

Namaste Technologies Inc.
Condensed Consolidated Interim
Financial Statements

For the three months ended November 30, 2017
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.

Consolidated Statement of Financial Position

As at November 30, 2017 and August 31, 2017

(Expressed in Canadian dollars)

(Unaudited)

	<i>November 30, 2017</i>	<i>August 31, 2017</i>
Assets		
Current		
Cash	7,041,765	1,132,770
Receivables	545,947	303,230
Inventory	2,826,089	2,497,884
Prepays and deposits	997,180	603,849
Property and equipment	Note 4 124,652	64,063
Tax receivable	354,412	170,822
Corporate taxes receivable	-	15,009
Due from related parties	Note 7 87,450	81,612
Total current assets	11,977,495	4,869,239
Long-term		
Available for sale securities	Note 6 32,220	
Intangibles	Note 5 6,020,490	6,227,711
Goodwill	Note 5 2,827,420	2,827,420
Total long-term assets	8,880,130	9,055,131
Total assets	20,857,625	13,924,370
Liabilities		
Current		
Accounts payable and accrued liabilities	1,383,820	777,402
Loan payable	Note 11 94,981	94,981
Earn-outs payable	304,847	489,230
Corporate taxes payable	Note 16 214,523	-
Advance on disposal of asset	Note 10 128,880	-
Due to related parties	Note 7 1,336	552
Total current liabilities	2,128,387	1,362,165
Long-term		
Loan payable	Note 11 216,100	284,943
Deferred tax liability	Note 16 680,379	749,868
Total long-term liabilities	896,479	1,034,811
Shareholders' equity		
Share capital	Note 8 31,585,647	21,637,191
Deferred share issuance	1,190,636	1,190,636
Warrant and option reserve	Note 8 5,597,660	6,354,364
Contributed surplus	2,059,539	1,798,564
Accumulated other comprehensive income	(308,878)	(299,016)
Retained earnings deficit	(22,291,846)	(19,154,345)
Total shareholders' equity	17,832,759	11,527,394
Total shareholders' equity & liabilities	20,857,625	13,924,370

Namaste Technologies Inc.
Consolidated Statements of Loss

For the three months ended November 30, 2017 and November 30, 2016
(Expressed in Canadian dollars)
(Unaudited)

		November 30, 2017	November 30, 2016
Sales		4,931,110	2,087,188
Cost of goods sold		3,351,577	1,500,348
Gross profit		1,579,532	586,840
Operating expenses			
Selling expenses	Note 15	1,093,180	535,834
Administration expenses	Note 15	3,302,405	915,793
Other expenses	Note 15	276,707	32,285
		4,672,291	1,483,912
Loss before income taxes		(3,092,759)	(897,072)
Income tax expense (benefit)			
Current	Note 16	115,110	-
Deferred	Note 16	(70,368)	-
Net loss		(3,137,501)	(897,072)
Net loss per share, basic and diluted:		\$(0.02)	\$(0.01)
Weighted average number of outstanding common shares, basic and diluted:		193,053,277	94,456,479

Namaste Technologies Inc.
Consolidated Statements of Comprehensive Loss
For the three months ended November 30, 2017 and November 30, 2016
(Expressed in Canadian dollars)
(Unaudited)

	<i>November 30, 2017</i>	<i>November 30, 2016</i>
Net loss	(3,137,501)	(897,072)
Other comprehensive income		
Cumulative translation adjustment	(9,862)	54,393
Net comprehensive loss for the period	(3,147,363)	(842,679)

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

For the three months ended November 30, 2017 and November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

Statement of change in equity - Three months to November 30, 2016

		Common shares	Common shares \$	Deferred shares \$	Options and warrants \$	Accumulated OCI \$	Contributed surplus \$	Retained earnings \$	Total \$
Shareholders equity August 31, 2016		67,852,297	1,929,133	595,831	872,317	(163,672)	250,061	(1,572,546)	1,911,124
Share issuance	Note 8	27,937,592	2,074,875	413,063	-	-	-	-	2,487,938
Convertible note		2,804,443	400,000	-	-	-	-	-	400,000
Share issuance costs		-	(194,419)	-	-	-	-	-	(194,419)
Net income/(loss)		-	-	-	-	-	-	(897,072)	(897,072)
Shares issued on exercise of options and warrants	Note 8	-	-	-	1,227,327	-	-	-	1,227,327
Share-based compensation	Note 8	-	-	-	-	-	5,754	-	5,754
Other comprehensive income		-	-	-	-	54,393	-	-	54,393
Shareholders equity November 30, 2016		98,594,332	4,209,589	1,008,894	2,099,644	(109,279)	255,815	(2,469,618)	4,995,045

