Namaste Technologies Inc.

Management Discussion and Analysis

Three months ending February 28, 2017

This “Management’s Discussion and Analysis” (“MD&A”) has been prepared as at April 13, 2017, and should be read in conjunction with the un-audited consolidated financial statements of Namaste Technologies Inc. (the “Company”) for the three months ending February 28, 2017.

Additional information relating to the Company can be found on SEDAR at www.sedar.com.

Management's responsibility for financial reporting

MD&A for the Company is the responsibility of management. The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the MD&A.

Forward looking statements

This MD&A includes certain forward-looking statements that are based upon current expectations which involve risks and uncertainties associated with the Company’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 “Risks and Uncertainties” below.

Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: management’s goal of creating shareholder value; ability to fund future operating costs, and timing for future research and development of the Company’s current and future technologies; management’s outlook regarding commercialization of its Guru vaporizer; 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.

Basis of presentation and statement of compliance

The Company’s consolidated financial statements and the notes thereto have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as are issued by the International Accounting Standards Board (IASB) and are reported in Canadian dollars.

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The consolidated financial statements are presented in Canadian dollars, which is the Company's reporting currency. The Company's functional currency is US dollars.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing the consolidated financial statements and their effect are disclosed below.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and entities controlled by the Company and its subsidiaries.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Subsidiaries of the parent Company, Namaste Technologies Inc. are as follows:

Equity interests	
Principal subsidiaries	**% Holding**
Namaste Technologies Holdings Inc.	100%
Dollinger Enterprises US Ltd.	100%
Namaste Bahamas Inc.	100%
Next Gen USA Inc.	100%
Greenrush Financial Conferences Inc.	100%

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of income and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

All intercompany transactions, balances, revenue and expenses are eliminated in full on consolidation.

Description of the business

Dollinger Enterprises U.S.A. commenced commercial operations on September 3, 2014, and following an amalgamation with Next Gen Metals Inc. in February 2016, continued its operations under the name Namaste Technologies Inc. (the "Company").

The Company is a publicly traded corporation, incorporated in British Columbia, Canada, with its office located at Suite 2300, 550 Burrand Street, Vancouver, British Columbia, Canada V6C 2B5. The Company's primary listing is on the Canadian Securities Exchange, under the trading symbol "N". The Company has 165,987,635 common shares that are issued and fully paid as of April 13, 2017.

Through its wholly-owned subsidiaries, the Company is an international leader in vaporizer and accessories distribution, social media and e-commerce, and product design and manufacturing. The Company has over 30 e-commerce retail stores in 20 countries and offers one of the largest range of brand name vaporizer products on the market. Recognized as a source of information, reviews and social media on vaporizer products, the Company has a unique market perspective and ability design and engineer products that align with the current direction of the market. This includes the Guru™, an enhanced vaporizer capable of seamlessly vaporizing liquids, concentrates and dry herbs from a single portable unit. The Company is currently focused on expanding its product offering, acquisitions and strategic partnerships, and entering new markets globally.

Business Strategy of the Company

Management's business strategy is currently focused on a multi-pronged approach to diversify revenue streams including e-commerce, wholesale distribution, product design and manufacturing, and selective acquisitions. Management believes there is an established and growing consumer demand for its products internationally and has developed strong sales channels in the United States, United Kingdom and Continental Europe. The current expansion focus is as follows:

- **E-Commerce, Social Media**

  Namaste has a competitive advantage in international markets through its established e-commerce presence, logistics and fulfillment capabilities, and best-in-class customer service standards as evidenced by the Company receiving the #1 rating in the online vaporizer category from TrustPilot, a globally recognized and independent customer review portal. Going forward, Namaste will continue to expand its presence through further enhancement of its search engine optimization, online advertising through select channels, and social media campaigns. The Company is currently focused on entering and expanding in key markets including the US and Canada, Mexico, Australia, and Brazil.

- **Design, Manufacturing**

  The Company has completed development and is proceeding with commercialization of its in-house designed proprietary product, the Guru™. This is the first vaporizer to seamlessly provide a solution to vaporize all of dry herbs, concentrates and liquids. The product will be distributed through the Company's e-commerce platform as well as distribution agreements with wholesalers. After this initial launch, the Company also plans on commercializing additional products to expand its propriety portfolio.

- **Wholesale Distribution**

  Namaste has identified an opportunity to further expand into wholesale distribution in international markets and intends to utilize its established infrastructure to provide tangible benefits to select manufacturers. This includes entering into exclusive distribution partnerships with manufacturers for select territories and providing international services including fulfillment and logistics management, inventory control, repair and replacement centers, and multi-lingual customer service support. Management believes as the market potential for vaporizers expands and continues to become mainstream, more manufacturers will seek to expand outside the US. Namaste is ideally positioned to capture this market share with distribution and fulfillment centers located in the US, UK, Australia and Brazil.

- **Industry Consolidation**

- As one of the first true vaporizer and accessories companies to access public capital, the Company has identified multiple opportunities to expand by acquisition. The focus of the Company's acquisition strategy is to identify companies that complement Namaste in terms of financial profile, geographical focus, and product and service offering and enter into transactions that are accretive

- on a per share basis. Based on management’s analysis of the market, the vaporizer and accessory space is fragmented and high growth, which makes the industry ideal for consolidation.

Selected quarterly information

The Company’s quarterly consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as are issued by the International Accounting Standards Board (IASB) and are reported in Canadian dollars.

The following table sets out selected financial information for the period under review compared to the comparative period in the previous fiscal year. The information is presented on the same basis as the consolidated financial statements and should be read in conjunction with the statements and the accompanying notes.

Selected Financial Information

	For three months ended		*For six months ended*	
	February 28, 2017	*February 29, 2016*	*February 28, 2017*	*February 29, 2016*
Sales	**1,907,106**	698,331	**3,994,294**	1,873,672
COGS	**1,080,502**	381,871	**2,484,674**	1,168,879
Gross profit	**826,604**	316,460	**1,509,620**	704,793
Operating expenses	**2,379,981**	889,422	**3,960,071**	1,403,399
Other income	**-**	125,137	**-**	125,137
Provision for income tax	**-**	(238,416)	**-**	(238,416)
Net income (loss)	**(1,553,377)**	(209,409)	**(2,450,451)**	(335,053)
Total net comprehensive income (loss)	**(1,594,395)**	(206,145)	**(2,437,076)**	(293,390)
Net income (loss) per share, basic & diluted:	**$ (0.01)**	$ (0.01)	**$ (0.02)**	$ (0.01)
Weighted average number of outstanding common shares, basic and diluted:	**114,351,143**	36,218,202	**103,959,921**	36,218,202
Total assets	**7,991,329**	4,104,550	**7,991,329**	4,104,550
Long-term financial liabilities	**357,011**	1,232,935	**357,011**	1,232,935

Discussion of operations

During the period under review, the Company focused its efforts on growing revenues in select markets by implementing inbound organic marketing e-commerce strategies and securing inorganic expansion opportunities.

