



Namaste Technologies

Management Discussion and Analysis

NAMASTE TECHNOLOGIES INC.

For the three and twelve months ended
August 31, 2018

(Expressed in Canadian dollars)

NAMASTE TECHNOLOGIES INC.

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

This "Management's Discussion and Analysis" ("MD&A") has been prepared as at August 31, 2018 and should be read in conjunction with Namaste Technologies Inc.'s (the "Company") unaudited interim consolidated financial statements and related notes for the three and twelve months ended August 31, 2018, and its audited consolidated financial statements ("last annual financial statements") and MD&A for the year ended August 31, 2017. The interim consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the "Group" or "Namaste").

The 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.

OVERVIEW OF NAMASTE GROUP

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

Namaste is 'Your Everything Cannabis Store™'. It operates a global cannabis e-commerce platform with over 30 websites in more than 20 countries with distribution hubs located around the world. Namaste has majority market share in Europe and Australia, and operations in the United Kingdom, Canada and Germany and has opened new supply channels into emerging markets, which include Brazil, Mexico and Chile. Namaste's product offering includes vaporizers, glassware, accessories and CBD products. CannMart Inc. (a wholly owned subsidiary of the Company) is pursuing a new revenue vertical in the online retail of medical cannabis in the Canadian market. CannMart Inc. is a Canadian-based "sales-only" licensed entity under Canada's *Access to Cannabis for Medical Purposes Regulations (ACMPR)*. Namaste has developed and acquired innovative technology platforms including NamasteMD.com, Canada's first Health Canada compliant telemedicine application, and in May 2018 the Company acquired a leading e-commerce artificial intelligence (AI) and Machine Learning Company, Findify AB ("Findify"). Findify uses AI algorithms to optimize and personalize a consumer's on-site buying experience. Namaste is focused on leveraging its cutting-edge technology to enhance the user experience throughout its platforms. Namaste will continue to develop and acquire innovative technologies which will provide value to the Group and to its shareholders as well as to the broader cannabis market.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies including the update on accounting standards issued but not yet effective are disclosed in notes 3 and 4 of the interim consolidated financial statements.

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

Following were the subsidiaries of the Company as at August 31, 2018:

Entity	Percentage holding	Country of incorporation
Namaste Technologies Holdings Inc.	100	Canada
Namaste Bahamas Inc.	100	Bahamas
Namaste MD Inc.	100	Canada
Australian Vaporizers Pty Ltd.	100	Australia
CannMart Inc.	100	Canada
CannMart Labs Inc.	51	Canada
Findify AB	100	Sweden

Update on accounting standards issued but not yet effective

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

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

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

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BUSINESS STRATEGY OF THE GROUP

Management is focused on the expansion of its globally diversified platform of e-commerce websites to reinforce its position as “Your Everything Cannabis Store™” by selling all cannabis-related products ranging from vaporizers and smoking accessories to CBD products across the globe. Namaste is focused on developing innovative technology that is deployed in its e-commerce environments with the goal of enhancing the user experience, improving conversion rates and increasing revenue. The Company’s wholly-owned subsidiary Cannmart Inc. (“Cannmart”) received its Access to Cannabis for Medical Purposes Regulations (“ACMPR”) “sales-only” license which is the first of its kind in Canada to be issued for a non-cultivator. Namaste launched an online marketplace for medical cannabis through Cannmart.

Namaste has developed an innovative software application under the Company’s wholly-owned subsidiary, Namaste MD Inc. (“NamasteMD”). NamasteMD is vertically integrated patient portal which provides remote access to healthcare practitioners for the purpose of acquiring a prescription for medical cannabis and is available via mobile app or desktop. NamasteMD serves the Company as a patient acquisition tool and portal for patients to access high-quality care. After receiving positive feedback and strong results from the initial launch of the beta version of NamasteMD, management is focused on a full launch of the platform and will utilize its resources to accelerate patient growth in the NamasteMD platform. NamasteMD patients will have the opportunity to order cannabis from Licensed Producers which participate in service agreements with the Company and will also be able to order through Cannmart.

Namaste acquired Findify during the third quarter of 2018. Findify is an artificial intelligence (“AI”) software company, which uses machine learning algorithms to track users’ behavior online in real-time and provide a more personalized buying experience. Findify’s technology works to provide better recommendations to consumers and to optimize search results that are customized to the user’s choice patterns. The Company is in the process of integrating Findify’s technology across its platform.

With the launch of Cannmart, the Company anticipates increasing revenue through Cannabis sales and in developing further supply agreements with domestic ACMPR licensed producers to expand its product offering. The Company will look to implement similar platforms in other markets where the company maintains a strong presence. On September 13th, 2018, the Company signed a binding terms sheet to Acquire UK-Based Licensed Pharmaceutical Distribution Company AF Trading Ltd. Access Fulfillment operates a 30,000 square-foot distribution facility in the UK and holds a Wholesale Distribution Authorization (Human) License issued by the Medicines and Healthcare Products Regulatory Agency (“MHRA”) which allows Access Fulfillment to distribute pharmaceutical products throughout the UK. The acquisition of Access Fulfillment is the first step in Namaste developing its future medical cannabis distribution platform in the UK, which represents a much larger customer base than that of its Canadian operations.

