# Namaste Technologies Inc.

## Management Discussion and Analysis

*Twelve months ended August 31, 2017*

This “Management’s Discussion and Analysis” (“MD&A”) has been prepared as at January 7, 2018, and should be read in conjunction with the audited consolidated financial statements of Namaste Technologies Inc. (the “Company”) for the twelve months ended August 31, 2017.

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

**Management's responsibility for financial reporting**

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.

**Forward looking statements**

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

Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding management’s goal of creating shareholder value, 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.

**Basis of presentation and statement of compliance**

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

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

The preparation of these audited consolidated financial statements in compliance with IFRS requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the audited 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 audited consolidated financial statements. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenues, and expenses. Management uses various factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes differ from these estimates under different assumptions and conditions.

The critical judgements and significant estimates in applying accounting policies that have the most significant effect on the amounts recognized in the audited consolidated financial statements are:

- Going concern
- Impairment of non-financial assets
- Determination of whether a transaction meets the definition of a business combination
- Determination of CGUs

Key sources of estimation uncertainty include:

- Value of inventory write-down
- Fair value of deferred taxes
- Estimated impact of new and revised standards
- Allowance for doubtful accounts
- Measurement of the purchase price allocation and the fair value of the consideration paid in a business combination
- Measurement of the value of the intangibles and goodwill
- Allowance for doubtful accounts
- Useful lives of equipment
- Share-based payment transactions and warrants
- Useful lives of intangible assets
- Fair value of financial instruments

**New standards and interpretations to be adopted in future periods**

At the date of authorization of these audited consolidated financial statements, the IASB and IFRS Interpretations Committee (IFRIC) have issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted. However, the Company is currently assessing what impact the application of these standards or amendments will have on the audited consolidated financial statements.

IAS 1 "Presentation of Financial Statements" was amended by the IASB in December 2014. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. The effective date is for annual periods beginning or after January 1, 2016. Entities may still choose to apply IAS 1 immediately, but are not required to do so. This application had no impact on the Company.

IAS 7 Statement of Cash Flows has been revised to incorporate amendments issued by the IASB in January 2016. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017.

IFRS 9 "Financial Instruments" was issued in final form in July 2014 by the IASB and will replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however early adoption is permitted.

IFRS 15 Revenue from Contracts with Customers. In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 must be applied in an entity's first annual IFRS financial statements for periods beginning on or after January 1, 2018 with early adoption permitted.

IFRS 16 - Leases replaces IAS 17, Leases. The new model requires the recognition of almost all lease contracts on a lessee's statement of financial position as a lease liability reflecting future lease payments and a "right-of-use asset" with exception for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within the operating and financing activities for the interest and principal portions, respectively. IFRS 16 is effective for annual period beginning on or after January 1, 2019, with early adoption permitted if IFRS 15, Revenue of Contracts with Customers, is also applied. The Company has yet to evaluate the impact of this new standard.

IFRIC 22 Foreign Currency Transactions and Advance Consideration issued by the IASB in December 2016, provides guidance on the issue of the "date of the transaction" for the purpose of determining the exchange rate at the time of the transaction, to apply to transactions that are within the scope of IAS 21, Effects of Changes in Foreign Exchange Rates, which involve the receipt or payment of an advance consideration in a foreign currency. The interpretation applies for annual reporting periods beginning on or after January 1, 2018.

IFRIC 23 Uncertainty over income tax treatments issued by the IASB in June 2017, provides guidance as to when it is appropriate to recognize a current tax asset when the taxation authority requires an entity to make an immediate payment related to an amount in dispute. This interpretation applies for annual reporting periods beginning on or after January 1, 2019.

### Basis of consolidation

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

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

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

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

**Equity interests**

| | ***August 31, 2017*** | ***August 31, 2016*** |
|---|---|---|
| Namaste Technologies Holdings Inc. | 100% | 100% |
| Dollinger Enterprises US Ltd. | 100% | 100% |
| Namaste Bahamas Inc. | 100% | 100% |
| Australian Vaporizers Pty Ltd. | 100% | - |
| CannMart Inc. | 100% | - |
| Next Gen USA Inc. | 100% | 100% |

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

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

### Description of the business

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

The Company is a publicly traded corporation, incorporated in British Columbia, Canada, with its office located at Suite 2300, 550 Burrand Street, Vancouver, British Columbia, Canada V6C 2B5. The Company's primary listing is on the Canadian Securities Exchange, under the trading symbol "N". The Company has 243,308,721 common shares that are issued and fully paid as of January 7, 2018.