During the period under review the Company focussed on the integration of URT1 on the Shopify platform and URT1's website was revamped. In addition Namaste has engineered an enterprise grade Shopify management application which allows Namaste to rapidly scale cost effectively from a single console. These initiatives were completed in February 2017.

The next development is a turnkey drop-ship Shopify app which enables drop-shippers to launch their own Vape and Glass shop in minutes.

On January 16, 2017 the Company announced that it entered into a binding amending agreement with Haze Industries, Inc. for the purchase of the remaining earn-out obligation as set forth in the definitive asset purchase agreement announced on June 7, 2016. The Asset Purchase Agreement memorialized the terms and conditions whereby Namaste purchased the assets comprising VaporSeller, an e-commerce platform for the distribution of vaporizers and accessories that is focused on the US market. The initial undiscounted value of the earn-out was approximately US$1.5 million. Namaste settled the remaining earn-out obligation of approximately US$1.3 million by making an initial payment of US$285,000 and monthly payments of US$8,000 for 12-months. The purchase of the remaining earn-out obligation brings the VaporSeller e-commerce site under control of Namaste. The site will migrate to Shopify and focus on the acquisition of organic traffic.

On February 1, 2017 the Company announced that it commenced distribution through eBay Inc. (“eBay”), a global commerce leader that connects millions of buyers and sellers around the world. eBay has formally approved Namaste’s marketing templates and products have been listed for sale. As one of a select number of companies in the vaporizers and accessories industry to be permitted to distribute through eBay’s marketplace, Namaste will list its products under the recently launched vaporizers and e-cigarettes category.

On February 2, 2017 the Company announced that it was approved by Little Bay, Inc., a subsidiary of Privateer Holdings Inc. as a retailer of the Marley Natural accessories product line in the United States. Marley Natural is the official cannabis brand of Bob Marley, one of the most iconic names in the cannabis industry. The brand is deeply rooted in the ideas and legacy of Bob Marley and celebrates nature, justice and the positive potential of the herb. The terms of resale will be governed by a retail agreement between Namaste and Little Bay. The collection is made from American Black Walnut and accented by heat resistant hand-blown glass that ensures durability, convenient maintenance, and a comfortable hand-held feel. Namaste’s in-house merchandising team has identified the Marley Natural brand as an ideal collection for specific growth markets. Namaste will market the Marley Natural products to its customer list of over 250,000 individuals and through its e-commerce brands including Namaste Vapes, Everyonedoesit and VaporSeller.

On February 21, 2017 the Company announced that it entered into a memorandum of understanding (MOU) with Canopy Growth Corporation, a world-leading diversified cannabis company, offering diverse brands and cannabis strain varieties in dried and oil extract forms. This MOU represents the execution of Namaste's strategic objective to actively migrate medical cannabis consumers to a licensed producer. Namaste's database consists of approximately 300,000 customers that generate upward to 600,000 site visits per month. Approximately 28,000 of these site visits are generated from customers residing in Canada.

On February 23, 2017 the Company announced that it entered a memorandum of understanding (MOU) with Marijuana.Ca, operator of www.marijuana.ca, a leading educational website that focuses on providing information to legal marijuana consumers about consumption methods, strains, licensed producers, regulations, and the legalization process in Canada. The signing of this MOU represents the further achievement of the Company’s objective to increase site traffic and develop customer data in the Canadian market, a key growth market for the consumption of legal medical cannabis. This MOU also coincides with the upcoming launch of www.everyonedoesit.ca, which the Company will use to further expand its position in the Canadian market. Namaste will receive site traffic and general customer information from www.marijuana.ca, in exchange for SEO optimization, content creation, and referral fees on the sale of vaporizers, accessories and growing equipment. Namaste will be the exclusive provider of these products to Marijuana.Ca viewers and members.

Revenue

The Company’s revenue for the three months ending February 28, 2017 was $1,910,967 (2016 – $698,331) an increase of 273.7% as compared to the three months ending February 29, 2016.

Revenue is net of discounts and refunds. During the period under review total refunds were $559,285. Refunds for products sold through the VaporSeller site were $244,133, pre-dominantly because of out of stock orders.

During the period under review discounts were $73,462 mainly because of discounts offered on Namaste sites.

The change of business model to growing organic traffic through search engine optimization has started to yield tangible results. This is attributable to management's transition from advertising using broadly based search engines into lower customer acquisition cost methods including the generation of specialized digital leads through search engine optimization. Based on this transition, management anticipates revenue to steadily increase as the Company invests in further expanding its established e-commerce platform, enters into wholesale arrangements and commercializes proprietary products.

Selected operating data e-Commerce: Dec 2016 - Feb 2017

	traffic	conversion	orders	basket price	gross revenues
Namaste	238,729	1.79%	4,266	$196	$1,110,316
VaporSeller	250,237	3.27%	8,186	$81	$894,918
URT1	430,473	0.88%	3,789	$74	$281,656
GreenVapes	15,009	2.20%	330	$263	$86,690
Total	**934,448**	**1.77%**	**16,571**	**$143**	**$2,373,580**

The Company's e-Commerce sites generated approximately 90% of gross revenues and generated traffic of 934,448 (Q1 - 1,234,121) visitors during the three months ending February 28, 2017. The average achieved conversion ratio was 1.77% (Q1 - 1.33%) with an average basket price of $143 (Q1 - $130) and 16,571 (Q1 - 16,357) orders were received during the period under review. As a result of Black Friday traffic was higher in the previous quarter.

Namaste generated traffic of 238,729 (Q1 - 173,629) visitors during the period under review. Its sites converted traffic at a conversion ratio of 1.79% (Q1 - 1.89%). Namaste achieved an average basket price of $260 (Q1 - $253) and shipped 4,266 (Q1 - 3,280) orders during the period under review. Gross revenues were $1,10,316 (Q1 - $830,503).

