2
The Green Organic Dutchman Holdings	-	34,347	74,254	Level 2
YPB Group	3,800,000	-	-	Level 2
Inolife R&D Inc.	-	1,000,000	1,000	Level 3
			81,134	

AFS investments:

	Cost	Fair value	Unrealised (gain)/loss - gross	Fair value hierarchy
Lovelabs.com	\$ 32,220	32,220	-	Level 3
Atlas Biotechnologies	200,000	800,000	(600,000)	Level 2
The Green Organic Dutchman Holdings	126,643	196,374	(69,731)	Level 1
YPB Group	130,000	127,854	2,146	Level 1
AquaMed	504,000	504,000	-	Level 3
Cannbit Ltd. (i)	464,715	464,715	-	Level 3
Inolife R&D Inc.	200,000	200,000	-	Level 3
Pineapple Express Delivery Inc. (ii)	275,000	275,000	-	Level 3
	\$ 1,932,578	2,600,163	(667,585)	

- (i) The Company has signed a subscription agreement with Cannbit 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 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.
- (ii) The Company has signed a subscription agreement with Pineapple Express Delivery Inc. (“Pineapple”) on June 12, 2018 to invest an aggregate amount of \$1,000,000 comprising of \$850,000 in cash and \$150,000 in shares of the Company. Up to the reporting date, the Company has invested cash amount of \$275,000 and has a commitment to invest remaining \$575,000 in cash and \$150,000 in shares of the Company.

NAMASTE TECHNOLOGIES INC.

Notes to Interim Consolidated Financial Statements

Three and twelve months ended August 31, 2018 and 2017

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

6. Derivatives and AFS investments (continued)

- (b) 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.

- (c) Following is the movement schedule of derivatives and AFS investments for the twelve months ended August 31:

		Derivative	AFS
Balance at August 31, 2017	\$	-	-
Purchases		-	2,056,685
Disposition		-	(246,157)
Reclassification of unrealized gain on disposition		-	122,051
Unrealized gain on changes in fair value		81,134	667,584
Balance at August 31, 2018	\$	81,134	2,600,163

During the twelve months ended August 31, 2018, the Company disposed of a portion of its investment in The Green Organic Dutchman Holdings at a gain of \$122,051.

7. Related party balances and transactions

For the purpose of this note, related parties include directors, key management personnel, and entities controlled by key management.

NAMASTE TECHNOLOGIES INC.

Notes to Interim Consolidated Financial Statements

Three and twelve months ended August 31, 2018 and 2017

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

7. Related party balances and transactions (continued)

Related party balances and transactions at August 31 were as follows:

	2018	2017
Related party balances		
Due from related parties (i)	\$ 46,124	81,612
Due to related parties (i)	(13,334)	(552)
Accounts payable and accrued liabilities (i)	(14,681)	(18,087)
Related party transactions		
Shares issued to key management as bonus (ii)	1,826,968	-
Stock options (iii)	7,879,000	1,201,514
Payment processing services (iv)	83,593	-
Consulting fees (v)	202,618	258,150
Key management benefits	41,703	16,652

- (i) Balances with related parties are non-interest bearing, unsecured, due on demand and are carried in ordinary course of business.
- (ii) For the twelve months ended August 31, 2018, the Company issued 2,537,456 shares to certain officers as a bonus, valued at \$1,826,968 based on the market price of the shares on the date of issuance.
- (iii) During the twelve months ended August 31, 2018, certain officers and directors were granted the following stock options which vest in equal quarterly installments:

Grant date	Number of options	Exercise price	Fair value	Vesting period	Expiry date
		\$	\$		
November 21, 2017	500,000	0.40	0.34	2 years	November 21, 2022
March 1, 2018	200,000	1.76	1.49	2 years	March 1, 2023
April 4, 2018	4,100,000	1.60	1.35	2 years	April 4, 2023
June 27, 2018	1,200,000	1.32	0.94	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 utilizes payment processing services from Dollinger Enterprises Europe Ltd., a company controlled by Chief Executive Officer. No amounts were owed as at the reporting date.
- (v) The Company received e-commerce support services from a consulting company that is controlled by a member of the board of directors. The amount outstanding against these services as at August 31, 2018 was \$nil (2017: \$17,851).

