



# Namaste Technologies

**NAMASTE TECHNOLOGIES INC.**  
**Condensed Consolidated Interim Financial Statements**  
**(Unaudited)**

For the three and nine months ended August 31, 2020 and August 31, 2019  
(In Canadian dollars)

# NAMASTE TECHNOLOGIES INC.

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# NAMASTE TECHNOLOGIES INC.

## Condensed Consolidated Interim Statements of Financial Position

As at August 31, 2020 and November 30, 2019

(Unaudited – Expressed in Canadian dollars)



	Notes	August 31, 2020	November 30, 2019
<b>ASSETS</b>			
<i>Current assets</i>			
Cash and cash equivalents	15	\$ 13,644,712	\$ 37,856,048
Trade and other receivables	4	4,335,923	2,495,776
Short-term portion of loans receivable	16	201,215	-
Inventories	5	8,444,882	5,997,246
Prepaid expenses and other assets	10,16	4,360,807	4,729,485
<b>Total current assets</b>		<b>30,987,539</b>	<b>51,078,555</b>
<i>Non-current assets</i>			
Investments in associates	6	-	1,345,779
Portfolio investments	7	2,680,573	3,365,112
Property and equipment, net	2,8	5,202,619	1,343,571
Long-term portion of loans receivable	16	-	465,149
Intangible assets, net		6,394,342	7,561,958
Goodwill		667,091	667,091
Other assets	10	549,072	1,892,029
<b>Total non-current assets</b>		<b>15,493,697</b>	<b>16,640,689</b>
<b>Total assets</b>		<b>\$ 46,481,236</b>	<b>\$ 67,719,244</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<i>Current liabilities</i>			
Accounts payable and accrued liabilities		\$ 7,855,979	\$ 7,104,861
Short-term portion of lease liabilities	2,11	223,813	-
Deferred revenue		284,754	595,162
Provisions	9	1,207,866	3,964,750
<b>Total current liabilities</b>		<b>9,572,412</b>	<b>11,664,773</b>
<i>Non-current liabilities</i>			
Deferred tax liabilities		36,218	276,534
Long-term portion of lease liabilities	2,11	577,635	-
<b>Total non-current liabilities</b>		<b>613,853</b>	<b>276,534</b>
<i>Shareholders' equity</i>			
Share capital	12	133,992,359	133,989,964
Contributed surplus		19,038,175	4,101,586
Options reserve		9,195,872	10,541,291
Warrants reserve		20,114,526	33,105,831
Accumulated deficit		(146,584,623)	(126,581,051)
Accumulated other comprehensive income		687,177	704,871
<b>Total equity attributable to owners of the Company</b>		<b>36,443,487</b>	<b>55,862,492</b>
Non-controlling interests		(148,516)	(84,555)
<b>Total shareholders' equity</b>		<b>36,294,971</b>	<b>55,777,937</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 46,481,236</b>	<b>\$ 67,719,244</b>

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

Approved on behalf of the Board on October 29, 2020 by:

“Branden Spikes”  
Director

“Meni Morim”  
Director

# NAMASTE TECHNOLOGIES INC.

Condensed Consolidated Interim Statements of Operations  
For the three and nine months ended August 31, 2020 and August 31, 2019  
(Unaudited – Expressed in Canadian dollars)



	Notes	Three months ended		Nine months ended	
		August 31, 2020	August 31, 2019(i)	August 31, 2020	August 31, 2019(i)
Gross revenue		\$ 6,281,875	\$ 3,821,976	\$ 19,099,641	\$ 12,450,207
Excise taxes		(597,028)	(16,362)	(1,181,327)	(56,904)
Net revenue	3,13	5,684,847	3,805,614	17,918,314	12,393,303
Cost of goods sold	5	5,132,466	3,019,030	16,003,155	10,087,487
Gross profit before inventory adjustment		\$ 552,381	\$ 786,584	\$ 1,915,159	\$ 2,305,816
Inventory write-down	5	(135,403)	-	(380,311)	-
Gross profit		416,978	786,584	1,534,848	2,305,816
Salaries and other compensation costs		2,633,216	2,448,909	7,950,416	7,724,950
Office and general		1,975,282	1,710,492	6,828,350	4,773,254
Technological development		337,658	551,977	1,319,914	1,600,829
Professional fees		519,026	1,401,932	1,270,310	1,902,876
Selling and marketing expense		361,882	392,782	1,119,119	1,388,109
Depreciation and amortization	8	453,662	513,003	1,686,131	1,687,557
Share-based compensation	12	422,349	683,438	601,030	3,265,647
Loss before following:		\$ (6,286,097)	\$ (6,915,949)	\$ (19,240,422)	\$ (20,037,406)
Other income		(235,487)	(304,329)	(513,612)	(1,060,074)
Restructuring and other costs	9	-	2,368,737	(1,300,000)	9,294,840
Impairment loss on goodwill		-	3,578,400	-	3,578,400
Impairment loss on loans receivables	14 b(ii)	-	-	322,887	-
Impairment on investment in associates	6	-	-	1,016,127	-
Share of associates' loss, net of tax	6	-	1,464,565	329,652	1,561,667
Foreign exchange loss		1,737,576	680,378	893,998	368,040
Net loss before income tax expense (recovery)		(7,788,186)	(14,703,700)	(19,989,475)	(33,780,279)
Income tax expense (recovery)		45,309	(51,582)	78,057	(217,354)
Net loss		\$ (7,833,495)	\$ (14,652,118)	\$ (20,067,532)	\$ (33,562,925)
Net loss attributable to:					
Shareholders of the Company		\$ (7,819,515)	\$ (14,643,145)	\$ (20,003,571)	\$ (33,535,664)
Non-controlling interests		(13,980)	(8,973)	(63,961)	(27,261)
Net loss		\$ (7,833,495)	\$ (14,652,118)	\$ (20,067,532)	\$ (33,562,925)
Net loss per share (basic and diluted)		\$ (0.02)	\$ (0.05)	\$ (0.06)	\$ (0.11)
Weighted average number of outstanding common shares (basic and diluted)		323,954,483	323,118,866	323,953,392	319,142,328

(i) Certain comparative figures have been reclassified to conform with the current year presentation [see Note 2(d)].

# NAMASTE TECHNOLOGIES INC.

Condensed Consolidated Interim Statements of Comprehensive Loss  
For the three and nine months ended August 31, 2020 and August 31, 2019  
(Unaudited – Expressed in Canadian dollars)



	Three months ended		Nine months ended	
	August 31, 2020	August 31, 2019	August 31, 2020	August 31, 2019
Net loss	\$ (7,833,495)	\$ (14,652,118)	\$ (20,067,532)	\$ (33,562,925)
<b>Other comprehensive loss:</b>				
<i>Items that are or may be reclassified to profit or loss</i>				
Cumulative translation adjustment	1,662,783	365,084	741,405	(60,627)
<i>Items that will not be reclassified to profit or loss</i>				
Changes in the fair value of equity investments, net of tax	(311,390)	61,655	(759,099)	41,629
	1,351,393	426,739	(17,694)	(18,998)
<b>Net comprehensive loss</b>	<b>\$ (6,482,102)</b>	<b>\$ (14,225,379)</b>	<b>\$ (20,085,226)</b>	<b>\$ (33,581,923)</b>
<b>Net comprehensive loss attributable to:</b>				
Shareholders of the Company	\$ (6,468,122)	\$ (14,216,406)	\$ (20,021,265)	\$ (33,554,662)
Non-controlling interests	(13,980)	(8,973)	(63,961)	(27,261)
<b>Net comprehensive loss</b>	<b>\$ (6,482,102)</b>	<b>\$ (14,225,379)</b>	<b>\$ (20,085,226)</b>	<b>\$ (33,581,923)</b>

