Namaste Technologies Inc.

(Formerly Next Gen Metals Inc.)

Management Discussion and Analysis

August 31, 2016

(Audited)

This “Management’s Discussion and Analysis” (“MD&A”) has been prepared as at January 9, 2017, and should be read in conjunction with the audited consolidated financial statements of Namaste Technologies Inc. (the “Company”) for the period from September 1, 2015 to August 31, 2016.

The accompanying MD&A of the Company has been prepared by management to reflect the three-cornered amalgamation of 9558039 Canada Inc. (“Dollinger Canada”), an incorporated entity that was comprised of a vaporizer and accessories division (the “Division”) formerly included in the operations of Dollinger Enterprises USA Inc. (“Dollinger USA”), Next Gen Metals Inc. (“Next Gen”), an incorporated public entity listed on the CSE, and Greenrush Analytical Laboratories Inc. (“Green Rush”), a wholly owned subsidiary of Next Gen. The closing of the transaction occurred on February 26, 2016.

Pursuant to the business combination agreement (the “Agreement”) dated October 30, 2015, and extended and revised on December 15, 2015, and again on February 12, 2016 between Next Gen, Dollinger Enterprises Ltd. (“Dollinger Enterprises”, parent company of Dollinger USA), Dollinger USA, and Green Rush, Next Gen acquired all of the issued and outstanding shares of Dollinger Canada, through a three-cornered amalgamation whereby prior to the Transaction, Dollinger Enterprises transferred all of the shares it held in Dollinger USA (its wholly owned subsidiary) and in Dollinger Enterprises Bahamas Ltd. (its wholly owned subsidiary) to a newly incorporated company, Dollinger Canada. Next Gen then acquire all of the issued and outstanding shares of Dollinger Canada through a three-cornered amalgamation whereby Dollinger Canada and Green Rush amalgamated and the shareholders of Dollinger Canada received post consolidated shares of Next Gen in exchange for their shares of Dollinger Canada (the “Transaction”).

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

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL REPORTING

MD&A for the Company is the responsibility of management and has been reviewed and approved by its Board of Directors on January 9, 2017. 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; ability to fund future operating costs, and timing for future research and development of the Company’s current and future technologies; management’s outlook regarding commercialization of its Guru vaporizer; 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 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 consolidated financial statements are set out below. The 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 financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing the consolidated financial statements and their effect are disclosed below.

BASIS OF CONSOLIDATION

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

The 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:

Principal subsidiaries	Percentage of equity interest
	%
Namaste Technologies Holdings Inc.	100
Dollinger Enterprises US Ltd.	100
Namaste Bahamas Inc.	100
Next Gen USA Inc.	100
Greenrush Financial Conferences Inc.	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 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

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 112,366,264 common shares that are issued and fully paid as of January 9, 2017.

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. This includes the Guru™, an enhanced vaporizer capable of seamlessly vaporizing liquids, concentrates and dry herbs from a single portable unit. 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 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.

Operational Highlights for 2016

- Generated e-commerce revenue of $3,488,902 and a gross profit of $1,120,474, a gross profit margin of 32.1%;
- Transitioned from pay-per-click advertising to inbound organic e-commence growth strategies focused on domain authority, best-in-class natural rankings, trust of brand growth, client population expansion, and sales conversion optimization, increasing site traffic and maintaining high conversion ratios;
- Closed the acquisition of VaporSeller, an e-commerce platform for the distribution of vaporizers and accessories with an unaudited revenue of US$3.4 million in 2015. Subsequent to the year end on October 17, 2016, the Company also 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;
- Commercialized the Guru™, the Company's first proprietary vaporizer capable of seamlessly vaporizing dry herbs, concentrates and liquids. The Company has distributed the product through its e-commerce sites and select distributors; and
- Generated dozens of reviews on vaporizer products. Further enhanced a collection of Youtube videos and other social media blogs outlining the positives and negatives of the world's top vaporizers.

RESULTS OF OPERATIONS

Dollinger Enterprises U.S.A. commenced commercial operations on September 3, 2014 and following the amalgamation in February 2016 continued its operations under the name Namaste Technologies Inc. (the Company). Unless otherwise indicated, all comparisons to fiscal 2016 are based on the period from the commencement of operations through August 31, 2015.

During the period from September 1, 2015 to August 31, 2016, the Company focused its efforts on growing revenues in select markets by implementing inbound organic marketing e-commerce strategies, securing inorganic expansion opportunities including the acquisition of VaporSeller, and commercializing the Guru™. In addition to the forgoing, the Company focused on positioning itself for future growth including the development wholesale relationships and distribution channels and the development of additional web portals to drive e-commerce traffic.