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

For the three months ended November 30, 2017 and November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

Statement of change in equity - Three months to November 30, 2017

		Common shares	Common shares \$	Deferred shares \$	Options and warrants \$	Accumulated OCI \$	Contributed surplus \$	Retained earnings \$	Total \$
Shareholders equity August 31, 2017		185,715,916	21,637,190	1,190,636	6,354,364	(299,016)	1,798,564	(19,154,345)	11,527,393
Share issuance	Note 12	14,409,000	1,895,222	-	1,707,028	-	-	-	3,602,250
Share issuance costs		-	(233,100)	-	-	-	-	-	(233,100)
Net income/(loss)		-	-	-	-	-	-	(3,137,501)	(3,137,501)
Shares issued on exercise of O&W	Note 12	13,273,730	6,121,772	-	(2,457,475)	-	-	-	3,664,297
Shares issued on exercise of broker warrants	Note 12	58,333	24,960	-	(17,960)	-	-	-	7,000
Share-based compensation	Note 12	2,537,456	1,826,968	-	-	-	260,975	-	2,087,943
Shares issued for services		516,882	312,635	-	11,703	-	-	-	324,338
Other comprehensive income		-	-	-	-	(9,862)	-	-	(9,862)
Shareholders equity November 30, 2017		216,511,317	31,585,647	1,190,636	5,597,660	(308,878)	2,059,539	(22,291,846)	17,832,758

Namaste Technologies Inc.
Consolidated Statements of Cash Flow

For the three months ended November 30, 2017 and November 30, 2016

(Expressed in Canadian dollars)

(Unaudited)

	November 30, 2017	November 30, 2016
Cash provided by (used for) the following activities		
Net loss	(3,137,501)	(897,072)
Adjustments for:		
Share based compensation	2,087,943	51,764
Shares issued for services	324,338	-
Foreign exchange gain	(29,151)	-
Depreciation	91,792	-
Current tax expense	115,110	-
Deferred tax recovery	(70,368)	-
Amortization of intangible assets	234,561	-
Cashflow used in operating activities before changes in working capital	(383,276)	(845,308)
Changes in non-cash working capital	Note 10 (381,382)	(1,254,866)
Cash flows used in operating activities	(764,658)	(2,100,174)
Financing activities		
Change in related party balances	(6,622)	(187,663)
Long-term debt payment	(94,981)	(122,587)
Earn-out payment	(184,383)	-
Proceeds from issuance of share capital	3,602,250	3,719,846
Share issuance costs	(233,100)	(211,686)
Proceeds from exercise of warrants and options	3,671,297	-
Cash flows from financing activities	6,754,461	3,197,910
Investing activities		
Investment in asset and business acquisitions	-	(700,530)
Additions of intangible assets	(27,340)	-
Additions of property and equipment	(150,128)	-
Investment in available for sale securities	(32,220)	-
Proceeds from disposal of asset	128,880	-
Cash flows used in investing activities	(80,808)	(700,530)
Increase in cash resources	5,908,995	397,206
Cash resources, beginning of the year	1,132,770	113,665
Cash resources, end of the period	7,041,765	510,871

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

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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 26 countries with 5 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 Canadas Access to Cannabis for medical Purposes (“ACMPR”) program, 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.

Going concern

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to 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 November 30, 2017, the Company has an retained earnings deficit of \$22,291,846 (August 31, 2017 - \$19,154,345), a working capital surplus of \$9,849,108 (August 31, 2017 - \$3,507,074), and is not yet generating positive cash flows from operations. The accumulated deficit increased in the first quarter primarily due to non-cash charges that were incurred during the period. These non-cash charges include share-based compensation of \$2,087,943, shares for services of \$324,338, amortization of intangible asset of \$234,561, depreciation of \$91,792.

Historically, management has been successful in obtaining sufficient funding for operating and capital requirements. On December 7, 2017 the Company announced that it exercised its right under a warrant indenture agreement and thereby accelerated the expiry of warrants issued under that agreement which yielded further funding for the Company. 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 also undertaken steps to decrease various overhead costs and has actively 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.

These 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

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appropriate and such adjustments could be material.

2. Basis of preparation

2.1. Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and, in the opinion of management, 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, 2016

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

2.2. Basis of presentation

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 presentation currency.

