



**Namaste
Technologies**

NAMASTE TECHNOLOGIES INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

For the quarter ended August 31, 2019

NAMASTE TECHNOLOGIES INC.

Management's Discussion and Analysis



For the quarter ended August 31, 2019
(Expressed in Canadian dollars unless stated otherwise)

OVERVIEW OF NAMASTE	4
SEGMENT INFORMATION	4
OVERALL PERFORMANCE	5
KEY DEVELOPMENTS	7
RESULTS OF OPERATIONS	8
SUMMARY OF QUARTERLY RESULTS	15
LIQUIDITY AND CAPITAL RESOURCES	16
USE OF PROCEEDS FROM BOUGHT-DEALS	17
OFF-BALANCE SHEET ARRANGEMENTS	18
RELATED PARTY TRANSACTIONS	18
FINANCIAL INSTRUMENTS	18
FINANCIAL RISKS AND RISK MANAGEMENT	19
CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS	19
CHANGES IN ACCOUNTING POLICIES	20
ADDITIONAL INFORMATION	20

This “Management’s Discussion and Analysis” (“MD&A”) for Namaste Technologies Inc. (the “Company”) and its subsidiaries (together referred to as, the “Group” or “Namaste”) dated October 28, 2019 should be read in conjunction with the Company’s unaudited interim condensed consolidated financial statements and related notes for the three and nine months ended August 31, 2019 and its audited consolidated financial statements (“last annual financial statements”) and MD&A for the period ended November 30, 2018 which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). This MD&A includes information available to, and was dated October 28, 2019. All amounts are presented in Canadian dollars, unless otherwise noted.

FORWARD LOOKING STATEMENTS

This MD&A includes certain forward-looking statements that are based upon current expectations which involve risks and uncertainties associated with Namaste’s business and the economic environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements, which are often, but not always, identified by the use of words such as “seek”, “anticipate”, “budget”, “plan”, “continue”, “estimate”, “expect”, “forecast”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and similar words or phrases (including negative variations) suggesting future outcomes or statements regarding an outlook. The forward-looking statements are not historical facts but reflect the Company’s current expectations regarding future results or events. Forward-looking statements contained in this MD&A are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed in the section “Financial Risks and Risk management”.

Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding management’s goal of creating shareholder value, the ability to fund future operating costs, the timing for future research and development of the Company’s current and future technologies, sensitivity analysis on financial instruments that may vary from amounts disclosed, prices and price volatility of the Company’s products and general business and economic conditions.

Readers are cautioned that the above factors are not exhaustive. Although management has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. Management believes the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A.

The forward-looking information contained in this MD&A is provided as of the date hereof and management undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

OVERVIEW OF NAMASTE

The Company is an entity formed under the British Columbia Business Corporations Act and is a reporting issuer in British Columbia, Alberta and Ontario, listed on the TSX Venture Exchange under the trading symbol “N”. The Company’s registered office is 2300 - 550 Burrard Street, Vancouver, British Columbia, V6C 2B5, Canada.

Namaste powers the ultimate online customer experience for medicinal cannabis and related products. Beginning with NamasteMD.com, the Group’s integrated telemedicine application, Namaste connects medical clients with health care practitioners to more readily issue and renew cannabis prescriptions online. Featuring the first Canadian Medical Sales-Only License, the Group’s own Cannmart.com is ‘everything cannabis store’ offering clients a large variety of strains to fill their prescription needs. Namaste’s unique artificial intelligence (AI) engine incorporated in its platforms and related Uppy App, completes our ecosystem by identifying the right product and pairing to address specific medical cannabis requirements. Namaste also provides vaporizers and accessories across several platforms operating in multiple countries. Namaste’s global technology addresses local needs in a burgeoning cannabis industry requiring smart solutions.

SEGMENT INFORMATION

The Company reports its results in six operating segments: Namaste Bahamas & Dollinger US¹ (together referred to as, “Namaste Vapes”), Australian Vaporizers, CannMart Inc. and CannMart Labs Inc. (together referred to as, “CannMart”), Namaste MD, Findify² and Corporate & Other.

Namaste Vapes and Australian Vaporizers - These are the Company’s global e-commerce businesses that sell hardware, including vaporizers, glassware and related accessories.

CannMart - CannMart Inc. is licensed under Canada’s Access to Cannabis for Medical Purposes Regulations. It is focused on providing medical cannabis patients with access to high quality cannabis products.

Namaste MD - Namaste MD is a Health Canada compliant telemedicine application, providing an integrated patient portal with remote access to healthcare practitioners for the purpose of acquiring prescriptions for medical cannabis.

Findify - Findify is an e-commerce machine learning application with over 1200 customers in more than 60 countries around the world. Findify has developed a unique machine learning core, that leverages user behaviour, to personalise online experiences in real-time. Findify is an official Shopify Plus Technology Partner, recognised as a “Best-In-Class Solution” for modern, rapidly growing e-Commerce businesses.

¹ The operating results of Dollinger US are included up to December 31, 2017, the date when the Company disposed of subsidiary.

² The operating results of the Findify segment are included starting from May 18, 2018, the date of acquisition.