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8. Property and equipment, net

		Leasehold improvements	Computer equipment	Furniture and equipment	Total
Cost:					
Balance at August 31, 2017	\$	-	-	-	-
Reclassification		58,796	11,887	112,237	182,920
Additions		888,536	165,579	227,185	1,281,300
Disposals		-	-	(9,606)	(9,606)
Translation adjustment		-	924	(573)	351
Balance at August 31, 2018	\$	947,332	178,390	329,243	1,454,965
Accumulated depreciation:					
Balance at August 31, 2017	\$	-	-	-	-
Reclassification		42,137	7,840	68,880	118,857
Depreciation		104,298	45,326	52,705	202,329
Disposals		-	-	(5,992)	(5,992)
Translation adjustment		-	355	(2,425)	(2,070)
Balance at August 31, 2018	\$	146,435	53,521	113,168	313,124
Net book value:					
Balance at August 31, 2018	\$	800,897	124,869	216,075	1,141,841
Balance at August 31, 2017	\$	-	-	-	-

9. Intangible assets, net

		Intellectual properties	License	Customer list	Brand names	Computer software & domains	Total
Cost:							
Balance at August 31, 2016	\$	-	-	577,456	-	314,886	892,342
Acquisitions		-	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
Acquisitions (note 11)		11,480,000	-	402,000	-	-	11,882,000
Additions		-	77,238	-	-	786,998	864,236
Balance at August 31, 2018	\$	11,480,000	3,593,548	3,212,117	331,313	786,998	19,403,976

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9. Intangible assets, net (continued)

	Intellectual properties	License	Customer list	Brand names	Computer software & domains	Total
Accumulated amortisation:						
Balance at August 31, 2016	\$ -	-	-	-	-	-
Amortisation	-	-	430,029	-	-	430,029
Balance at August 31, 2017	-	-	430,029	-	-	430,029
Amortisation	481,266	-	956,328	-	-	1,437,594
Balance at August 31, 2018	\$ 481,266	-	1,386,357	-	-	1,867,623
Net book value:						
Balance at August 31, 2018	\$ 10,998,734	3,593,548	1,825,760	331,313	786,998	17,536,353
Balance at August 31, 2017	\$ -	3,516,310	2,380,088	331,313	-	6,227,711

10. Goodwill

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

	VaporSeller	URT1	Australian vaporizers	Findify	Total
Balance at August 31, 2016	\$ 1,990,716	-	-	-	1,990,716
Acquisitions	-	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
Acquisition (note 11)	-	-	-	4,922,378	4,922,378
Balance at August 31, 2018	\$ -	-	2,827,420	4,922,378	7,749,798

Goodwill for each Cash Generating Unit ("CGU") is tested for impairment annually at its designated date. Designated date for Australian Vaporisers is August 31st and for Findify, it is November 30th.

The recoverable amount of the CGU which includes the goodwill is based on a value in use calculation. The value in use is usually 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 vaporisers are as follows:

- Cash flows are projected based on actual operating results and the annual plan. Cash flows for a further five year period are projected using expected annual growth rates.

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10. Goodwill (continued)

- Cash flows after the first five years were projected using growth rate, based on internal sources, in order to calculate the terminal recoverable amount.
- Weighted average cost of capital (“WACC”) is applied in determining the recoverable amount of the CGU.

The WACC and expected growth rate as at August 31, 2018 were as follows:

WACC	13.50%
Expected growth rate	2.00%

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 on acquisition of Australian vaporisers as at August 31, 2018.

11. Business 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 restriction from trading for a period of up to 24 months from the closing date.