The functional currencies of the Company are as follows:

Functional currencies	Currency
Namaste Technologies Inc.	Canadian
Namaste Technologies Holdings Inc.	Canadian
Dollinger Enterprises US Ltd.	United States
Namaste Bahamas Inc.	United States
Australian Vaporizers Pty Ltd.	Australian
CannMart Inc.	Canadian
Next Gen USA Inc.	United States

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

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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 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 November 30, 2017 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

The significant accounting policies applied by the Company are described in note 3 of the consolidated annual financial statements for the year ended August 31, 2017. These condensed consolidated interim financial statements at November 30, 2017 have been prepared in accordance with the same accounting policies as the most recent annual consolidated statements as at and for the year ended August 31, 2017.

On September 1, 2017, the Company adopted the amendments to Statement of Cash Flows ("IAS 7"), Income Taxes ("IAS 12"), and Disclosure of Interests in Other Entities ("IFRS 12"). 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.

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4. Property and equipment

Property and equipment

	Leasehold improvements	Computer equipment	Equipment and furniture	Total
Cost:				
Balance as at August 31, 2016	-	9,635	13,347	22,982
Additions from acquisitions	58,796	-	99,488	158,284
Additions	-	2,684	-	2,684
Translation adjustment	-	(432)	(598)	(1,030)
Balance as at August 31, 2017	58,796	11,887	112,237	182,920
Additions	137,268	3,703	9,158	150,128
Translation adjustment	799	149	1,306	2,254
Balance as at November 30, 2017	196,863	15,738	122,701	335,302
Accumulated depreciation:				
Balance as August 31, 2016	-	5,278	232	5,510
Additions from acquisitions	38,217	-	62,537	100,754
Depreciation	3,920	2,594	6,119	12,633
Translation adjustment	-	(32)	(7)	(40)
Balance August 31, 2017	42,137	7,840	68,881	118,857
Depreciation	32,542	6,055	53,196	91,792
Balance as at November 30, 2017	74,679	13,894	122,076	210,650
Net book value August 31, 2017	16,659	4,047	43,356	64,063
Net book value November 30, 2017	122,184	1,844	625	124,652

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5. Intangible assets and goodwill

Intangible assets

	License	Customer list	Domains	Brand names	Total
Cost:					
Balance as at August 31, 2016	-	577,456	314,886	-	892,342
Additions from business acquisitions	3,516,310	4,669,340	-	526,076	8,711,726
Impairment		(2,406,191)	(300,864)	(194,763)	(2,901,818)
Translation adjustment	-	(30,488)	(14,022)	-	(44,510)
Balance as at August 31, 2017	3,516,310	2,810,117	-	331,313	6,657,740
Accumulated amortization:					
Balance as at August 31, 2016 - restated	-	-	-	-	-
Amortization	-	(430,029)	-	-	(430,029)
Balance August 31, 2017	-	(430,029)	-	-	(430,029)
Net book value August 31, 2017	3,516,310	2,380,088	-	331,313	6,227,711
Cost:					
Balance as at August 31, 2017	3,516,310	2,810,117	-	331,313	6,657,740
Additions	27,340	-	-	-	27,340
Balance as at November 30, 2017	3,543,650	2,810,117	-	331,313	6,685,080
Accumulated amortization:					
Balance as at August 31, 2017	-	(430,029)	-	-	(430,029)
Amortization	-	(234,561)	-	-	(234,561)
Balance as at November 30, 2017	-	(664,590)	-	-	(664,590)
Net book value November 30, 2017	3,543,650	2,145,527	-	331,313	6,020,490

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Goodwill

The value of goodwill on the balance sheet is allocated to the operating segment, Australian Vaporizers. During the period three months ended November 30, 2017, there was no change in the value of goodwill.

Goodwill

Balance as at August 31, 2016	1,990,716
Addition	8,199,580
Haze earn-out adjustment	(987,988)
Impairment	(6,285,610)
Translation adjustment	(89,278)
Balance as at August 31, 2017	2,916,698
Addition	-
Impairment	-
Balance as at November 30, 2017	2,916,698

6. Available for sale securities

On November 29, 2017, the Company invested \$32,220 Lovelabs.com (also known as Authenticating). Authenticating signed an exclusive agreement with the Company on October 12, 2017, whereby the Company secured rights to Authenticating's identity verification technologies for the purpose of verifying medical cannabis patients on NamasteMD.com.