OVERALL PERFORMANCE

The following table summarises the Group's results of operations for the periods indicated (in Canadian dollars except where otherwise indicated):

		Three months ended 31-Aug-19	Three months ended 31-Aug-18	Nine months ended 31-Aug-19	Nine months ended 31-Aug-18
Revenue	\$	3,805,614	3,934,150	12,393,303	13,630,201
Gross profit	\$	992,948	930,886	2,833,176	3,597,976
Gross margin		26%	24%	23%	26%
Selling, general and administration expenses	\$	(10,958,012)	(10,269,895)	(32,533,462)	(24,986,007)
Net loss attributable to owners of the Company	\$	(14,643,145)	(8,678,640)	(33,535,664)	(20,118,458)
Net loss per share (basic and diluted)	\$	(0.05)	(0.03)	(0.11)	(0.07)

Revenue

Revenue for the quarter ended August 31, 2019 was \$3.8 million, compared to \$3.9 million in the comparable quarter in the prior year. Overall, there was a decrease of \$0.1 million in total revenue attributable to a decline in revenue from Namaste Vapes, however Australian Vaporizers, CannMart and Findify all yield significant revenue growth while Namaste MD revenue remains flat compared to the same period in the prior year. The decline in revenue from Namaste Vapes was primarily a result of the closure of the Brazilian operation in the beginning of March 2019 in combination with decline in sales orders as a result of declines in website traffic. The increase in revenue from Australian Vaporizers was driven by increase in volume of hardware sold. The increase in revenue from Findify was attributable to successful expansion of artificial intelligence ("AI") software as a services across certain markets in the United States and in the European countries. The increase in revenue in CannMart was due to the commencement of cannabis sales in October 2018 upon receipt of the sales license.

Revenue for the nine months ended August 31, 2019 was \$12.4 million, compared to \$13.6 million in the comparable period in the prior year. The decrease of \$1.2 million in total revenue was due primarily to a decline in revenue from Namaste Vapes in the amount of \$2.3 million, offset by the growth in revenue by \$1.1 million from Australian Vaporizers, CannMart, Namaste MD and Findify. The decline in revenue from Namaste Vapes was a result of the divestiture of the U.S. business in December 2017 and the closure of the Brazilian operation in the beginning of March 2019. The increase in revenue from Australian Vaporizers was driven by increase in volume of hardware sold. The increase in revenue in CannMart was due to the commencement of cannabis sales in October 2018 upon receipt of the sales license. The increase in revenue from Namaste MD and Findify were contributed from a full nine-month period of operation for the period ended August 31, 2019 compared to partially operational in the same period last year as Namaste MD commenced operation in April 2018 and Findify was acquired in May 2018.

Gross margin

Gross margin for the quarter ended August 31, 2019 was 26%, compared to 24% in the prior year quarter. The increase in gross margin was driven by the closure of Brazilian operations which had lower margin as a result of high shipping costs, and an increase in revenue from the higher profit margin Findify operation.

Gross margin for the nine months ended August 31, 2019 was 23%, compared to 26% for the comparable period in the prior year. The decline in gross profit was due primarily to a lower price mark-up on hardware inventory sold as a result of competition in the industry.

Selling, general and administration expenses

Selling, general and administration expenses (SG&A expenses) for the quarter ended August 31, 2019 was \$11.0 million, compared to \$10.3 million in the comparable quarter in the prior year. This increase was primarily due to an increase in professional fees and personnel costs, partially offset by a decrease in share-based compensation expenses. The increase in professional fees relates mostly to the work related to the security class actions that were settled, in principle, in late July 2019.

For the nine months ended August 31, 2019, SG&A expenses totaled \$32.5 million compared to \$25.0 million in the comparable period in the prior year. This increase was primarily due to an increase in professional fees and personnel costs, partially offset by a decrease in share-based compensation expenses. The increase in professional fees relates mostly to the work initiated by the Special Committee of the Board of Directors and the work related to the security class actions that were settled, in principle, in late July 2019.

Net loss attributable to owners of the Company

Net loss attributable to owners of the Company for the quarter ended August 31, 2019 was \$14.6 million (or loss per share of \$0.05), compared to \$8.7 million (or loss per share of \$0.03) in the comparable quarter in the prior year. The increase in net loss attributable to owners of the Company was due primarily to a \$3.6 million of impairment loss on goodwill related to Australian Vaporizers operating segment, a \$1.5 million share of Namaste's loss in equity interest in Pineapple Express Delivery Inc. ("Pineapple Express") and Choklat Inc. ("Choklat"), and a \$0.7 million increase in SG&A expenses.

For the nine months ended August 31, 2019, net loss attributable to owners of the company was \$33.5 million (or loss per share of \$0.11), compared to \$20.1 million (or loss per share of \$0.07) in the comparable period in the prior year. The increase in net loss attributable to owners of the Company was due primarily to a \$7.5 million increase in SG&A expenses, a \$3.6 million of impairment loss on goodwill related to Australian Vaporizers operating segment, a \$0.8 million decrease in gross profit and the \$1.6 million share of Namaste's loss in equity interest in Pineapple Express and Choklat.