Namaste

	traffic	conversion	orders	basket price	gross revenues
Dec-16	79,378	1.90%	1,508	$255	$384,340
Jan-17	83,275	1.74%	1,449	$272	$394,256
Feb-17	76,076	1.72%	1,309	$254	$331,719
Q2	**238,729**	**1.79%**	**4,266**	**$260**	**$1,110,316**

VaporSeller generated traffic of 250,237 (Q1 - 558,238) visitors during the period under review. Its sites converted traffic at a conversion ratio of 1.62% (Q1 - 1.47%). VaporSeller achieved an average basket price of $109 (Q1 - $101) and shipped 8,186 orders during the period under review. Gross revenues were $436,005 (Q1 - $828,114). The Company has agreed to purchase the earn-out obligation with Haze Industries, Inc. which brings the VaporSeller website under control of Namaste. This will help to increase traffic and the conversion ratio.

VaporSeller

	traffic	conversion	orders	basket price	gross revenues
Dec-16	132,573	1.77%	2,347	$102	$239,817
Jan-17	81,390	1.59%	1,294	$115	$149,434
Feb-17	36,274	1.17%	424	$110	$46,754
Q2	**250,237**	**1.62%**	**4,065**	**$107**	**$436,005**

URT1 is consolidated since October 17, 2016. The two sites, EveryoneDoesit.com and EveryoneDoesit.UK generated traffic of 946,616 (Q1 - 490,345) visitors during the period under review. Its sites converted traffic at a conversion ratio of 0.89% (Q1 - 0.93%). URT1 achieved an average basket price of $75 (Q1 - $84) and shipped 8,456 (Q1 - 4,560) orders during the period under review. Gross revenues were $632,743 (Q1 - $381,397).

URT1

	traffic	conversion	orders	basket price	gross revenues
Dec-16	360,038	0.88%	3,168	$76	$239,699
Jan-17	322,617	0.96%	3,097	$74	$230,201
Feb-17	263,961	0.83%	2,191	$74	$162,842
Q2	**946,616**	**0.89%**	**8,456**	**$75**	**$632,743**

GreenVapes generated traffic of 15,009 (Q1 - 11,909) visitors during the period under review. Its sites converted traffic at a conversion ratio of 1.99% (Q1 - 2.77%). GreenVapes achieved an average basket price of $260 (Q1 - $242) and shipped 299 (Q1 - 330) orders during the period under review. Gross revenues were $77,777 (Q1 - $80,014).

GreenVapes

	traffic	conversion	orders	basket price	gross revenues
Dec-16	4,857	2.29%	111	$224	$24,949
Jan-17	5,099	1.96%	100	$268	$26,804
Feb-17	5,053	1.74%	88	$296	$26,023
Q2	**15,009**	**1.99%**	**299**	**$260**	**$77,777**

The majority of revenue was generated by several key markets, including the U.S., the United Kingdom, Brazil and Australia, which accounted for 80.3% of total revenue.

Revenues by country for the quarter ending February 28, 2017 in C$

Country	Revenues	% of total
Great Britain	737,946	38.7%
United States of America	525,518	27.6%
Brazil	100,591	5.3%
Australia	91,371	4.8%
Canada	78,985	4.1%
New Zealand	75,149	3.9%
Ireland	51,759	2.7%
Germany	32,660	1.7%
Israel	26,367	1.4%
Sweden	22,021	1.2%
Italy	19,580	1.0%
France	19,217	1.0%
Spain	15,640	0.8%
Austria	14,225	0.7%
Other	96,078	5.0%
Total	**1,907,106**	**100.0%**

Cost of Sales

Cost of sales includes all expenditures to purchase the product and ship products to warehouse locations. This includes the purchase price less import duties, shipment fees to warehouses and customers, storage and insurance. The Company uses the weighted average method to track and cost inventory items. The inventory consists of vaporizers, vaporizer accessories, and therapeutic herbs. The inventory consists solely of goods currently available for sale and does not include any unfinished goods or work-in-progress.

The Company's cost of sales for the three months ending February 28, 2017 were $2,379,981,172 (2015 – $889,422), which resulted in a gross profit of $826,604 (2015 – $316,460). As a percentage of sales the gross margin was 43.3% compared to 45.3% in the comparable quarter. Gross profits increased 161% as compared to the three months to February 29, 2016. The gross margin generated by the Company is due to the mark-up of products sold to retail customers compared to the cost of securing the products from wholesale distributors and manufactures. In addition are costs related to freight to and between warehouses. Management expects that the gross margin will improve as VaporSeller and URT1 migrate to the Linnworks platform for purchasing and inventory management and the product-mix of URT1 includes higher margin glassware.

Operating Expenses

The table below sets forth operating expenses for the three months ending February 28, 2017.

Operating expenses

	For three months ended		*For six months ended*	
	February 28, 2017	***February 29, 2016***	***February 28, 2017***	***February 29, 2016***
Advertising and promotion	**85,932**	35,142	**302,824**	149,778
Consulting fees	**518,174**	81,154	**837,117**	180,152
Salaries	**292,068**	56,183	**509,037**	122,057
Share -based compensation	**573,846**	-	**625,610**	-
Bank and credit card fees	**127,423**	63,293	**248,749**	107,474
Professional fees	**150,216**	-	**467,674**	18,514
Communications	**100,945**	8,504	**114,225**	19,321
General and administrative	**197,109**	15,982	**331,543**	22,712
Rent and rental services	**19,534**	8,434	**31,330**	23,478
Shipping	**228,570**	42,678	**324,746**	68,176
Travel and vehicles	**86,058**	28,293	**101,487**	48,392
Foreign exchange loss (gain)	**(1,914)**	(36,587)	**17,738**	56,999
Investor relations	**2,020**	586,346	**47,991**	586,346
Total	**2,379,981**	**889,422**	**3,960,071**	**1,403,399**

Operating costs were $2,379,981 (2015 - $889,422). This increase in operating costs includes non-cash and currency expenses of $571,932, pre-dominantly explained by share-based compensation. After adjusting for these numbers, management estimates total operating costs of $1,808,049 for the period.

Advertising and promotion expenses for the three months ending February 28, 2017 were $85,932 (2015 – $35,142). These expenditures relate to online search services as well as other online promotional and social media tools utilized by the Company to generate sales. These costs further represent the Company's significant investment into search engine optimization and its ongoing customer acquisition strategy. During the period, the Company reduced advertising spending with select search engine providers and focused on search engine optimization to generate organic revenue streams.