The Company continues to pursue expansion of its e-commerce platform in global markets and on developing new technology which will bring value to the Company and its shareholders.

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OVERALL PERFORMANCE

For the twelve months ended August 31, 2018, Namaste generated revenue of \$18.6 million, gross profit of \$5.2 million, and a gross profit margin of 28%. Increase of \$7.6 million or 69% in revenue was primarily due to growth in key markets such as United Kingdom, Australia, Brazil and Canada which is the result of Namaste's efforts to strengthen its market share and expand its horizon into the Canadian and emerging markets. The gross profit margin has increased from 13% in 2017 to 28% which is primarily due to an inventory provision in the prior period, which did not occur in the current period. In addition to this, there was an increase in average order value as the Company continues to focus its efforts on selling products with a higher retail price.

For the three months ended August 31, 2018, Namaste generated revenue of \$3.9 million, gross profit of \$0.9 million, and a gross profit margin of 24%. While revenue was comparable to the same quarter in previous year, the gross profit margin increased from negative gross margin of 8% in the fourth quarter of 2017 to gross margin of 24% in the fourth quarter of 2018 which is primarily due to an inventory provision and higher freight costs in the previous period.

For the twelve months ended August 31, 2018, total operating expenses of \$29.6 million represented an increase of \$10.1 million or 52% over \$19.5 million of 2017. This was primarily due to increase in share-based compensation by \$9.9 million, salaries by \$0.5 million, depreciation and amortization by \$1.2 million, advertising and promotion costs by \$2.2 million, consulting fees of \$1.6 million, partially offset by \$9.2 million of impairment loss with no such loss in the current period.

The Company successfully closed a bought-deal financing during the second quarter ended February 28, 2018 for gross proceeds of \$40.3 million. See "Use of proceeds from February bought-deal" section for details.

During the twelve months ended August 31, 2018, the Company raised further funds from the exercise of warrants and options for gross proceeds of \$15.3 million.

KEY DEVELOPMENTS

During the twelve months ended August 31, 2018, Namaste invested \$1.3 million in property and equipment which was primarily relating to getting CannMart facility ready for operations. Namaste also acquired \$11.9 million of intangible assets and goodwill of \$4.9 million as a result of Findify acquisition.

During the twelve months ended August 31, 2018, the Company entered into several subscription agreements to acquire an equity interest in various investees. During this period, these investments resulted in an unrealized gain of \$0.6 million which was recognised in other comprehensive income and a realised gain of \$0.1 million which was recognised in the statement of operations.

The Company was able to successfully raise capital through a combination of non-brokered private placement, bought-deal financing and exercise of various stock options and warrants. Refer to 'Liquidity' section for more details.

On July 18, 2018, the Company commenced a normal course issuer bid ("NCIB") to purchase up to 25,308,136 common shares, representing approximately 8.9% of the Company's issued and outstanding common shares at the time. The NCIB will remain in place for a 12-month period ending July 17, 2018. Since the commencement of NCIB, the Company has completed a buyback of 2.2 million shares for

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consideration of \$3.0 million. These shares had been cancelled.

FINANCIAL RESULTS

Summary:

	Three months ended August 31		Twelve months ended August 31	
	2018	2017	2018	2017
Revenue	\$ 3,934,150	3,895,915	18,561,311	10,981,414
Cost of goods sold	\$ 3,003,264	4,196,968	13,383,802	9,603,286
Gross profit (loss)	\$ 930,886	(301,053)	5,177,509	1,378,128
Gross margin	24%	(8%)	28%	13%
Net loss attributable to owners of the Company	\$ (8,678,640)	(11,378,603)	(23,222,059)	(17,357,264)
Net loss attributable to non-controlling interest	\$ (11,080)	-	(11,080)	-
Net loss per share (basic and diluted)	\$ (0.03)	(0.06)	(0.09)	(0.12)
Weighted average number of outstanding common shares (basic and diluted)	283,119,300	185,221,510	249,674,958	140,038,698

(a) Revenue

Namaste's net revenue for the three months ended August 31, 2018 was \$3.9 million, which is comparable to \$3.9 million within the same period in 2017.

On a year over year basis, Namaste's net revenue for the twelve months ended August 31, 2018 was \$18.6 million (an increase of \$7.6 million or 69%) compared to the twelve months ended August 31, 2017. The increase in net revenue during the twelve months ended August 31, 2018 was primarily due to organic growth within the key markets such as United Kingdom, Canada, Brazil, Germany and full twelve months of revenue from Australian Vaporizers which was acquired in March 2017.

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

Majority of the revenue was generated by several key markets. For the three and twelve months ended August 31, 2018, the top five revenue earning countries generated 85% and 84% of revenue, respectively. For the three and twelve months ended August 31, 2017, the top five revenue earning countries generated 86% and 84% of revenue, respectively.

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For the twelve months ended August 31, 2018, Namaste showed an impressive growth of 364% in Canadian market, 261% in Germany, 188% in Brazil, 98% in Australia, 45% in United Kingdom, offset by a 16% decline in the United States due to the sale of the Dollinger Enterprises US Inc. which was sold on December 31, 2017. These changes are consistent with Namaste's long terms business strategy to expand in European and emerging markets with an increased focus in the Canadian market.