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

# NAMASTE TECHNOLOGIES INC.

## Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the nine months ended August 31, 2020 and August 31, 2019

(Unaudited – Expressed in Canadian dollars)



	Attributable to shareholders of the Company											Total Shareholders' Equity
	Share Capital		Warrants Reserve		Options Reserve		Contributed Surplus	Accumulated OCI	Accumulated Deficit	Total Equity	Non-controlling interests	
	#	\$	#	\$	#	\$						
<b>Balance at November 30, 2019</b>	323,949,483	133,989,964	30,225,658	33,105,831	10,857,621	10,541,291	4,101,586	704,871	(126,581,051)	55,862,492	(84,555)	55,777,937
<b>Total comprehensive loss:</b>												
Net loss	-	-	-	-	-	-	-	-	(20,003,572)	(20,003,572)	(63,961)	(20,067,533)
Other comprehensive loss	-	-	-	-	-	-	-	(17,694)	-	(17,694)	-	(17,694)
<b>Transactions directly recorded in equity:</b>												
Exercise of stock options	5,000	2,395	-	-	(5,000)	(1,165)	-	-	-	1,230	-	1,230
Forfeiture of options and warrants	-	-	(16,303,158)	(12,991,305)	(2,430,000)	(2,474,312)	14,936,589	-	-	(529,028)	-	(529,028)
Share-based compensation	-	-	-	-	8,252,132	1,130,058	-	-	-	1,130,058	-	1,130,058
<b>Balance at August 31, 2020</b>	323,954,483	133,992,359	13,922,500	20,114,526	16,674,753	9,195,872	19,038,175	687,177	(146,584,623)	36,443,486	(148,516)	36,294,970

	Attributable to shareholders of the Company											Total Shareholders' Equity
	Share Capital		Warrants Reserve		Options Reserve		Contributed Surplus	Accumulated OCI	Accumulated Deficit	Total Equity	Non-controlling interests	
	#	\$	#	\$	#	\$						
<b>Balance at November 30, 2018</b>	308,981,542	125,123,144	40,495,658	34,340,037	20,351,750	12,674,068	-	576,717	(63,085,385)	109,628,581	(21,219)	109,607,362
Impact of reclassification adjustment (i)	0	(343,967)	-	-	-	-	343,967	-	-	-	-	-
<b>Adjusted balance November 30, 2018</b>	308,981,542	124,779,177	40,495,658	34,340,037	20,351,750	12,674,068	343,967	576,717	(63,085,385)	109,628,581	(21,219)	109,607,362
<b>Total comprehensive loss:</b>												
Net loss	-	-	-	-	-	-	-	-	(33,535,664)	(33,535,664)	(27,261)	(33,562,925)
Other comprehensive loss	-	-	-	-	-	-	-	(18,998)	-	(18,998)	-	(18,998)
<b>Transactions directly recorded in equity:</b>												
Issue of shares for purchase of Pineapple	2,587,466	3,210,488	-	-	-	-	-	-	-	3,210,488	-	3,210,488
Exercise of stock options and warrants	12,653,875	6,085,501	(9,910,000)	(1,174,034)	(2,743,875)	(648,378)	-	-	-	4,263,089	-	4,263,089
Forfeiture of options and warrants	-	-	(360,000)	(60,227)	(5,132,625)	(5,681,041)	2,815,847	-	-	(2,925,421)	-	(2,925,421)
Share-based compensation	-	10,542	-	-	1,595,992	6,180,526	-	-	-	6,191,068	-	6,191,068
Share buy-backs	(460,900)	(182,751)	-	-	-	-	-	-	(328,648)	(511,399)	-	(511,399)
<b>Balance at August 31, 2019</b>	323,761,983	133,902,957	30,225,658	33,105,776	14,071,242	12,525,175	3,159,814	557,719	(96,949,697)	86,301,744	(48,480)	86,253,264

(i) See Note 12(e) for details on changes in classification of equity components.

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

# NAMASTE TECHNOLOGIES INC.

Condensed Consolidated Interim Statements of Cash Flow  
For the nine months ended August 31, 2020 and August 31, 2019  
(Unaudited – Expressed in Canadian dollars)



Nine months ended	Notes	August 31, 2020	August 31, 2019
<b>Cash flows from operating activities:</b>			
Net loss		\$ (20,067,532)	\$ (33,562,925)
Adjustments for:			
Depreciation	8	516,834	288,745
Amortization		1,169,297	1,398,812
Share of the associates' loss, net of tax	6	329,652	1,561,667
Impairment on investment in associates	6	1,016,127	-
Impairment on loans receivable		322,887	-
Impairment of goodwill		-	3,578,400
Share-based compensation	12	601,030	3,265,647
Unrealized gain on equity instruments		(122,600)	-
Unrealized loss on derivatives	7(c)	4,565	7,038
Reversal of unused provisions	9	(1,300,000)	-
Net movement in impairment allowance on trade and other receivables	14 b(ii)	450,000	-
Net movement in provision for inventories	5	627,397	-
Net movement in provision on prepaid and other assets	16(ii)	900,000	-
Other non-cash income		(12,508)	-
Deferred tax recovery		(117,667)	(329,363)
Foreign exchange loss (gain)		736,565	(56,591)
Cashflow used in operations before changes in non-cash working capital		(14,945,953)	(23,848,570)
Changes in non-cash working capital	15	(5,561,037)	(3,843,427)
Net cash used in operating activities		(20,506,990)	(27,691,997)
<b>Cash flows from investing activities:</b>			
Purchase of equity investments		-	(355,310)
Acquisition of associate		-	(1,500,000)
Purchase of property and equipment	8	(3,446,465)	(186,158)
Purchase of intangible assets		(6,400)	(1,916,819)
Proceeds from disposal of property and equipment		1,460	-
Loans advanced to associates	16	(40,320)	(1,200,000)
Net cash used in investing activities		(3,491,725)	(5,158,287)
<b>Cash flows from financing activities:</b>			
Proceeds from exercise of warrants and stock options	12	1,230	4,263,090
Cash used for shares buyback		-	(511,399)
Lease liability principal and interest payment	11	(213,851)	-
Net cash (used in) provided by financing activities		(212,621)	3,751,691
Net decrease in cash and cash equivalents		(24,211,336)	(29,098,593)
Effect of movement in exchange rates on cash held		-	(19,521)
Cash and cash equivalents, beginning of the period		37,856,048	78,210,706
Cash and cash equivalents, end of the period		\$ 13,644,712	\$ 49,092,592

See Note 15 for additional cash flow information.

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

# NAMASTE TECHNOLOGIES INC.

## Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended August 31, 2020  
(Expressed in Canadian dollars, unless otherwise noted)

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### 1. General information

Namaste Technologies Inc. (“Namaste” or the “Company”) is a publicly traded company incorporated under the British Columbia Business Corporations Act and is a reporting issuer in British Columbia, Saskatchewan, Manitoba, Ontario, Alberta, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador. Namaste’s common shares are listed on the TSX-V under the symbol “N”, on the OTCQB® Venture Market under the symbol “NXTTF” and traded as open stock on the Frankfurt Stock Exchange under the symbol “M5BQ”. The Company’s registered office is 2300 - 550 Burrard Street, Vancouver, British Columbia, Canada.