Consulting fees for the three months ending February 28, 2017 were $518,174 (2015 – $81,154). These expenditures relate to compensation amounts paid to various companies and individuals for marketing and distribution services, customer service activities, and product development and research. At the end of February 28, 2017 the Company had service agreements with 35 consultants, either directly or through the Company's e-commerce marketing partner ORH, Access Fulfillment and service provider Aspen India.

Salaries for the three months ending February 28, 2017 were $292,068 (2015 – $56,183). These expenditures relate to management and administrative salaries in support of the operations of the Company, managing fulfillment and procurement, and general operating activities. At the end of February 28, 2107 2016 the Company employed 20 full time staff in its operations.

Stock-based compensation for the three months ending February 28, 2017 was $573,846 (2015 – $0). These expenditures relate to share and option based compensation to officers, directors, employees and consultants of the Company.

Bank and credit card fees for the three months ending February 28, 2017 were $127,423 (2015 – $63,293). These expenditures include service and transaction fees to PayPal, Amex and commercial banks for processing incoming and outgoing orders from customers, suppliers and service providers, foreign transaction fees, and other bank service charges. They also include charge-backs.

Professional fees for the three months ending February 28, 2017 were $150,216 (2015 – $0). These expenditures relate to legal, accounting, book keeping and transfer agent.

Communication expenses for the three months ending February 28, 2017 were $100,945 (2015 – $8,504). These expenditures relate to phone, internet and computer expenses.

General and administrative expenses for the three months ending February 28, 2017 were $197,109 (2015 – $15,982). These expenditures relate to office supplies, licensing fees and other operating expenses.

Rent and rental services for the three months ending February 28, 2017 were $19,534 (2015 – $8,434). These expenditures relate to the Company's share of costs associated with the leasing of office space, janitorial services and utilities.

Travel and vehicles for the three months ending February 28, 2017 were $86,058 (2015 – $28,293). These expenditures relate to costs associated with airfare, meals, fuel and other travel and vehicle related expenses.

Foreign exchange gains for the three months ending February 28, 2017 were $1,914 (2015 – $(36,587)) due to the conversion of the operations at the average exchange rate for the period.

Investor relations expenses for the three months ending February 28, 2017 were $2,020 (2015 – $586,436). These expenditures relate to costs associated with attracting public market investors to the Company.

Summary of quarterly results

The Company's quarterly consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as are issued by the International Accounting Standards Board (IASB) and are reported in Canadian dollars. The following quarterly information is presented on the same basis as the consolidated financial statements and should be read in conjunction with the statements and the accompanying notes.

Quarterly Statement of Profit & Loss

	For the three months ended							
	May-15	*Aug-15*	*Nov-15*	*Feb-16*	*May-16*	*Aug-16*	*Nov-16*	*Feb-17*
Sales	1,087,256	1,096,856	1,175,341	698,331	738,199	877,031	2,087,188	1,907,106
COGS	627,429	219,898	787,008	381,871	384,838	514,097	1,404,172	1,080,502
Gross profit	459,827	876,958	388,333	316,460	353,361	362,934	683,016	826,604
Operating expenses	363,250	381,209	513,977	889,422	716,855	1,467,026	1,580,087	2,379,981
Other income	-	-	-	125,137	-	113,279	-	-
Provision for tax	-	219,863	238,416	(238,416)	-	-	-	-
Net income (loss)	96,577	275,886	(364,060)	(209,409)	(363,494)	(990,813)	(897,072)	(1,553,377)
Total net comprehensive income (loss)	128,636	231,540	(325,661)	(206,145)	(372,907)	(1,283,307)	(842,679)	(1,594,395)
Net income (loss) per share, basic & diluted:	0.003	0.008	(0.010)	(0.004)	(0.006)	(0.015)	(0.009)	(0.014)
common shares, basic & diluted:	36,218,202	36,218,202	36,334,374	49,637,051	59,514,836	64,537,844	96,051,553	114,351,143

Recent developments and subsequent events

On March 9, 2017 the Company completed its “bought deal” private placement with Eight Capital and Canaccord Genuity Corp. as co-lead underwriters and joint book runners, and including Beacon Securities Limited (together, the "Underwriters"), whereby a total of 45,352,000 units of the Company (the “Units”) have been issued and sold, at a price per Unit of $0.25, for total gross proceeds of $11,338,000 (the “Offering”). Each Unit consisted of one common share of the Company (a “Share”) and one-half of one common share purchase warrant (each whole common share purchase warrant, a “Warrant”). Each Warrant entitles the holder thereof to acquire one Share at a price of $0.35 for a period of 24 months following the closing date. In the event that the closing sale price of the Company’s Shares on the Canadian Securities Exchange is greater than $0.70 per Share for a period of 10 consecutive trading days at any time after the closing 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 used the net proceeds of the Offering for the acquisition of Australian Vaporizers PTY Ltd and for working capital and general corporate purposes.

On March 16, 2017 the Company announced that it completed its acquisition of Australian Vaporizers PTY Ltd. Post consolidation, Namaste will control approximately 90% of the vaporizer online retail market in Australia. During the last fiscal year ended June 30, 2016, Australian Vaporizers operated with a 45% gross margin and an EBITDA margin of 27%. The acquisition of Australian Vaporizers represents a 33% increase in Namaste’s revenue. In the last fiscal year ending August 31, 2016 the number of visitors to its site was 344,414 with a conversion ratio of 4.6%.

Pursuant to the terms of the definitive agreement announced on February 24, 2017, Namaste acquired all of the issued and outstanding shares of Australian Vaporizers. The purchase price was calculated as 1.0x 12-month trailing sales of AUD$5.0 million, plus the value of inventory acquired within six (6) months preceding the closing, and 50% of the value of the inventory acquired prior to six (6) months preceding the closing, less all liabilities and plus trade debt and cash.

Upon closing of the transaction, the Company provided an initial 75% of the purchase price in cash, being AUD$4,256,197.50 and 10% of the purchase price was satisfied with 1,988,182 common shares in the capital of the Company, based on the 20-day volume weighted average trading price upon signing of the definitive agreement. The remaining 15% of the consideration will be satisfied through an earn-out based on sales and integration milestones.