Revenue by Segment for the three months ended August 31:

	Namaste Bahamas and Dollinger US	Australian Vaporizers	CannMart Inc. and CannMart Labs Inc.	Namaste MD	Findify	Corporate and other	Total
2018:							
Revenue							
Net segment revenue	\$ 2,508,768	1,151,614	32,233	61,335	180,200	-	3,934,150
Intersegment revenue	-	-	-	-	-	-	-
External revenue	\$ 2,508,768	1,151,614	32,233	61,335	180,200	-	3,934,150
2017:							
Revenue							
Net segment revenue	\$ 2,640,224	1,255,691	-	-	-	-	3,895,915
Intersegment revenue	-	-	-	-	-	-	-
External revenue	\$ 2,640,224	1,255,691	-	-	-	-	3,895,915

Revenue by Segment for the twelve months ended August 31:

	Namaste Bahamas and Dollinger US	Australian Vaporizers	CannMart Inc. and CannMart Labs Inc.	Namaste MD	Findify	Corporate and other	Total
2018:							
Revenue							
Net segment revenue	\$ 13,353,438	4,733,711	242,098	78,792	201,180	-	18,609,219
Intersegment revenue	(47,908)	-	-	-	-	-	(47,908)
External revenue	\$ 13,305,530	4,733,711	242,098	78,792	201,180	-	18,561,311
2017:							
Revenue							
Net segment revenue	\$ 8,933,097	2,208,752	-	-	-	-	11,141,949
Intersegment revenue	(86,915)	(73,520)	-	-	-	-	(160,435)
External revenue	\$ 8,846,182	2,135,232	-	-	-	-	10,981,414

For the three months ended August 31, 2018, when comparing Namaste's revenue by operating segment, Namaste Bahamas and Dollinger US segment revenue decreased by 5% which is primarily due to sale of Dollinger US at the end of 2017 which resulted in no revenue from Dollinger US in this quarter compared to the fourth quarter in 2017. Australian Vaporizers segment revenue also decreased by \$104k or 8%, out of which \$30k was due to exchange rate movement between the Canadian dollar and Australian dollar and the remaining difference was due to decrease in quantity sold.

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For the twelve months ended August 31, 2018, when comparing Namaste's revenue by operating segment, Namaste Bahamas and Dollinger US segment revenue increased by 50% despite the sale of Dollinger US at the end of 2017 which resulted in four months of revenue from Dollinger US in 2018 compared to full twelve months of operations in 2017. The primary reason for increase in revenue was due to an increase in number of sales orders by 89% compared to 2017, partially offset by average sales order size decrease. Australian Vaporizers segment revenue also increased by 122% which is primarily due to the fact that Australian Vaporizers was acquired in the middle of March 2017 which resulted in five and a half months of operations in 2017 compared to full 12 months of operations in 2018.

(b) *Gross profit and cost of sales*

Cost of sales includes all expenditures relating to the products sold. This includes shipping fees, import duties, storage costs, handling charges and insurances. Namaste uses the weighted average method to track and cost inventory items. The inventory consists of hardware.

Namaste's cost of sales for the three months ended August 31, 2018 were \$3.0 million, a decrease of \$1.2 million or 28% from \$4.2 million in 2017. The decrease in cost of sales resulted in an increase of gross profit primarily due to an inventory provision of \$0.6 million recorded in 2017 whereas the comparable amount for 2018 was only \$39k.

Namaste's cost of sales for the twelve months ended August 31, 2018 were \$13.4 million, an increase of \$3.8 million or 39% from \$9.6 million in 2017. Increase in sales of \$7.6 million offset by increase in cost of sales of \$3.8 million resulted in an improvement in gross profit of \$3.8 million or 276% primarily due to the impact of inventory provision as discussed in the previous paragraph.

(c) *Operating expenses*

	Three months ended August 31		Twelve months ended August 31	
	2018	2017	2018	2017
Selling and distribution expenses	\$ 2,499,807	362,871	7,313,597	3,119,285
General and administration expenses	6,867,527	2,002,801	19,909,707	6,687,474
Other expenses	902,561	239,719	2,401,095	513,340
Impairment	-	9,187,428	-	9,187,428
	\$ 10,269,895	11,792,819	29,624,399	19,507,527

Selling and distribution expenses

Selling and distribution expenses for the three months ended August 31, 2018 increased by \$2.1 million or 589% compared to same period in 2017. This increase was primarily due to an increase in advertising expenses by \$0.7 million, consulting fees by \$1.1 million and patient acquisition costs by \$0.3 million. For the twelve months ended August 31, 2018, selling and distribution expenses increased by \$4.2 million or 134% compared to the same period in 2017. This increase was primarily due to an increase in advertising expenses by \$2.2 million, consulting expenses by \$1.6 million and patient acquisition costs by \$0.5 million. Advertising expenses include online search services as well as other online promotional and social media tools utilized by Namaste to generate sales. These costs further represent

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Namaste's significant investment into search engine optimization and its ongoing customer acquisition strategy.

Patient acquisition costs relating to prescription costs (which includes but not limited to nurse practitioner and patient coordinators costs) for medicinal cannabis patients through Namaste MD. Consulting expenses relate to compensation amounts paid to various companies and individuals for marketing, fulfillment and distribution services, customer service activities, e-commerce product development, back-office e-commerce support and sales commissions. In addition to this, there are increased consulting costs primarily related to information technology in order to develop current and new revenue channels that the Group is working towards.