Summary of annual operating results and financial position

The following table sets out selected annual audited financial information for the periods ended August 31, 2015 and August 31, 2016 and should be read in conjunction with the audited consolidated financial statements.

Selected Financial Information

	For the year ended August 31, 2016	For the year ended August 31, 2015
Sales	3,488,902	4,568,276
COGS	2,368,428	2,565,251
Gross profit	1,120,474	2,003,025
Operating expenses	3,286,666	1,414,157
Other income	238,416	-
Provision for income tax	-	233,638
Net income (loss)	(1,927,776)	355,230
Net comprehensive income (loss)	(2,088,022)	351,802
Net income (loss) per share, basic & diluted:	(0.036)	0.01
Weighted average number of outstanding common shares, basic & diluted:	53,458,671	36,218,202
Total assets	4,111,081	900,422
Long-term financial liabilities	1,232,935	-

Revenue

The Company's revenue for the year ending August 31, 2016 was $3,488,902 (2015 – $4,568,276), a decline of 23.6% as compared to the year ended August 31, 2015. This decline in revenue is due to the change of business model, as Google no longer allowed pay per click, to growing organic traffic through search engine optimization. Subsequently advertising spending during the period was substantially reduced. 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.

Revenues by country

	Year ended August 31, 2016	*Percentage of total revenue*	*Year ended August 31, 2015*	*Percentage of total revenue*
Revenue from external customers				
UK	1,534,271	44.0%	1,982,843	43.5%
US	391,887	11.2%	43,311	1.0%
Brazil	279,379	8.0%	299,769	6.6%
New Zealand	270,353	7.7%	208,918	4.6%
Australia	176,488	5.1%	384,011	8.4%
Germany	133,391	3.8%	538,972	11.8%
Italy	86,959	2.5%	188,030	4.1%
Sweden	67,586	1.9%	140,259	3.1%
Israel	63,820	1.8%	34,498	0.8%
Spain	61,335	1.8%	92,873	2.0%
France	55,704	1.6%	190,214	4.2%
Canada	52,296	1.5%	21,901	0.5%
Denmark	51,972	1.5%	45,827	1.0%
Ireland	42,486	1.2%	82,569	1.8%
Netherlands	41,080	1.2%	168,691	3.7%
Austria	38,449	1.1%	77,173	1.7%
Mexico	25,468	0.7%	9,829	0.2%
Belgium	17,279	0.5%	-	0.0%
Other	98,699	2.8%	48,724	1.1%
Total	**3,488,902**	**100.0%**	**4,558,412**	**100.0%**

The majority of annual revenue was generated by several key markets, including the United Kingdom, the U.S. and Brazil, which accounted for 63.2% of total revenue.

Organic traffic in the second half of the reporting period was 3% higher than traffic in the first half and fourth quarter traffic excluding VaporSeller was 10% higher than third quarter traffic.

The Company generated traffic of 840,000 visitors during the period September 1, 2015 to August 31, 2016. VaporSeller traffic was 324,000 during the six week period since its acquisition. Namaste generated traffic of 515,000 visitors for the year and a conversion ratio of 1.84% on average for the year. The average basket price achieved was USD160. VaporSeller's conversion ratio for the six weeks since it acquisition was 1.27% and an average basket price of USD73 was achieved.

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 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 period from September 1, 2015 to August 31, 2016 were $2,368,428 (2015 – $2,565,251), which resulted in a gross margin of $1,120,474 (2015 – $2,003,025). As a percentage of sales the gross margin was 32.1%, down from 43.8% in the previous year. This reflects the acquisition of VaporSeller which generates a lower gross margin. The gross margin generated by the Company is due to the mark-up of products sold to retail customers compared to the cost of securing the products from wholesale distributors and manufactures.

Operating Expenses

The table below sets forth operating expenses for the period from September 1, 2015 to August 31, 2016.