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

**Business strategy of the company**

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

- **E-Commerce, social media**

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

- **Design, manufacturing**

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

- **Wholesale distribution**

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

- **Industry consolidation**

  As one of the first true vaporizer and accessories companies to access public capital, the Company has identified multiple opportunities to expand by acquisition. The focus of the Company's acquisition strategy is to identify companies that complement Namaste in terms of financial profile, geographical focus, and product and service offering and enter into transactions that are accretive on a per share basis. Based on management's analysis of the market, the vaporizer and accessory space is fragmented and high growth, which makes the industry ideal for consolidation.

**Overall performance**

- Namaste generated e-commerce revenues of $10,981,414 million, a gross profit of $1,378,128 million, and a gross profit margin of 12.6%. Cost of goods sold include an inventory write-down of $601,902. Adjusted for this the gross profit was $1,980,030 and the gross margin was 18%.
- the Company completed the transition from pay-per-click advertising to inbound organic e-commence growth strategies focused on domain authority to achieve superior rankings, increasing site traffic and sales conversion optimization;
- the Company successfully closed two equity financings in the fiscal year and raised gross proceeds of $14.4 million;
- on October 18, 2016, the Company closed the acquisition of select assets of URT1 Limited, which included two of the longest standing domains for the sale of vaporizers and accessories in the industry;
- on March 15,2017 the Company closed the acquisition of Australian Vaporizers and became the dominant on-line seller of vaporizers in Australia;
- on April 28, 2017 the Company acquired 100% of the share capital of CannMart Inc. a late stage applicant under the Access to Cannabis for Medical Purposes Regulations. The acquisition of CannMart represents a strategic decision for Namaste to leverage its strength in ecommerce and logistics in becoming a leader in retail distribution of medical cannabis in Canada.
- The company operates three disctinct business segment known as Namaste-other, Australian Vaporizers and CannMart.

**Discussion of operations**

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

On September 15, 2016 the Company entered into a Definitive Asset Purchase Agreement with URT1 Limited and its wholly owned US subsidiaries. The acquisition was closed on October 18, 2016. Pursuant to the terms of the agreement, Namaste acquired all the website domains, the customer list of over 40,000 individuals, the vendor list of over 190 vendors, intellectual property and related technologies, in exchange for common shares of Namaste. In March 2017 Namaste successfully migrated the EveryoneDoesIt ("EDIT") portals to its Shopify platform, and completely revamped the user interface to considerably improve the overall customer experience. This included reducing page load times from over 3.0 seconds to 1.7 seconds. Since completing the migration, the EveryoneDoesIt conversions have increased. In addition to improved conversions, the average purchase by a customer has improved.

Since the migration to Shopify the EveryoneDoesIt platforms have started utilizing machine learning algorithms to deliver personalization across onsite searches, product recommendations, and category navigation. By analyzing user activities, Namaste is building a behavioral profile on a per user basis. This profile is used to match products that the algorithm believes the individual user is more likely to purchase.

This is a collaborative filtering based algorithm, that essentially creates a "trend aware" dynamic algorithm. This generates search results and category views that change to reflect a user's preferences, therefore displaying products of the highest interest. The utilization of this data is a significant competitive advantage and key differentiator for the Company. This technology will be rolled out to all sites as part of the Namaste portfolio. At the same time the Company's e-commerce team created a centralized management platform to access and update all product listings and website characteristics seamlessly, across multiple Shopify storefronts. This resulted in improvements in operational efficiency.

On October 4, 2016 the Company entered into two new strategic partnerships to expand its market presence as the leading e-commerce company focused on vaporizers and accessories. The partnerships were with online reviewer Sneaky Pete (SPV Enterprises LLC) and on-line retail site VaporTownUSA.com.

Sneaky Pete is a leading source of information for cannabis consumers that has generated hundreds of thousands of YouTube views. Sneaky Pete's professional quality reviews focus on the latest vaporizer products and are often a first place of reference for product consumers. Sneaky Pete's videos drive traffic to Sneaky Pete's online store as well as affiliate traffic to Namaste. Under the partnership, Namaste manages all credit card processing, logistics and inventory fulfillment. SPV Enterprises is compensated based on Namaste's drop shipping price platform. Namaste utilizes its e-commerce resources to enhance video rankings and conversion rates for Sneaky Pete's YouTube channel and retail store.