Namaste leverages smart technology to drive online sales of medical cannabis, cannabis products and accessories globally. The Company operates on three continents, with websites and distribution hubs located around the globe including Europe, Australia and Canada.

The condensed consolidated interim financial statements were approved and authorized by the Board of Directors of the Company on October 29, 2020.

### 2. Summary of significant accounting policies

#### (a) Basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, and should be read in conjunction with the Company’s audited consolidated financial statements as at and for the fiscal year ended November 30, 2019 (“last annual financial statements”), which were prepared in accordance with International Financial Reporting Standards (“IFRS”).

#### (b) Basis of measurement

These condensed consolidated interim financial statements are presented in Canadian dollars and are prepared on a historical cost basis, except for certain financial instruments which are measured either through fair value through profit or loss (“FVTPL”) or fair value through other comprehensive income (“FVOCI”).

#### (c) Basis of consolidation

These condensed consolidated interim financial statements incorporate the financial statements of the Company and its subsidiaries (together referred to as the “Group” or “Namaste”). The accounts of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Intercompany transactions, balances and unrealized gains or losses on transactions are eliminated. The table below lists the Company’s subsidiaries, associates and the ownership interests in each:



# NAMASTE TECHNOLOGIES INC.

## Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended August 31, 2020

(Expressed in Canadian dollars, unless otherwise noted)

Entity	% Ownership	Jurisdiction	Functional currency	Accounting method
Australian Vaporizers Pty Ltd.	100%	Australia	Australian dollar	Consolidation
CannMart Inc.	100%	Canada	Canadian dollar	Consolidation
CannMart Labs Inc.	51%	Canada	Canadian dollar	Consolidation
CannMart Marketplace Inc.	100%	Canada	Canadian dollar	Consolidation
Choklat Inc.	49%	Canada	Canadian dollar	Equity accounting
Findify AB	100%	Sweden	Swedish krona	Consolidation
Namaste Bahamas Inc.	100%	Bahamas	U.S. dollar	Consolidation
Namaste Technologies Holdings Inc.	100%	Canada	U.S. dollar	Consolidation
NamasteMD Inc.	100%	Canada	Canadian dollar	Consolidation
Pineapple Express Delivery Inc.	30.3%	Canada	Canadian dollar	Equity accounting

*(d) Reclassification of expenses*

In Q4 2019, the Company modified the classification of merchant charges, consulting fees, selling and marketing expenses, patient coordinators and administration costs, and certain legal and professional fees to appropriately reflect the way in which economic benefits are derived. Comparative amounts in the statement of operations were reclassified for consistency.

- (i) For the three and nine months ended August 2019, \$153,487 and \$448,215 of merchant charges were reclassified from ‘office and general expenses’ to ‘cost of goods sold’, and
- (ii) For the three and nine months ended August 2019, \$2,368,737 and \$9,294,840 of legal and other professional fees incurred in connection with the work initiated by the Special Committee of the Board of Directors were reclassified from ‘office and general expenses’ to ‘restructuring and other costs’.
- (iii) For the three and nine months ended August 2019, \$680,378 and \$368,040 of foreign exchange loss expenditures were reclassified from ‘office and general expenses’ to ‘foreign exchange loss’.

*(e) Use of management estimates, judgments and measurement uncertainty*

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

## NAMASTE TECHNOLOGIES INC.

### Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended August 31, 2020  
(Expressed in Canadian dollars, unless otherwise noted)

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Management uses various factors as the basis for these judgments and estimates.

The critical judgments and significant estimates in applying accounting policies that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements are outlined in Note 2 of the last annual financial statements. There have been no significant changes in the Company's judgments and estimates applied during the nine months ended August 31, 2020, except as described in Note 2(g).

*(f) Investment in associates*

During 2020, the Company has elected to change the presentation of impairments on investments in associates. This is reflected in a separate line item on the consolidated statement of operations. In the prior year, it was included in "share of associates' loss".

*(g) New accounting standards effective December 1, 2019*

Except as described below, there have been no material changes in the Group's significant accounting policies during the nine months ended August 31, 2020, since the last annual financial statements.

In 2016, the IASB issued IFRS 16, Leases ("IFRS 16"), replacing IAS 17, Leases ("IAS 17"), and related interpretations. The standard introduces a single on-balance sheet recognition and measurement model for lessees, eliminating the distinction between operating and finance leases. The lessee recognizes a right-of-use asset representing its control of and right to use the underlying asset and a lease liability representing its obligation to make future lease payments. Lessors continue to classify leases as finance and operating leases. IFRS 16 became effective for annual periods beginning on or after January 1, 2019. The Company adopted the standard on December 1, 2019 under the modified retrospective approach, with no restatement of the prior comparative period.

Substantially all of the Company's leases are real estate leases for offices, warehouses and production facility, and were classified as operating leases prior to adoption of IFRS 16.

On December 1, 2019, the Company recognized right-of-use assets and lease liabilities for its leases previously classified as operating leases under IAS 17, except for certain classes of underlying assets for which the lease terms are 12 months or less. The depreciation expense on right-of-use assets and interest expense on lease liabilities replaced rent expense, which was previously recognized on a straight-line basis under IAS 17 over the term of a

## NAMASTE TECHNOLOGIES INC.

### Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended August 31, 2020  
(Expressed in Canadian dollars, unless otherwise noted)

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lease.

The implicit rate is applied to lease liabilities recognized in the statement of financial position on December 1, 2019 was 12%. The average lease term remaining at December 1, 2019 was 3.7 years.

IFRS 16 permits the use of recognition exemptions and practical expedients. The Company applied the following recognition exemptions and practical expedients:

- contracts that were identified as not containing leases under IAS 17 were not reassessed under IFRS 16;
- a single discount rate was applied to a portfolio of leases with reasonably similar underlying characteristics;
- initial direct costs were excluded in the measurement of the right-of-use asset on transition;
- used hindsight in determining lease term at the date of initial application;
- IFRS 16 was not applied for leases where the original or the remaining terms were less than 12 months.

The following table provides a reconciliation between operating lease commitments disclosed at November 30, 2019 and lease liabilities recognized on December 1, 2019:

Operating lease commitments disclosed as to November 30, 2019	\$	1,301,492
Discounted using the weighted average incremental borrowing rate as at November 30, 2019		(272,776)
Leases excluded from lease liability due to recognition exemptions		(97,042)
Opening balance of lease liabilities as at December 1, 2019	\$	931,674

# NAMASTE TECHNOLOGIES INC.

## Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended August 31, 2020  
(Expressed in Canadian dollars, unless otherwise noted)

The following table summarizes the adjustments to opening balances resulting from the initial adoption of IFRS 16:

	As previously reported under IAS 17 November 30, 2019	IFRS 16 transition adjustment	Balance as at December 1, 2019
<b>Assets:</b>			
<b>Property and equipment</b>			
Right-of-use of assets	\$ -	\$ 931,674	\$ 931,674
<b>Total impact to assets</b>	<b>\$ -</b>	<b>\$ 931,674</b>	<b>\$ 931,674</b>
<b>Liabilities:</b>			
Short-term portion of lease liabilities	\$ -	\$ 243,867	\$ 243,867
Long-term portion of lease liabilities	-	687,807	687,807
<b>Total impact to liabilities</b>	<b>\$ -</b>	<b>\$ 931,674</b>	<b>\$ 931,674</b>

As a result of adopting IFRS 16, the Company updated its lease accounting policies as follows:

### Leased assets

The Company recognizes a right-of-use asset and a lease liability as the present value of future lease payments when the lessor makes the leased asset available for use by the Company.