Findify’s platform uses proprietary real-time machine learning algorithms to build unique user profiles and deliver a personalized 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 optimize revenue, conversion rates and average order value. Due to the characteristics and geography of Findify, management consider this to be a separate operating segment.

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11. Business acquisition (continued)

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	\$	11,480,000
Customer list		402,000
Cash		166,627
Accounts receivable		63,691
Sales tax receivable		26,757
Prepaid expenses and other assets		7,240
Accounts payable and accrued liabilities		(114,061)
Loans payable		(61,918)
Deferred tax liability		(2,531,000)
Goodwill		4,922,378
Net purchase price	\$	14,361,714

The Company used certain estimates and judgements to determine the purchase price allocation. These included the implicit weighted internal rate of return of 19.9% 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 \$4,922,378 is primarily related to growth expectations and expected future profitability.

Included in the consolidated statement of operations are financial results from May 18, 2018, the acquisition date, to August 31, 2018. Acquisition costs related to the business combination amounted to \$387,290 which were included in the consolidated statement of operations.

12. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities as at August 31 were as follows:

		2018	2017
Accounts payable	\$	1,650,386	729,156
Accrued liabilities		895,889	48,246
	\$	2,546,275	777,402

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13. Loans payable

Loans payable as at August 31 were as follows:

	2018	2017
Current:		
NNKS Pension Trust loan (i)	\$ -	94,981
Swedish Finance loan (ii)	19,394	-
	19,394	94,981
Non-current:		
NNKS Pension Trust loan (i)	-	284,943
Swedish Finance loan (ii)	25,008	-
	25,008	284,943
	\$ 44,402	379,924

- (i) The loan from NNKS Pension Trust to URT1 (the “borrower”) 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 the borrower 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 9.5% and the second loan carries an annual interest rate of 5.86%.

14. Share capital

(a) Authorized share capital

The Company is authorized to issue an unlimited number of common shares with no par value. As at August 31, the Company had 283,471,422 (2017: 185,715,916) common shares issued and outstanding.

(b) Share 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. Since the commencement of NCIB, the Company has completed a buyback of 2,167,700 shares at an average price of \$1.38 per share.

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14. Share capital (continued)

(c) Issuance of shares

Shares issued during the twelve months ended August 31, 2018 were as follows:

	Note	Date of issuance	Number of shares
Non-brokered private placement	(i)	October 31, 2017	14,409,000
Earn-out of VaporSeller	(ii)	January 12, 2018	1,600,000
Earn-out of CannMart Inc.	(iii)	January 26, 2018	3,467,406
Bought-deal financing	(iv)	February 27, 2018	15,784,900
Acquisition of Findify	(v)	May 18, 2018	7,142,857
Issued to employees	(vi)	November 16, 2017	2,537,456
Issued to service providers	(vii)	Various	516,882
Exercise of options and warrants	(viii)	Various	54,464,705
			99,923,206

- (i) On October 31, 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 consists 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 TSX Venture Exchange 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. The Company incurred \$233,100 of share issuance costs.
- (ii) On January 12, 2018, the Company issued 1,600,000 of earn-out shares to Haze Industries Inc. The earn-out shares were issued in relation to the acquisition of VaporSeller.
- (iii) On January 26, 2018, the Company issued 3,467,406 of earn-out shares to the former owners of CannMart. These earn-out shares were issued in relation to the acquisition of CannMart.
- (iv) 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 consists 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

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14. Share capital (continued)

(c) Issuance of shares (continued)

was calculated at \$12,553,091 based on the Black Scholes model. In the event that the closing price of the Company's shares on the TSX Venture Exchange 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 \$5,084,498 of share-issuance costs. In addition to this, the Company granted 947,094 warrants to brokers, which expire in 24 months. The fair value of the warrants granted to brokers was calculated at \$1,699,318 based on the Black Scholes model.