VaporTownUSA.com is an existing online retail site for vaporizers and accessories. Namaste will manage sales, customer service and logistics for VaportownUSA.com and net profits are shared between VaporTownUSA.com management and Namaste equally. Through this relationship, Namaste will expand VaporTownUSA's product offering and increase sales by utilizing search engine optimization and inbound marketing techniques.

On October 11, 2016 the Company signed agreements with manufacturers PAX Labs ("PAX") and Firefly Vapor ("Firefly") to sell their products in North America and over 20 countries internationally. Namaste is the only company in the world to receive international rights from these companies. PAX and Firefly rank amongst the best-selling products of the Company's product offering.

On November 3, 2016 the Company secured new agreements with manufacturers of indoor growing equipment. These product lines were added to Namaste's e-commerce portals and complements the Company's existing portfolio of vaporizers, pipes, papers and other accessories. This new product portfolio also represents a further monetization of Namaste's customer list.

On November 16, 2016 the Company entered an exclusive distribution agreement with Pharmacor Technologies Inc. for the international sale of the Inhalater line of vaporizers and accessories.

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

On February 1, 2017 the Company commenced distribution through eBay Inc., a global commerce leader that connects millions of buyers and sellers around the world. eBay has formally approved Namaste's marketing templates and products have been listed for sale. As one of a select number of companies in the vaporizers and accessories industry to be permitted to distribute through eBay's marketplace, Namaste lists its products under the recently launched vaporizers and e-cigarettes category. In March 2017 the Company received approval to list over 100 products for distribution though eBay Inc. Going forward, the Company plans to list over 1,000 products for sale, including the latest vaporizers and accessories. Due to the large customer base of eBay and the fact Namaste is one of the only companies to be approved for the distribution of vaporizers through eBay, it is anticipated product sales and revenue generation will increase significantly as the Company continues to add products for distribution. March was the first full month of having listings live for purchase on eBay.

On February 2, 2017 the Company was approved by Little Bay, Inc., a subsidiary of Privateer Holdings Inc. as a retailer of the Marley Natural accessories product line in the United States. Marley Natural is the official cannabis brand of Bob Marley, one of the most iconic names in the cannabis industry. Namaste markets the Marley Natural products to its customer list of over 250,000 individuals and through its e-commerce brands.

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

On March 14, 2017 the Company signed a memorandum of understanding with Vinergy Resources Ltd. ("Vinergy"), to jointly market Vinergy's proprietary Cannabidiol (CBD) extract formulations through referral traffic generated on Namaste's sales channels and websites. In the first phase of the collaboration, through channels in California, Colorado and potentially other legal States, Namaste markets Vinergy's proprietary formulations to consumers in its database of 300,000 customers.

On March 16, 2017 the Company completed its acquisition of Australian Vaporizers PTY Ltd ("Australian Vaporizers") using proceeds from its "bought deal" financing of CAD $11,338,000, closed on March 9, 2017. The acquisition of Australian Vaporizers adds significant revenue and solidifies Namaste's position as the largest online retailer of vaporizers in the world. Post consolidation, Namaste controls approximately 90% of the vaporizer online retail market in Australia. The acquisition of Australian Vaporizers represents a 33% increase in Namaste's revenue. In addition to strong financials, Australian Vaporizers' traffic and on-site conversions exceed industry standards. The addition of thousands of new customers in Australia has significant value to Namaste, as it focuses on further developing a powerful global database of medicinal and recreational Cannabis users within various demographics and geographical regions.

On April 28, 2017 the Company announced that it completed its acquisition of all the issued and outstanding shares in the capital of CannMart Inc. ("CannMart"), a late stage applicant under the Access to Cannabis for Medical Purposes Regulations. The acquisition of CannMart represents a strategic decision for Namaste to leverage its strength in ecommerce and logistics in becoming a leader in retail distribution of medical cannabis in Canada. The rationale for the acquisition includes but is not limited to:

- Expansion of Namaste's product offerings, with the ability to sell both vaporizers and consumables from one location. Namaste aims to be a one-stop-shop for medical cannabis consumers in Canada;
- Namaste's ability to market and brand medical cannabis products to its 50,000+ dataset of Canadian consumers, and;
- Namaste launching a Canadian warehouse in the CannMart facility in order to process both vaporizer and medical cannabis shipments, medical cannabis packaging, filling for pod-based vaporizers, and

distribution for other brands of medical cannabis products. Namaste's ability to provide same day delivery within the Greater Toronto Area and next day delivery within Canada.