7. Related party transactions

Amounts due to and due from related parties are non-interest bearing, unsecured, and payable within the upcoming fiscal year. Related parties include Sean Dollinger, Dollinger Enterprises Holding which is controlled by Sean Dollinger and Wireless Coverage Solutions which is controlled by Sean Dollinger. Kory Zelickson, a founding shareholder, who are both paid a salaries by the Company. The Company uses the credit card and bank accounts of Jason Zylbering in the Brazilian operations of the Company. Due to related parties includes Dollinger Enterprises Ltd which is controlled by Sean Dollinger. During the year, the Company hired Northcote Advisors to perform corporate advisory and investor relations services. Cliff Starke, who is a Director of the Company, is also the President and CEO of Northcote Advisors. As at November 30, 2017, there was an amount of \$100,800, in prepaid and deposits.

Namaste Technologies Inc.
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(Unaudited)

Related party transactions

	November 30, 2017	August 31, 2017
Due from shareholders	69,628	64,730
Due from other related parties	17,822	16,882
Total due from related parties	87,450	81,612
Due to shareholders	-	-
Due to other related parties	(1,336)	(552)
Total due to related parties	(1,336)	(552)
Total due from (to) related parties	86,114	81,060

8. Share capital

8.1. Authorized share capital

The Company has authorized for issuance an unlimited number of common shares. As at November 30, 2017, the Company had 202,628,131 common shares issued and outstanding.

8.2. Issuance of shares

Capitalization

	Number of shares	Gross proceeds
Balance year end August 31, 2017	185,715,916	\$18,755,040
Issued during the period ended November 30, 2017	30,795,401	\$ 7,273,547
Balance at November 30, 2017	216,511,317	\$26,028,587

On October 31, 2017 Namaste completed its non-brokered private placement, whereby a total of 14,409,000 Units of the Company have been issued and sold, 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 date. In the event that the closing price of the Company's Shares on the Canadian Securities Exchange is greater than \$0.70 per Share for a period of 10 consecutive trading days at any time after the closing 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.

For the three months ended November 30, 2017 the Company issued 13,332,063 common shares on exercise of various warrants and options for total gross proceeds of \$3,664,297.

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8.3. Share purchase warrants

14,409,000 warrants were granted during the period under review. During the period, 13,198,730 warrants were exercised with an average exercise price of \$0.28. The weighted average fair value of each warrant granted is \$0.35 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 November 30, 2017 and November 30, 2016.

Share purchase warrants

	<i>November 30, 2017</i>		<i>November 30, 2016</i>	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding beginning of period	41,494,294	\$ 0.17	11,315,069	\$ 0.17
Granted	14,409,000	\$ 0.35	14,643,025	\$ 0.19
Exercised	(13,198,730)	\$ 0.28	(712,665)	\$ 0.18
Forfeited	-	\$ -	(96,666)	\$ 0.54
Outstanding end of period	42,704,565	\$ 0.20	25,148,763	\$ 0.18

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

Black-Scholes assumptions for warrants

	<i>For three months ended</i>	
	<i>November 30, 2017</i>	<i>November 30, 2016</i>
Risk free rate	0.55% - 1.46%	0.77%
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.

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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 17,439,640 common shares, being 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:

Options outstanding	November 30, 2017		November 30, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	16,079,640	\$ 0.16	5,300,000	\$ 0.16
Granted	1,360,000	\$ 0.24	5,530,000	\$ 0.35
Exercised	-	\$ -	(1,400,000)	\$ 0.17
Forfeited	-	\$ -	-	
Outstanding, end of period	17,439,640	\$ 0.16	9,430,000	\$ 0.27

1,360,000 options with an average exercise price of \$0.24 were granted to employees and consultants during the three months ended November 30, 2017 and the weighted average fair value of options granted is \$0.20 using the Black-Scholes Option Pricing Model. The Company recognized share-based compensation expense of \$201,374, 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.

The following table summarizes information regarding stock options outstanding by exercise price as at November 30, 2017:

Options outstanding by exercise price	Number of options outstanding	Weighted-average remaining contractual life (years)	Weighted average exercise price
\$0.01 - \$0.19	2,500,000	3.53	\$ 0.15
\$0.20 - \$0.39	14,939,640	2.82	\$ 0.29
Total options outstanding	17,439,640	2.92	\$ 0.27

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

Black-Scholes assumptions for options

	For three months ended	
	November 30, 2017	November 30, 2016
Risk free rate	1.71% - 1.78%	0.77%
Expected life	5 years	5 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.