Lease liabilities include the net present value of fixed payments, variable lease payments that are based on an index or a rate, amounts expected to be payable by the Company under residual value guarantees, and the exercise price of a purchase option or penalties for terminating the lease, if the Company is reasonably certain to exercise those purchase or termination options. The lease payments are discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, the lessee's incremental borrowing rate.

Lease terms applied are the contractual non-cancellable periods of the lease, plus periods covered by renewal options or termination options, if the Company is reasonably certain to exercise those options. Lease liabilities are remeasured when there is a change in lease term, a change in the assessment of an option to purchase the leased asset, a change in expected residual value guarantee, or a change in future lease payments resulting from a change in an index or a rate used to determine those payments. Right-of-use assets are measured at

## NAMASTE TECHNOLOGIES INC.

### Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended August 31, 2020  
(Expressed in Canadian dollars, unless otherwise noted)

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cost less accumulated depreciation and accumulated impairment losses. Cost includes the amount of the initial measurement of the related lease liability, plus any lease payments made at or before the commencement date and any initial direct costs and future restoration costs, less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis from the date that the underlying asset is available for use. Depreciation is recorded over the shorter of the lease term and the useful life of the underlying asset, unless the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, in which case depreciation is recorded over the useful life of the underlying asset.

Lease payments for assets that are exempt through the short-term exemption and variable payments not based on an index or rate continue to be recognized in office and general expenses.

#### Subleases

When the Company enters into sublease arrangements as an intermediate lessor, it assesses whether the sublease is classified as a finance sublease or an operating sublease by reference to the corresponding right-of-use asset arising from the head lease, rather than by reference to the underlying asset. A sublease is a finance sublease if substantially all the risks and rewards incidental to ownership of the related right-of-use asset on the head lease have been transferred to the sub-lessee.

#### Use of estimates and judgments in lease accounting

The Company has applied judgment to determine the lease term for some lease contracts that include renewal or termination options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

The Company is required to estimate the incremental borrowing rates used to discount lease liabilities if the interest rate implicit in the lease is not readily determined. In determining the incremental borrowing rates, management considers the Company's creditworthiness, the security, the term, the value of the underlying leased asset, and the economic operational environment of the leased asset. The incremental borrowing rates are subject to change mainly due to macroeconomic changes.

(h) *COVID-19 estimation uncertainty*

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In March 2020, the World Health Organization recognized the outbreak of COVID-19 as a global pandemic. Government measures to limit the spread of COVID-19, including the closure of non-essential businesses, did not materially impact the Company's operations during the nine months ended August 31, 2020. The production and sale of cannabis have been recognized as essential services in Canada and across Europe. Due to the rapid developments and uncertainty surrounding COVID-19, it is not possible to predict the impact that COVID-19 will have on the Company's business, financial position and operating results in the future. Additionally, it is possible that estimates in the Company's consolidated financial statements will change in the near term as a result of COVID-19. The Company is closely monitoring the impact of the pandemic on all aspects of its business.

### 3. Operating segments

#### *Segmented information*

The operating segments of the Group are known as Namaste Vapes, Australian Vaporizers, CannMart Inc. and CannMart Labs Inc. (together referred to as the "CannMart"), Namaste MD, Findify and Corporate & Other. In determining the operating segments, management considered the product mix as well as the geographical segments that the business units sell under.

Disclosure by segment pertaining to income statement transactions are for the three months ended August 31, 2020 and August 31, 2019 are as follows:

Three months ended	Namaste Vapes	Australian Vaporizers	CannMart	Namaste MD	Findify	Corporate & Other	Total
<b>2020:</b>							
Revenue							
Net segment revenue	\$ 1,090,142	\$ 1,846,322	\$ 2,331,685	\$ 77,207	\$ 379,770	\$ -	\$ 5,725,126
Intersegment revenue	-	-	-	(30,688)	(9,591)	-	(40,279)
External revenue	\$ 1,090,142	\$ 1,846,322	\$ 2,331,685	\$ 46,519	\$ 370,179	\$ -	\$ 5,684,847
Depreciation and amortization	82,410	10,852	117,844	93,991	80,184	68,381	453,662
Income tax expense (recovery)	-	117,934	-	-	(121,223)	48,598	45,309
Net loss	(1,968,430)	(1,191,705)	(3,548,890)	(238,694)	(358,144)	(527,632)	(7,833,495)

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Three months ended	Namaste Vapes	Australian Vaporizers	CannMart	Namaste MD	Findify	Corporate & Other	Total
<b>2019:</b>							
Revenue							
Net segment revenue	\$ 1,904,695	\$ 1,387,140	\$ 138,302	\$ 70,254	\$ 317,886	\$ -	\$ 3,818,277
Intersegment revenue	-	-	-	(12,663)	-	-	(12,663)
External revenue	\$ 1,904,695	\$ 1,387,140	\$ 138,302	\$ 57,591	\$ 317,886	\$ -	\$ 3,805,614
Depreciation and amortization	16,035	237,910	75,430	92,639	80,181	10,808	513,003
Impairment of goodwill	-	3,578,400	-	-	-	-	3,578,400
Income tax expense (recovery)	-	10,566	-	-	(67,284)	5,136	(51,582)
Net loss	(700,440)	10,125	(1,022,188)	(462,584)	(261,909)	(12,215,122)	(14,652,118)

Disclosure by segment pertaining to income statement transactions are for the nine months ended August 31, 2020 and August 31, 2019, while asset and liability balances are as at August 31, 2020 and November 30, 2019 were as follows:

Nine months ended	Namaste Vapes	Australian Vaporizers	CannMart	Namaste MD	Findify	Corporate & Other	Total
<b>2020:</b>							
Revenue							
Net segment revenue	\$ 6,484,690	\$ 4,274,172	\$ 5,998,547	\$ 256,827	\$ 1,086,518	\$ -	\$ 18,100,754
Intersegment revenue	-	(47,709)	-	(107,944)	(26,787)	-	(182,440)
External revenue	\$ 6,484,690	\$ 4,226,463	\$ 5,998,547	\$ 148,883	\$ 1,059,731	\$ -	\$ 17,918,314
Depreciation and amortization	249,239	304,988	397,218	280,664	239,675	214,347	1,686,131
Impairment loss on loans receivable	-	-	-	-	-	322,887	322,887
Impairments on investment in associates	-	-	-	-	-	1,016,127	1,016,127
Income tax expense (recovery)	-	113,982	-	-	(154,397)	118,472	78,057
Net loss	(4,018,799)	(1,899,407)	(11,509,558)	(822,027)	(1,042,108)	(775,633)	(20,067,532)
Total assets	4,523,143	6,071,189	19,304,944	427,917	1,752,978	14,401,065	46,481,236
Total liabilities	1,688,866	462,131	3,639,547	45,989	285,539	4,064,193	10,186,265

