

**Namaste Technologies Inc.  
Condensed Consolidated Interim  
Financial Statements**

*For the three and six months ended February 28, 2018  
Expressed in Canadian dollars  
(Unaudited)*

## **MANAGEMENT'S COMMENTS ON UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

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

**Namaste Technologies Inc.**  
**Condensed Consolidated Interim Statement of Financial Position**  
*As at February 28, 2018 and August 31, 2017*  
*(Expressed in Canadian dollars)*  
*(Unaudited)*

		<b>February 28, 2018</b>	<b>August 31, 2017</b>
<b>Assets</b>			
<b>Current</b>			
Cash		51,920,015	1,132,770
Receivables		770,618	303,230
Inventory		2,527,773	2,497,884
Prepays and deposits		1,346,825	603,849
Sales taxes receivable		394,409	170,822
Corporate taxes recoverable		5,516	15,009
Due from related parties	Note 7	18,203	81,612
<b>Total current assets</b>		<b>56,983,359</b>	<b>4,805,176</b>
<b>Long-term</b>			
Available for sale securities	Note 6	432,220	-
Property and equipment	Note 4	825,365	64,063
Intangibles	Note 5	5,790,406	6,227,711
Goodwill	Note 5	2,827,420	2,827,420
<b>Total long-term assets</b>		<b>9,875,411</b>	<b>9,119,194</b>
<b>Total assets</b>		<b>66,858,770</b>	<b>13,924,370</b>
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable and accrued liabilities		2,452,592	777,402
Loan payable	Note 11	314,214	94,981
Sales taxes payable		55,057	-
Corporate taxes payable		144,123	-
Earn-out payable		157,883	489,230
Due to related parties	Note 7	-	552
<b>Total current liabilities</b>		<b>3,123,869</b>	<b>1,362,165</b>
<b>Long-term</b>			
Loan payable	Note 11	-	284,943
Deferred tax liability		538,423	749,868
<b>Total long-term liabilities</b>		<b>538,423</b>	<b>1,034,811</b>
<b>Shareholders' equity</b>			
Share capital	Note 8	72,153,878	21,637,191
Deferred shares	Note 8	-	1,190,636
Warrants and option reserve	Note 8	12,876,211	6,354,364
Contributed surplus		3,923,639	1,798,564
Accumulated other comprehensive loss		(340,685)	(299,016)
Deficit		(25,416,565)	(19,154,345)
<b>Total shareholders' equity</b>		<b>63,196,479</b>	<b>11,527,394</b>
<b>Total shareholders' equity &amp; liabilities</b>		<b>66,858,770</b>	<b>13,924,370</b>

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

**Namaste Technologies Inc.**  
**Condensed Consolidated Interim Statements of Loss**  
For the three and six months ended February 28, 2018 and February 28, 2017  
(Expressed in Canadian dollars)  
(Unaudited)

	<i>For three months ended</i>		<i>For six months ended</i>	
	<i>February 28, 2018</i>	<i>February 28, 2017</i>	<i>February 28, 2018</i>	<i>February 28, 2017</i>
<b>Sales</b>	<b>5,633,830</b>	1,907,106	<b>10,564,940</b>	3,994,294
<b>Cost of goods sold</b>	<b>3,655,792</b>	1,080,502	<b>7,007,369</b>	2,484,674
<b>Gross profit</b>	<b>1,978,038</b>	826,604	<b>3,557,571</b>	1,509,620
Selling expenses	<b>1,723,398</b>	604,106	<b>2,816,578</b>	1,139,941
Administration expenses	<b>3,471,249</b>	1,777,789	<b>6,773,654</b>	2,802,392
Other expenses	<b>269,671</b>	(1,914)	<b>512,478</b>	17,738
<b>Total operating expenses</b>	<b>5,464,318</b>	2,379,981	<b>10,102,710</b>	3,960,071
Gain on disposal of Dollinger Enterprises US Inc. Note 10	<b>286,305</b>	-	<b>286,305</b>	-
<b>Loss before income taxes</b>	<b>(3,199,975)</b>	(1,553,377)	<b>(6,258,834)</b>	(2,450,451)
<b>Income tax expense (benefit)</b>				
Current	<b>29,013</b>	-	<b>144,123</b>	-
Deferred	<b>(70,369)</b>	-	<b>(140,737)</b>	-
<b>Net losses</b>	<b>(3,158,619)</b>	<b>(1,553,377)</b>	<b>(6,262,220)</b>	<b>(2,450,451)</b>
Net income (loss) per share, basic and diluted:	<b>\$(0.01)</b>	\$(0.01)	<b>\$(0.03)</b>	\$(0.02)
Weighted average number of outstanding common shares, basic and diluted:	<b>246,062,232</b>	114,351,143	<b>222,604,191</b>	103,959,921