9. Capital structure

Capital structure

	November 30, 2017	August 31, 2017
Shareholders' equity	17,832,759	11,527,394

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 November 30, 2017, the Company is not subject to any externally imposed capital requirements.

10. Advance on disposal of asset

On November 28, 2017, the Company announced a stock purchase agreement with ESC Hughes Holding Limited, to sell the Company's wholly owned US subsidiary, Dollinger Enterprises US Inc, for cash consideration of USD \$400,000. A Company has received a payment of USD \$100,000, with the balance of the purchase price paid upon closing at a monthly rate of USD \$25,000 until paid in full.

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11. Loan payable

The loan from NNKS Pension Trust to URT1 acquired by the Company is repaid in five installments. The first installment of US\$90,919.92 was paid in October 2016. Four equal installments of US\$75,766.60 are payable on each of the first, second, third and fourth anniversaries of the date of the agreement. The next installment is due on October 31, 2018. The loan is securitized and carries an annual interest rate of 4%. Security is a floating charge over the inventory held by the borrower in the United Kingdom.

Loan payable

	<i>November 30, 2017</i>	<i>August 31, 2017</i>
Loan payable	216,100	284,943
Current portion of loan payable	94,981	94,981
Carrying value	311,081	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 cash as and available for sale securities as fair value through profit and loss. Its accounts receivable is classified as loans and receivables. Its accounts payable and accrued liabilities, due to related party, earn-out and loans payable have been designated as other financial liabilities. The fair value of all financial instruments is determined using level three of the hierarchy.

As at November 30, 2017, 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.

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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 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 and due from related parties is minimal. The Company's maximum exposure to credit risk as at August 31, 2017 is the carrying value of cash held in merchant accounts and accounts receivable.

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 - November 30, 2017

	Carrying value	1 - 30 days	30 - 60 days	60 - 90 days	> 90 days
Accounts payable and accrued liabilities	1,383,820	475,876	256,135	133,675	518,133
Loan payable	311,081				311,081
Earn-outs payable	304,847			141,000	163,847
	1,694,901	475,876	256,135	133,675	829,214

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
	1,157,326	530,047	300,413	38,745	288,121

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.

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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.

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.

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Revenue by segment

	<i>November 30, 2017</i>	<i>November 30, 2016</i>
Namaste-other		
Net segment revenue	3,616,472	2,087,188
Intersegment revenue	-	-
External revenue	3,616,472	-
Australia		
Net segment revenue	1,314,637	-
Intersegment revenue	-	-
External revenue	1,314,637	-
CannMart	-	-
Total revenue by segment	4,931,110	2,087,188

Non-current assets by segment

	<i>November 30, 2017</i>	<i>August 31, 2017</i>
Namaste-other	14,727	9,055,131
Australia	5,321,753	-
CannMart	3,543,650	-
Total non-current assets by segment	8,880,130	9,055,131

Net income (loss) by segment

	<i>November 30, 2017</i>	<i>November 30, 2016</i>
Namaste-other	(3,353,207)	(897,072)
Australia	339,307	-
CannMart	(123,600)	-
Total non-current assets by segment	(3,137,501)	(897,072)

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13.2. Geographical information

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

Revenues by country

Country	November 30, 2017	November 30, 2016
Great Britain	1,233,983	547,281
Australia	1,516,582	-
United States of America	677,552	912,011
Brazil	354,444	101,923
Canada	355,632	80,238
New Zealand	104,484	134,168
Germany	262,610	23,437
Ireland	61,820	35,505
Israel	62,844	22,236
Other	301,160	230,389
Total	4,931,110	2,087,188

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

	November 30, 2017	November 30, 2016
Receivables	(242,717)	(720,532)
Inventory	(328,205)	(614,326)
Prepays and deposits	(393,331)	(29,254)
Tax receivable	(183,590)	(103,946)
Corporate tax payable	229,532	-
Deferred tax liability	(69,489)	-
Accounts payable and accrued liabilities	606,418	213,192