Nine months ended	Namaste Vapes	Australian Vaporizers	CannMart	Namaste MD	Findify	Corporate & Other	Total
<b>2019:</b>							
Revenue							
Net segment revenue	\$ 7,342,182	\$ 3,542,237	\$ 431,967	\$ 271,014	\$ 851,375	\$ -	\$ 12,438,775
Intersegment revenue	-	-	-	(45,472)	-	-	(45,472)
External revenue	\$ 7,342,182	\$ 3,542,237	\$ 431,967	\$ 225,542	\$ 851,375	\$ -	\$ 12,393,303
Depreciation and amortization	42,609	708,401	223,663	453,492	237,312	22,080	1,687,557
Impairment of goodwill	-	3,578,400	-	-	-	-	3,578,400
Income tax expense (recovery)	-	(113,843)	-	-	(111,706)	8,195	(217,354)
Net loss	(3,556,895)	(325,566)	(2,852,006)	(1,629,742)	(576,639)	(24,622,077)	(33,562,925)
Total assets	7,766,698	3,489,947	8,817,062	594,407	1,958,247	45,092,883	67,719,244
Total liabilities	2,973,343	410,879	1,039,477	81,135	335,263	7,101,210	11,941,307

Included in net revenue arising from the CannMart operating segment for the three months ended August 31, 2020 are net revenues of \$1,231,663 (three months ended August 31, 2019: \$nil) which arose from sales to the Company's major wholesale customers.

Included in net revenue arising from the CannMart operating segment for the three and nine months ended August 31, 2020 are net revenues of \$1,231,663 and \$2,431,992 (three and nine months ended August 31, 2019: \$nil) which arose from sales to the Company's major wholesale

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customers. No other single customer contributed 10 per cent or more to the Company's net revenue during the three and nine months ended August 31, 2020.

Furthermore, corporate costs mainly consisting of head office expenditures have been allocated from the corporate & other segment to the other operating segments (three months ended August 31, 2020: \$4,574,752, nine months ended August 31, 2020: \$10,155,501).

### *Geographical information*

The Company markets its products and services globally. Net revenue is attributed to the following regions based on the location of customers:

	Three months ended		Nine months ended	
	August 31, 2020	August 31, 2019	August 31, 2020	August 31, 2019
North America	\$ 2,783,343	\$ 773,903	\$ 8,883,523	\$ 2,552,701
Australia	1,882,474	1,464,479	4,336,237	3,870,390
Europe	1,011,468	1,313,971	4,647,283	4,488,720
Other	7,562	253,261	49,711	843,091
South America	-	-	1,560	638,401
	\$ 5,684,847	\$ 3,805,614	\$ 17,918,314	\$ 12,393,303

#### 4. Trade and other receivables

Trade and other receivables as at August 31, 2020 and November 30, 2019 were as follows:

	August 31, 2020	November 30, 2019
Trade receivables	\$ 1,737,133	\$ 918,862
Sales tax receivable	1,758,882	698,508
Other receivables	836,586	775,258
Income tax receivable	3,322	103,148
	\$ 4,335,923	\$ 2,495,776

#### 5. Inventories

Inventories as at August 31, 2020 and November 30, 2019 were as follows:



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	August 31, 2020		November 30, 2019	
Hardware	\$	2,676,435	\$	4,621,827
Cannabis		6,368,315		2,835,434
Total inventories, gross	\$	9,044,750	\$	7,457,261
Provision for inventories-hardware	\$	(129,808)	\$	(171,203)
Provision for inventories-cannabis		(470,060)		(1,288,812)
Total inventories, net	\$	8,444,882	\$	5,997,246

The cost of inventories recognized as an expense and included in cost of goods sold for the three and nine months ended August 31, 2020 was \$4,173,497 and \$12,985,522, (2019: \$2,559,112 and \$5,511,230), this amount includes a provision of \$4,686 and \$824,066, which was taken during fiscal 2019. During the three months ended August 31, 2020, management recognized a \$135,403 charge to the net realizable value of inventory due to inventory deemed as excess based on current and projected market demands. In addition, the Company made the strategic decision to destroy certain regulatory product due to the possibility of contaminants, resulting in an inventory write off of \$244,908 during the nine months ended August 31, 2020.

#### 6. Investment in associates

Following is the movement schedule of investments in associates:

	Notes	Choklat Inc.	Pineapple Express Delivery Inc.	Total
Cost of investments in associates		\$ 1,750,000	\$ 4,116,687	\$ 5,866,687
Company's share of losses, net of tax		(404,221)	(1,198,369)	(1,602,590)
Impairment provision		-	(2,918,318)	(2,918,318)
Balance at November 30, 2019		\$ 1,345,779	\$ -	\$ 1,345,779
Share of loss		(329,652)	-	(329,652)
Impairment loss	(a)	(1,016,127)	-	(1,016,127)
Balance at August 31, 2020		\$ -	\$ -	\$ -

(a) During the three and nine months ended August 31, 2020, an impairment provision on the investment in Choklat was recognized for the amounts of nil and \$1,016,127, respectively. This impairment provision was recognized based on management's assessment of Choklat's working capital and operational constraints.

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### 7. Portfolio investments

Portfolio investments at August 31, 2020 and November 30, 2019 were as follows:

	Notes	August 31, 2020	November 30, 2019
Equity investments – at FVOCI	(a)	\$ 2,480,677	\$ 3,358,251
Equity investments – at FVTPL	(b)	197,600	-
Derivatives – at FVTPL	(c)	2,296	6,861
		\$ 2,680,573	\$ 3,365,112

- (a) Equity investments designated at FVOCI comprise of investments in equity shares of listed and non-listed companies. These investments were irrevocably designated at fair value through OCI as the Company considers these investments to be strategic in nature.
- (b) Equity investments designated at FVPTL comprise of investments in equity shares of a listed company. These investments were designated at fair value through profit and loss as there is an established plan for these shares.

	Number of shares acquired	Cost	Fair Value	Unrealised gain/(loss)- gross
<b>2020:</b>				
<i>Equity Instruments - FVOCI</i>				
Atlas Biotechnologies Inc.	200,000	\$ 200,000	\$ 1,200,000	\$ 1,000,000
Cannbit Pharmaceutical Ltd.	404,933	464,715	724,870	260,155
Inolife R&D Inc.	2,000,000	200,000	200,000	-
Kief Cannabis Company Ltd.	46,729	250,000	250,000	-
Lovelabs.com Inc.	8,243	32,220	32,220	-
RMMI Corp.	100,000	250,000	27,000	(223,000)
The Green Organic Dutchman Holdings Ltd.	26,021	94,982	8,587	(86,395)
YPB Group Ltd.	3,800,000	130,000	38,000	(92,000)
<i>Equity Instruments - FVTPL</i>				
Lifted Innovations Inc.	3,065,000	75,000	197,600	122,600
		\$ 1,696,917	\$ 2,678,277	\$ 981,360