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

**Namaste Technologies Inc.**  
**Condensed Consolidated Interim Statements of Comprehensive Loss**

*For the three and six months ended February 28, 2018 and February 28, 2017*

*(Expressed in Canadian dollars)*

*(Unaudited)*

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	<i>For three months ended</i>		<i>For six months ended</i>	
	<i>February 28, 2018</i>	<i>February 28, 2017</i>	<i>February 28, 2018</i>	<i>February 28, 2017</i>
<b>Net loss</b>	<b>(3,158,619)</b>	(1,553,377)	<b>(6,262,220)</b>	(2,450,451)
Unrealized gain on available for sale securities	<b>200,000</b>	-	<b>200,000</b>	-
Cumulative translation adjustment	<b>(273,152)</b>	3,264	<b>(241,669)</b>	13,375
<b>Net comprehensive loss for the year</b>	<b>(3,231,771)</b>	(1,550,113)	<b>(6,303,889)</b>	(2,437,076)

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**Namaste Technologies Inc.**  
**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity**

*For the three and six months ended February 28, 2018 and February 28, 2017*

*(Expressed in Canadian dollars)*

*(Unaudited)*

**Statement of change in equity - Six months to February 28, 2017**

	<b>Common shares</b>	<b>Common shares \$</b>	<b>Deferred shares \$</b>	<b>Options and warrants \$</b>	<b>Accumulated OCI \$</b>	<b>Contributed surplus \$</b>	<b>Deficit \$</b>	<b>Total \$</b>
Shareholder's equity – August 31, 2016 - restated	<b>67,852,297</b>	<b>1,929,133</b>	<b>595,831</b>	<b>872,317</b>	<b>(163,672)</b>	<b>250,061</b>	<b>(1,797,081)</b>	<b>1,686,589</b>
Share issuance	27,937,592	2,738,439	-	-	-	-	-	2,738,439
Share issuance costs	-	(194,419)	-	-	-	-	-	(194,419)
Convertible note	2,804,443	400,000	-	-	-	-	-	400,000
Shares issued on business acquisition	13,771,933	1,652,632	-	-	-	-	-	1,652,632
Shares issues on exercise of options and warrants	3,538,465	-	-	801,996	-	-	-	801,996
Deferred shares issued on business acquisition	-	-	413,063	-	-	-	-	413,063
Share-based compensation	-	-	-	1,227,327	-	2,991	-	1,230,318
Net loss	-	-	-	-	-	-	(2,450,449)	(2,450,449)
Other comprehensive income	-	-	-	-	13,375	-	-	13,375
<b>Shareholders equity - February 28, 2017</b>	<b>115,904,730</b>	<b>6,525,785</b>	<b>1,008,894</b>	<b>2,901,640</b>	<b>(150,297)</b>	<b>253,052</b>	<b>(4,247,530)</b>	<b>6,291,544</b>

**Namaste Technologies Inc.**  
**Condensed Consolidated Interim Statements of Changes in Shareholders' Equity**

*For the three and six months ended February 28, 2018 and February 28, 2017*

*(Expressed in Canadian dollars)*

*(Unaudited)*

**Statement of change in equity - Six months to February 28, 2018**

	<b>Common shares</b>	<b>Common shares \$</b>	<b>Deferred shares \$</b>	<b>Options and warrants \$</b>	<b>Accumulated OCI \$</b>	<b>Contributed surplus \$</b>	<b>Deficit \$</b>	<b>Total \$</b>
<b>Shareholders equity August 31, 2017</b>	185,715,916	21,637,191	1,190,636	6,354,364	(299,016)	1,798,564	(19,154,345)	<b>11,527,394</b>
Share issuance	30,193,900	29,593,626	-	14,260,119	-	-	-	<b>43,853,745</b>
Share issuance costs	-	(5,436,676)	-	1,699,318	-	-	-	<b>(3,737,358)</b>
Shares issued on exercise of options and warrants	44,497,150	21,420,977	-	(8,684,148)	-	-	-	<b>12,736,829</b>
Shares issued on exercise of broker warrants	3,547,986	1,608,521	-	(765,145)	-	-	-	<b>843,376</b>
Share-based compensation	2,537,456	1,826,968	-	-	-	2,125,075	-	<b>3,952,043</b>
Shares issued for services	516,882	312,635	-	11,703	-	-	-	<b>324,338</b>
Shares issued for earn-out	5,067,406	1,190,636	(1,190,636)	-	-	-	-	
Net loss	-	-	-	-	-	-	(6,262,220)	<b>(6,262,220)</b>
Other comprehensive income	-	-	-	-	(41,669)	-	-	<b>(41,669)</b>
<b>Shareholders equity February 28, 2018</b>	<b>272,076,696</b>	<b>72,153,878</b>	<b>-</b>	<b>12,876,211</b>	<b>(340,685)</b>	<b>3,923,639</b>	<b>(25,416,565)</b>	<b>63,196,479</b>