In consideration for its acquisition of CannMart, Namaste made a one-time payment of $50,000 and issued 8,668,515 common shares of the Company to the vendors. An additional 3,467,406 common shares will be issued to the vendors upon satisfaction of certain milestones outlined in the definitive agreement.

On May 15, 2017 the Company announced that Cannmart Inc., its wholly owned subsidiary, was approved by Health Canada for a Medical Device Establishment License ("MDEL"). The MDEL will allow Namaste to import and distribute vaporizers which are approved by Health Canada as Medical Devices.

The MDEL License approval represents a strategic milestone for Namaste. The Company will import and distribute Health Canada approved vaporizers classified as Medical Devices in Canada. The license will provide further value in the future as new manufacturers begin to produce medical grade vaporizer and cannabis devices. This approval positions Namaste as a preferred distributor for medical grade vaporizers across the country. A Medical Device Establishment License is separate from a Medical Device License and is issued for the purpose of importing and selling medical devices for human use in Canada. The MDEL is issued by the Inspectorate based on an establishment certifying that they meet certain requirements and are then inspected for compliance.

On August 22, 2017, CannMart received confirmation from Health Canada that it has reached the review stage of the Application, during which Health Canada will be completing a thorough review of the Application. Concurrently, CannMart's submitted personnel security clearances are being processed. The Security Clearance Application Forms that were submitted as part of the Application will be reviewed for completeness before a request is submitted to the RCMP to conduct a check of the relevant files of law enforcement agencies, including intelligence gathered for law enforcement purposes.

Eurofins Experchem has been engaged by Namaste to provide regulatory consulting services for CannMart through its final stages of approval from Health Canada. Eurofins Experchem provides a wide range of regulatory and testing services for the Canadian medical cannabis industry, ensuring that facilities comply with the Marihuana for Medical Purposes Regulations.

### Selected annual information

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

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

**Selected Financial Information**

| | *August 31, 2017* | *August 31, 2016 - Restated* | *August 31, 2015* |
|---|---|---|---|
| Sales | **10,981,414** | 3,488,902 | 4,568,276 |
| Gross profit | **1,378,128** | 1,120,474 | 2,003,025 |
| Net income (loss) | **(17,357,264)** | (2,152,311) | 355,230 |
| Net income (loss) per share, basic & diluted: | **$ (0.12)** | $ (0.04) | $0.01 |
| Weighted average number of outstanding common shares, basic and diluted | **140,038,698** | 53,458,671 | 36,218,202 |
| Total assets | **13,924,370** | 4,111,081 | 900,422 |
| Long-term financial liabilities | **1,034,811** | 1,232,935 | - |

## Revenue

The Company’s net revenues for the twelve months to August 31, 2017 were $11.0 million (2016 – $3.5 million), which is an increase of $7.5 million or 215% as compared to the twelve months ended August 31, 2016. The increase in net revenue is primarily due to organic growth, and the acquisitions of Australian Vaporizers, URT1 (also known as EDIT) and VaporSeller, which provided revenues of $2.1 million, $1.2 million and $1.0 million, respectively. Excluding acquisitions revenues increased 92% to $6.7 million.

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

The majority of revenues were generated by several key markets. The top five countries generated 82% of revenues in the 12 months to August 31, 2017. In the previous year the top five countries generated 70% of revenues.

**Revenues by country**

| Country | *August 31, 2017* | *August 31, 2016 - Restatd* |
|---|---|---|
| Great Britain | **3,332,578** | 1,534,271 |
| Australia | **2,578,325** | 176,488 |
| United States of America | **2,308,530** | 391,887 |
| Brazil | **521,126** | 279,379 |
| Canada | **467,122** | 52,296 |
| New Zealand | **397,556** | 270,353 |
| Germany | **246,541** | 133,391 |
| Ireland | **216,608** | 42,486 |
| Israel | **193,381** | 63,820 |
| Other | **615,272** | 544,531 |
| **Total** | **10,981,414** | 3,488,902 |

**Revenue by segment**

| | August 31, 2017 | August 31, 2016 - Restated |
|---|---|---|
| Namaste-other | | |
| Gross segment revenue | **8,933,097** | 3,488,902 |
| Intersegement revenue | **(86,915)** | - |
| External revenue | **8,846,182** | - |
| Australian Vaporizers | | - |
| Gross segment revenue | **2,208,752** | - |
| Intersegement revenue | **(73,520)** | - |
| External revenue | **2,135,232** | - |
| CannMart | - | - |
| **Total revenue by segment** | **10,981,414** | 3,488,902 |