Operating expenses

	For the year ended	
	August 31, 2016	***August 31, 2015***
Advertising and promotion	203,423	466,379
Consulting fees	511,403	395,083
Salaries	375,674	187,500
Share -based compensation	277,826	-
Bank and credit card fees	176,151	125,083
Professional fees	308,195	51,179
Communications	122,754	45,037
General and administrative	111,624	45,985
Rent and rental services	36,039	41,503
Travel and vehicles	99,733	20,688
Foreign exchange loss (gain)	216,134	35,721
Investor relations	277,360	-
Listing costs expressed	570,350	-
Total	3,286,666	1,414,157

Operating costs were $3,286,666 (2015 - $1,414,157), an increase of 132%. This increase in operating costs includes non-cash, non-recurring and currency expenses of $1,372,505. These costs relate to the share issuance value associated with listing the Company on the Canadian Securities Exchange through a reverse takeover, share based compensation, legal expenses for listing the Company, financings and the acquisition of VaporSeller, and foreign exchange movements in the Company's source currencies including the British Pound and Euro. After adjusting for these numbers, management estimates total operating costs of $1,914,161 for the period.

Advertising and promotion expenses for the year ending August 31, 2016 were $203,423 (2015 – $466,379). These expenditures 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. During the period, the Company reduced advertising spending with select search engine providers and focused on search engine optimization as the means to generate organic revenue streams.

Consulting fees for the year ending August 31, 2016 were $511,403 (2015 – $395,083). These expenditures relate to compensation amounts paid to various companies and individuals for marketing and distribution services, customer service activities, and product development and research.

Salaries for the year ending August 31, 2016 were $375,674 (2015 – $187,500). These expenditures relate to management and administrative salaries in support of the operations of the Company, managing fulfillment and procurement, and general operating activities.

Stock-based compensation for the year ending August 31, 2016 was $277,826 (2015 – $0). These expenditures relate to share and option based compensation to officers, directors, employees and consultants of the Company.

Bank and credit card fees for the year ending August 31, 2016 were $176,151 (2015 – $125,083). The positive figure in the fourth quarter 2015 relates to end of year adjustments. These expenditures include service and transaction fees 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.

Professional fees for the year ending August 31, 2016 were $308,195 (2015 – $51,179). These expenditures relate to legal, accounting, book keeping and transfer agent.

Communication expenses for the year ending August 31, 2016 were $122,754 (2015 – $45,037). These expenditures relate to phone, internet and computer expenses.

General and administrative expenses for the year ending August 31, 2016 were $111,624 (2015 – $45,985). These expenditures relate to office supplies, licensing fees and other general operating expenses.

Rent and rental services for the year ending August 31, 2016 were $36,039 (2015 – $41,503). These expenditures relate to the Company’s share of costs associated with the leasing of office space, janitorial services and utilities.

Travel and vehicles for the year ending August 31, 2016 were $99,733 (2015 – $20,688). These expenditures relate to costs associated with airfare, meals, fuel and other travel and vehicle related expenses.

Foreign exchange losses for the year ending August 31, 2016 were $216,134 (2015 – $35,721) due to the conversion of the operations at the average exchange rate for the period.

Investor relations for the year ending August 31, 2016 were $277,360 (2015 – $0). These expenditures relate to costs associated with attracting public market investors to the Company. Listing costs in relation to the go public were $570,350. The positive figure in the fourth quarter of 2015 relates to end of year adjustments. This includes the value of shares issued to Next Gen and the net amount of identifiable current assets and liabilities.

SUMMARY OF FINANCIAL POSITION AND LIQUIDITY

Financing

During the first quarter ending February 29, 2016, the Company secured $1,213,975 of equity capital (before deduction for transaction financing expenses) pursuant to the completion of its three-cornered amalgamation with Next Gen.

Pursuant to the terms of the transaction between the Dollinger Canada and Next Gen, Next Gen issued 3.6 million subscription receipts at a price of $0.10 per subscription receipt for a total of gross proceeds of $360,000. Each subscription receipt automatically converted, for no additional consideration, into 3.6 million units of the Company upon the closing of the transaction with Next Gen, which occurred on February 26, 2016. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant. Each full warrant entitles the holder to purchase one common share at a price of $0.15 per common share for a period of two years from closing of the private placements.

In addition to the unit offering, Next Gen also completed a concurrent private-placement offering by issuing 11,386,330 subscription receipts at a price of $0.075 per subscription receipt for a total of $853,975. Each of these subscription receipts automatically converted, for no additional consideration, into 11,386,330 common shares of the Company, upon the closing of the transaction with Next Gen, which occurred on February 26, 2016.

In the fourth quarter ending August 31, 2016, the Company closed a non-brokered private placement by issuing 8,087,454 million units of the Company for gross proceeds of $970,476. 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 2-years.

Prior to the closing of the transaction with Next Gen, the Company funded operations without any equity financing.