General and administration expenses

General and administration expenses for the three months ended August 31, 2018 increased by \$4.9 million or 243% compared to the same period in 2017. This increase was primarily due to an increase in non-cash share-based compensation by \$3.7 million.

For the twelve months ended August 31, 2018, general and administration expenses increased by \$13.2 million or 198% compared to the same period in 2017. This increase was primarily due to an increase of \$9.9 million increase in non-cash share-based compensation expense.

Other expenses

Other expenses for the three months ended August 31, 2018 increased by \$0.7 million or 277% compared to the same period in 2017. This increase was primarily due to an increase in depreciation and amortization of \$0.5 million which related to the amortization of intellectual properties and customers list from the acquisition of Findify, and foreign exchange loss of \$0.1 million.

Other expenses for the twelve months ended August 31, 2018 increased by \$1.9 million or 368% compared to the same period in 2017. This increase was primarily due to an increase in depreciation and amortization of \$1.2 million which related to the amortization of the customers list from the acquisition of Australian Vaporizers of \$0.5 million, and the amortization of intellectual properties and customers list from the acquisition of Findify of \$0.5 million and the depreciation of property and equipment of \$0.2 million, the acquisition cost of Findify of \$0.4 million and foreign exchange loss of \$0.3 million.

(d) Other income

Other income for the three months ended August 31, 2018 decreased by \$0.4 million or 52% compared to the same period in 2017. Other income for three months ended August 31, 2018 included \$0.2 million interest income, \$0.1 million realized gain on disposition of AFS investment and \$0.1 million of unrealized gain on derivatives. Other income for three months ended August 31, 2017 included \$0.8 million relating to fair value gain on deferred shares issued as part of the acquisition of URT1 in 2017.

Other income for the twelve months ended August 31, 2018 increased by \$0.1 million compared to the same period in 2017. Other income for twelve months ended August 31, 2018 included \$0.3 million gain on sale of Dollinger US Inc., \$0.3 million interest income, \$0.1 million realized gain on disposition of AFS investment and \$0.1 million of unrealized gain on derivatives. Other income for twelve months ended August 31, 2017 included \$0.8 million relating to fair value gain on deferred shares issued as part of the acquisition of URT1 in 2017.

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(e) Summary of quarterly result

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

	November 2016 Restated	February 2017 Restated	May 2017 Restated	August 2017	November 2017 Restated	February 2018	May 2018	August 2018
Sales	\$ 2,087,188	1,907,106	3,091,205	3,895,915	4,931,110	5,633,830	4,062,221	3,934,150
Cost of goods sold	\$ 1,526,690	1,309,072	2,426,019	4,196,968	3,351,577	3,655,792	3,189,116	3,003,264
Gross profit (loss)	\$ 560,498	598,034	665,186	(301,053)	1,579,533	1,978,038	873,105	930,886
Gross margin	27%	31%	22%	(8%)	32%	35%	22%	24%
Net loss	\$ (1,011,333)	(1,471,835)	(3,322,885)	(11,378,603)	(3,103,601)	(3,158,619)	(8,097,146)	(8,689,720)
Net loss per share (basic and diluted)	\$ (0.01)	(0.01)	(0.02)	(0.06)	(0.02)	(0.01)	(0.03)	(0.03)
Weighted average number of outstanding common shares, (basic and diluted)	90,012,893	113,926,157	169,864,721	185,221,510	193,053,277	246,062,232	275,797,560	283,119,300
Total assets	\$ 13,055,751	7,991,329	24,822,785	13,924,370	22,735,617	66,858,770	77,957,330	71,075,238

Namaste has seasonal fluctuations in its operating results, which is primarily due to the seasonal sales cycle that exists in the e-commerce sector. The gross margin for individual quarters are mostly consistent to the same quarter in previous years with the exception of fourth quarter ended August 2017 which was lower than August 2016 and 2018 due to inventory provision of \$0.6 million which was recorded in the fourth quarter of 2017.

The increase in net loss during the quarter ended August 2017 was primarily due to impairment of goodwill and intangible assets amounted to \$9.2 million. The higher net loss in the quarters ended August 2018 and May 2018 was primarily due to non-cash share-based compensation expenses of \$4.1 million and \$4.0 million respectively.

Total assets have increased significantly from the quarter ended February 2018 due to cash raised from bough-deal financing in February 2018 where cash balance not yet applied to its planned use is kept as part of cash and cash equivalents.

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SEGMENT INFORMATION

The operating segments of the Company are as follows:

- Namaste Bahamas & Dollinger US
- Australia Vaporizers
- CannMart Inc. and CannMart Lab
- Namaste MD
- Findify
- Corporate cost centre.

In determining the operating segments, management considered the product mix as well as the geographical segments that the business units sell under. The chief operating decision makers monitor these six segments separately throughout the year.

