

Interim Consolidated Financial Statements of

NAMASTE TECHNOLOGIES INC.

Three months ended February 28, 2019

(Unaudited – Expressed in Canadian dollars)

MANAGEMENT'S COMMENTS ON UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if any auditor has not performed a review of the interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim consolidated financial statements by an entity's auditor.

NAMASTE TECHNOLOGIES INC.

Interim Consolidated Statements of Financial Position

As at February 28, 2019 and November 30, 2018
(Unaudited - Expressed in Canadian dollars)

	Notes	2019	2018
ASSETS			
<i>Current assets</i>			
Cash and cash equivalents		\$ 69,265,952	78,210,706
Accounts receivable	5	1,643,724	1,627,781
Inventories	6	6,944,305	5,767,729
Prepaid expenses and other assets		2,287,360	1,720,365
Income tax receivable		137,452	175,536
Total current assets		80,278,793	87,502,117
<i>Non-current assets</i>			
Investments	7	4,189,968	3,752,589
Property and equipment	8	1,199,143	1,216,043
Intangible assets	9	9,688,021	9,222,530
Goodwill	10	15,280,854	15,280,854
Long-term deposits		43,276	15,826
Total non-current assets		30,401,262	29,487,842
Total assets	4	\$ 110,680,055	116,989,959
LIABILITIES AND SHAREHOLDERS' EQUITY			
<i>Current liabilities</i>			
Accounts payable and accrued liabilities	11	\$ 5,522,405	6,508,113
Current portion of loans payable		19,380	19,828
Deferred revenue		420,501	81,425
Income tax payable		33,888	33,888
Total current liabilities		5,996,174	6,643,254
<i>Non-current liabilities</i>			
Loans payable		15,300	20,611
Deferred tax liabilities		626,392	718,732
Total non-current liabilities		641,692	739,343
Shareholders' equity			
Share capital	12	129,961,984	125,123,144
Contributed surplus		13,929,424	12,674,068
Warrants reserve		33,116,998	34,340,037
Accumulated other comprehensive income		747,071	576,717
Accumulated deficit		(73,683,393)	(63,085,385)
Total equity attributable to owners of the Company		104,072,084	109,628,581
Non-controlling interest		(29,895)	(21,219)
Total shareholders' equity		104,042,189	109,607,362
Commitments	16		
Total liabilities and shareholders' equity		\$ 110,680,055	116,989,959

See accompanying notes to interim consolidated financial statements.

These interim consolidated financial statements were approved for issue on behalf of the Board of Directors on May 31, 2019 by:

Branden Spikes
Director

Kenneth Ngo
Director

NAMASTE TECHNOLOGIES INC.

Interim Consolidated Statements of Operations

For the three months ended February 28, 2019 and February 28, 2018

(Unaudited - Expressed in Canadian dollars, except for share and per share amounts)

	Notes	Three months ended February 28,	
		2019	2018
Revenue	4	\$ 4,593,457	5,633,830
Cost of goods sold	6	(3,606,331)	(3,839,845)
Gross profit		987,126	1,793,985
Selling, general and administration expenses		(11,782,742)	(5,464,318)
Other income		424,287	286,305
Loss before income taxes		(10,371,329)	(3,384,028)
Income tax (expense) recovery:			
Current		(9,802)	(29,013)
Deferred		103,095	70,369
Net loss		\$ (10,278,036)	(3,342,672)
Net loss attributable to:			
Owners of the Company		\$ (10,269,360)	(3,342,672)
Non-controlling interest		(8,676)	-
Net loss		\$ (10,278,036)	(3,342,672)
Net loss per share (basic and diluted) attributable to owners of the Company		\$ (0.03)	(0.01)
Weighted average number of outstanding common shares (basic and diluted)		312,795,176	246,062,232

See accompanying notes to interim consolidated financial statements.

NAMASTE TECHNOLOGIES INC.

Interim Consolidated Statements of Comprehensive Loss

For the three months ended February 28, 2019 and February 28, 2018
(Unaudited - Expressed in Canadian dollars)

	Three months ended February 28,	
	2019	2018
Net loss	\$ (10,278,036)	(3,342,672)
Other comprehensive income (loss):		
<i>Items that are or may be reclassified to profit or loss</i>		
Cumulative translation adjustment (CTA)	120,295	(208,021)
Reclassification of CTA on disposal of subsidiary	-	163,672
<i>Items that will not be reclassified to profit or loss</i>		
Changes in the fair value of equity investments, net of tax	50,059	200,000
	170,354	155,651
Net comprehensive loss	\$ (10,107,682)	(3,187,021)
Net comprehensive loss attributable to:		
Owners of the Company	\$ (10,099,006)	(3,187,021)
Non-controlling interest	(8,676)	-
Net comprehensive loss	\$ (10,107,682)	(3,187,021)

See accompanying notes to interim consolidated financial statements.

NAMASTE TECHNOLOGIES INC.