KEY DEVELOPMENTS

- (a) On December 17, 2018, the Company entered into a share purchase agreement to acquire common shares in Pineapple Express and its affiliated entity, representing an additional 34% equity in exchange for such number of common shares of Namaste having an aggregate value of approximately \$3.1 million. The transaction closed on March 13, 2019 with Namaste now owning 49% of the issued and outstanding common shares of Pineapple Express.
- (b) On March 6, 2019 the Company entered into a share purchase agreement to acquire 49% of the issued and outstanding shares of Choklat for \$1.5 million in cash consideration and \$0.25 million in stock options.
- (c) On March 18, 2019 the Company announced the appointment of Baker Tilly WM LLP (“Baker Tilly”) as its auditor. This followed Namaste’s prior announcement on March 5, 2019, that PricewaterhouseCoopers, LLP resigned as auditor of the Company.
- (d) On April 2, 2019, the British Columbia Securities Commission (“BCSC”) and on April 4, 2019, the Ontario Securities Commission (“OSC”) have accepted the Company’s application for, and granted, a management cease trade order (the “MCTO”). The application for the MCTO was made by the Company due to a delay in the filing of its audited annual financial statements for fiscal 2018, the accompanying management’s discussions and analysis and the related CEO and CFO certifications (collectively, the “Annual Filings”) by the filing deadline of April 1, 2019.
- (e) On April 25, 2019, the Company appointed Kenneth Jones to the Board of Directors and chair of the Audit Committee.
- (f) On May 24, 2019, the Company appointed Andy Wilczynski to the Board of Directors and the Audit Committee.
- (g) On June 6, 2019, the Company announced that the MCTO imposed by the BCSC and the OSC on April 2, 2019 and April 4, 2019, respectively, have been lifted upon the Company’s filing of its annual and interim filings on May 31, 2019.
- (h) On July 25, 2019 the Company has reached settlements, in principle, of the securities class actions that were commenced against it in Canada and the US in 2018. A total of \$2.15 million US will be paid to settle all claims in the Canadian action and \$2.75 million US will be paid to settle all claims in the US action. Namaste’s contribution to the settlement amounts, which are principally being funded by Namaste’s insurance, will be less than \$0.5 million US. The settlements are made without any admission or finding of liability and are subject to court approval.
- (i) On July 26, 2019 the Company announced that Choklat, in which Namaste owns a 49% interest, has completed and submitted its evidence package to Health Canada, the first completed application in the industry.
- (j) On July 26, 2019 the Company also announced the advancement of funds related to a promissory note for Pineapple Express for a total of \$1.2 million. The promissory note is due on March 31, 2020 and bears a 12% interest rate per annum.
- (k) On August 13, 2019 Kenneth Ngo, the Company’s Chief Financial Officer, has decided to step down from the Board of Directors.

- (l) On August 26, 2019 the Company’s Board of Directors has named Meni Morim as Chief Executive Officer and appointed him to the Company’s Board of Directors.
- (m) On September 12, 2019 CannMart signed a distribution and marketing agreement with Cultivated Beauty, a subsidiary of leading skin care retailer Swisspharme Inc and Elizabeth Grant International, to offer a line of its specially formulated hemp-based skin care products through CannMart’s online marketplace.
- (n) On September 16, 2019 CannMart received a purchase order for pre-rolled cannabis products from the BC Liquor Distribution Branch (LDB) to cater to the Province of British Columbia. The LDB is the sole wholesale distribution and public retailer of non-medical cannabis in British Columbia.
- (o) On September 26, 2019 CannMart signed sales and marketing agreements with CannTx Life Science Inc. to launch and sell CannTx’s flagship medical brand BOWER. As part of the agreement, CannMart will process and package BOWER products through its Health Canada-licenced processing facility.
- (p) On October 11, 2019 CannMart received approval from Health Canada for an amendment to its license allowing it to offer cannabis oil concentrates on its online marketplace, CannMart.com.
- (q) On October 16, 2019 the Company announced that Darren Gill, the Company’s Chief Strategy Officer, has resigned from the Company to pursue other opportunities. Mr. Gill joined Namaste in October 2018.
- (r) On October 16, 2019 the Company entered into a secured convertible loan agreement (the “Loan Agreement”) with Choklat to advance \$0.3 million at 12% interest rate per annum. The principal and all accrued interest thereon is repayable in full by Choklat at any time prior to December 31, 2020. In the event that Choklat fails to repay any principal or interest outstanding under the Loan Agreement on or prior to the Maturity Date, all such outstanding amounts will automatically convert into common shares in the capital of Choklat (each, a “Choklat Share”) at a deemed value of \$0.15 per Choklat Share.

RESULTS OF OPERATIONS

The following section provides details of the Group’s financial performance for the quarter ended August 31, 2019 compared to the quarter ended August 31, 2018, and for nine months ended August 31, 2019 compared to the nine months period ended August 31, 2018.