**Gross profit and cost of sales**

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

The Company's cost of sales for the twelve months ended August 31, 2017 were $9.6 million (2016 – $2.4 million), which resulted in a gross profit of $1.4 million (2016 – $1.1 million) including a write-down of inventory of $0.6 million. The gross profit increased by $0.3 million or 27%. As a percentage of sales, the gross profit declined to 13% during the period, as compared to 32% in the prior year. The gross profit decline is partially due to a non-cash inventory write-down of $0.6 million. Excluding this write-down, gross profit for the period was $2.0 million, which is an increase of $0.9m million or 82% over the prior period. In addition to the aforementioned factors, gross profit declined due to a decrease in the price mark-up of products sold to retail customers, an increase in shipping cost related to product sales, and a foreign currency depreciation in sales generated in British Sterling relative to the Canadian Dollar.

**Operating expenses**

The table below sets forth operating expenses for the twelve months ended August 31, 2017.

| | August 31, 2017 | August 31, 2016 - Restated |
|---|---|---|
| **Operating expenses** | | |
| Selling expenses | **3,119,285** | 748,291 |
| Administration expenses | **6,687,474** | 2,390,060 |
| Other expenses | **513,340** | 225,982 |
| Impairment of goodwill and intangibles | **9,187,428** | - |
| **Total operating expenses** | **19,507,527** | 3,364,333 |

Operating costs were $19.5 million (2016 - $3.4 million), which is an increase of $16.1 million. The increase in operating costs is explained by the organic growth of the Company and through acquisitions. In addition, there were non-cash items of $9.6 million, which included amortization of intangibles and impairment of goodwill and intangible assets during 2017, which did not occur in 2016.

Selling expenses for the twelve months ended August 31, 2017 were $3.1 million (2016 – $0.7 million), which is an increase of $2.4 million. The increase is due to an increase in advertising expenses of $0.7 million and consulting expenses of $1.6 million. Advertising expenses relate to online search services as well as other online promotional and social media tools utilized by the Company to generate sales. These costs further represent the Company's significant investment into search engine optimization and its ongoing customer acquisition strategy. 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. The increase in consulting fees is correlated to the current growth in the business. In addition to this, an increase in consultants are required to improve and develop current and new revenue channels that the Company is working towards.

Administration expenses for the twelve months ended August 31, 2017 were $6.7 million (2016 – $2.4 million), which is an increase of $4.3 million. The increase is due to an increase in salaries of $0.7 million, share-based compensation of $1.9 million, bank and credit card fees of $0.5 million, professional fees of $1.0 million, and general and administration of $1.0 million. The increase in salaries were primarily due to an increase in back-office support to manage the growth in the business. The increase in stock-based compensation is primarily due to an increase in share and option based compensation to officers, directors, employees and consultants. Bank and credit card fees relate to PayPal, Amex and commercial banks for processing incoming and outgoing orders from customers, suppliers and service providers, foreign transaction fees, and other bank service charges and chargebacks. Professional fees increased as a result of additional of legal and accounting services. General and administrative expenses primarily due to business development travel related costs in relation to the company's acquisitions. The increase in administration expenses is partially offset by a decrease in investor relations expense of $0.2 million and listing expenses of $0.6 million

Other expenses for the twelve months ended August 31, 2017 were $0.5 million (2016 – $0.2 million), which is an increase of $0.3 million. The increase is primarily due to amortization of intangibles of $0.4 million, which relates to the amortization of the customers list from the acquisition of Australian Vaporizers. This is partially offset by a decrease in foreign exchange losses of $0.1 million.

Impairment of goodwill and intangibles for the twelve months ended August 31, 2017 were $9.2 million (2016 – nil). These expenditures relate to the impairment of goodwill and intangible assets that were acquired as part of the EDIT and VaporSeller acquisitions.