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15. Expenses by nature

	November 30, 2017	November 30, 2016
Cost of sales		
Opening inventory	3,093,122	953,513
Purchases	3,107,880	1,742,508
Delivery costs	595,465	145,780
Ending inventory	(3,444,890)	(1,341,452)
Total cost of sales	3,351,577	1,500,348
Operating Expenses		
Selling expenses		
Advertising and promotion	281,507	216,891
Consulting fees	811,673	318,943
Total selling expenses	1,093,180	535,834
Administration expenses		
Salaries	329,227	216,969
Share-based compensation	2,087,943	51,764
Bank and credit card fees	179,667	121,325
Professional fees	100,140	317,459
General and administration	544,184	162,305
Investor relations	61,244	45,971
Total administration expenses	3,302,405	915,793
Other expenses		
Depreciation and amortization	91,792	12,633
Amortization of intangibles	234,561	-
Foreign exchange (gain) loss	(49,647)	19,652
Total other expenses	276,707	32,285
Total operating expenses	4,672,291	1,483,912

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16. Income Taxes

The relationship between the expected tax recovery based on the statutory tax rate and the reported tax recovery in the statements of comprehensive loss can be reconciled as follows:

Tax expense	November 30, 2017	November 30, 2016
Accounting loss before income tax	(3,092,759)	(897,072)
Expected income tax recovery at the statutory rate of 27% (2016 – nil)	(835,045)	-
Adjustments for the following items:		
Share-based compensation	563,745	-
Tax impact of temporary differences for which no deferred tax asset was recorded	329,803	-
Effect of tax rates of foreign jurisdictions	(14,719)	-
Permanent differences and other	958	-
Tax (recovery)	44,742	-

17. Commitments

	Amount due
2018	6,173,683
2019	6,199,870
2020	6,196,459
2021	6,199,504
2022	6,145,773

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18. Subsequent Events

On December 7, 2017, the Company announced it has elected to exercise its right under the warrant indenture governing the common share purchase warrants of the Company issued on March 9, 2017. The Company has accelerated the expiry time of the warrants to January 8, 2018. At the time of the announcement, there were a total of 12,240,600 warrants of the 22,676,000 originally issued warrants had yet to be exercised at an exercise price of \$0.35. Consequently, if all remaining unexercised warrants are exercised, proceeds to the Company will total \$4,284,210.

On December 22, 2017 the Company announced that its wholly owned subsidiary CannMart Inc. has signed a Fulfilment Services Agreement with Greenlane Canada whereby Greenlane will provide exclusive order fulfilment and warranty services for Namaste's Canadian websites. Under the terms of the Agreement, Greenlane will fulfill orders for all products set forth in Greenlane's product offering as well as products which are marketed and sold under brands controlled by Namaste and other third-party products as specified by Namaste. The Agreement represents a strategic decision to further align the Company with the industry's leading business-to-business distributor, while Namaste will benefit through a significant reduction of inventory and operational expenses, bringing the company closer to profitability. In addition, it is believed this Agreement will set the framework for Namaste to collaborate with Greenlane on future opportunities in areas related to the distribution of cannabis packaging products and pre-filled cartridges for medical cannabis, to be sold in Canada through Namaste's wholly owned subsidiary CannMart.

On January 16, 2018, the Company announced participation in a lead order in a private placement offering by Atlas Growers Ltd. ("Atlas"), which is a late-stage applicant for an ACMP cultivation and sales license. Namaste has completed the subscription agreement under the terms of the private placement, for \$200,000 in exchange for 200,000 Class B Common Shares of Atlas stock at a price of \$1.00 per common share. In consideration of the investment, Atlas and Namaste's wholly owned subsidiary, Cannmart have entered into a supply agreement whereby Atlas agrees to guarantee supply to Cannmart by offering first right of refusal for a minimum of 20% of the net production of medical cannabis through Atlas.

On January 18, 2018, the announced signing of a non-binding letter of intent with Israeli medical cannabis producer, Cannbit Ltd ("Cannbit") whereby the companies propose to enter into a share purchase agreement and/or a subscription agreement whereby Namaste would acquire an equity position of 5% in Cannbit through an investment to be made in a proportion to be determined and agreed by both parties. Cannbit will also offer Namaste a first right of refusal to purchase an additional 5% equity in shares at the same valuation.

On January 25, 2018, the Company announced that its wholly-owned subsidiary, Cannmart, and 8528934 Canada Ltd. ("7ACRES"), a wholly-owned subsidiary of The Supreme Cannabis Company, Inc. ("Supreme"), have signed a definitive supply agreement whereby, Cannmart, has committed to purchase 1,000 kilograms at a price of \$6,000 per kilogram of premium quality medial cannabis from 7ACRES in 2018, commencing on the date that Cannmart becomes a "Licensed Producer" under the ACMPR.