- (v) On May 18, 2018, the Company completed the acquisition of Findify and as a result issued its 7,142,857 shares valued at \$11,785,714.
- (vi) For the twelve months ended August 31, 2018, the Company issued 2,537,456 shares to certain officers valued at \$1,826,968 based on the market price of the shares on the date of issuance.
- (vii) For the twelve months ended August 31, 2018, the Company issued 516,882 shares for services valued at \$312,635 based on the market price of the shares on the date of issuance.
- (viii) For the twelve months ended August 31, 2018, the Company issued 54,464,705 common shares on exercise of various warrants and options for total gross cash proceeds of \$15,318,659. The fair value of the various warrants and options exercise was \$10,330,449.

(d) Share purchase warrants

The following is a summary of the changes in the Company's share purchase warrants for the twelve months ended August 31:

	-----2018-----		-----2017-----	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		\$		\$
Outstanding, beginning of period	44,668,934	0.28	11,315,069	0.17
Granted (i) (ii)	32,983,202	2.57	41,131,894	0.29
Exercised	(46,528,167)	0.27	(7,681,363)	0.18
Forfeited	(429,333)	0.11	(96,666)	0.54
Outstanding, end of period	30,694,636	2.78	44,668,934	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.

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14. Share capital (continued)

(d) Share purchase warrants (continued)

(ii) For the year ended August 31, 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 31, 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.
- 1,842,208 share purchase warrants granted to brokers as part of previously granted compensation options from previous financings. These warrants have exercise price between \$0.18 to \$0.35 and expire in 24 months from the grant date.

The assumptions used for the calculation of the fair value of the warrants for the twelve months ended August 31 were as follows:

	2018	2017
Risk free rate	0.55% - 1.80%	0.55% - 0.82%
Expected life	2 years	2 years
Expected volatility	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.

(e) Stock options

The Company has established a stock option plan (the "Plan") for directors, employees, and consultants. 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.

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14. Share capital (continued)

(e) Stock options (continued)

The following is a summary of the movement in the Plan for the twelve months ended August 31:

	-----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	0.31
Granted (i)	14,960,000	2.21	10,105,000	0.29
Exercised	(7,366,538)	0.26	(2,500,000)	0.16
Outstanding, end of period	20,498,462	1.69	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 three and twelve months ended August 31, 2018, the Company recognized share-based compensation expense of \$4,133,224 (2017: \$452,798) and \$12,077,283 (2017: \$2,147,691), respectively. Included in shares-based compensation expense for the twelve months ended August 31, 2018 are 2,537,456 shares that were granted to employees and officers of the Company in the amount of \$1,826,968. The remaining share-based compensation expense balance of \$10,250,315 is a result of previously granted options.

For the three and twelve months ended August 31, 2018, the weighted average fair value of each option that vested are \$1.87 and \$1.23, respectively. The weighted average fair value of options is calculated using the Black-Scholes model.

The following table summarizes information regarding stock options outstanding by exercise price as at August 31, 2018:

	Number of options outstanding	Weighted average remaining contractual life in years	Weighted average exercise price
			\$
\$0.01 - \$1.00	7,388,462	1.51	0.18
\$1.01 - \$2.00	10,610,000	4.72	1.52
\$2.01 - \$4.00	2,490,000	3.97	2.38
	20,488,462	2.83	1.69

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14. Share capital (continued)

(e) Stock options (continued)

The following table summarizes information regarding exercisable stock options outstanding as at August 31, 2018:

Exercise price range	Number of options outstanding	Weighted average remaining contractual life in years	Weighted average exercise price
			\$
\$0.01 - \$1.00	4,213,945	3.44	0.28
\$1.01 - \$2.00	1,681,250	2.10	0.50
\$2.01 - \$4.00	666,250	4.31	2.41
	6,561,445	3.06	0.55

The assumptions used for the calculation of the fair value of the options for the twelve months ended August 31 were as follows:

	2018	2017
Risk free rate	1.71% - 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.