**Namaste Technologies Inc.**  
**Condensed Consolidated Interim Statements of Cash Flow**  
For the three months and six months ended February 28, 2018 and February 28, 2017  
(Expressed in Canadian dollars)  
(Unaudited)

	<i>For three months ended</i>		<i>For six months ended</i>	
	<i>February 28, 2018</i>	<i>February 28, 2017</i>	<i>February 28, 2018</i>	<i>February 28, 2017</i>
<b>Cash provided by (used for) the following activities</b>				
Net loss	(3,158,619)	(1,553,377)	(6,262,220)	(2,450,451)
<b>Adjustments for:</b>				
Share based compensation	1,864,100	573,846	3,952,043	625,610
Shares issued for services	-	-	324,338	-
Depreciation	13,827	-	30,376	-
Deferred tax liability	(143,248)	-	(211,445)	-
Amortization of intangible assets	234,561	-	469,122	-
Gain on disposal of Dollinger Enterprises US Inc.	(286,305)	-	(286,305)	-
Foreign exchange loss	13,987	-	45,470	-
Cashflow used in operating activities before changes in working capital	(1,461,697)	(979,531)	(1,938,621)	(1,824,841)
Changes in non-cash working capital <span style="float: right;">Note 14</span>	731,918	171,934	434,139	(990,898)
<b>Cash flows used in operating activities</b>	<b>(729,779)</b>	<b>(807,597)</b>	<b>(1,504,482)</b>	<b>(2,815,739)</b>
<b>Cash flows from financing activities:</b>				
Change in related party balances	67,911	321,558	62,857	133,895
Proceeds from issuance of share	40,251,495	716,387	43,853,745	4,751,246
Share issuance costs	(3,504,258)	-	(3,737,358)	-
Investment in available for sale securities	(200,000)	-	(232,220)	-
Movement in deferred shares	(1,911,576)	-	-	-
Long-term debt payment	-	(1,453,680)	(90,958)	(893,369)
Earn-out liability	(145,427)	-	(331,347)	-
Proceeds from exercise of warrants and options	9,908,908	-	13,580,205	1,296,974
	<b>44,467,052</b>	<b>(415,735)</b>	<b>53,104,923</b>	<b>5,288,746</b>
<b>Cash flows from investing activities:</b>				
Increase in intangibles	(4,478)	-	(31,818)	-
Addition to property and equipment	(631,249)	-	(781,378)	-
Deposit on sale	(128,880)	-	-	-
Investment	-	1,183,353	-	(2,115,781)
	<b>(764,607)</b>	<b>1,183,353</b>	<b>(813,196)</b>	<b>(2,115,781)</b>
Unrealized foreign exchange gain (loss) on cash	(5,992)	-	-	-
<b>Increase in cash resources</b>	<b>42,972,666</b>	<b>(39,979)</b>	<b>50,787,245</b>	<b>357,226</b>
<b>Cash resources, beginning of the period</b>	<b>8,953,341</b>	<b>510,870</b>	<b>1,132,770</b>	<b>113,665</b>
<b>Cash resources, end of the period</b>	<b>51,920,015</b>	<b>470,891</b>	<b>51,920,015</b>	<b>470,891</b>



**Namaste Technologies Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**

*For the three and six months ended February 28, 2018 and February 28, 2017*

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**1. Nature of operations and background information**

Namaste Technologies Inc. (“Namaste” or the “Company”) is an e-commerce business that distributes vaporizers and accessories for aromatherapy purposes. Namaste is an entity formed under the British Columbia Business Corporations Act. The Company is a reporting issuer in British Columbia, Alberta and Ontario, listed (since February 19, 2014) on the Canadian Securities Exchange (“CSE”) under the trading symbol “N”.