On March 22, 2017, the Company announced that it entered into a non-binding letter of intent (LOI) with Cannmart Inc. whereby Namaste will purchase all of the issued and outstanding shares in the capital of CannMart, a late stage applicant under the Access to Cannabis for Medical Purposes Regulations (ACMPR). In 2014, CannMart submitted its application to become a “sales only” licensed producer of medical cannabis. The contemplated transaction represents a significant strategic maneuver by Namaste in advance of the potential legalization and regulation of cannabis in Canada. The strategic rationale includes:

- Represents a logical expansion of the product portfolio and generates additional recurring revenue streams from existing and new customers throughout Canada. Creates a one-stop shopping platform for Canadian medical cannabis consumers;

- Aligns with Namaste's e-commerce capabilities and dataset of over 50,000 individuals in Canada, which represents a significant competitive advantage in terms of becoming one of the leading online retailers of medical cannabis;

- Complements Namaste's distribution expertise and relationships with the location of CannMart's proposed facility enabling same day delivery in the Greater Toronto Area and 24-hour delivery within Canada. Namaste will seek to be the leading online retailer of medical cannabis in terms of fulfillment and customer service; and

- Enhances the overall financial profile of the Company in terms of additional revenue and margin generation potential. Attractive non-cash purchase price based on comparable public companies within the industry.

CannMart's ACMPR application and proposed business model are unique in the industry as CannMart applied only to sell and not produce medical cannabis. Under this model and subject to obtaining a licence from Health Canada, CannMart would have the ability to purchase wholesale medical cannabis from other licensed producers and sell to individual patients in accordance with the ACMPR. The ACMPR Application has completed the "security clearance" stage and is currently in the "review" stage of the licensing process. CannMart's proposed facility is a 4,000 sq. ft. industrial building located in Etobicoke, Ontario. Pursuant to the LOI, the Company will assume all of the going forward liabilities and obligations of CannMart, including the remaining build-out costs needed to prepare the facility for the final stages of the licensing process and the pre-licensing inspection.

Liquidity

The Company's objectives when managing its liquidity and capital structure are to generate sufficient cash to fund operating and organic growth requirements.

As at February 28, 2017, the Company had cash of $470,891. Working capital for the Company consists of current assets less current liabilities. As at February 28, 2017, the Company has sufficient capital resources to satisfy its near term financial obligations.

The table below sets forth the cash and working capital position of the Company as at February 28, 2017.

Cash and working capital position

	As at February 28, 2017
Cash	470,891
Working capital excluding cash	1,402,430

The table below sets forth the Company's cash flows for the three months ending February 28, 2017.

Cash flow

	For three months ended		***For six months ended***	
Cash provided by:	***February 28, 2017***	***February 29, 2016***	***February 28, 2017***	***February 29, 2016***
Operating activities	**(807,597)**	(559,005)	**(2,815,739)**	(576,463)
Finance activities	**(415,735)**	1,506,959	**5,288,746**	1,524,417
Investing activities	**1,183,353**	-	**(2,115,781)**	-

- ***Cash provided by operating activities***

  The cash utilized by operating activities of $807,597 was due to the loss from operations of $979,531 after adjustments for non-cash share based compensation in the amount of $573,846 and a $171,934 decrease in working capital.

- ***Cash provided by financing activities***

  The Company's cash provided by financing activities of $415,735 for the three months ending February 28, 2017 pre-dominantly from the exercise of options and warrants.

- ***Cash provided by investing activities***

  The Company's cash provided by investing activities for the three months ending February 28, 2017 was a release of $1,183,353.

Financing

During the three months ending February 29, 2016, the Company secured $1,213,975 of equity capital (before deduction for transaction financing expenses) pursuant to the completion of its three-cornered amalgamation with Next Gen. Prior to the closing of the transaction with Next Gen, the Company funded operations without any equity financing.

Pursuant to the terms of the transaction between the Dollinger Canada and Next Gen, Next Gen issued 3.6 million subscription receipts at a price of $0.10 per subscription receipt for a total of gross proceeds of $360,000. Each subscription receipt automatically converted, for no additional consideration, into 3.6 million units of the Company upon the closing of the transaction with Next Gen, which occurred on February 26, 2016. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant. Each full warrant entitles the holder to purchase one common share at a price of $0.15 per common share for a period of two years from closing of the private placements.

In addition to the unit offering, Next Gen also completed a concurrent private-placement offering by issuing 11,386,330 subscription receipts at a price of $0.075 per subscription receipt for a total of $853,975. Each of these subscription receipts automatically converted, for no additional consideration, into 11,386,330 common shares of the Company, upon the closing of the transaction with Next Gen, which occurred on February 26, 2016.

In the fourth quarter ending August 31, 2016, the Company closed a non-brokered private placement by issuing 8,087,454 million units of the Company for gross proceeds of $970,476. Each Unit consists of one common share of the Company and one common share purchase warrant at an exercise price of $0.18 for a period of 2-years.

In the fourth quarter ending August 31, 2016 the company also closed a non-brokered private placement by issuing 250,000 units of the Company for gross proceeds of $30,000. each unit consists of one common share of the Company and one common share purchase warrant at an exercise price of $0.18 for a period of two years.

Capitalization

Date	Shares	Price	Gross proceeds	Source
Sep-15	36,218,202	$0.000	$0	Vendors
Dec-15	3,600,000	$0.076	$271,800	Private placement
	11,386,330	$0.075	$853,975	Private placement
Feb-16	8,310,301	$0.000	$0	Shell
Jul-16	8,087,464	$0.120	$970,496	Private placement
Aug-16	250,000	$0.120	$30,000	Private placement
Sep-16	100,000	$0.000	$0	Bonus shares
	825,000	$0.120	$99,000	Private placement
Oct-16	37,777	$0.000	$0	Interest
	2,666,666	$0.150	$400,000	Loan conversion
	24,999,927	$0.120	$2,999,991	Private placement
	750,000	$0.150	$112,500	Options exercise
	100,000	$0.200	$20,000	Options exercise
	50,000	$0.180	$9,000	Warrants exercise
Nov-16	13,771,932	$0.000	$0	Asset purchase agreement
	550,000	$0.200	$110,000	Options exercise
	545,999	$0.075	$40,950	Warrants exercise
	25,000	$0.180	$4,500	Warrants exercise
	66,666	$0.180	$12,000	Warrants exercise
	25,000	$0.150	$3,750	Warrants exercise
Dec-16	500,000	$0.150	$75,000	Options exercise
Jan-17	500,000	$0.150	$75,000	Options exercise
	83,333	$0.150	$12,500	Warrants exercise
	500,000	$0.150	$75,000	Warrants exercise
	133,333	$0.150	$20,000	Warrants exercise
	1,666,800	$0.180	$300,024	Warrants exercise
Feb-17	105,000	$0.200	$21,000	Warrants exercise
	50,000	$0.200	$10,000	Warrants exercise
Total	**115,904,730**		**$6,526,485**	

In the three months ending November 30, 2016 the Company closed a non-brokered private placement by issuing 1,075,000 units of the Company for gross proceeds of $129,000. Each unit consists of one common share of the Company and one common share purchase warrant at an exercise price of $0.18 for a period of two years.