15. Other income

	Three months ended August 31		Twelve months ended August 31	
	2018	2017	2018	2017
Gain on disposal of subsidiary	\$ -	-	265,345	-
Interest income	151,012	-	301,572	-
Realised gain on disposition of AFS investments	122,051	-	122,051	-
Unrealised gain on derivatives	81,134	-	81,134	-
Miscellaneous income	18,940	771,799	55,168	771,799
	\$ 373,137	771,799	825,270	771,799

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15. Other income (continued)

Gain on disposal of subsidiary

On December 31, 2017, Namaste Technologies Holdings Inc. (a wholly owned subsidiary) sold its 100% interest in Dollinger US to ESC Hughes Holding Limited for \$500,000 which resulted in a gain of \$265,345. As of the date of filing of these interim consolidated financial statements, the balance owed was \$29,135 USD.

16. 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 Company has access at that date. The fair value of a liability reflects its non-performance risk.

The Company 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 One; and
- Level 3 includes inputs that are not based on observable market data.

Following is the summary of the financial instruments as at August 31, 2018:

	Available for sale financial assets	Loans and receivables	Financial assets at FVTPL	Other financial liabilities	Total
Financial assets:					
Cash and cash equivalents	\$ -	34,403,445	-	-	34,403,445
Accounts receivable	-	795,577	-	-	795,577
Sales tax receivable	-	776,041	-	-	776,041
Derivatives	-	-	81,134	-	81,134
Due from related parties	-	46,124	-	-	46,124
AFS investments	2,600,163	-	-	-	2,600,163
Long-term deposits	-	12,652	-	-	12,652
	\$ 2,600,163	36,033,839	81,134	-	38,715,136

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16. Financial instruments and associated risks (continued)

(a) Fair value (continued)

	Available for sale financial assets	Loans and receivables	Financial assets at FVTPL	Other financial liabilities	Total
Financial liabilities:					
Accounts payable and accrued liabilities	\$ -	-	-	2,546,275	2,546,275
Loans payable	-	-	-	44,402	44,402
Due to related parties	-	-	-	13,334	13,334
	\$ -	-	-	2,604,011	2,604,011

Following is the summary of the financial instruments as at August 31, 2017:

	Available for sale financial assets	Loans and receivables	Financial assets at FVTPL	Other financial liabilities	Total
Financial assets:					
Cash and cash equivalents	\$ -	1,132,770	-	-	1,132,770
Accounts receivable	-	303,230	-	-	303,230
Sales tax receivable	-	170,822	-	-	170,822
Due from related parties	-	81,612	-	-	81,612
	\$ -	1,688,434	-	-	1,688,434
Financial liabilities:					
Accounts payable and accrued liabilities	\$ -	-	-	777,402	777,402
Earn-out payable	-	-	-	489,230	489,230
Loans payable	-	-	-	379,924	379,924
Due to related parties	-	-	-	552	552
	\$ -	-	-	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 August 31, 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	\$ 324,228	800,000	1,475,935	2,600,163
Derivatives	-	80,134	1,000	81,134
	\$ 324,228	880,134	1,476,935	2,681,297

During the twelve months ended August 31, 2018, there were no transfer between the levels of the fair value hierarchy.

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16. Financial instruments and associated risks (continued)

(b) Risk management

A summary of the Company'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 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.

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 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.