Namaste is the largest online retailer for medical cannabis delivery systems globally. Namaste retails vaporizers and smoking accessories through e-commerce sites in 20 countries with distribution hubs located around the world. Namaste has majority market share in Europe and Australia, with operations in the United Kingdom, Canada and Germany and has opened new supply channels into emerging markets, which include Brazil, Mexico and Chile. Namaste, through its acquisition of CannMart Inc., a Canadian-based late-stage applicant for a medical cannabis “sales-only” license under Canada’s *Access to Cannabis for Medical Purposes Regulations* (“ACMPR”), is pursuing a new revenue vertical in the online retail of medical cannabis in the Canadian market. Namaste intends to leverage its existing database of Canadian medical cannabis consumers along with its technology and expertise in e-commerce to create an online marketplace for medical cannabis patients, offering a larger variety of product and a better user experience.

The Company’s head office is located at Suite 2300, Bentall 5, 550 Burrard Street, Vancouver, British Columbia, V6C 2B5, Canada.

These condensed consolidated interim financial statements have been prepared on a going concern which assumes that the Company will be able to continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The ability of the Company to continue as a going concern is dependent on generating profitable operations, raising additional financing, and developing its products and services.

As at February 28, 2018, the Company has a deficit of \$25,216,565 (August 31, 2017 - \$19,154,345), a working capital surplus of \$53,859,490 (August 31, 2017 - \$3,443,011) and is not yet generating positive cash flows from operations. The accumulated deficit increased in the second quarter of 2018 primarily due to non-cash charges that were incurred during the period. These non-cash charges include share-based compensation of \$3,952,043, share-based payments issued for services of \$324,338, and amortization of intangible asset of \$469,122.

Historically, management has been successful in obtaining sufficient funding for operating and capital requirements. As at February 28, 2018, the company raised \$13,581,177 from the exercising of warrants and options. In addition to this, the company closed a bought deal financing for gross proceeds of \$40,251,495. Furthermore, due to the Company’s strong growth, sales have increased in line with expectations as more traffic is driven through our online sales platforms. Management has entered a new market for the distribution of cannabis products which it anticipates will present high growth opportunities. There is, however, no assurance that the Company will be able to generate profits from operations or that additional future funding will be available to the Company, or that such funding will be available on terms which are acceptable to the management of the Company.

**Namaste Technologies Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**

*For the three and six months ended February 28, 2018 and February 28, 2017*

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These condensed consolidated interim financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported amounts of expenses and balance sheet classifications that would be necessary if the going concern assumption was not appropriate and such adjustments could be material.

**2. Basis of preparation**

2.1. Statement of compliance

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting. In the opinion of management, they include all adjustments necessary for fair presentation. Certain disclosures included in the notes to the annual financial statements have been condensed in the following note disclosures or have been disclosed on an annual basis only. Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the audited consolidated annual financial statements as at and for the year ended August 31, 2017, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee (“IFRIC”).

These unaudited condensed consolidated interim financial statements were approved and authorized by the Board of Directors of the Company on April 29, 2018.

2.2. Basis of presentation

The principal accounting policies adopted in the preparation of the condensed consolidated interim financial statements are set out below. The condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company’s presentation currency.

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

**Functional currencies**

	<b>Currency</b>
Namaste Technologies Inc.	Canadian
Namaste Technologies Holdings Inc.	Canadian
Namaste Bahamas Inc.	United States
Australian Vaporizers Pty Ltd.	Australian
CannMart Inc.	Canadian
NamasteMD Inc.	Canadian

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The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies in Note 3.

2.3. Use of management estimates, judgments and measurement uncertainty

The preparation of these condensed consolidated interim financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date

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**Namaste Technologies Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**

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of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as at the date of the condensed consolidated financial statements. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenues, and expenses. Management uses various factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes differ from these estimates under different assumptions and conditions.

The critical judgements and significant estimates in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated financial statements are outlined in Note 2 of the August 31, 2017 consolidated annual financial statements. There have been no significant changes in the Company's judgements and estimates applied during the interim period ended February 28, 2018 relative to those described in the most recent consolidated annual financial statements as at and for the year ended August 31, 2017.

### **3. Summary of significant accounting policies**

Except as described below, there have been no material change to the Company's significant accounting policies during the three and six months ended February 28, 2018, as compared to the significant accounting policies described in the Company's annual consolidated financial statements for the year ended August 31, 2017.

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

#### Update on Accounting Standards Issued but not yet Effective

The IASB has issued accounting standards that are not yet effective, including: IFRS 9 Financial Instruments (effective September 1, 2018), IFRS 15 Revenue from Contracts with Customers (effective September 1, 2018), IFRS 16 Leases (effective September 1, 2019), IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective September 1, 2018), and IFRIC 23 Uncertainty over income tax treatment (effective September 1, 2019). Details are outlined in Note 2 of the August 31, 2017 consolidated annual financial statements. There have been no significant changes as of the date of these condensed consolidated interim financial statements and the evaluation of all potential measurement and disclosure impacts is ongoing.