Liquidity

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

As at August 31, 2016, the Company had cash of $113,665. Working capital for the Company consists of current assets less current liabilities. As at May 31, 2016, 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, 2016.

Cash and working capital position

	As at August 31, 2016
Cash	113,665
Working capital excluding cash	147,335

The table below sets forth the Company's cash flows for the year ended August 31, 2016.

Cash flow

	For the year ended	
	August 31, 2016	***August 31, 2015***
Cash provided by:		
Operating activities	(1,692,335)	185,946
Investing activities	(656,200)	-
Finance activities	2,293,509	(17,255)

Cash Provided by Operating Activities

The cash utilized by operating activities of $1,692,335 was due to the loss from operations of $1,478,262 after adjustments for non-cash transactions including options granted for services in the amount of $277,826, and a $214,073 increase in working capital. The majority of the increase in current assets consisted of deposits on inventory.

Cash Provided by Investing Activities

The Company's cash provided by investing activities of $656,200 for the year ending August 31, 2016 consisted of the acquisition of VaporSeller.

Cash Provided by Financing Activities

The Company's cash provided by financing activities for the year ending August 31, 2016 consisted of equity and loans payable of $2,293,509

LIQUIDITY, FINANCING AND CAPITAL RESOURCES

The Company's capital is composed of debt and 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 $147,335 as at August 31, 2016.

Capital Activities

The Company's objective for managing capital are: (i) to maintain a flexible capital structure which optimizes the cost/risk equation; and (ii) to manage capital in a manner which maximizes the interests of shareholders.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. The Company's capital structure is managed in conjunction with the capital structure and financial needs of the day-to-day operations.

Management does not establish quantitative return on capital criteria, however management reviews its capital management approach on an on-going basis and believes that this approach, given the relative size of the Company, is appropriate. As at August 31, 2016, 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. Since formation of the Company, these capital needs have been funding internally-generated cash flows and the periodic use of credit facilities.

Related Party Transactions

The Company had an outstanding amount due to and from related parties that are non-interest bearing, unsecured, and receivable within the upcoming fiscal year. At the year ended August 31, 2016 related party balances were $6,531 due from related parties and $79,449 due to related parties.

Compensation awarded to key management was $ 26,250 in share-based compensation and $21,721 of cash based compensation excluding cash bonus payments during the period. 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.

Commitments

The Company has commitments under operating leases for its office space, earn-out payments to Haze and consulting commitments. The estimated amounts are as follows:

Fiscal year	
2017	986,857
2018	1,088,838
2019	630,758
2020	-
2021	-

COMPARATIVE QUARTERLY FINANCIAL DATA

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 annual consolidated financial statements and should be read in conjunction with the statements and the accompanying notes.

Quarterly Statement of Profit & Loss

	For the three months ended							
	Nov-14	***Feb-15***	***May-15***	***Aug-15***	***Nov-15***	***Feb-16***	***May-16***	***Aug-16***
Sales	1,113,967	1,270,197	1,087,256	1,096,856	1,175,341	698,331	738,199	877,031
COGS	547,658	737,475	691,396	588,722	812,506	424,549	445,224	686,149
Gross profit	566,309	532,722	395,860	508,134	362,835	273,782	292,975	190,882
Operating expenses	325,599	556,331	299,283	232,944	488,479	846,744	656,469	1,294,974
Other income	-	-	-	-	-	125,137	-	113,279
Provision for tax	26,262	(12,487)	-	219,863	238,416	(238,416)	-	-
Net income (loss)	214,448	(11,122)	96,577	55,327	(364,060)	(209,409)	(363,494)	(990,813)
Net income (loss) per share, basic & diluted:	0.006	(0.000)	0.003	0.002	(0.010)	(0.004)	(0.006)	(0.015)
Weighted average number of outstanding common shares, basic & diluted:	36,218,202	36,218,202	36,218,202	36,218,202	36,334,374	49,637,051	59,514,836	64,537,844

FOURTH QUARTER

Revenue

For the three month period ended August 31, 2016, the Company's revenue was $877,031 (2015 – $1,096,856), a decline of 20.0% as compared to the three month period ended August 31, 2015. Namaste Vapes generated traffic of 137,270 visitors to its sites with a conversion ratio of 1.64% and an average basket price of $297 (USD228). The year on year decline in revenue is explained by the change in business model from pay-per-click to search engine optimization. Revenues include sales from e-commerce activities to retail customers, wholesale distribution and drop-shipments less discounts and refunds.