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16. Financial instruments and associated risks (continued)

(b) Risk management (continued)

(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 Company 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 Company. 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 August 31:

	Carrying value	less than 3 months	4 - 6 months	7 - 12 months	Over 12 months
2018:					
Accounts payable and accrued liabilities	\$ 2,546,275	2,427,875	108,000	10,400	-
Loans payable	44,402	4,848	4,848	9,697	25,009
	\$ 2,590,677	2,432,723	112,848	20,097	25,009
2017:					
Accounts payable and accrued liabilities	\$ 777,402	777,402	-	-	-
Loan payable	379,924	94,981	-	-	284,943
Earn-out payable	489,230	-	-	489,230	-
	\$ 1,646,556	872,383	-	489,230	284,943

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17. Operating segments

(a) Segmented information

The operating segments of the Company are known as Namaste Bahamas & Dollinger US, Australia Vaporizers, 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 Australian Vaporizers segment is a self-sustaining entity that handles its own fulfillment and sale of products in Australia. CannMart is the Company's entrance into the medicinal and recreational cannabis market in Canada. Namaste MD is a virtual patient platform to study and determine the safety profile of patients using medical cannabis. Findify is the Company's AI business that provides recommendations, smart collections and analytics tools for e-commerce websites. As such, the business operating metrics and customer base is different from the rest of the Company. Namaste Bahamas & Dollinger US is the Company's global e-commerce business that sells similar products in various geographic areas, it operates from a central capacity in order to fulfill orders, sell their products and make decisions. The chief operating decision maker monitors these six segments separately throughout the year.

Disclosure by segment for three months ended August 31:

	Namaste Bahamas and Dollinger US	Australian Vaporizers	CannMart Inc. and CannMart Labs Inc.	Namaste MD	Findify	Corporate cost centre	Total
2018:							
Revenue							
Net segment revenue	\$ 2,508,768	1,151,614	32,233	61,335	180,200	-	3,934,150
Intersegment revenue	-	-	-	-	-	-	-
External revenue	2,508,768	1,151,614	32,233	61,335	180,200	-	3,934,150
Depreciation and amortisation	12,552	1,677	68,529	-	-	670,568	753,326
Income tax expense (recovery)	-	(31,189)	-	-	(248,299)	3,336	(276,152)
Net loss (income)	3,178,820	(161,782)	(329,832)	356,378	(233,942)	5,880,078	8,869,720
Total assets	5,219,642	1,821,739	3,387,445	667,065	192,883	59,786,464	71,075,238
Total liabilities	17,662,272	222,329	3,975,238	1,263,790	127,204	(17,873,796)	5,377,037
2017:							
Revenue							
Net segment revenue	\$ 2,640,224	1,255,691	-	-	-	-	3,895,915
Intersegment revenue	-	-	-	-	-	-	-
External revenue	2,640,224	1,255,691	-	-	-	-	3,895,915
Depreciation and amortisation	(7,470)	217,945	-	-	-	4,611	215,086
Income tax expense	-	56,530	-	-	-	-	56,530
Net loss (income)	4,085,630	(270,749)	29,984	-	-	7,533,738	11,378,603
Total assets	3,213,020	1,103,791	38,322	-	-	9,569,237	13,924,370
Total liabilities	9,964,077	112,348	30,000	-	-	(7,709,449)	2,396,976

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17. Operating segments (continued)

(a) Segmented information (continued)

Disclosure by segment for twelve months ended August 31:

	Namaste Bahamas and Dollinger US	Australian Vaporizers	CannMart and CannMart Lab	Namaste MD	Findify	Corporate cost centre	Total
2018:							
Revenue							
Net segment revenue	\$ 13,353,438	4,733,711	242,098	78,792	201,180	-	18,609,219
Intersegment revenue	(47,908)	-	-	-	-	-	(47,908)
External revenue	13,305,530	4,733,711	242,098	78,792	201,180	-	18,561,311
Depreciation and amortisation	43,556	7,627	150,086	-	-	1,438,654	1,639,923
Income tax recovery	-	(85,382)	-	-	(248,299)	(54,800)	(388,481)
Net loss (income)	5,518,010	(739,015)	596,114	596,725	(227,621)	17,488,926	23,233,139
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 recovery	-	(336)	-	-	-	-	(336)
Net loss (income)	6,374,943	(209,763)	29,984	-	-	11,162,100	17,357,264