IFRS 15 Revenue from Contracts with Customers will be adopted by the Company effective September 1, 2018, and will replace IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations. IFRS 15 provides clarification on how and when an entity will recognize revenue and provides a single, principles-based, five-step model that will be applied to all contracts with customers. The Company will perform an initial assessment of IFRS 15 and determine whether to adopt the full retrospective or the modified retrospective approach. Under the full retrospective approach comparative figures are restated. Under the modified retrospective approach, comparative figures are not restated and the cumulative effect of initially applying the standard (if any) would be recognized at the date of adoption. The Company will be required to disclose additional information regarding the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, including a disaggregation of revenue by good or service. As of the date of these interim financial statements adoption is being evaluated. This may change as new publications or interpretations of the new standard become available.

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**4. Property and equipment**

	Leasehold improvements	Computer equipment	Equipment and furniture	Total
Balance as at August 31, 2017	58,836	11,887	112,237	182,960
Additions	596,069	100,851	84,457	781,378
Reclassification	(69,662)	-	69,662	-
Translation adjustment	6,777	1,262	2,261	10,300
<b>Balance as at February 28, 2018</b>	<b>592,020</b>	<b>114,000</b>	<b>268,617</b>	<b>974,638</b>
Balance August 31, 2017	42,137	7,872	68,888	118,897
Reclassification	(6,966)	-	6,966	-
Depreciation	5,880	4,135	20,361	30,376
<b>Balance as at February 28, 2018</b>	<b>41,051</b>	<b>12,007</b>	<b>96,215</b>	<b>149,273</b>
Net book value August 31, 2017	16,699	4,015	43,349	64,063
<b>Net book value February 28, 2018</b>	<b>550,969</b>	<b>101,993</b>	<b>172,402</b>	<b>825,365</b>

**5. Intangible assets and goodwill**

**Intangible assets**

	License	Customer list	Brand names	Total
Cost:				
Balance as at August 31, 2017	3,516,310	2,810,117	331,313	6,657,740
Additions	31,818	-	-	31,818
<b>Balance as at February 28, 2018</b>	<b>3,548,128</b>	<b>2,810,117</b>	<b>331,313</b>	<b>6,689,558</b>
Accumulated amortization:				
Balance as at August 31, 2017	-	(430,029)	-	(430,029)
Amortization	-	(469,123)	-	(469,123)
<b>Balance as at February 28, 2018</b>	<b>-</b>	<b>(899,152)</b>	<b>-</b>	<b>(899,152)</b>
Net book value August 31, 2017	3,516,310	2,380,088	331,313	6,227,711
<b>Net book value February 28, 2018</b>	<b>3,548,128</b>	<b>1,910,965</b>	<b>331,313</b>	<b>5,790,406</b>

**Namaste Technologies Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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**Goodwill**

The value of goodwill on the balance sheet is allocated to the operating segment, Australian Vaporizers. During the three and six month period ended February 28, 2018, there was no change in the value of goodwill.

**6. Available for sale securities**

On November 29, 2017, the Company invested \$32,220 in shares of Lovelabs.com (also known as Authenticating). The investment is classified as an available-for-sale financial asset and is not re-measured at period end as it is an unquoted equity instrument and fair value cannot be assessed reasonably.

On January 15 2018, the Company invested \$200,000 in Atlas Biotechnologies Inc ("Atlas"). The investment is classified as an available-for-sale financial asset measured at fair value. The fair value of the Atlas investment at the reporting period is \$400,000. The unrealized gain on available for securities is recognized in other comprehensive loss. The increase in fair value was determined using the unit price of Atlas' most recent financing transaction.

**7. Due from (to) related parties**

	<i>February 28, 2018</i>	<i>August 31, 2017</i>
Due from shareholders	1,055	64,730
Due from other related parties	17,148	16,882
<b>Total due from related parties</b>	<b>18,203</b>	<b>81,612</b>
Due to other related parties	-	(552)
<b>Total due to related parties</b>	<b>-</b>	<b>(552)</b>
<b>Total due from related parties</b>	<b>18,203</b>	<b>81,060</b>

**8. Share capital**

8.1. Authorized share capital

The Company has authorized for issuance an unlimited number of common shares with no par value. As at February 28, 2018, the Company had 272,076,696 common shares issued and outstanding.