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	Number of shares acquired	Cost	Fair Value	Unrealised gain/(loss)- gross
<b>2019:</b>				
<i>Equity Instruments - FVOCI</i>				
Atlas Biotechnologies Inc.	200,000	\$ 200,000	\$ 1,200,000	\$ (1,000,000)
Cannbit Pharmaceutical Ltd.	404,933	464,715	1,589,524	(1,124,809)
Inolife R&D Inc.	2,000,000	200,000	200,000	-
Kief Cannabis Company Ltd.	46,729	250,000	250,000	-
Lovelabs.com Inc.	8,243	32,220	32,220	-
RMMI Corp.	100,000	250,000	30,000	220,000
The Green Organic Dutchman Holdings Ltd.	26,021	94,982	19,256	75,726
YPB Group Ltd.	3,800,000	130,000	37,251	92,749
		\$ 1,621,917	\$ 3,358,251	\$ (1,736,334)

- (c) Following is the movement schedule of derivatives for the nine months ended August 31, 2020:

	November 30, 2019	Unrealized gain (loss)	August 31, 2020
Portfolio investments - options	\$ 3,629	\$ (2,367)	\$ 1,262
Portfolio investments - warrants	3,232	(2,198)	1,034
	\$ 6,861	\$ (4,565)	\$ 2,296

## 8. Property and equipment

During the nine months ended August 31, 2020, the Company acquired assets with a cost of \$3,446,465 (nine months ended August 31, 2019: \$186,158), and further increased its net asset base by \$816,181 due to the IFRS 16 adoption. The assets that were acquired during the nine months ended August 31, 2020 mainly consist of \$2,642,278 for leasehold improvements and \$804,187 for both cannabis and computer equipment. The leasehold improvements were performed for building a dedicated facility designed specifically to produce oil, extract, and other products such as gel-caps, tinctures, pre-filled cartridges, and edibles allowing the Company to drive profitable growth via its unique distribution strategy. Depreciation expense on property and equipment for the three and nine months ended August 31, 2020 was \$167,243 and \$516,834, respectively (three and nine months ended August 31, 2019: \$102,700 and \$288,745, respectively).

The following is the continuity of the cost and accumulated depreciation of right-of-use assets as at and for the nine months ended August 31, 2020:

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Cost:		
Balance, beginning of period	\$	931,674
Lease additions		-
Balance, end of period	\$	931,674
Accumulated depreciation:		
Balance, beginning of period	\$	-
Depreciation		115,493
Balance, end of period		115,493
Carrying amount as at August 31, 2020	\$	816,181

### 9. Provisions

The Company is involved in litigation, investigations or proceedings related to claims arising out of its operations and the completion of acquisitions or divestitures. In 2020, settlement in principle was reached with respect to certain contractual obligations. As a result, \$1,454,664 of the provision was applied against these settlements and associated legal fees. In addition, the Company reversed unused provisions of \$1,300,000 which were included in restructuring and other costs, for the nine months ended August 31, 2020.

### 10. Prepaid expenses and other assets

Prepaid expenses and other assets listed in the current assets section of the consolidated statement of financial position as at August 31, 2020 and November 30, 2019 were as follows:

	Notes	August 31, 2020	November 30, 2019
Prepaid expenses and deposits	(i)	\$ 4,230,180	\$ 4,551,614
Other assets		130,627	177,871
		\$ 4,360,807	\$ 4,729,485

Other assets listed in the non-current assets section of the consolidated statement of financial position as at August 31, 2020 and November 30, 2019 were as follows:

	Notes	August 31, 2020	November 30, 2019
Prepaid expenses and deposits	(i)	\$ 227,306	\$ 1,083,809
Other non-current receivables	(ii)	321,766	808,220
		\$ 549,072	\$ 1,892,029

(i) Prepaid expenses and deposits mainly consist of payments made for directors' and

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officers' liability insurance, inventory purchases, software subscriptions, and legal and directors fees. This amount includes a provision against an inventory deposit. Refer to Note 16 (ii) for details.

- (ii) Other non-current receivables represent the long-term portion of receivables arising from a wholesale sale of hardware inventory to a buyer in Brazil.

#### 11. Lease liabilities

The following is the continuity of lease liabilities as at and for the nine months ended August 31, 2020:

Balance, beginning of period	\$	931,674
Total lease payments (principal and interest)		(213,851)
Interest expense on lease liabilities		83,625
Balance, end of period	\$	801,448
Short-term portion of lease liabilities	\$	223,813
Long-term portion of lease liabilities		577,635
Total lease liabilities	\$	801,448

#### 12. Share capital

(a) *Authorized share capital*

The Company is authorized to issue an unlimited number of common shares with no par value. As at August 31, 2020 the Company had 323,954,483 common shares issued and outstanding.

(b) *Issuance of shares*

For the nine months ended August 31, 2020, the Company issued 5,000 common shares on exercise of options for total gross cash proceeds of \$1,230.

(c) *Share purchase warrants*

The following is a summary of the changes in the Company's share purchase warrants for the nine months ended August 31, 2020 and August 31, 2019:

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	August 31, 2020		August 31, 2019	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of period	30,225,658	\$ 3.15	40,495,658	\$ 2.44
Granted	–	–	–	–
Exercised	–	–	(9,910,000)	0.35
Forfeited	(16,303,158)	3.13	(360,000)	0.35
Outstanding, end of period	13,922,500	\$ 3.14	30,225,658	\$ 3.15

Included ending balance are 1,035,000 broker warrants outstanding. These warrants allow the broker to acquire units at a value of \$3.00 per unit. These units are comprised of one share and 3/4 warrant to purchase common shares at \$3.15.

#### (d) Stock options

The Company has established a stock option plan (the “Plan”) for officers and employees. Under the Plan, the exercise price of each option is determined by the Board.

The following is a summary of the movement in the Plan for the nine months ended August 31, 2020 and August 31, 2019:

	August 31, 2020		August 31, 2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	10,857,621	\$ 1.75	20,351,750	\$ 1.45
Granted	8,252,132	\$ 0.33	1,060,000	\$ 0.86
Exercised	(5,000)	\$ 0.26	(2,743,875)	\$ 0.29
Forfeited	(2,430,000)	\$ 2.03	(5,132,625)	\$ 1.69
Outstanding, end of period	16,674,753	\$ 0.93	13,535,250	\$ 1.55
Vested and exercisable, end of period	9,735,421	\$ 1.36	8,710,625	\$ 1.51

For the nine months ended August 31, 2020, the Company recognized share-based compensation expense of \$ 601,030 (2019: \$3,265,647). For the nine months ended August 31, 2020, the weighted average share price of options exercised was \$0.63 (2019: \$0.68).

The following table summarizes information regarding stock options outstanding by

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exercise price as at August 31, 2020:

Exercise price range	Number of options outstanding	Weighted average remaining contractual life in years	Weighted average exercise price
			\$
\$0.01 – \$1.00	10,014,634	2.18	0.34
\$1.01 – \$2.00	4,729,119	0.85	1.33
\$2.01 – \$4.00	1,931,000	0.26	3.03
	16,674,753	1.58	0.93

The weighted average assumptions used for the calculation of the fair value of the options granted for the nine months ended August 31, 2020 and August 31, 2019 were as follows:

	August 31, 2020	August 31, 2019
Black Scholes fair value	\$ 0.20	\$ 0.51
Share price	\$ 0.34	\$ 0.92
Exercise price	\$ 0.33	\$ 0.92
Expected volatility	108.74%	102.21%
Expected life	2.49 years	2.18 years
Expected dividend per share	Nil	Nil
Risk free rate	0.31%	1.80%
Forfeiture rate	12.31%	7.28%

The Company calculates volatility using its own historical trading prices. The expected life in years represents the time that the options granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options.