**Summary of quarterly results**

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

**Summary of Quarterly Results**

| | *Nov-15 - Restated* | *Feb-16 - Restated* | *May-16 - Restated* | *Aug-16 - Restated* | *Nov-16* | *Feb-17* | *May-17* | *Aug-17* |
|---|---|---|---|---|---|---|---|---|
| Sales | 1,175,341 | 698,331 | 738,199 | 877,031 | 2,087,188 | 1,907,106 | 3,164,232 | 3,822,888 |
| Cost of Goods Sold | 812,506 | 424,549 | 445,224 | 686,149 | 1,500,348 | 1,309,072 | 2,943,875 | 3,849,991 |
| **Gross Profit** | **362,835** | **273,782** | **292,975** | **190,882** | **586,840** | **598,034** | **220,357** | **(27,103)** |
| *Gross margin* | *30.9%* | *39.2%* | *39.7%* | *21.8%* | *28.1%* | *31.4%* | *7.0%* | *-0.7%* |
| Net Income | (523,450) | (200,886) | (288,145) | (1,139,830) | (900,260) | (1,556,566) | (4,462,665) | (10,437,773) |
| Net income (loss) per share, basic: | (0.01) | (0.00) | (0.00) | (0.02) | (0.01) | (0.01) | (0.03) | (0.06) |
| Total assets | 616,367 | 1,783,230 | 1,357,305 | 4,111,081 | 8,865,274 | 7,991,329 | 21,374,108 | 13,924,370 |

The Company has seasonal fluctuations in its operating results, which is primarily due to the sales cycle that exists in the e-commerce sector. The increase in net loss during the second quarter ended February 2017, was primarily due to an increase in administration expenses related to business development initiatives. The company's gross profit is expected to be consistent quarter over quarter. The decline in gross profit in during the third quarter of ended May 2017, was primarily due to the timing of cost of sales that were recognized during the period. The increase in net loss during the third quarter ended May 2017, was primarily due to the aforementioned factors impacting the third quarter as well as an increase to stock-based compensation goodwill and intangibles.

## Liquidity

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

As at August 31, 2017, the Company had cash of $1,132,770. Working capital for the Company consists of current assets less current liabilities. As at August 31, 2017, the Company has sufficient capital resources to satisfy its near term financial obligations.

The table below sets forth the cash and working capital position of the Company as at August 31, 2017.

**Cash and working capital position**

| | *August 31, 2017* |
|---|---|
| Cash | 1,132,770 |
| Working capital excluding cash | 2,374,304 |

The table below sets forth the Company's cash flows for the twelve months ended August 31, 2017.

**Cash flow**

| Cash provided by (used in): | August 31, 2017 | August 31, 2016 - Restated |
|---|---|---|
| Operating activities | (7,881,501) | (1,692,335) |
| Finance activities | 14,237,436 | 2,293,509 |
| Investing activities | (5,392,941) | (656,200) |

- ***Cash used in operating activities***

  The cash used in operating activities of $7.9 million (2016 - $1.7 million), which is an increase of $6.2 million from the previous period. The increase was primarily due to higher selling and administration costs.

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

  The Company's cash provided by financing activities of $14.2 million (2016 - $2.3 million), which is an increase of $11.9 million. The increase was primarily due proceeds from share issuance and the exercising of warrants and options

- ***Cash used in investing activities***

  The Company's cash used in investing activities during 2017 was $5.4 million (2016 - $0.7 million), which is an increase of $4.7 million as compared to the prior year. The increase is attributable to cash used for acquisitions as well as the subsequent earn-out payments.

### Capital resources

**Capitalization**

| | Number of shares | Gross proceeds C$ |
|---|---|---|
| Balance August 31, 2015 | - | $ - |
| Issued during year ending August 31, 2016 | 67,852,297 | $ 2,199,402 |
| Balance year end August 31, 2016 | 67,852,297 | $ 2,199,402 |
| Issued during year ending August 31, 2017 | 117,863,619 | $ 16,555,638 |
| Balance year end August 31, 2017 | 185,715,916 | $ 18,755,040 |

In the three months ended November 30, 2016 the Company closed a non-brokered private placement by issuing 967,000 units of the Company for gross proceeds of $120,050. Each unit consists of one common share of the Company and one common share purchase warrant at an exercise price of $0.18 for a period of two years.

In the three months ended November 30, 2016 the Company closed a non-brokered private placement by issuing 25,000,000 units of the Company for gross proceeds of $3,000,000. Each unit consists of one common share of the Company and one half of one common share purchase warrant at an exercise price of $0.20 for a period of two years. In relation to the private placement the Company issued 1,318,062 broker warrants at an exercise price of $0.12 for a period of two years.

In the three months ended November 30, 2016 the Company issued 2,804,433 common shares of the Company at a price of $0.12 in relation to the conversion of a convertible loan note. The proceeds of the convertible were $400,000.

In the three months ended November 30, 2016 the Company issued 13,773,933 common shares of the Company to URT1 at a price of $0.12 in relation to and asset purchase agreement (APA) of URT1's assets.