In the three months ending November 30, 2016 the Company closed a non-brokered private placement by issuing 25,000,000 units of the Company for gross proceeds of $3,000,000. Each unit consists of one common share of the Company and one half of one common share purchase warrant at an exercise price of $0.20 for a period of two years. In relation to the private placement the Company issued 1,318,822 broker warrants at an exercise price of $0.12 for a period of two years.

In the three months ending November 30, 2016 the Company issued 2,666,667 common shares of the Company at a price of $0.12 in relation to the conversion of a convertible loan note. The proceeds of the convertible were $400,000.

In the three months ending November, 2016 the Company issued 13,773,933 common shares of the Company to URT1 at a price of $0.12 in relation to and asset purchase agreement (APA) of URT1's assets.

In the three months ending November 30, 2016 the Company issued 5,530,000 options with an exercise price of $0.35 for a period of five years and vesting on a quarterly basis to key staff.

In the three months ending February 28, 2017 the Company raised C$588,524 and 3,538,466 shares were issued from the conversion of options and warrants.

Capital activities

The Company's capital is composed of debt and shareholders' equity. The Company utilizes cash flow from operations and equity investment to support development and continued operations and to meet liabilities and commitments as they come due. Specifically, the Company has working capital excluding cash of $1,402,430 as at February 28, 2017.

The Company's objective for managing capital are: (i) to maintain a flexible capital structure which optimizes the cost/risk equation; and (ii) to manage capital in a manner which maximizes the interests of shareholders.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company's capital structure is managed in conjunction with the capital structure and financial needs of the day-to-day operations.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is appropriate. As at February 28, 2017, the Company is not subject to any externally imposed capital requirements.

The Company's principal capital needs are for funds to expand its market presence, design and develop propriety products, and general working capital requirements to support growth. Since formation of the Company, these capital needs have been funding internally-generated cash flows and the periodic use of credit facilities.

Related party transactions

The Company had an outstanding amount due to and from related parties that are non-interest bearing, unsecured, and receivable within the upcoming fiscal year. At February 28, 2017 related party balances were $212,788 due to related parties. There were $5,975 balances outstanding due from related parties.

Share-based compensation awarded to key management was $135,763 and $92,135 of cash based compensation excluding cash bonus payments during the period. Key management includes the Company's senior officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly.

Commitments

The Company has commitments under operating leases for its office space, earn-out payments to Haze and consulting commitments. The estimated amounts are as follows:

Commitments in C$

Year	Amount
2017	266,815
2018	184,141
2019	99,436
2020	99,436

Off-balance sheet arrangements

The Company does not have any off-balance sheet arrangements.

Seasonality

The Company does not consider its business to be seasonal with the exception for Black Friday and Cyber Monday sales.

Inflation and changing prices

Neither inflation nor changing prices for the three months ending February 28, 2107 had a material impact on operations of the Company.

Financial instruments

All financial assets and financial liabilities are initially recognized at fair value. The fair value of financial instruments are measured using inputs which are classified within a hierarchy that prioritizes their significance. The three levels of the fair value hierarchy are:

- Level One includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level Two includes inputs that are observable other than quoted prices included in Level One.
- Level Three includes inputs that are not based on observable market data.

The Company has designated the following classifications:

- Cash – Held-for-trading
- Accounts receivable – Loans and receivables
- Due from related parties – Loans and receivables
- Accounts payable and accrued liabilities – Other liabilities
- Due to shareholder – Other liabilities
- Loan payable – Other liabilities
- All are recognized as Level One measurements.

As at the end of the period under review, both the carrying and fair value amounts of all of the Company's financial instruments are approximately equivalent due to their short term nature.

Risk exposures as it relates to financial instruments:

- ***Credit risk***

  Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable, accounts receivable and due from related parties. The Company has no significant concentration of credit risk arising from operations. Cash consists of cash on hand deposited with reputable financial institutions which is closely monitored by management. Management believes credit risk with respect to accounts receivable and due from related parties is minimal. The Company's maximum exposure to credit risk is the carrying value of cash.

- ***Liquidity risk***

  Liquidity risk is the risk that the Company will encounter difficulty in satisfying its financial obligations. The Company manages its liquidity risk by forecasting its operations and anticipating its operating and investing activities.

During the period under review the Company had current assets of $2,521,599 excluding liquid assets compared to current liabilities of $1,119,169. All amounts are due within one year.

- ***Market risk***

  Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

- ***Interest rate risk***

  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 Company is not exposed to interest rate price risk.

- ***Foreign currency risk***

  The Company buys inventory and sells products in several countries. The Company is exposed to foreign currency risk from fluctuations in foreign exchange rates and the degree of volatility in these rates due to the timing of their accounts payable balances. This risk is mitigated by timely payment of creditors and monitoring of foreign exchange fluctuations by management. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

  Transactions in foreign currencies are translated to the respective functional currencies at the spot rate on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in income.

- ***Other price risk***

  Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or foreign currency risk. The Company is not exposed to significant other price risk.

Risk factors related to the Company's business

There are risks relating to the business carried on by the Company which prospective investors should carefully consider before deciding whether to purchase shares of the Company. The Company will face a number of challenges in the development of its business. Due to the nature of the Company's business and present stage of the business, the Company may be subject to significant risks. Readers should carefully consider all such risks.

The common shares of the Company should be considered highly speculative due to the nature of the Issuer's business and the present stage of its development. In evaluating the Company and an investment in its common shares, investors should carefully consider, in addition to the other information contained in this listing statement, the following risk factors. These risk factors are not a definitive list of all risk factors associated with an investment in the Issuer or in connection with the Issuer's operations.