- (e) During Q4 2019, the Group modified the nature of contributed surplus, which previously consisted of share-based compensation expense relating to options vesting, net of exercises and forfeitures. All options-related activity was moved from contributed surplus into the options reserve account. Additionally, all forfeitures relating to warrants and vested options previously recognized in share capital were moved to contributed surplus. The comparative balances as of August 31, 2019, including as of the beginning of the preceding period, November 30, 2018, were reclassified for consistency. For fiscal year 2018, \$343,967 of fair value of forfeited vested options and warrants was reclassified from share capital to contributed surplus. Similarly, for nine months ending August 31, 2019, \$2,815,847 of fair value of forfeited warrants was reclassified from share capital to contributed surplus.

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### 13. Disaggregation of revenue

In the following table, net revenue is presented for the three months ended August 31, 2020 and August 31, 2019, and disaggregated by major products, service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable operating segments.

In the following table, net revenue is presented for the nine months ended August 31, 2020 and August 31, 2019, and disaggregated by major products, service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable operating segments.

Three months ended	Notes	Namaste Vapes	Australian Vaporizers	CannMart	Namaste MD	Findify	Total
2020							
<u>Major goods/service lines</u>							
Hardware	(i)	\$ 1,090,142	\$ 1,846,322	\$ 13,328	\$ -	\$ -	\$ 2,949,792
Cannabis, net of excise taxes	(i)	-	-	2,305,564	-	-	2,305,564
AI services	(ii)	-	-	-	-	370,179	370,179
Referral fees	(ii)	-	-	-	46,519	-	46,519
Sales commissions	(iii)	-	-	12,793	-	-	12,793
		\$ 1,090,142	\$ 1,846,322	\$ 2,331,685	\$ 46,519	\$ 370,179	\$ 5,684,847
2019							
<u>Major goods/service lines</u>							
Hardware	(i)	\$ 1,904,695	\$ 1,387,140	\$ 37,447	\$ -	\$ -	\$ 3,329,282
Cannabis, net of excise taxes	(i)	-	-	100,855	-	-	100,855
AI services	(ii)	-	-	-	-	317,886	317,886
Referral fees	(ii)	-	-	-	57,591	-	57,591
		\$ 1,904,695	\$ 1,387,140	\$ 138,302	\$ 57,591	\$ 317,886	\$ 3,805,614

*Timing of revenue recognition:*

*(i) Goods transferred at a point in time*

*(ii) Services performed over period of time*

*(iii) Services performed at a point in time*



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Nine months ended	Notes	Namaste Vapes	Australian Vaporizers	CannMart	Namaste MD	Findify	Total
2020							
<u>Major goods/service lines</u>							
Hardware	(i)	\$ 6,484,690	\$ 4,226,463	\$ 65,979	\$ -	\$ -	\$ 10,777,132
Cannabis, net of excise taxes	(i)	-	-	5,851,949	-	-	5,851,949
AI services	(ii)	-	-	-	-	1,059,731	1,059,731
Referral fees	(ii)	-	-	-	148,883	-	148,883
Processing fees	(iii)	-	-	58,301	-	-	58,301
Sales commissions	(iii)	-	-	22,318	-	-	22,318
		\$ 6,484,690	\$ 4,226,463	\$ 5,998,547	\$ 148,883	\$ 1,059,731	\$ 17,918,314
2019							
<u>Major goods/service lines</u>							
Hardware	(i)	\$ 7,342,182	\$ 3,542,237	\$ 123,954	\$ -	\$ -	\$ 11,008,373
Cannabis, net of excise taxes	(i)	-	-	308,013	-	-	308,013
AI services	(ii)	-	-	-	-	851,375	851,375
Referral fees	(ii)	-	-	-	225,542	-	225,542
		\$ 7,342,182	\$ 3,542,237	\$ 431,967	\$ 225,542	\$ 851,375	\$ 12,393,303

*Timing of revenue recognition:*

(i) Goods transferred at a point in time

(ii) Services performed over period of time

(iii) Services performed at a point in time

## 14. Financial instruments and associated risks

### (a) Fair value

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 Group has access at that date. The fair value of a liability reflects its non-performance risk.

The Group 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 1; and

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- Level 3 includes inputs that are not based on observable market data.

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

	Level 1	Level 2	Level 3	Total
Financial assets:				
Loans receivable from associates	\$ -	\$ 201,215	\$ -	\$ 201,215
Equity investments	996,057	1,200,000	482,220	2,678,277
Derivatives	-	1,296	1,000	2,296
	\$ 996,057	\$ 1,402,511	\$ 483,220	\$ 2,881,788

	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Lease liability	\$ -	\$ 801,448	\$ -	\$ 801,448
	\$ -	\$ 801,448	\$ -	\$ 801,448

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Following is the summary of the financial instruments as at August 31, 2020 and November 30, 2019:

	Financial assets at FVOCI	Financial assets at amortized cost	Financial assets at FVTPL	Financial liabilities at amortized cost	Total
<b>2020:</b>					
<i>Financial assets:</i>					
Cash and cash equivalents	\$ -	\$ 13,644,712	\$ -	\$ -	\$ 13,644,712
Trade and other receivable:	-	4,335,923	-	-	4,335,923
Portfolio investments	2,480,677	-	199,896	-	2,680,573
Loans receivable	-	-	201,215	-	201,215
Other assets	-	549,072	-	-	549,072
	2,480,677	18,529,707	401,111	-	21,411,495
<i>Financial liabilities:</i>					
Accounts payable and accrued liabilities	-	-	-	7,855,979	7,855,979
Lease liability	-	-	-	801,448	801,448
	\$ -	\$ -	\$ -	\$ 8,657,427	\$ 8,657,427

	Financial assets at FVOCI	Financial assets at amortized cost	Financial assets at FVTPL	Financial liabilities at amortized cost	Total
<b>2019:</b>					
<i>Financial assets:</i>					
Cash and cash equivalents	\$ -	\$ 37,856,048	\$ -	\$ -	\$ 37,856,048
Trade and other receivable:	-	2,495,776	-	-	2,495,776
Portfolio investments	3,358,251	-	6,861	-	3,365,112
Loans receivable	-	465,149	-	-	465,149
Other assets	-	1,892,029	-	-	1,892,029
	3,358,251	42,709,002	6,861	-	46,074,114
<i>Financial liabilities:</i>					
Accounts payable and accrued liabilities	-	-	-	7,104,861	7,104,861
	\$ -	\$ -	\$ -	\$ 7,104,861	\$ 7,104,861

The carrying values of financial instruments and fair value amounts of all the Group's financial instruments approximate their fair values as at August 31, 2020.

### (b) Risk management

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

#### (i) 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

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optimizing the return on risk. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

*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 translation risk in which other foreign currencies change in a manner that has an adverse effect on the value of the Group's assets or liabilities denominated in its operational currency. 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.

A 5% change in the foreign currencies against functional currencies, assuming that all other variables are constant, would have increased or decreased net loss and equity by \$ 227,941 (2019: \$169,529) as a result of the revaluation on foreign currency denominated financial assets and liabilities.

*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. Interest rate risk on the loans receivable and loans payable is limited due to the fact that they both have fixed rate of interest.

*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 equity investments and derivatives.

If the fair value of these financial assets were to increase or decrease by 5%, net loss would have increased or decreased by \$9,995 and accumulated other comprehensive income would have changed by \$124,034 (2019: \$343 and \$167,913).