The functional currency is the US dollar. Converting from the functional currency to the reporting currency had a 3.2% positive impact on the revenues of the period under review as compared to the three month ended August 31, 2015 as the US dollar strengthened against the Canadian dollar.

VaporSeller generated estimated traffic of 302,918 since its acquisition, converted traffic at 1.28% and achieved an average basket price of $95 (USD73). Applying the search engine and conversion techniques used by Namaste for VaporSeller is expected to increase the conversion ratio and the average basket price.

Gross profit and cost of goods sold

For the three month period ended August 31, 2016, the Company's cost of goods sold was $686,149 (2015 - $588,722). Cost of sales includes all expenditures to purchase the product and ship products to warehouse locations. This includes the purchase price less any import duties, shipment fees to warehouses and to customers, storage and insurance. The Company uses the weighted average method to track and cost inventory items.

For the three month period ended August 31, 2016, the Company's gross margin was $190,882 (2015 – $508,134). As a percentage of sales the gross margin was 21.8%, down from 46.3%, reflecting the impact of discounting old inventory and the addition of six weeks of lower margin sales of VaporSeller.

Operating expenses

The table below sets forth the operating expenses for the three months ended August 31, 2016.

Operating expenses	*For the three months ended*	
	August 31, 2016	***August 31, 2015***
Advertising and promotion	19,497	47,405
Consulting fees	258,812	174,143
Salaries	207,136	(4,312)
Share -based compensation	42,376	-
Bank and credit card fees	47,439	(58,672)
Professional fees	250,281	24,737
Communications	22,564	11,641
General and administrative	66,723	17,842
Rent and rental services	6,437	7,452
Travel and vehicles	32,484	(2,622)
Foreign exchange loss (gain)	125,422	15,331
Investor relations	231,799	-
Listing costs expressed	(15,996)	-
Total	1,294,974	232,944

Advertising and promotion expenses for the three months ending August 31, 2016 were $19,497 (2015 – $47,405). These expenditures 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. During the period, the Company reduced advertising spending with select search engine providers and focused on search engine optimization as the means to generate organic revenue streams.

Consulting fees for the three months ending August 31, 2016 were $258,812 (2015 – $174,143). These expenditures relate to compensation amounts paid to various companies and individuals for marketing and distribution services, customer service activities, and product development and research.

Salaries for the three months ending August 31, 2016 were $207,136 (2015 – $(4,312)). These expenditures relate to management and administrative salaries in support of the operations of the Company, managing fulfillment and procurement, and general operating activities. The credit balance for the three months ending August 2015 relates to end of year adjustments.

Stock-based compensation for the three months ended ending August 31, 2016 was $42,376 (2015 – $0). These expenditures relate to share and option based compensation to officers, directors, employees and consultants of the Company.

Bank and credit card fees for the year ending August 31, 2016 were $47,439 (2015 – $(58,672)). The positive figure in the fourth quarter 2015 relates to end of year adjustments. These expenditures include service and transaction fees 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.

Professional fees for the three months ending August 31, 2016 were $250,281 (2015 – $24,737). These expenditures relate to legal, accounting, book keeping and transfer agent. The high figure for the period under review relates to legal expenses for M&A activity.

Communication expenses for the three months ending August 31, 2016 were $22,564 (2015 – $11,641). These expenditures relate to phone, internet and computer expenses.

General and administrative expenses for the three months ending August 31, 2016 were $66,763 (2015 – $17,842). These expenditures relate to office supplies, licensing fees and other general operating expenses.

Rent and rental services for the three months ending August 31, 2016 were $6,437 (2015 – $7,452). These expenditures relate to the Company's share of costs associated with the leasing of office space, janitorial services and utilities.

Travel and vehicles for the three months ending August 31, 2016 were $32,484 (2015 – $(2,622)). These expenditures relate to costs associated with airfare, meals, fuel and other travel and vehicle related expenses. The credit balance for the three months ending August 2015 relates end of year adjustments.

Foreign exchange losses for the three months ending August 31, 2016 were $125,422 (2015 – $15,331) due to the conversion of the operations at the average exchange rate for the period.

Investor relations for the three months ending August 31, 2016 were $231,799 (2015 – $0). These expenditures relate to costs associated with attracting public market investors to the Company.

The Company has recognized $238,416 as other income in the statement of loss. These amounts are specifically related to revisions in taxes payable attributable to unutilized tax loses associate with a former division of Dollinger USA.