- ***The success of the Company's new and existing products and services is uncertain.***

  The Company has committed, and expect to continue to commit, significant resources and capital to develop and market existing product and service enhancements and new products and services.

These products and services are relatively untested, and the Company cannot assure you that we will achieve market acceptance for these products and services, or other new products and services that we may offer in the future. Moreover, these and other new products and services may be subject to significant competition with offerings by new and existing competitors in the business of manufacturing and distributing vaporizers and accessories. In addition, new products, services and enhancements may pose a variety of technical challenges and require us to attract additional qualified employees. The failure to successfully develop and market these new products, services or enhancements or to hire qualified employees could seriously harm our business, financial condition and results of operations.

- ***The business is dependent upon continued market acceptance by consumers.***

  The Company is substantially dependent on continued market acceptance of our vaporizer products by consumers. Although we believe that the use of vaporizers is gaining international acceptance, the Company cannot predict the future growth rate and size of this market.

- ***Generating foreign sales will result in additional costs and expenses and may expose us to a variety of risks.***

  The Company sells products in a significant number of markets that require us to incur additional costs and expenses. Furthermore, our entry into foreign jurisdictions may expose the Company to various risks, which differ in each jurisdiction, and any of such risks may have a material adverse effect on our business, financial condition and results of operations. Such risks include the degree of competition, fluctuations in currency exchange rates, difficulty and costs relating to compliance with different commercial, legal, regulatory and tax regimes and political and economic instability.

- ***The Company may not be able to establish sustainable relationships with large wholesalers or manufacturers.***

  The Company believes the best way to develop brand and product recognition and increase sales volume is to establish relationships with large retailers and manufacturers. The Company currently have established relationships with several large wholesalers and manufacturers and in connection therewith we have agreed to carry and offer their products for sale. The Company may not be able to sustain these relationships or establish other relationships with wholesalers or manufacturers or, even if we do so, sustain such other relationships. The Company's inability to develop and sustain relationships with large wholesalers or manufacturers will impede the ability to develop brand and product recognition and increase sales volume, which will have a material adverse effect on our business, results of operations and financial condition.

- ***The Company may not be able to adapt to trends in our industry.***

  The Company may not be able to adapt as the vaporizer industry and customer demand evolves, whether attributable to regulatory constraints or requirements, a lack of financial resources or our failure to respond in a timely and/or effective manner to new technologies, customer preferences, changing market conditions or new developments in our industry. Any of the failures to adapt for the reasons cited herein or otherwise could make our products obsolete and would have a material adverse effect on our business, financial condition and results of operations.

- ***The Company relies on Chinese manufacturers to produce our products.***

  The Company's manufacturers are based in China. Certain Chinese factories and the products they export have recently been the source of safety concerns and recalls, which is generally attributed to lax regulatory, quality control and safety standards. Should Chinese factories continue to draw public criticism for exporting unsafe products, whether those products relate to the Company's products or not, the Company may be adversely affected by the stigma associated with Chinese production, which could have a material adverse effect on the business, results of operations and financial condition.

- ***The Company may be unable to promote and maintain brands.***

  The Company believes that establishing and maintaining the brand identities of products is a critical aspect of attracting and expanding a large customer base. Promotion and enhancement of brands will depend largely on success in continuing to provide high quality products. If customers and end users do not perceive the Company's products to be of high quality, or if the Company introduces new products or enters into new business ventures that are not favorably received by customers and end users, the Company will risk diluting brand identities and decreasing their attractiveness to existing and potential customers.

  Moreover, in order to attract and retain customers and to promote and maintain brand equity in response to competitive pressures, the Company may have to increase substantially financial commitment to creating and maintaining a distinct brand loyalty among customers. If the Company incurs significant expenses in an attempt to promote and maintain brands, the business, results of operations and financial condition could be adversely affected.

- ***The Company expects that new products and/or brands we develop will expose the Company to risks that may be difficult to identify until such products and/or brands are commercially available.***

  The Company is currently developing, and in the future will continue to develop, new products and brands, the risks of which will be difficult to ascertain until these products and/or brands are commercially available. For example, the Company is developing new formulations, packaging and distribution channels. Any negative events or results that may arise as the Company develops new products or brands may adversely affect the business, financial condition and results of operations.

- ***Internet security poses a risk to e-commerce sales.***

  At present, the Company generates a portion of sales through e-commerce sales on websites. The Company manages websites and an e-commerce platform internally and as a result any compromise of the security or misappropriation of proprietary information could have a material adverse effect on the business, financial condition and results of operations. The Company relies on encryption and authentication technology licensed from third parties to provide the security and authentication necessary to effect secure Internet transmission of confidential information, such as credit and other proprietary information. Advances in computer capabilities, new discoveries in the field of cryptography or other events or developments may result in a compromise or breach of the technology used by us to protect client transaction data. Anyone who is able to circumvent our security measures could misappropriate proprietary information or cause material interruptions in our operations. The Company may be required to expend significant capital and other resources to protect against security breaches or to minimize problems caused by security breaches. To the extent that the Company's activities or the activities of others involve the storage and transmission of proprietary information, security breaches could damage our reputation and expose us to a risk of loss and/or litigation. Our security measures may not prevent security breaches. Our failure to prevent these security breaches may result in consumer distrust and may adversely affect our business, results of operations and financial condition.

- ***The Company's results of operations could be adversely affected by currency exchange rates and currency devaluations.***

  The Company's functional currency is the U.S. dollar; substantially all purchases and sales are currently generated in U.S. dollars. Fluctuations in exchange rates between respective currencies could result in higher production and supply costs which would have a material adverse effect on our results of operations if the Company is not willing or able to pass those costs on to customers.

- ***If the Company is able to expand operations, the Company may be unable to successfully manage future growth.***

  If the Company is able to expand operations in the United States and in other countries where the Company believes products will be successful, as planned, the Company may experience periods of rapid growth, which will require additional resources. Any such growth could place increased strain on the management, operational, financial and other resources, and the Company will need to train, motivate, and manage employees, as well as attract management, sales, finance and accounting, international, technical, and other professionals. In addition, the Company will need to expand the scope of its infrastructure and physical resources. Any failure to expand these areas and implement appropriate procedures and controls in an efficient manner and at a pace consistent with business objectives could have a material adverse effect on the business and results of operations.