Disclosure by segment for three months ended August 31:

	Namaste Bahamas and Dollinger US	Australian Vaporizers	CannMart Inc. and CannMart Labs Inc.	Namaste MD	Findify	Corporate cost centre	Total
2018:							
Revenue							
Net segment revenue	\$ 2,508,768	1,151,614	32,233	61,335	180,200	-	3,934,150
Intersegment revenue	-	-	-	-	-	-	-
External revenue	2,508,768	1,151,614	32,233	61,335	180,200	-	3,934,150
Depreciation and amortisation	12,552	1,677	68,529	-	-	670,568	753,326
Income tax expense (recovery)	-	(31,189)	-	-	(248,299)	3,336	(276,152)
Net loss (income)	3,178,820	(161,782)	(329,832)	356,378	(233,942)	5,880,078	8,689,720
Total assets	5,219,642	1,821,739	3,387,445	667,065	192,883	59,786,464	71,075,238
Total liabilities	17,662,272	222,329	3,975,238	1,263,790	127,204	(17,873,796)	5,377,037
2017:							
Revenue							
Net segment revenue	\$ 2,640,224	1,255,691	-	-	-	-	3,895,915
Intersegment revenue	-	-	-	-	-	-	-
External revenue	2,640,224	1,255,691	-	-	-	-	3,895,915
Depreciation and amortisation	(7,470)	217,945	-	-	-	4,611	215,086
Income tax expense	-	56,530	-	-	-	-	56,530
Net loss (income)	4,085,630	(270,749)	29,984	-	-	7,533,738	11,378,603
Total assets	3,213,020	1,103,791	38,322	-	-	9,569,237	13,924,370
Total liabilities	9,964,077	112,348	30,000	-	-	(7,709,449)	2,396,976

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Disclosure by segment for twelve months ended August 31:

	Namaste Bahamas and Dollinger US	Australian Vaporizers	CannMart and CannMart Lab	Namaste MD	Findify	Corporate cost centre	Total
2018:							
Revenue							
Net segment revenue	\$ 13,353,438	4,733,711	242,098	78,792	201,180	-	18,609,219
Intersegment revenue	(47,908)	-	-	-	-	-	(47,908)
External revenue	13,305,530	4,733,711	242,098	78,792	201,180	-	18,561,311
Depreciation and amortisation	43,556	7,627	150,086	-	-	1,438,654	1,639,923
Income tax recovery	-	(85,382)	-	-	(248,299)	(54,800)	(388,481)
Net loss (income)	5,518,010	(739,015)	596,114	596,725	(227,621)	17,488,926	23,233,139
2017:							
Revenue							
Net segment revenue	\$ 8,933,097	2,208,752	-	-	-	-	11,141,849
Intersegment revenue	(86,915)	(73,520)	-	-	-	-	(160,435)
External revenue	8,846,182	2,135,232	-	-	-	-	10,981,414
Depreciation and amortisation	5,163	433,049	-	-	-	4,611	442,823
Income tax recovery	-	(336)	-	-	-	-	(336)
Net loss (income)	6,374,943	(209,763)	29,984	-	-	11,162,100	17,357,264

(a) *Namaste Bahamas & Dollinger US*

Namaste Bahamas & Dollinger US is the Company's global e-commerce business that sells similar products in various geographic areas, it operates from a central capacity in order to fulfill orders, sell their products and make decisions. See "Financial Results" for discussion on revenue by segment.

(b) *The Australian Vaporizers*

The Australian Vaporizers segment is a self-sustaining entity that handles its own fulfillment and sale of products in Australia. See "Financial Results" for discussion on revenue by segment.

(c) *CannMart Inc. and CannMart Labs Inc.*

CannMart Inc. is licensed under Canada's *Access to Cannabis for Medical Purposes Regulations* and is pursuing a new revenue vertical in the online retail of medical and recreational cannabis in the Canadian market. See "Financial Results" for discussion on revenue by segment.

(d) *Namaste MD*

Namaste MD has developed an innovative technology platform (NamasteMD.com) which is Canada's first Health Canada compliant telemedicine application. Namaste MD is a virtual patient platform to study and determine the safety profile of patients using medical cannabis. Since the commencement of its operations, Namaste MD has made \$79k in revenues.

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(e) Findify

In May 2018, the Company acquired a leading e-commerce artificial intelligence (AI) and Machine Learning Company, Findify AB (“Findify”). Findify uses AI algorithms to optimize and personalize a consumer's on-site buying experience. Namaste is focused on leveraging its cutting-edge technology to enhance the user experience throughout its platforms and provides recommendations, smart collections and analytics tools for e-commerce websites. As such, the business operating metrics and customer base is different from the rest of the Company. See “Financial Results” for discussion on revenue by segment.

USE OF PROCEEDS FROM FEBRUARY 2018 OFFERING

On February 27, 2018, the Company completed the February 2018 offering. The intended use of the net February 2018 offering proceeds (inclusive of the net over-allotment proceeds) was \$16.5 million for CannMart inventories and supplies, \$9.9 million on expanding our customer base, \$3.3 million on e-commerce upgrades, and \$8.1 million for general working capital purposes. As at the date of this MD&A, the Company has deployed the net February 2018 offering proceeds (approximately) as to: \$1.0 million for CannMart inventories and supplies; \$3.0 million on expanding our customer base; \$2.4 million on the acquisition of Findify; \$1.5 million on e-commerce upgrades; and \$3.5 million for general working capital purposes. The remaining net proceeds from the February 2018 offering of approximately \$26.4 million (which included the proceeds from the exercise of the over-allotment option in full) are expected to be used in the next 6-9 months for the purchase of inventory and supplies for CannMart, and general working capital for the Company.