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

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

In the three months ended May 31, 2017 the Company raised $11,970,890 and issued 68,855,186 shares. $11,338,000 was raised from a brokered placement of 45,352,000 units priced at $0.25 to finance the acquisition of Australian Vaporizers. Each unit consists of one share and one half of one common share purchase warrant at an exercise price of $0.35 for a period of two years. A further $632,890 was raised from the exercise of warrants and options. 1,988,182 shares were issued to acquire Australian Vaporizers, 2,012,821 shares were issued to URT1 to finalize the acquisition price and 9,708,737 shares were issued to acquire CannMart Inc.

In the three months ended August 31, 2017 the Company issued 956,000 shares and raised $184,533 from the exercise of 956,000 warrants.

The Company's capital is primarily composed of shareholders' equity. The Company utilizes cash flow from operations and equity investment to support development and continued operations and to meet liabilities and commitments as they come due. Specifically, the Company has working capital excluding cash of $2,374,304 as at August 31, 2017.

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 August 31, 2017, the Company is not subject to any externally imposed capital requirements.

The Company's principal capital needs are for funds to expand its market presence, design and develop propriety products, and general working capital requirements to support growth.

The Company announced on March 1, 2017 that it was approved by OTC Markets Group Inc. ("OTC Markets") to trade on the OTCQB Venture Market ("OTCQB") in the US. On April 25, 2017 the Company announced that it secured DTC Eligibility by The Depository Trust Company ("DTC") for its shares on the OTCQB Venture Market ("OTCQB") effective April 21, 2017. DTC is a subsidiary of The Depository Trust & Clearing Corporation DTCC, and manages the electronic clearing and settlement of publicly traded companies. Securities that are eligible to be electronically cleared and settled through the DTC are considered "DTC eligible". This electronic method of clearing securities speeds up the receipt of stock and cash, and thus accelerates the settlement process for investors trading the Company's shares on the OTCQB.

**Off-balance sheet arrangements**

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

**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, is paid a salary 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 August 31, 2017, there was an amount of $190,800, in prepaid and deposits.

**Related party transactions**

| | ***August 31, 2017*** | ***August 31, 2016 - Restated*** |
|---|---|---|
| Due from shareholders | **64,730** | - |
| Due from other related parties | **16,882** | 6,531 |
| Total due from related parties | **81,612** | 6,531 |
| Due to shareholders | **-** | 186,945 |
| Due to other related parties | **552** | 39,372 |
| Total due to related parties | **552** | 226,317 |
| **Total due from (to) related parties** | **81,060** | (219,786) |

Key management includes the Company's directors, senior officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly.

**Compensation key executives**

| | ***August 31, 2017*** | ***August 31, 2016 - Restated*** |
|---|---|---|
| Salaries, commissions, bonuses, consulting fees | **397,351** | 21,721 |
| Share-based compensation | **1,028,821** | 25,650 |
| **Total** | **1,426,172** | 47,371 |

## Fourth quarter

The following table sets out selected audited financial information for the three months to August 31, 2017 compared to the comparative period in the previous fiscal year. The information is presented on the same basis as the audited consolidated financial statements and should be read in conjunction with the audited consolidated financial statements and the accompanying notes.

**Selected Financial Information**

| Three months ended | ***August 31, 2017*** | ***August 31, 2016 - Restated*** |
|---|---|---|
| Sales | **3,822,888** | 877,031 |
| COGS | **3,849,991** | 814,711 |
| Gross profit | **(27,103)** | 62,320 |
| Net income (loss) | **(10,438,109)** | (1,234,803) |
| Net income (loss) per share, basic & diluted: | **$ (0.06)** | $ (0.02) |
| Weighted average number of outstanding common shares, basic and diluted | **185,710,955** | 64,566,665 |
| Total assets | **13,924,370** | 4,111,081 |
| Long-term financial liabilities | **1,034,811** | 1,232,935 |

## Revenue

The Company's net revenues for the three months ended August 31, 2017 were $3.8 million (2016 – $0.9 million) an increase of $2.9 million 322% as compared to the three months ended August 31, 2016.

## Gross profit and cost of sales

The Company's cost of sales for the three months ended August 31, 2017 were $3.8 million (2016 – $0.8 million), which resulted in a gross profit of nil (2016 – $0.1 million). Gross profit in the fourth quarter of 2017, includes a non-cash inventory write-down of $0.6 million, which did not occur in the fourth quarter of 2016. Excluding the write-down, gross profit would have been $0.7 million, which would have been an increase of $0.6 million.