(b) Geographical information

The Company markets its products globally. Sales are attributed to countries based on the location of customers:

	Three months ended August 31		Twelve months ended August 31	
	2018	2017	2018	2017
United Kingdom	\$ 1,076,564	1,237,394	4,824,743	3,332,578
Australia	1,171,595	1,360,442	5,113,522	2,578,325
United States of America	112,173	425,167	1,935,017	2,308,530
Brazil	382,379	152,203	1,502,169	521,126
Canada	564,464	190,136	2,165,692	467,122
New Zealand	78,113	108,772	340,230	397,556
Germany	134,500	106,255	889,238	246,541
Ireland	80,802	73,346	324,915	216,608
Israel	9,732	88,741	126,182	193,381
Other	323,828	153,459	1,339,603	719,647
	\$ 3,934,150	3,895,915	18,561,311	10,981,414

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17. Operating segments (continued)

(c) Customer information

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

18. Additional disclosures for statement of cash flows

(a) Changes in non-cash working capital

	2018	2017
Increase in accounts receivables	\$ (254,212)	(249,523)
Increase in net sales tax receivable	(578,462)	(199,612)
Decrease/(increase) in inventories	318,803	(570,303)
Increase in prepaid expenses, other assets and deposits	(2,554,551)	(531,231)
Decrease/(increase) in income tax receivable	12,632	(1,165)
Increase/(decrease) in accounts payable and accrued liabilities	1,718,074	(25,269)
Increase in deferred revenue	61,548	-
Changes in non-cash working capital	\$ (1,276,168)	(1,577,103)

(b) Non-cash transactions due to business combinations

	2018	2017
Accounts receivable	\$ (63,691)	13,013
Sales tax receivable	(26,757)	(28,790)
Inventories	-	984,275
Prepaid expenses and other assets	(7,240)	57,529
Intangible assets	(11,882,000)	8,711,727
Goodwill	(4,922,378)	8,199,580
Accounts payable and accrued liabilities	114,061	(235,523)
Income tax payable	-	(18,037)
Loans payable	61,918	(517,225)
Earn out payable	-	(576,886)
Deferred tax liability	2,531,000	(922,780)
Share capital	11,785,714	(9,273,942)
Deferred share issuance	-	(1,000,000)
	\$ (2,409,373)	5,392,941

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19. Commitments

(a) Operating lease commitments

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

Less than one year	\$	177,991
Between one and five years		403,894
More than five years		113,832
	\$	695,717

Rent expense for the three months and twelve months ended August 31, 2018 was \$97,622 (2017: \$64,166) and \$400,096 (2017: \$121,116), respectively.

(b) Purchase commitment

Pursuant to a definitive supply agreement with 8528934 Canada Ltd. d/b/a 7ACRES ("the seller"), dated January 24, 2018, CannMart Inc. (a wholly owned subsidiary of the Company) has a commitment to purchase a minimum annual quantity of 1,000 kilograms of premium dried cannabis flower at an agreed price within the calendar year 2018.

20. Subsequent events

- (a) Namaste Bahamas Inc. (a wholly owned subsidiary) has signed a binding term sheet to acquire all of the issued and outstanding shares of AF Trading Ltd. for US\$5,000,000. Payment will be 50% in cash and 50% in common stock of the Company. This acquisition will be subject to approval by the Toronto Venture Exchange.
- (b) On September 2, 2018, CannMart Inc. (a wholly owned subsidiary) received its ACMPR medical cannabis "sales-only" license with no cultivation from Health Canada.
- (c) On October 25, 2018, the Company closed a bought deal of 17,250,000 units at a price of \$3 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 shares 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.

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20. Subsequent events (continued)

- (d) 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 Company intends to vigorously defend the allegations and will pursue all available legal remedies that it deems necessary.

- (e) 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 US subsidiary Dollinger US. The Company intends to vigorously defend the allegations and will pursue all available legal remedies that it deems necessary.