LIQUIDITY

Namaste's objectives when managing its liquidity and capital resources are to ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans while maintaining healthy liquidity reserves and access to capital for at least the next twelve months. The Company's cash resources are impacted by the seasonality of e-commerce sales. Namaste has sufficient cash on hand to manage its short-term and long-term objective. Namaste currently operates at a cash loss however, this has no impact on Namaste's growth objectives now or in near future.

As at August 31, 2018, Namaste had a cash balance of \$34.4 million and a working capital less cash and equivalents of \$5 million. Working capital consists of current assets less current liabilities. As at August 31, 2018, the Company has sufficient capital resources to satisfy its near term and long-term financial obligations as well as growth initiatives.

The table below sets out the cash and working capital position of Namaste as at August 31:

	2018	2017
Cash and cash equivalents	\$ 34,403,445	1,132,770
Working capital excluding cash and cash equivalents	4,955,277	2,374,304
	\$ 39,358,722	3,507,074

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Cash and cash equivalents

Increase in cash and cash equivalents of \$33.3 million or 2,937% was primarily due to cash proceeds from the bought-deal financing in February 2018 netted against other cash movements within operating, investing and financing activities of Namaste. See "Use of proceeds from February bought-deal" section for details.

Working capital excluding cash and cash equivalents

Increase in working capital excluding cash of \$2.6 million or 109% was primarily driven by an increase in accounts receivable of \$0.5 million, an increase in sales tax receivable of \$0.6 million, an increase in prepaid expenses and other assets of \$2.5 million, an increase in accounts payable of \$1.8 million and a decrease in earn-out payable of \$0.5 million.

The table below sets forth Namaste's cash flows for the twelve months ended August 31:

	2018	2017
Cash used in operating activities	\$ (12,191,092)	(7,825,390)
Cash used in investing activities	(6,313,275)	(5,392,941)
Cash provided by financing activities	51,789,675	14,237,436
	\$ 33,285,308	1,019,105

Operating activities

For the twelve months ended August 31, 2018, cash used in operating activities resulted primarily from cash inflows of \$5.2 million from gross profit, offset by cash flows used for operating expenses of \$15.5 million, cash outflows from other income/costs of \$0.2 million and cash outflows of \$1.6 million related to changes in non-cash working capital.

For the twelve months ended August 31, 2017, cash used in operating activities resulted primarily from cash inflows of \$1.4 million from gross profit, offset by cash flows used for operating expenses of \$7.5 million, cash outflows from other income/costs of \$0.2 million and cash outflows of \$1.6 million related to changes in non-cash working capital.

Investing activities

For the twelve months ended August 31, 2018, cash used in investing activities were primarily for the purchase of property and equipment and intangible assets of \$2.1 million, available for sale investments of \$2.1 million and the acquisition of assets and business combinations, net of cash for \$2.4 million.

For the twelve months ended August 31, 2017, cash used in investing activities was for the acquisition of assets and business combinations, net of cash for \$5.4 million.

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Financing activities

For the twelve months ended August 31, 2018, cash provided by financing activities were primarily generated from the February 2018 bought-deal financing for gross proceeds of \$40.3 million (net proceeds of \$37.8 million) and the exercise of warrants and options for \$15.3 million offset by shares buy back and shares issuance costs of \$3.0 million and \$3.6 million, respectively.

For the twelve months ended August 31, 2017, cash provided by financing activities were primarily generated from the October 2016 non-brokered private placement for net proceeds of \$3.0 million, March 2017 private placement for net proceeds of \$11.3 million and the exercise of warrants and options for \$1.7 million offset by share issuance costs of \$1.2 million.

NON-IFRS MEASURES

Management evaluates the Group's performance using a variety of measures. The non-IFRS measures discussed below should not be considered as an alternative to or to be more meaningful than net revenue or net loss. These measures do not have any standardized meaning prescribed by IFRS and many not be comparable to similar measures presented by other companies.

	Three months ended August 31		Twelve months ended August 31	
	2018	2017	2018	2017
IFRS measures from interim consolidated financial statements:				
Net loss	\$ (8,689,720)	(11,378,603)	(23,233,139)	(17,357,264)
Current tax	74,336	134,667	231,248	163,843
Deferred tax	(350,488)	(78,137)	(619,729)	(164,179)
Depreciation and amortisation	753,326	215,086	1,639,923	442,823
EBITDA	(8,212,546)	(11,106,987)	(21,981,697)	(16,914,777)
<i>Adjustments:</i>				
Other income	(373,137)	(771,799)	(825,270)	(771,799)
Share based compensation	4,133,224	452,798	12,077,283	2,147,691
Shares issued for services	-	270,458	324,338	270,458
Foreign exchange loss	90,720	24,633	332,647	70,517
Adjusted EBITDA	\$ (4,361,739)	(11,130,897)	(10,072,699)	(15,197,910)

EBITDA and Adjusted EBITDA are calculated as described above, adjusted for specific items that are significant but not reflective of Namaste's underlying operations. Adjustment of these specific items is subjective; however, management uses its judgment and informed decision-making when identifying items for adjustment.