8.2. Issuance of shares

On October 31, 2017 Namaste completed a non-brokered private placement issuing a total of 14,409,000 Units of the Company at a price per Unit of \$0.25, for total gross proceeds of \$3,602,250. Each Unit consists of one common share of the Company (a "Share") and one 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. The fair value of the warrants was calculated at \$1,707,028 based on the Black Scholes model. In the event that the closing price of the Company's Shares on the Canadian Securities Exchange is greater than \$0.70 per Share for a period of 10 consecutive

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trading days at any time after the closing of the Offering, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Company. The securities issued pursuant to the Offering are subject to a four month plus one-day hold period in Canada expiring on March 1, 2018.

On February 27, 2018 Namaste completed a non-brokered private placement issuing a total of 15,784,900 Units of the Company at a price per Unit of \$2.55, for total gross proceeds of \$40,251,495. Each Unit consists of one common share of the Company (a "Share") and one common share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to acquire one Share at a price of \$3.15 for a period of 24 months following the closing. The fair value of the warrants was calculated at \$12,550,198 based on the Black Scholes model. In the event that the closing price of the Company's Shares on the Canadian Securities Exchange is greater than \$6.00 per Share for a period of 10 consecutive trading days at any time after the closing of the Offering, the Company may accelerate the expiry date of the Warrants by giving notice to the holders thereof and in such case the Warrants will expire on the 30th day after the date on which such notice is given by the Company.

For the three months ended February 28, 2018 the Company issued 34,713,073 common shares on exercise of various warrants and options for total gross proceeds of \$14,971,190.

For the six months ended February 28, 2018, the Company issued 3,054,338 shares for services received during the period valued at \$2,139,603 based on the market price of the shares on the date of issuance.

8.3. Share purchase warrants

18,319,314 warrants were granted during the period under review. During the period, 29,691,534 warrants were exercised with an average exercise price of \$0.29. The weighted average fair value of each warrant granted is \$2.71 and the fair value of each warrant exercised is \$0.19 using the Black-Scholes Option Pricing Model.

The following is a summary of the changes in the Company's share purchase warrants for the three months ended February 28, 2018 and February 28, 2017.

**Share purchase warrants**

	<i>February 28, 2018</i>		<i>February 28, 2017</i>	
	<b>Number of warrants</b>	<b>Weighted average exercise price</b>	<b>Number of warrants</b>	<b>Weighted average exercise price</b>
Outstanding beginning of period	42,571,232	\$ 0.19	25,148,763	\$ 0.17
Granted	18,319,314	\$ 2.68	-	\$ -
Exercised	(29,691,534)	\$ 0.29	(2,538,466)	\$ 0.18
Forfeited	-	\$ -	-	\$ -
<b>Outstanding end of period</b>	<b>31,199,011</b>	<b>\$ 1.57</b>	<b>22,610,297</b>	<b>\$ 0.17</b>

The assumptions used for the calculation of the fair value of the warrants are as follows:

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**Black-Scholes assumptions for warrants**

	<i>For three months ended</i>	
	<i>February 28, 2018</i>	<i>February 28, 2017</i>
Risk free rate	0.55% - 0.82%	0.55% - 0.60%
Expected life	2 years	2 years
Expected volatility	125%	125%
Expected dividend per share	Nil	Nil

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

8.4. Stock options

The Company has established a stock option plan for directors, employees, and consultants. Under the Company's stock option plan, the exercise price of each option is determined by the Board, subject to the Discounted Market Price policies of the CSE. The aggregate number of common shares issuable pursuant to options granted under the plan is 17,939,640 common shares, being less than 10% of the Company's issued common shares under the plan. The board of directors has the exclusive power over the granting of options and their vesting and cancellation provisions.

The following is a summary of the changes in the Company's stock option plan:

<b>Options outstanding</b>	<i>February 28, 2018</i>		<i>February 28, 2017</i>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
Outstanding, beginning of period	17,939,640	\$ 0.20	9,430,000	\$ 0.20
Granted	2,440,000	\$ 3.07	-	\$ -
Exercised	(5,021,538)	\$ 0.27	(1,000,000)	\$ 0.16
Forfeited	-	\$ -	-	-
<b>Outstanding, end of period</b>	<b>15,358,102</b>	<b>\$ 0.63</b>	<b>8,430,000</b>	<b>\$ 0.20</b>

2,440,000 options with an average exercise price of \$3.07 were granted to employees and consultants during the three months ended February 28, 2018 and the weighted average fair value of options granted is \$0.27 using the Black-Scholes Option Pricing Model. The Company recognized share-based compensation expense of \$1,864,100, during the period for the value of stock options earned. The weighted average fair value of each option that vested during the period under review is \$0.27.