(a) Quarter ended August 31, 2019 compared to the quarter ended August 31, 2018

Revenue

The following table presents the Group’s external revenue by operating segment for each of the periods indicated:

		Namaste Vapes	Australian Vaporizers	CannMart	Namaste MD	Findify	Total
Quarter ended August 31, 2019	\$	1,904,695	1,387,140	138,302	57,591	317,886	3,805,614
Quarter ended August 31, 2018		2,508,768	1,151,614	32,233	61,335	180,200	3,934,150
Change	\$	(604,073)	235,526	106,069	(3,744)	137,686	(128,536)

Namaste Vapes

Revenue from Namaste Vapes in the quarter ended August 31, 2019 was \$1.9 million, compared to \$2.5 million in the comparable quarter in 2018. The decrease of \$0.6 million was due primarily to the closure of

the Brazilian operations in the beginning of March 2019, in combination with decline in sales orders as a result of declines in website traffic.

Australian Vaporizers

Revenue from Australian Vaporizers in the quarter ended August 31, 2019 was \$1.4 million, compared to \$1.2 million in the comparable quarter in 2018. The increase of 20% was due primarily to increase in number of orders as well as higher sales volume on higher-end products.

CannMart

Revenue from CannMart in the quarter ended August 31, 2019 was \$0.1 million compared to \$0.03 million in the comparable quarter in 2018. Revenue generated in the quarter ended August 31, 2019 comprised of \$0.1 million of cannabis sales and \$0.03 million of hardware sales. The revenue in the comparative period last year relates entirely to hardware sales to a licensed cannabis producer.

During the quarter ended August 31, 2019, a total of 13,714 grams of cannabis was sold. The average revenue per gram of cannabis sold during this period was \$7.65. Approximately 84% of the cannabis revenue was attributable to referrals from NamasteMD.

NamasteMD

Revenue from Namaste MD in the quarter ended August 31, 2019 was \$0.1 million, relatively consistent to the comparable quarter in 2018. Although NamasteMD revenue remains flat compared to the same period last year, NamasteMD continue to have significance in the Company's platform as 84% of the cannabis revenue at CannMart was through referrals from NamasteMD.

Findify

AI service income increased by \$0.1 million compared to the same period in 2018. The increase was driven by new customers acquired as a result of successful expansion into certain markets in the United States and in EU countries as well as improvement made to its pricing models allowing Findify to capture higher profit margin customer base.

Revenue by country

The following table presents the Group's external revenue based on the location of customers for each of the periods indicated:

	Three months ended August 31, 2019	Three months ended August 31, 2018	Change \$	Change %
Australia	\$ 1,457,498	1,171,595	285,903	24%
United Kingdom	958,747	1,076,564	(117,817)	-11%
Canada	567,552	564,464	3,088	1%
Germany	150,260	134,500	15,760	12%
United States of America	206,351	112,173	94,178	84%
France	105,950	19,794	86,157	435%
Ireland	82,205	80,802	1,403	2%
Brazil	-	382,379	(382,379)	-100%
Other	277,051	391,879	(114,827)	-29%
	\$ 3,805,614	3,934,150	(128,536)	-3%

Majority of the revenue was generated by several key markets. For the quarter ended August 31, 2019, the top five revenue earning countries generated 88% (2018: 85%) of the total revenue.

Gross profit

Gross profit is total revenue less cost of sales. Cost of sales related to cannabis and hardware business includes expenditures relating to products sold, which includes shipping fees, import duties, storage costs, handling charges, insurance and delivery fees. Namaste uses the weighted average method for costing of inventory items. Inventory consists of hardware, including vaporizers, vaporizer accessories, and cannabis. Inventory consists solely of goods currently available for sale and does not include any unfinished goods or work-in-progress.

Gross profit for the quarter ended August 31, 2019 was \$1.0 million, compared to \$0.9 million in the quarter ended August 31, 2018. The increase was driven by increase in revenue from the higher profit margin Findify operation and the closure of lower gross margin Brazilian operations.

SG&A expenses

SG&A expenses consist of selling and marketing expenses, general and administration expenses, professional fees, consulting fees, personnel costs and share-based compensation expense, and other SG&A expenses

Professional fees include director fees, audit and accounting fees, legal fees and non-recurring professional fees incurred in connection with the work initiated by the Special Committee of the Board of Directors.

Personnel costs include salaries, bonuses and consulting expenses paid to employees, consultants and contractors of the Company.

General and administration expenses consist of filing fees, insurance expense, rent expense, travel, foreign exchange and other general office costs.

Selling and marketing expenses include advertising and promotion costs, sales commissions and patient prescription. Advertising and promotion costs consist of online search services as well as costs associated with online promotional and social media tools utilised by Namaste to generate sales. These costs further represent Namaste's significant investment into search engine optimisation and its ongoing customer acquisition strategy. Patient prescription costs includes but are not limited to nurse practitioner and patient coordinators costs.

Consulting fees relate to amounts paid to various companies for distribution services, customer service activities, e-commerce product development, back-office e-commerce support.

Other SG&A expenses include depreciation and amortisation expenses for all office support and intangible assets, bank and merchant fees, and business development and investor relations costs.