(ii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or a counterparty

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to a financial instrument fails to meet its contractual obligations and arises principally from cash and cash equivalents, trade and other receivables, loans receivable, deposits and other assets.

The Company is moderately exposed to credit risk from its cash and cash equivalents, restricted cash, trade and other receivables and loans receivable. The carrying amount of these financial assets represents the maximum credit exposure.

Cash and cash equivalents, deposits and other assets are held with reputable financial institutions and business partners which are closely monitored by management. Trade receivables generated from online sales are held in reputable merchant accounts and are received within a short period of time. Credit risk is generally limited for trade receivables from government bodies, which have low default risk.

Credit risk for non-government wholesale customers is assessed on a case by case basis. When estimating Expected Credit Loss ("ECL") the Company analyzes both quantitative and qualitative data. Typically, ECL increases with the age of the receivable. A receivable is considered in default when the debtor is unlikely to pay its credit obligations in full and the Company has limited recourse. In 2020, a \$450,000 ECL provision was recorded.

Loans receivable consist of promissory notes granted to the Group's associates, Pineapple and Choklat to finance their working capital and other requirements. Their relative credit risks are assessed by management through the credit evaluation process. The Group monitors changes in the credit risk of loans receivable based on data that is determined to be predictive of the risk of loss, including but not limited to financial information, management accounts and cash flow projections. During fiscal 2019 the Company recognized an impairment allowance of \$1,391,224 in respect of loan advances to Pineapple because of the working capital constraints experienced by the debtor. In Q2 2020, a loan advanced to Choklat for \$322,887 was fully impaired due to the debtor's working capital constraints.

#### (iii) 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 the sufficient liquidity to meet its liabilities when they are due, without incurring unacceptable losses or risking damage to the Group's reputation. On August 18, 2020, the Company filed this base shelf prospectus to maintain financial flexibility to access capital quickly, when available and needed

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The following are the remaining contractual maturities of financial liabilities as at August 31, 2020:

	Carrying value	less than 3 months	4 - 6 months	7 - 12 months	> 12 months
Accounts payable and accrued liabilities	7,855,979	7,846,562	1,916	7,501	-
Lease liability	801,448	58,303	56,588	108,921	577,636

### 15. Additional disclosures for statement of cashflow

(a) *The components of cash and cash equivalents are as follows:*

	August 31, 2020	November, 30 2019
Cash and cash equivalents	\$ 13,644,712	\$ 37,345,383
Restricted cash (i)	-	510,665
	\$ 13,644,712	\$ 37,856,048

(i) Restricted cash represents amount held in trust relating to an investment in a private company. In April 2020, a statement of claim was filed for return of the funds held in trust relating to an investment in a private company. On June 25, 2020, a settlement has been reached, as it pertains to the claim for \$425,000 AUD and the funds have been received.

(b) *Changes in non-cash working capital*

Changes in non-cash working capital for the nine months ended August 31, 2020 and August 31, 2019 were as follows:

Nine months ended	August 31, 2020	August 31, 2019
Increase in trade and other receivables, excluding impairment allowance	\$ (2,290,147)	\$ (90,908)
(Increase) decrease in inventories excluding provisions	(3,074,975)	724,185
Decrease (increase) in prepaid expenses and other assets, excluding provisions	811,635	(5,027,989)
Decrease in accounts payable and accrued liabilities	759,743	391,125
Decrease in provisions (used provisions)	(1,456,885)	-
(Increase) decrease in deferred revenue	(310,408)	160,160
	\$ (5,561,037)	\$ (3,843,427)

These amounts do not include movements of impairment allowances for trade and other receivables, provisions for inventories and prepaid and other assets, and unused provisions related to litigation as disclosed in the cashflow statement.

(c) *Additional information*

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Additional information for the nine months ended August 31, 2020 and August 31, 2019 were as follows:

Nine months ended	August 31, 2020	August 31, 2019
Income tax (paid) refunds	(8,792)	27,814
Interest paid on accounts payable and accrued liabilities	(565)	(1,792)
Interest received	241,225	1,006,243

### 16. Related party balances and transactions

Related parties include key management personnel and the entities controlled or directed by key management personnel. Key management personnel include Board of Directors and key executives of the Company together with certain individuals responsible for outsourced services who in the opinion of the Company have satisfied relevant criteria to be considered key management personnel under applicable accounting standards based on the information available as of the date of issuance of these condensed consolidated interim financial statements.

Related party balances as at August 31, 2020 and November 30, 2019, respectively, were as follows:

	2020	2019
<b><i>Related party balances</i></b>		
Accounts payable and accrued liabilities (i)	(7,542)	(2,608)
Loans receivable from associates	201,215	465,149
Prepaid expenses and other assets (ii)	-	-

Related party transactions for the three and nine months ended August 31, 2020 and August 31, 2019, respectively, were as follows:

	Three months ended August 31,		Nine months ended August 31,	
	2020	2019	2020	2019
<b><i>Related Party Transactions</i></b>				
Key management personnel compensation (iii)	202,500	851,273	850,574	2,418,099
Directors fees	185,475	450,024	579,485	574,841
Service fees (iv)	-	110,130	-	3,060,773
Stock options (v)	897,804	42,691	935,451	384,373
Shipping and delivery services (vi)	18,743	8,365	129,312	8,365

- (i) Balances with related parties are non-interest bearing, unsecured and due on demand.
- (ii) During 2020, the Company placed a \$900,000 deposit on inventory purchased from one of

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its associates. Due to unprecedented events resulting in the postponement of goods received, during the three and nine months ended August 31, 2020 the Company recognized an impairment allowance of \$nil and \$900,000, respectively, against the deposit.

- (iii) The key management personnel compensation includes salaries and bonuses, benefits, and incentives.
- (iv) During 2019, the Company utilized services from Dollinger Enterprises Europe Ltd., a company controlled by the former Chief Executive Officer, e-commerce support services from consulting companies controlled by a former Board Member of the Company and, marketing and technology support services from entities controlled by members of key management personnel. These services were not utilized for the three and nine months ended August 31, 2020.
- (v) During the nine months ended August 31, 2020, key management personnel were granted 4,537,056 stock options which vest in equal quarterly installments over a 3-year period. These stock options have exercise price of \$0.34 and expire on July 1, 2024.
- (vi) The Company received delivery services from one of its associates. The amount outstanding against these services as at August 31, 2020 was \$7,542 (2019: \$2,608).

#### 17. Subsequent Events

- (i) On September 28, 2020 the Group has reached a settlement in connection with a trademark dispute involving the use of the trademarks and corresponding registrations of trademarks for "Namaste", "NamasteVapes", "Namaste Technologies", "NamasteMD" and "NamasteCafe" (collectively, the "Trademarks"). Under the terms of the settlement, Namaste will receive a settlement payment in three tranches over the next 12 months from one of the defendants for an aggregate amount of \$250,000 (the "Settlement Fee").
- (ii) On October 2, 2020, the mutual termination of an agreement has been executed between CannMart Inc., a wholly owned subsidiary of the Company, and IGNITE International Brands, Ltd. ("Ignite") to utilize certain Ignite trademarks on cannabis-based products. CannMart will continue selling remaining Ignite inventory through provincial control boards and through its medical channel at Cannmart.com through to December 29, 2020 and will no longer act as distributor for Ignite in Canada.