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The following table summarizes information regarding stock options outstanding by exercise price as at February 28, 2018:

<b>Options outstanding by exercise price</b>			
	Number of options outstanding	Weighted- average remaining contractual life (years)	Weighted average exercise price
\$0.01 - \$0.19	922,500	0.63	\$ 0.03
\$0.20 - \$0.39	8,320,962	2.70	\$ 0.19
\$0.40 - \$4.00	6,114,640	4.67	\$ 2.02
<b>Total options outstanding</b>	<b>15,358,102</b>	<b>2.53</b>	<b>\$ 0.51</b>

The following table summarizes information regarding stock options outstanding and exercisable as at February 28, 2018:

<b>Options exercisable</b>			
	Number of options outstanding	Weighted- average remaining contractual life (years)	Weighted average exercise price
\$0.01 - \$0.19	922,500	3.02	\$ 0.15
\$0.20 - \$0.39	3,129,736	3.87	\$ 0.30
\$0.40 - \$4.00	62,500	4.73	\$ 0.40
<b>Total options exercisable</b>	<b>4,114,736</b>	<b>3.62</b>	<b>\$ 0.27</b>

The assumptions used for the calculation of the fair value of the options are as follows:

**Black-Scholes assumptions for options**

	<i>For the six months ended</i>	
	<i>February 28,</i>	<i>February 28,</i>
	<i>2018</i>	<i>2017</i>
Risk free rate	0.55% - 1.78%	0.99% - 1.11%
Expected life	5 years	5 years
Expected volatility	125%	125%
Expected dividend per share	Nil	Nil



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

**9. Capital structure**

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	<i>February 28, 2018</i>	<i>August 31, 2017</i>
Shareholders' equity	<b>63,196,479</b>	<b>11,527,394</b>

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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 considers capital as the total equity disclosed on the statement of financial position.

Management does not establish quantitative return on capital criteria, however 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, 2018, the Company was not subject to any externally imposed capital requirements.

**10. Gain on disposal of Dollinger Enterprises US Inc**

On December 31, 2017, the Company closed the sales of Dollinger Enterprises US Inc. to ESC Hughes Holding Limited ("the buyer"), an arm's length party. The Company received proceeds of \$100,000 USD, with the balance of \$25,000 USD in installments to be received from the buyer until fully paid. The Company recorded total gain on sales of \$286,305.

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**11. Loan payable**

The loan from NNKS Pension Trust to URT1 acquired by the Company has been agreed to be paid back during the third of the fiscal year. The loan carries an annual interest rate of 4% and is secured by a floating charge over the inventory held by the borrower in the United Kingdom.

	<i>February 28, 2018</i>	<i>August 31, 2017</i>
Loan payable	-	284,943
Current portion of loan payable	<b>314,214</b>	94,981
<b>Carrying value</b>	<b>314,214</b>	379,924

**12. Financial instruments**

12.1. Fair value of financial instruments

Financial instruments that are measured at fair value use 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; and
- Level Three includes inputs that are not based on observable market data.

The Company has designated its investments as available-for-sale financial assets, and its accounts receivable as loans and receivables. Accounts payable and accrued liabilities, due to related party, earn-out and loans payable have been designated as other financial liabilities.

As at February 28, 2018, both the carrying and fair value amounts of all the Company's financial instruments are approximately equivalent. The carrying and fair value amounts of the Company's loans payable are equivalent due to the nature of the loans.

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

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 to cash, due from related parties and accounts receivable. 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 financial instruments included in cash, accounts receivable and due from related parties is minimal. The Company's maximum exposure to credit risk as at February 28, 2018 is the carrying value of cash held in merchant accounts and accounts receivable.

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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. All amounts in current liabilities are due within one year.

**Financial liabilities - February 28, 2018**

	Carrying value	1 - 30 days	30 - 60 days	60 - 90 days	> 90 days
Accounts payable and accrued liabilities	2,452,592	1,992,008	194,089	48,198	189,242
Loan payable	314,214	-	314,214	-	-
Earn-outs payable	157,883	-	157,883	-	-
	2,924,689	1,992,008	666,186	48,198	189,242

**Financial liabilities - August 31, 2017**

	Carrying value	1 - 30 days	30 - 60 days	60 - 90 days	> 90 days
Accounts payable and accrued liabilities	777,402	530,047	205,432	38,745	3,178
Loan payable	379,924	-	94,981	-	284,943
Earn-outs payable	489,230	-	-	-	489,230
	1,646,556	530,047	300,413	38,745	777,351

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.

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

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exposed to significant other price risk.