Adjusted EBITDA is provided to assist management and investors in determining the Namaste's operating performance before income taxes, depreciation and amortization, and certain other income and expenses. Income taxes, depreciation and amortization are excluded from the EBITDA calculation, as they do not represent cash expenditures that are directly affected by operations. Management believes that presentation of this non-IFRS measure provides useful information to investors and shareholders as it provides predictive

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value and assists in the evaluation of performance trends. Management uses adjusted EBITDA to compare financial results among reporting periods and to evaluate Namaste's operating performance and ability to generate funds from operating activities.

In calculating Adjusted EBITDA, management excluded certain non-cash and nonrecurring transactions. Adjusted EBITDA excluded non-cash expenses related to share-based compensation, shares issued for services and foreign exchange losses.

CAPITAL RESOURCES

On October 31, 2017, the Company completed its non-brokered private placement issuing a total of 14.4 million units of the Company at a price per unit of \$0.25, for total gross proceeds of \$3.6 million. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder thereof to acquire one share at a price of \$0.4 for a period of 24 months following the closing date. The fair value of the warrants was calculated at \$1.7 million based on the Black Scholes model.

On February 27, 2018, the Company completed a bought-deal financing issuing a total of 15.8 million units of the Company at a price per unit of \$2.55, for total gross proceeds of \$40.3 million. See "Use of proceeds from February bought-deal".

During the twelve months period ended August 31, 2018, the Company issued 54.5 million common shares on exercise of various warrants and options for total gross proceeds of \$15.3 million.

On October 25, 2018, the Company closed a bought deal of 17,250,000 Units at a price of \$3.00 per unit for gross proceeds of \$51.8 million (including the exercise in full of the over-allotment option). Each Unit was comprised of one common shares and three-quarters of one common share purchase warrant. Each warrant entitles the holder to acquire one share at a price of \$3.15 for a period of 60 months following the closing date.

OFF-BALANCE SHEET ARRANGEMENTS

As at the date of this MD&A, the Company had no material off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of the Group.

Operating lease commitments:

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

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RELATED PARTY BALANCES AND TRANSACTIONS

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

- (i) Balances with related parties are non-interest bearing, unsecured, due on demand and are carried in ordinary course of business.
- (ii) For the twelve months ended August 31, 2018, the Company issued 2.5 million shares to certain officers as a bonus, during the period valued at \$1.8 million based on the market price of the shares on the date of issuance.
- (iii) During the twelve months ended August 31, 2018, certain officers and directors were granted the following stock options which vest in equal quarterly installments:

Grant date	Number of options	Exercise price	Fair value	Vesting period	Expiry date
		\$	\$		
November 21, 2017	500,000	0.40	0.34	2 years	November 21, 2022
March 1, 2018	200,000	1.76	1.49	2 years	March 1, 2023
April 4, 2018	4,100,000	1.60	1.35	2 years	April 4, 2023
June 27, 2018	1,200,000	1.32	0.94	2 years	June 27, 2023
August 6, 2018	1,000,000	1.39	0.62	2 years	August 6, 2023
August 7, 2018	200,000	1.39	0.64	2 years	August 7, 2023

The fair values on the grant date were determined using the Black-Scholes model.

- (iv) The Company utilizes payment processing services from Dollinger Enterprises Europe Ltd., a company controlled by Chief Executive Officer. No amounts were owed as at the reporting date.
- (v) The Company received e-commerce support services from a consulting company that is controlled by a member of the board of directors. The amount outstanding against these service as at August 31, 2018 was \$nil (2017: \$17,851).

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FINANCIAL INSTRUMENTS

(a) Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

The Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1 includes quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 includes inputs that are observable other than quoted prices included in Level One; and
- Level 3 includes inputs that are not based on observable market data.

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

	Available for sale financial assets	Loans and receivables	Financial assets at FVTPL	Other financial liabilities	Total
Financial assets:					
Cash and cash equivalents	\$ -	34,403,445	-	-	34,403,445
Accounts receivable	-	795,577	-	-	795,577
Sales tax receivable	-	776,041	-	-	776,041
Derivatives	-	-	81,134	-	81,134
Due from related parties	-	46,124	-	-	46,124
AFS investments	2,600,163	-	-	-	2,600,163
Long-term deposits	-	12,652	-	-	12,652
	\$ 2,600,163	36,033,839	81,134	-	38,715,136
Financial liabilities:					
Accounts payable and accrued liabilities	\$ -	-	-	2,546,275	2,546,275
Loans payable	-	-	-	44,402	44,402
Due to related parties	-	-	-	13,334	13,334
	\$ -	-	-	2,604,011	2,604,011

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

	Available for sale financial assets	Loans and receivables	Financial assets at FVTPL	Other financial liabilities	Total
Financial assets:					
Cash and cash equivalents	\$ -	1,132,770	-	-	1,132,770
Accounts receivable	-	303,230	-	-	303,230
Sales tax receivable	-	170,822	-	-	170,822
Due from related parties	-	81,612	-	-	81,612
	\$ -	1,688,434	-	-	1,688,434
Financial liabilities:					
Accounts payable and accrued liabilities	\$ -	-	-	777,402	777,402
Earns-out payable	-	-	-	489,230	489,230
Loans payable	-	-	-	379,924	379,924
Due to related parties	-	-	-	552	552
	\$ -	-	-	1,647,108	1,647,108

The carrying values of financial instruments and fair value amounts of all the Company's financial instruments approximate their fair values as at August 31, 2018 and 2017.