The following table presents the Group's SG&A expenses by type of expense for each of the periods indicated:

	Three months ended	Three months ended	Change	Change
	August 31, 2019	August 31, 2018	\$	%
Professional fees	\$ 3,529,030	540,741	2,988,289	553%
Personnel costs	2,937,643	2,105,227	832,416	40%
General and administration	2,124,064	1,452,697	671,367	46%
Share-based compensation	683,438	4,133,224	(3,449,786)	-83%
Selling and marketing expense	462,049	849,601	(387,552)	-46%
Consulting fees	276,313	79,909	196,404	246%
Other SG&A expenses	945,475	1,108,496	(163,021)	-15%

Professional fees

Professional fees for the quarter ended August 31, 2019 increased by \$3.0 million compared to the same period in 2018 due primarily to legal and valuation work related to the security class actions that were settled, in principle, in late July 2019.

Personnel costs

The increase in personnel costs by \$0.8 million was due primarily to increase in headcount in the organization to support the organization growth and various technology projects including the marketplace platform, the enterprise resource and planning (“ERP”) system and to expand the offering of products and services in our e-commerce platforms.

General and administration expenses

General and administration expenses for the quarter ended August 31, 2019 increased by \$0.7 million compared to the same period in 2018. This increase was due primarily to higher foreign exchange loss on revaluation of monetary assets and liabilities denominated in currencies other than the functional currency of the entity.

Share-based compensation expense

Share-based compensation expense for the quarter ended August 31, 2019 decreased by \$3.4 million compared to the same period in 2018 due primarily to less stock options granted during the quarter ended August 31, 2019, and the impact of stock option forfeitures during the period.

Selling and marketing expense

Selling and marketing expenses for the quarter ended August 31, 2019 decreased by \$0.4 million compared to the same period in 2018 due primarily to the way Namaste managed its marketing and related activities. Prior to establishing an in-house marketing team in May 2019, Namaste outsourced substantially all of its marketing and related services.

Consulting fees

Consulting fees for the quarter ended August 31, 2019 increased by \$0.2 million compared to the same period in 2018 and included consultancy charges on general corporate matters paid to various companies under the terms of the contracts.

Other SG&A expenses

Other SG&A expenses for the quarter ended August 31, 2019 decreased by \$0.2 million compared to the same period in 2018 due primarily to decrease in amortisation expense related to the intellectual properties acquired as part of the Findify acquisition.

Impairment

Impairment of goodwill for the three months ended August 31, 2019 was \$3.6 million, compared to no impairment in the prior year quarter. The impairment loss was recognised on goodwill allocated to Australian Vaporizers cash generating unit.

(b) Nine months ended August 31, 2019 compared to August 31, 2018

Revenue

The following table presents the Group's external revenue by operating segment for each of the periods indicated:

		Namaste Vapes	Australian Vaporizers	CannMart	Namaste MD	Findify	Total
Nine months ended August 31, 2019	\$	7,342,182	3,542,237	431,967	225,542	851,375	12,393,303
Nine months ended August 31, 2018		9,654,142	3,453,989	242,098	78,792	201,180	13,630,201
Change	\$	(2,311,960)	88,248	189,869	146,750	650,195	(1,236,898)

Namaste Vapes

Revenue from Namaste Vapes for the nine months ended August 31, 2019 was \$7.3 million, compared to \$9.7 million in the comparable period in 2018. The decrease of \$2.4 million was due primarily to a decrease in revenue as a result of the disposal of the U.S. business in December 2017, in combination with the closure of the Brazilian operations in the beginning of March 2019 and an overall decrease in average order value. The decline in website traffic due to competition also contributed to decline in Namaste Vapes revenue.

Australian Vaporizers

Revenue from Australian Vaporizers for the nine months ended August 31, 2019 was \$3.5 million, compared to \$3.4 million in the comparable period in 2018. The increase of 3% was due primarily to an increase in number of orders on its platform as a result of increase website traffic, offset by a weakening of the Australian dollar against the Canadian dollar.

CannMart

Revenue from CannMart for the nine months ended August 31, 2019 was \$0.4 million, compared to \$0.2 million in the comparable period in 2018. The increase of 78% in revenue relates primarily to cannabis sales as revenue in the comparable period in 2018 was revenue entirely from hardware sales to a licensed cannabis producer.

During the nine months ended August 31, 2019, a total of 42,629 grams of cannabis was sold. The average revenue per gram of cannabis sold during this period was \$9.33. During this nine-month period, approximately 84% of the cannabis revenue was attributable to referral from NamasteMD.

NamasteMD

Revenue from Namaste MD for the nine months ended August 31, 2019 was \$0.2 million, compared to \$0.1 million in the comparable period in 2018 due primarily to a full nine-months period in operation this year compared to partially operational in the same period last year as NamasteMD commenced operation in April 2018.

Findify

Revenue from Findify for the nine months ended August 31, 2019 was \$0.9 million, compared to \$0.2 million in the comparable period in 2018 due primarily to a full nine-months period in operation this year as Findify was acquired in May 2018.