**13. Operating Segments**

13.1. Segmented information

The operating segments of the Company are known as Namaste-other, Australia Vaporizers and CannMart. In determining the operating segments, management considered the product mix as well as the geographical segments that the business units sell under. The Australian Vaporizers segment is a self-sustaining entity that handles its own fulfillment and sale of products in Australia. CannMart is the Company's entrance into the medicinal and recreational cannabis market in Canada. As such, the business operating metrics and customer base is different from the rest of the Company. Namaste-other is the Company's global e-commerce business that sells similar products in various geographic areas. Namaste-other operates from a central capacity in order to fulfill orders, sell their products and make decisions. The chief operating decision maker monitors these three segments separately throughout the year.

**Revenue by segment**

	<i>For three months ended</i>		<i>For six months ended</i>	
	<i>February 28, 2018</i>	<i>February 28, 2017</i>	<i>February 28, 2018</i>	<i>February 28, 2017</i>
Namaste-other				
Net segment revenue	<b>4,397,952</b>	1,907,106	<b>8,049,340</b>	3,994,294
Intersegment revenue	<b>(35,285)</b>	-	<b>(35,285)</b>	-
External revenue	<b>4,362,667</b>	1,907,106	<b>8,014,055</b>	3,994,294
Australia				
Net segment revenue	<b>1,106,995</b>	-	<b>2,386,717</b>	-
Intersegment revenue	-	-	-	-
External revenue	<b>1,106,995</b>	-	<b>2,386,717</b>	-
CannMart				
Net segment revenue	<b>164,168</b>	-	<b>164,168</b>	-
Intersegment revenue	-	-	-	-
External revenue	<b>164,168</b>	-	<b>164,168</b>	-
<b>Total revenue by segment</b>	<b>5,633,830</b>	1,907,106	<b>10,564,940</b>	3,994,294

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**Net loss by segment**

	<i>For three months ended</i>		<i>For six months ended</i>	
	<i>February 28, 2018</i>	<i>February 28, 2017</i>	<i>February 28, 2018</i>	<i>February 28, 2017</i>
Namaste-other	(3,134,070)	(1,553,377)	(6,389,673)	(2,450,451)
Australia	204,808	-	480,410	-
CannMart	(229,357)	-	(352,957)	-
<b>Total net loss by segment</b>	<b>(3,158,619)</b>	<b>(1,553,377)</b>	<b>(6,262,220)</b>	<b>(2,450,451)</b>

**Non-current assets by segment**

	<i>February 28, 2018</i>	<i>August 31, 2017</i>
Namaste-other	55,440,227	64,063
Australia	1,107,993	5,538,821
CannMart	435,139	3,516,310
<b>Total non-current assets by segment</b>	<b>56,983,359</b>	<b>9,119,194</b>

13.2. Geographical information

The company markets its products globally. Sales are attributed to countries based on the location of customers. Current and non-current assets other than financial instruments and deferred taxes are attributed to countries where assets are based.

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Revenues by country	<i>For three months ended</i>		<i>For six months ended</i>	
	February 28, 2018	February 28, 2017	February 28, 2018	February 28, 2017
United Kingdom	1,346,193	737,946	2,580,176	1,285,227
Australia	1,234,429	91,371	2,650,200	170,255
United States of America	1,140,217	525,518	1,817,769	1,437,529
Brazil	380,879	100,591	735,323	202,514
Canada	678,815	78,985	1,034,447	159,223
Germany	287,878	32,660	550,488	56,097
New Zealand	71,714	75,149	176,198	209,317
Ireland	36,902	51,759	98,722	87,264
Israel	94,160	26,367	157,004	48,603
Other	362,643	186,760	764,614	338,265
<b>Total</b>	<b>5,633,830</b>	<b>1,907,106</b>	<b>10,564,940</b>	<b>3,994,294</b>

13.3. Customer information

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

14. Additional disclosure for statement of cash-flow

Changes in non-cash working capital	<i>For three months ended</i>		<i>For six months ended</i>	
	February 28, 2018	February 28, 2017	February 28, 2018	February 28, 2017
Receivables	(224,671)	(198,515)	(467,388)	(98,261)
Inventory	298,316	87,676	(29,889)	(358)
Prepays and deposits	(349,644)	(205,949)	(742,974)	(203,569)
Sales taxes receivable	(93,769)	-	(168,530)	-
Corporate tax payable	132,326	-	153,616	-
Accounts payable and accrued liabilities	1,005,303	-	1,689,304	-
Sales taxes payable	(35,944)	-	-	-

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**15. Commitments**

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	<b>Amount due</b>
2018	454,572
2019	152,946
2020	101,478
2021	104,523
2022	107,659

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