FINANCIAL INSTRUMENTS

Financial Instruments – Recognition and Measurement

All financial assets and financial liabilities are initially recognized at fair value. The fair value of financial instruments are 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 August 31, 2016, both the carrying and fair value amounts of all of the Company's financial instruments are approximately equivalent due to their short term nature.

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

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable, 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 as at August 31, 2016 is the carrying value of cash.

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 it operations and anticipating its operating and investing activities. As at August 31, 2016, the Company has current assets of $1,114,358 excluding liquid assets compared to current liabilities of $967,023. All amounts in current liabilities 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.

Off-Balance Sheet Arrangements

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

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 period from September 1, 2015 to August 31, 2016 has a material impact on operations of the Company.

RECENT DEVELOPMENTS AND SUBSEQUENT EVENTS

On November 9, 2016, the Company's Board of Directors granted a total of 5,530,000 Incentive Stock Options ("Options") to directors, officers, employees and consultants of the Company. 4,930,000 Options shall vest over a period of 2 years and 600,000 Options shall vest over a period of 1 year. All Options vest on a quarterly basis and have an exercise price of $0.35.

Select compensation includes:

- Sean Dollinger, President and CEO – 1,500,000 Options and US$125,000 annual cash compensation; and
- Philip van den Berg, CFO – 1,200,000 Options and US$100,000 annual cash compensation.

In October 18, 2016, the Company acquired all the website domains, customer list of over 40,000 individuals, EDIT Collection of smoking accessories, direct relationships with over 190 vendors, intellectual property and related technologies of URT1 Limited and its wholly owned US subsidiaries (collectively referred to as "URT1"). The purchase price was calculated as one-times the 12-month trailing gross revenue of URT1, subject to adjustments for inventory, wind down costs, and assumed liabilities. The assumed liabilities include a secured note of approximately $500,000 for 4 years at an interest rate of 4% payable in equal annual installments. Upon closing of the transaction, the Company has provided an initial 80% of the purchase price to URT1 of the estimated cash wind down costs and 13,771,933 common shares. The Company will make an adjustment to the purchase price in 45 days, subject to the actual wind down costs realized by URT1. Any additional consideration to URT1 will either be provided in cash or common shares of the Company at a 25% discount to the 10 day volume weighted average trading price of the common shares of the Company on the Canadian Securities Exchange.

On October 15, 2016, the Company completed a non-brokered private placement of 25,000,000 units of the Company for gross proceeds of $3,000,000. The offering was completed at a price of $0.12 per unit. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant, with each full warrant being exercisable for one Common Share at an exercise price of $0.20 per Common Share for a period of 24 months from the date of closing. In addition, further to the Company's press release dated September 7, 2016, the Company has received election from its arm's length bridge note lender to convert the total $400,000 principal amount into common shares of the Company at a price of $0.15 per common share in lieu of repayment. Thus, the Company will issue the Lender a total of 2,666,666 common shares and have increased cash proceeds available to the Company.

On September 7, 2016, the Company reported that it issued a convertible unsecured note to an arm's length lender for an aggregate principal amount of $400,000 in accordance with the terms of a subscription agreement. The term of the note is for an initial 90 days with an option to extend for up to 2 years. The Company issued the lender an initial 100,000 common shares of the Company and an additional 100,000 common shares of the Company for each 90 days the note is outstanding. The note is redeemable at any time during the initial 90 day term by making a payment equal to the principal amount of the note. If the Company elects to exercise the extension option, the lender will be issued an additional 550,000 common shares of the Company and the note shall be redeemable at a ten-percent (10%) premium to the principal amount of the note. At the option of the lender, the principal amount of the note is convertible into common shares of the Company at a conversion price of $0.15 per common share.

RISK FACTORS

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.

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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.

(vii) 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.

(viii) 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.

(ix) 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.

(x) 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.

(xi) 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 in the United States and in other countries 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.

(xii) 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.

(xiii) 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.

(xiv) 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.

(xv) 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.

(xvi) 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:

- cash provided by operating activities;
- available cash and cash investments; and
- 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

(i) 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:

- 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;
- failure to meet the expectations of the investment community and changes in investment community;
- recommendations or estimates of future operating results;
- announcements of strategic developments, acquisitions, dispositions, financings, product developments and other materials events by the Company or competitors;
- regulatory and legislative developments;
- litigation;
- general market conditions;
- other domestic and international macroeconomic factors unrelated to the Company's performance; and
- additions or departures of key personnel.

(i) 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.

(ii) 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.

(iii) 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.