- ***If the Company experiences product recalls, the Company may incur significant and unexpected costs and the business reputation could be adversely affected.***

  The Company may be exposed to product recalls and adverse public relations if its products are alleged to cause illness or injury, or if the Company is alleged to have violated governmental regulations. A product recall could result in substantial and unexpected expenditures and harm to the Company's reputation, which could have a material adverse effect on the business, results of operations and financial condition. In addition, a product recall may require significant management time and attention and may adversely impact on the value of brands. Product recalls may lead to greater scrutiny by federal or state regulatory agencies and increased litigation, which could have a material adverse effect on the business, results of operations and financial condition.

- ***Product exchanges, returns and warranty claims may adversely affect the business.***

  If the Company is unable to maintain an acceptable degree of quality control of its products, the Company will incur costs associated with the exchange and return of the products as well as servicing its customers for warranty claims. Any of the foregoing on a significant scale may have a material adverse effect on the business, results of operations and financial condition.

- ***The business may expose the Company to product liability claims for damages resulting from the design or manufacture of its products. Product liability claims, whether or not, the Company is ultimately held liable for them, could have a material adverse effect on the business and results of operations.***

  The Company may be subject to product liability claims if any of the Company's products are alleged to be defective or cause harmful effects. Product liability claims or other claims related to our products, regardless of their outcome, could require us to spend significant time and money in litigation, divert management time and attention, require the Company to pay significant damages, harm our reputation or hinder acceptance of our products. Any successful product liability claim may prevent the Company from obtaining adequate product liability insurance in the future on commercially desirable or reasonable terms.

- ***The Company depends upon key personnel, the loss of which could seriously harm our business.***

  Operating performance is substantially dependent on the continued services of executive officers and key employees, Sean Dollinger, Chief Executive Officer, and Kory Philip van den Berg, Chief Financial Officer. The unexpected loss of the services of Mr. Dollinger, or Mr. van den Berg could have a material adverse effect on the business, operations, financial condition and operating results, as well as the value of common shares.

- ***The Company will require additional capital to finance operations in the future, but that capital may not be available when it is needed and could be dilutive to existing shareholders.***

  The Company will require additional capital for future operations. The Company plans to finance anticipated ongoing expenses and capital requirements with funds generated from the following sources:

  i. cash provided by operating activities;
  ii. available cash and cash investments; and
  iii. capital raised through debt and equity offerings.

  The ability to raise additional capital will depend on conditions in the capital markets, economic conditions and a number of other factors, many of which are outside the Company's control, and on the Company's financial performance. Accordingly, the Company cannot assure you that it will be able to successfully raise additional capital at all or on terms that are acceptable to the Company. If the Company cannot raise additional capital when needed, it may have a material adverse effect on its liquidity, financial condition, results of operations and prospects. Furthermore, if the Company raises capital by issuing shares, the holdings of existing shareholders will be diluted and the market price of common shares could decline.

  If the Company raises capital by issuing debt securities, such debt securities would rank senior to common share upon our bankruptcy or liquidation. If the Company raises capital by issuing equity securities, they may be senior to common shares for the purposes of dividend and liquidating distributions, which may adversely affect the market price of common shares. Finally, upon dissolution or liquidation, holders of debt securities and preferred shares and lenders with respect to other borrowings will receive a distribution of available assets prior to the holders of our common shares. Risks Related to Government Regulation

- ***Changes in laws, regulations and other requirements could adversely affect the business, results of operations or financial condition.***

  The business, results of operations or financial condition could be adversely affected by new or future legal requirements imposed by legislative or regulatory initiatives, including, but not limited to, those relating to health care, public health and welfare and environmental matters. At present, it is not clear if vaporizers, which omit no smoke or noxious odors, are subject to such restrictions. If vaporizers are subject to restrictions on smoking in public and other places, the business, operating results and financial condition could be materially and adversely affected. New legislation or regulations may result in increased costs directly for compliance or indirectly to the extent such requirements increase the prices of goods and services because of increased costs or reduced availability. The Company cannot predict whether such legislative or regulatory initiatives will result in significant changes to existing laws and regulations and/or whether any changes in such laws or regulations will have a material adverse effect on the business, results of operations or financial condition.

- ***Risks Related to the Company's Common Shares***

  The market price of the Company's common shares could be very extremely volatile and could be subject to further significant fluctuations due to changes in sentiment in the market regarding operations or business prospects, among other factors.

  Among the factors that could affect the share price are:

  i. actual or anticipated fluctuations in our quarterly financial and operating results and operating results that vary from the expectations of management or of securities analysts and investors

ii. failure to meet the expectations of the investment community and changes in investment community;
iii. recommendations or estimates of future operating results;
iv. announcements of strategic developments, acquisitions, dispositions, financings, product developments and other materials events by the Company or competitors;
v. regulatory and legislative developments;
vi. litigation;
vii. general market conditions;
viii. other domestic and international macroeconomic factors unrelated to the Company's performance; and
ix. additions or departures of key personnel.

- ***Sales by shareholders of a substantial number of common shares in the public market could adversely affect the market price of common shares.***

  A substantial portion of total outstanding common shares may be sold into the market. Such sales could cause the market price of common shares to drop, even if the business is doing well. Such sales may include sales by officers and directors of the Company. Furthermore, the market price of common shares could decline as a result of the perception that such sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for the Company to sell equity securities in the future at a time and price that the Company deems appropriate.

- ***The Company does not expect to pay any cash dividends in the foreseeable future.***

  The Company intends to retain future earnings, if any, in order to reinvest in the development and growth of the Company business and, therefore, do not intend to pay cash dividends on common shares for the foreseeable future. Any future determination to pay dividends will be at the discretion of our Board of Directors and will depend on financial condition, results of operations, capital requirements, and such other factors as the Board of Directors deems relevant. Accordingly, investors may need to sell their shares to realize a return on their investment, and they may not be able to sell such shares at or above the price paid for them.

- ***The Company can sell additional common shares without consulting shareholders and without offering common shares to existing shareholders, which would result in dilution of existing shareholders' interests and could depress the price.***

  The Articles of Incorporation authorize an unlimited number of common shares. Although the Board of Directors intends to utilize its reasonable business judgment to fulfill its fiduciary obligations to existing shareholders in connection with any future issuance of common shares, the future issuance of additional common shares or preferred shares convertible into common shares would cause immediate, and potentially substantial, dilution to existing shareholders, which could also have a material effect on the market value of the common shares.