Revenue by country

The following table presents the Group's external revenue based on the location of customers for each of the periods indicated:

	Nine months ended	Nine months ended	Change	Change
	August 31, 2019	August 31, 2018	\$	%
Australia	\$ 3,714,897	3,697,751	17,146	0%
United Kingdom	3,158,275	3,590,760	(432,485)	-12%
Canada	2,054,507	1,810,060	244,447	14%
Brazil	638,401	1,147,725	(509,324)	-44%
Germany	614,278	626,628	(12,350)	-2%
United States of America	498,194	1,257,465	(759,271)	-60%
France	348,773	66,388	282,385	425%
Ireland	315,999	263,095	52,904	20%
Other	1,049,979	1,170,329	(120,349)	-10%
	\$ 12,393,303	13,630,201	(1,236,898)	-9%

Majority of the revenue was generated by several key markets. For the nine months ended August 31, 2019, the top five revenue earning countries generated 82% (2018: 84%) of the total revenue.

Gross profit

Gross profit for the nine months ended August 31, 2019 was \$2.8 million, compared to \$3.6 million in the nine months ended August 31, 2018. The decrease in gross profit was due primarily to a lower price mark-up on hardware inventory sold as a result of competition in the industry, and the declining margins in the CannMart and NamasteMD operations; partially offset by an increase in sales from Findify which contribute high margin.

SG&A expenses

The following table presents the Group's SG&A expenses by type of expense for each of the periods indicated:

	Nine months ended	Nine months ended	Change	Change
	August 31, 2019	August 31, 2018	\$	%
Professional fees	\$ 10,021,986	1,414,273	8,607,713	609%
Personnel costs	9,287,249	4,944,636	4,342,613	88%
General and administration	4,391,127	3,178,277	1,212,850	38%
Share-based compensation	3,265,647	9,989,340	(6,723,693)	-67%
Selling and marketing expense	1,434,261	1,784,196	(349,935)	-20%
Consulting fees	1,204,036	747,700	456,336	61%
Other SG&A expenses	2,929,156	2,927,585	1,571	0%

Professional fees

Professional fees for the nine months ended August 31, 2019 increased by \$8.6 million compared to the same period in 2018 due primarily to the work initiated by the Special Committee and the legal and valuation work related to the security class actions that were settled, in principle, in late July 2019.

Personnel costs

Personnel costs for the nine months ended August 31, 2019 increased by \$4.3 million compared to the same period in 2018 due primarily to increase in headcount in the organization to support the organization growth and various technology projects including the marketplace platform, the enterprise resource and planning (“ERP”) system and to expand the offering of products and services in our e-commerce platforms.

General and administration expenses

General and administration expenses for the nine months ended August 31, 2019 increased by \$1.2 million compared to the same period in 2018. This increase was due to an increase in directors and officers insurance costs and the closure costs incurred for the Brazilian operations, offset partially by a decrease in travel expense.

Share-based compensation expense

Share-based compensation expense for the nine months ended August 31, 2019 decreased by \$6.7 million compared to the same period in 2018 due primarily to less stock options granted during the quarter ended August 31, 2019, and the impact of stock option forfeitures during the period.

Selling and marketing expense

Selling and marketing expenses for the nine months ended August 31, 2019 decreased by \$0.3 million compared to the same period in 2018 due primarily to the way Namaste managed its marketing and related activities. Prior to establishing an in-house marketing team in May 2019, Namaste outsourced substantially all of its marketing and related services.

Consulting fees

Consulting fees for the nine months ended August 31, 2019 increased by \$0.5 million compared to the same period in 2018 and included consultancy charges on general corporate matters paid to various companies under the terms of the contracts.

Other SG&A expenses

Other SG&A expenses for the nine months ended August 31, 2019 were \$2.9 million, comparable to the same period in 2018.

Impairment

Impairment of goodwill for the nine months ended August 31, 2019 was \$3.6 million, compared to no impairment in the same period in 2018. The impairment loss was recognised on goodwill allocated to Australian Vaporizers cash generating unit.

SUMMARY OF QUARTERLY RESULTS

The unaudited interim condensed consolidated financial statements were prepared in accordance with IFRS. The following quarterly information is presented on the same basis as the annual audited financial statements and should be read in conjunction with the annual audited financial statements and the accompanying notes.

		November 2017 (Restated)	February 2018	May 2018	August 2018	November 2018	February 2019	May 2019	August 2019
Revenue	\$	4,931,110	5,633,830	4,062,221	3,934,150	5,234,082	4,593,457	3,994,232	3,805,614
Gross profit (loss)	\$	1,579,533	1,793,985	873,105	930,886	949,088	987,126	853,102	992,948
Gross margin		32%	32%	21%	24%	18%	21%	21%	26%
Net loss	\$	(3,103,601)	(3,342,672)	(8,097,146)	(8,689,720)	(18,384,292)	(10,278,036)	(8,632,771)	(14,652,118)
Net loss per share (basic and diluted)	\$	(0.02)	(0.01)	(0.03)	(0.03)	(0.06)	(0.03)	(0.03)	(0.05)
Total assets	\$	22,735,617	67,105,025	77,957,330	71,075,238	116,989,959	110,680,055	104,831,382	94,062,462

The Company, in general, has higher revenue in November due to sales generated on Black Friday and Cyber Monday. Gross margins for individual quarters are mostly consistent to the same quarters in the previous year. The gross margin for the quarters ended November 2018 and February 2019 was lower compared to the same quarters in the prior year as a result of higher freight costs and/or lower price mark-up of hardware inventory sold.