The following is a summary of financial assets measured at fair value based on various level of inputs:

	Level 1	Level 2	Level 3	Total
AFS investments	\$ 324,228	800,000	1,475,935	2,600,163
Derivatives	-	80,134	1,000	81,134
	\$ 324,228	880,134	1,476,935	2,681,297

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

(b) Risk management

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

Market risk

Market risk is the risk that future changes in market conditions such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

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a. Currency risk

The Group is party to financial instruments or enters into transactions denominated in currencies other than its functional currency. Consequently, the Group is exposed to risks that the exchange rate of its currency relative to other foreign currencies may change in a manner that has an adverse effect on the value of that portion of the Group's assets or liabilities denominated in currencies other than Canadian dollars. This risk is mitigated by timely payment of creditors and monitoring of foreign exchange fluctuations by management. The Group does not hedge against movements in foreign currency exchange rates.

b. Interest rate risk

Interest rate risk refers to the risk of loss due to adverse movements in interest rates. Interest rate risk consists of a) the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, and b) to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities. The Group does not have significant exposure to interest rate risk.

c. Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, other than those arising from interest rate risk or currency risk. The Group's exposure to other price risks relates to fair value of its available for sale investments and derivatives.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from cash and cash equivalents, accounts receivable and due from related parties. The Company has no significant concentration of credit risk arising from operations. Cash and cash equivalents consist of cash deposited with reputable financial institutions which are closely monitored by management. Accounts receivable related to online sales are held in reputable merchant accounts and are received within a short period of time. Accounts receivable from wholesale orders are with reputable customers that have a longstanding relationship with the Company. The carrying amount of financial assets represents the maximum credit exposure.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, without incurring unacceptable losses or risking damage to the Group's reputation.

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	Carrying value	less than 3 months	4 - 6 months	7 - 12 months	Over 12 months
August 31, 2018:					
Accounts payable and accrued liabilities	\$ 2,546,275	2,427,875	108,000	10,400	-
Loans payable	44,402	4,848	4,848	9,697	25,009
	<u>\$ 2,590,677</u>	<u>2,432,723</u>	<u>112,848</u>	<u>20,097</u>	<u>25,009</u>
August 31, 2017:					
Accounts payable and accrued liabilities	\$ 777,402	777,402	-	-	-
Loan payable	379,924	94,981	-	-	284,943
Earn-out payable	489,230	-	-	489,230	-
	<u>\$ 1,646,556</u>	<u>872,383</u>	<u>-</u>	<u>489,230</u>	<u>284,943</u>

CAPITAL INFORMATION

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. The Company has 283,471,422 common shares that are issued and fully paid as of August 31, 2018.

As at the date of this interim report, there were 307,157,145 common shares issued and outstanding.

SUBSEQUENT EVENTS

- (a) Namaste Bahamas Inc. (a wholly owned subsidiary) has signed a binding term sheet to acquire all of the issued and outstanding shares of AF Trading Ltd. for US\$5 million. Payment will be 50% in cash and 50% in common stock of the Company. This acquisition will be subject to approval by the Toronto Venture Exchange.
- (b) On September 2, 2018, CannMart Inc. (a wholly owned subsidiary) received its ACMPR medical cannabis "sales-only" license with no cultivation from Health Canada.
- (c) The Company has entered into a letter of engagement with Eight Capital, under which Eight Capital has agreed to purchase, as co-lead underwriter and joint bookrunner with Canaccord Genuity Corp., 15 million units of the Company, on a "bought-deal" basis pursuant to a filing of a short form prospectus, subject to all required regulatory approvals, at a price per unit of \$3 for gross proceeds of \$45 million with an option of over allotment to raise additional 15% at the same issue price. Each unit consists of one common share of the Company and three-quarters of one common share purchase warrant. Each warrant entitles the holder thereof to acquire one share at a price of \$3.15 for a period of 60 months following the closing date.
- (d) On October 6, 2018, a securities class action was filed in the United States District Court, Central District of California against the Company and certain officers of the Company alleging false or misleading statements in violation of U.S. federal securities laws relating to the Company's December 2017 sale of its US subsidiary Dollinger Enterprise US Inc. and the Company's application for listing on the

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NASDAQ. The Company intends to vigorously defend the allegations and will pursue all available legal remedies that it deems necessary.

ADDITIONAL INFORMATION

Additional information regarding the Company, including the Company's Annual Information Form for the year ended August 31, 2017, is available under the Company's profile on SEDAR at www.sedar.com.

FORWARD LOOKING STATEMENTS

This MD&A includes certain forward-looking statements that are based upon current expectations which involve risks and uncertainties associated with Namaste's business and the economic environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements, which are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words or phrases (including negative variations) suggesting future outcomes or

FORWARD LOOKING STATEMENTS (continued)

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 "Risk management".

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

Readers are cautioned that the above factors are not exhaustive. Although management has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated.

Management believes the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A.

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