## Operating expenses

The table below sets forth operating expenses for the fourth quarter ended August 31, 2017 and August 31, 2016

**Operating expenses**

| **Three months ended** | ***August 31, 2017*** | ***August 31, 2016 - Restated*** |
|---|---|---|
| **Operating expenses** | | |
| Selling expenses | **362,871** | 278,309 |
| Administration expenses | **1,174,616** | 892,015 |
| Other expenses | **457,890** | 126,800 |
| Impairment of goodwill and intangibles | **9,187,428** | - |
| **Total operating expenses** | **11,182,806** | 1,297,123 |

Operating costs were $11.2 million (2016 - $3.3 million), which is an increase of $9.9 million. The increase in operating costs is explained by the organic growth of the Company and through acquisitions. In addition, there were non-cash items of $9.2 million, which included amortization of intangibles and impairment of goodwill and intangible assets during 2017, which did not occur in 2016.

Selling expenses for the three months ended August 31, 2017 were $0.4 million (2016 – $0.3 million), which is comparable year over year

Administration expenses for the three months ended August 31, 2017 were $1.2 million (2016 – $0.9 million), which is an increase of $0.3 million. The increase in administration costs is primarily due to the aforementioned factors that impacted the twelve months ended August 31, 2017.

Other expenses for the twelve months ended August 31, 2017 were of $0.5 million (2016 – $0.1 million expense), which is an increase of $0.4 million. The increase is primarily due to the amortization of intangibles of $0.4 million, which relates to the amortization of the customers list from the acquisition of Australian Vaporizers.

Impairment of goodwill and intangibles for the twelve months ended August 31, 2017 were $9.2 million (2016 – nil). These charges relate to the impairment of goodwill and intangible assets that were acquired as part of the EDIT and VaporSeller acquisitions.

## Subsequent events

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. Namaste intends to use the net proceeds from the Offering to finance construction at the Company's wholly owned subsidiary, CannMart Inc., to purchase medical cannabis inventory once CannMart receives its distribution license from Health Canada and for strategic corporate purposes.

On November 28, 2017 the Company announced that it signed a stock purchase agreement with ESC Hughes Holdings Limited to sell the Company's wholly owned US subsidiary, Dollinger Enterprises US Inc. The Agreement includes the sale of the domain names Everyonedoesit.com and NamasteVapes.com which combined represent less than 7% of Namaste's current gross revenue, both of which are currently operating at a net loss. Under the terms of the Agreement, Namaste will, through its wholly owned subsidiary, Namaste Technologies Holdings Inc., in consideration of a cash purchase price of US $400,000 convey to ESC all authorized and issued shares of Dollinger US, NamasteVapes.com and Everyonedoesit.com domains, all banking, merchant, and services accounts, five employees of Dollinger US and one real estate lease held under Dollinger US.

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.

## Commitments

The Company has commitments under operating leases for its office space, consulting fees to Haze and a schedule of repayments of a loan acquired with the acquisition of the assets of URT1. The estimated amounts are as follows:

**Commitments**

| Year ending August 31 | Amount due |
|---|---|
| 2018 | 351,493 |
| 2019 | 199,870 |
| 2020 | 196,459 |
| 2021 | 199,504 |
| 2022 | 107,659 |

**Financial instruments**

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

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

The Company has designated the following classifications:

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

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

Risk exposures as it relates to financial instruments:

- ***Credit risk***

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

  During the period under review the Company had current assets of $3,736,469 (2016 - $1,114,358) excluding liquid assets compared to current liabilities of $1,362,165 (2016 - $1,191,557). All amounts are due within one year.

- ***Market risk***

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

- ***Interest rate risk***

  Interest rate risk consists of a) the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, and b) to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities. The Company is not exposed to interest rate price risk.

- ***Foreign currency risk***

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

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

- ***Other price risk***

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

- ***Seasonality***

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

- ***Inflation and changing prices***

  Neither inflation nor changing prices for the three months ended August 31, 2107 had a material impact on operations of the Company.

**Risk factors related to the Company's business**

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

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

The Company's wholly-owned subsidiary, CannMart, will be subject to a variety of laws, regulations and guidelines relating to marketing, acquisition, management, transportation, storage, sale and disposal of medical marijuana but also laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Changes to such laws, regulations and guidelines may cause adverse effects to the Company's operations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

  Among the factors that could affect the share price are:

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

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

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

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

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

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

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