The higher net loss in the quarters ended May 2018, August 2018 and November 2018 were due primarily to non-cash share-based compensation expense of \$4.0 million, \$4.1 million and \$9.8 million, respectively. The higher net loss in the quarters ended February 2019, May 2019 and August 2019 was due primarily to the higher professional fees incurred in connection with the work initiated by the Special Committee, and impairment loss of \$3.6 million related to goodwill on Australian Vaporizers in August 2019.

Total assets increase in various quarters was directly attributable to increase in cash and cash equivalents which was the result of cash raised from various equity financings within the respective quarters.

LIQUIDITY AND CAPITAL RESOURCES

(a) Overview

Namaste's objectives on managing its liquidity and capital resources are to ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans while maintaining healthy liquidity reserves and access to capital for at least the next twelve months. Although the Company has been operating in a loss position for the last few years, it has sufficient cash on hand to manage its short-term and long-term objectives.

(b) Liquidity

As at August 31, 2019, Namaste had a cash balance of \$49.1 million and a working capital less cash and cash equivalents of \$5.1 million. Working capital consists of current assets less current liabilities. As at August 31, 2019, the Company has sufficient capital resources to satisfy its near term and long-term financial obligations as well as growth initiatives.

The table below sets out the cash and cash equivalents and working capital position of the Group as at August 31, 2019 and November 30, 2018:

	2019	2018
Cash and cash equivalents	\$ 49,092,592	78,210,706
Working capital excluding cash and cash equivalents	5,147,712	2,648,157

Decrease in cash and cash equivalents of \$29.1 million was due primarily to cash flow used in operations.

Increase in working capital excluding cash and cash equivalents of \$2.5 million was due primarily to an increase in prepaid expenses and other assets of \$3.9 million, an increase in accounts receivable of \$0.2 million, offset by a decrease in inventory by \$0.7 million and accounts payable and increase in accounts payable and accrued liabilities of \$0.7 million

(c) Cash flows

The table below sets forth Namaste's cash flows for the nine months ended August 31, 2019 and August 31, 2018:

	2019	2018
Cash used in operating activities	\$ (27,675,236)	(11,491,945)
Cash used in investing activities	(5,158,287)	(6,103,586)
Cash provided by financing activities	3,734,930	43,066,260
	\$ (29,098,593)	25,470,729

Operating activities

For the nine months ended August 31, 2019, cash used in operating activities was \$27.7 million, compared to \$11.5 million in the nine months ended August 31, 2018. The increase in cash used in operating activities of \$16.2 million was due primarily to an increase in SG&A expenses of \$7.5 million and increase in changes in non-cash working capital of \$2.8 million.

Investing activities

For the nine months ended August 31, 2019, cash used in investing activities was \$5.2 million, compared to \$6.1 million used in the nine months ended August 31, 2018. The decrease in cash used in investing activities was due to a decrease in investments in business acquisitions of \$2.4 million, a decrease in purchases of property and equipment of \$0.9 million and a decrease in purchases of equity investments of \$1.6 million, offset by an increase in investments in associates of \$1.5 million, an increase in intangible asset development costs of \$1.1 million, and an issuance of a promissory note to an associate in the amount of \$1.2 million.

Financing activities

For the nine months ended August 31, 2019, cash generated from financing activities was \$3.7 million, compared to \$43.1 million in the nine months ended August 31, 2018. The decrease of \$39.3 million was due primarily to the cash generated from February 2018 bought deal financing of \$40.3 million, a decrease of \$7.4 million in proceeds from exercise of warrants and options, offset by share issuance costs of \$3.4 million in 2018 and a decrease of \$2.5 million in cash used for shared buyback compared to the nine months ended August 31, 2018.

(d) Capital resources

The Company is authorised to issue an unlimited number of common shares and an unlimited number of preferred shares. The Company has 323,761,983 common shares that are issued and outstanding as of August 31, 2019.

During the nine months ended August 31, 2019, the Company issued 12.7 million common shares on exercise of various share purchase warrants and share purchase options for total gross proceeds of \$4.3 million.

USE OF PROCEEDS FROM BOUGHT-DEALS

On February 27, 2018, the Company completed the February 2018 offering. The intended use of the net offering proceeds of \$37.8 million (inclusive of the over-allotment proceeds) was \$16.5 million for CannMart inventories and supplies, \$9.9 million on expanding the customer base, \$3.3 million on e-commerce upgrades, and \$8.1 million for general working capital purposes.

On October 25, 2018, the Company completed the October 2018 offering. The intended use of the net offering proceeds of \$48.6 million (inclusive of the over-allotment proceeds) was \$17.0 million for CannMart and Cannmart Labs inventories and supplies purchases, personnel, facility operations and securities, \$10.0 million on completion of the integration of Findify across our e-commerce platforms, \$5.0 million on expanding Namaste MD's customer base, \$6.0 million on upgrading and redesigning its e-commerce distribution websites and its enterprise resources planning system, and \$10.5 million for general working capital purposes.

As at August 31, 2019, the Company has deployed the February and October 2018 offering proceeds as follows: \$5.1 million for CannMart and CannMart Labs inventories and supplies purchases, personnel, facility operations and securities; \$1.9 million on expanding the customer base; \$3.7 million on e-commerce upgrades and enterprise resource planning system implementation; and \$40.7 million for general working capital purposes. The remaining net proceeds from the February and October 2018 offering are expected to be used in the next 12 months.

OFF-BALANCE SHEET ARRANGEMENTS

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

Less than one year	\$	376,565
Between one and five years		976,477
More than five years		24,961
	\$	1,378,003

RELATED PARTY TRANSACTIONS

Related parties include directors, key management personnel, and entities controlled or directed by key management. Related party transactions are disclosed in Note 18 of the unaudited interim condensed consolidated financial statements for the three and nine months ended August 31, 2019.

FINANCIAL INSTRUMENTS

The following table provides the fair value of each category of financial assets and financial liabilities as at August 31, 2019 and as at November 30, 2018. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Following is the summary of the financial instruments as at August 31, 2019 and November 30, 2018:

	Financial assets at FVOCI	Financial assets at amortised cost	Financial assets at FVTPL	Financial liabilities at amortised cost	Total
August 31, 2019					
<i>Financial assets</i>					
Cash and cash equivalents	\$ -	49,092,592	-	-	49,092,592
Accounts receivable	-	1,859,036	-	-	1,859,036
Other investments	3,168,987	-	73,662	-	3,242,649
Long-term deposits and other assets	-	2,299,237	-	-	2,299,237
	\$ 3,168,987	53,250,865	73,662	-	56,493,514
<i>Financial liabilities</i>					
Accounts payable and accrued liabilities	\$ -	-	-	7,165,997	7,165,997
Loans payable	-	-	-	23,678	23,678
	\$ -	-	-	7,189,675	7,189,675
November 30, 2018					
<i>Financial Assets</i>					
Cash and cash equivalents	\$ -	78,210,706	-	-	78,210,706
Accounts receivable	-	1,627,781	-	-	1,627,781
Other investments	3,671,889	-	80,700	-	3,752,589
Long-term deposits and other assets	-	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
Loan payable	-	-	-	40,439	40,439
	\$ -	-	-	6,548,552	6,548,552

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

Cash and cash equivalents, trade and other receivables, loans receivables and deposits are classified as financial assets at amortised cost and are subsequently measured at amortised cost using the effective interest method, less impairment losses, if any.

The Company's investments in equity securities are classified as financial assets at fair value through other comprehensive income ("FVOCI") and are measured at fair value with mark-to-market gains and losses recognised in other comprehensive income ("OCI") and accumulated in the investment revaluation reserve within the equity.

Accounts payable and accrued liabilities and loans payable are classified as financial liabilities at amortised cost. Subsequent to initial recognition, all financial liabilities included in accounts payable and accrued liabilities, are measured at amortised cost using the effective interest method.

Derivative financial assets comprise share purchase options and share purchase warrants and are measured at fair value through profit and loss ("FVTPL").

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

The following table summarises the financial assets measured at fair value based on various level of inputs:

		Level 1	Level 2	Level 3	Total
Equity investments	\$	1,486,767	1,200,000	482,220	3,168,987
Derivatives		-	72,662	1,000	73,662
	\$	1,486,767	1,272,662	483,220	3,242,649

During the nine months ended August 31, 2019, unrealised loss on changes in fair value of derivatives recognised in other income was \$ 0.007 million. The gross unrealised gain on changes in fair value of equity investments recognised in OCI was \$0.05 million.

During the nine months ended August 31, 2019, there were no transfer between the levels of the fair value hierarchy.

FINANCIAL RISKS AND RISK MANAGEMENT

The Company's exposure to significant risks include, but are not limited to currency risk, interest rate risk, credit risk, price risk and liquidity risk. For a complete discussion of the risks, refer to the Company's unaudited interim condensed consolidated financial statements for the quarter ended August 31, 2019.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The critical accounting estimates and judgements are disclosed in note 2(e) of the audited consolidated financial statements for the period ended November 30, 2018. There have been no significant changes in the

Group's judgments and estimates applied during the three and nine months ended August 31, 2019 relative to those described in the last annual financial statements, except for new significant judgment and key source of estimation uncertainty related to the application of IAS 28 and IFRS 9, which are described in note 3 (a),(b,(i)).

CHANGES IN ACCOUNTING POLICIES

The changes in accounting policies and standards, interpretations and amendments not yet effective are disclosed in note 3 of the unaudited interim condensed consolidated financial statements for the period ended August 31, 2019.

ADDITIONAL INFORMATION

Additional information regarding the Company, including the Company's Annual Information Form, is available under the Company's profile on SEDAR at www.sedar.com.