Interim Consolidated Statements of Changes in Shareholders' Equity

For the three months ended February 28, 2019 and February 28, 2018
(Unaudited - Expressed in Canadian dollars, except for common shares)

	-----Attributable to owners of the Company-----							Non	
	Common	Share	Contributed	Warrants	Accumulated	Accumulated	Total	controlling	Total
	shares	capital	surplus	reserve	OCI	deficit		interest	
		\$	\$	\$	\$	\$	\$	\$	\$
Balance at November 30, 2018	308,981,542	125,123,144	12,674,068	34,340,037	576,717	(63,085,385)	109,628,581	(21,219)	109,607,362
Total comprehensive income (loss):									
Net loss	-	-	-	-	-	(10,269,360)	(10,269,360)	(8,676)	(10,278,036)
Other comprehensive income	-	-	-	-	170,354	-	170,354	-	170,354
Transactions directly recorded in equity:									
Exercise of stock options and warrants	10,421,875	5,011,049	(137,638)	(1,223,039)	-	-	3,650,372	-	3,650,372
Share-based compensation	-	10,542	1,392,994	-	-	-	1,403,536	-	1,403,536
Shares buyback	(460,900)	(182,751)	-	-	-	(328,648)	(511,399)	-	(511,399)
Balance at February 28, 2019	318,942,517	129,961,984	13,929,424	33,116,998	747,071	(73,683,393)	104,072,084	(29,895)	104,042,189
Balance on November 30, 2018	216,511,317	31,585,648	2,059,539	3,102,212	5,597,660	(267,533)	(22,257,946)	19,819,580	- 19,819,580
Total comprehensive income (loss):									
Net loss	-	-	-	-	-	(3,342,672)	(3,342,672)	-	(3,342,672)
Other comprehensive income	-	-	-	-	-	155,651	155,651	-	155,651
Transactions directly recorded in equity:									
Issue of shares for cash	15,784,900	27,698,404	-	-	12,553,091	-	40,251,495	-	40,251,495
Share issuance costs	-	(5,203,576)	-	-	1,699,318	-	(3,504,258)	-	(3,504,258)
Exercise of stock options and warrants	34,713,073	16,882,766	-	(1,911,576)	(6,973,858)	-	7,997,332	-	7,997,332
Share-based compensation	-	-	1,864,100	-	-	-	1,864,100	-	1,864,100
Issue of shares for earn-out	5,067,406	1,190,636	-	(1,190,636)	-	-	-	-	-
Balance on February 28, 2018	272,076,696	72,153,878	3,923,639	-	12,876,211	(111,882)	(25,600,618)	63,241,228	- 63,241,228

See accompanying notes to interim consolidated financial statements.

NAMASTE TECHNOLOGIES INC.

Interim Consolidated Statements of Cash Flow

For the three months ended February 28, 2019 and February 28, 2018
(Unaudited - Expressed in Canadian dollars)

	Three months ended February 28, 2019	Three months ended February 28, 2018
Cash flows from operating activities:		
Net loss	\$ (10,278,036)	(3,342,672)
Adjustments for:		
Depreciation	88,918	13,827
Amortisation	577,294	234,561
Share-based compensation	1,403,536	1,864,100
Gain on disposal of subsidiary	-	(265,345)
Unrealised gain on derivatives	(24,364)	-
Other non-cash income	-	(20,960)
Deferred tax recovery	(103,095)	(72,540)
Foreign exchange loss	135,988	242,456
Cash used in operations before changes in working capital	(8,199,759)	(1,346,573)
Changes in non-cash working capital (note 14(a))	(2,396,344)	555,824
Net cash used in operating activities	(10,596,103)	(790,749)
Cash flows from investing activities:		
Purchase of equity investments	(355,310)	(200,000)
Purchase of property and equipment	(72,778)	(631,249)
Purchase of intangible assets	(1,054,610)	(4,478)
Net cash used in investing activities	(1,482,698)	(835,727)
Cash flows from financing activities:		
Proceeds from issuance of share capital	-	40,251,495
Proceeds from exercise of warrants and stock options	3,650,372	7,997,332
Cash used for shares buyback	(511,399)	-
Share issuance costs	-	(3,504,258)
Repayment of loans payable	(5,759)	-
Earn-out payment	-	(145,427)
Net cash provided by financing activities	3,133,214	44,599,142
Net (decrease) increase in cash and cash equivalents	(8,945,587)	42,972,666
Effect of movement in exchange rates on cash held	833	(5,992)
Cash and cash equivalents, beginning of period	78,210,706	8,953,341
Cash and cash equivalents, end of period	\$ 69,265,952	51,920,015

Refer to note 14 for additional cash flow information.

NAMASTE TECHNOLOGIES INC.

Notes to Interim Consolidated Financial Statements

For the three months ended February 28, 2019

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

1. General information

Namaste Technologies Inc. (the “Company”) is an entity formed under the British Columbia Business Corporations Act. The Company is a reporting issuer in British Columbia, Alberta and Ontario, listed on the TSX Venture Exchange (“TSXV”) under the trading symbol “N”. The Company’s registered office is 2300 - 550 Burrard Street, Vancouver, British Columbia, V6C 2B5, Canada. These interim consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the “Group” or “Namaste”).

Namaste is ‘Your Everything Cannabis Store™’. It operates an e-commerce platform with websites and distribution hubs located around the world. Namaste has operations in Europe, Australia and Canada. Namaste's product offering includes vaporizers, glassware and accessories. CannMart Inc. (a wholly owned subsidiary of the Company) is pursuing a new revenue vertical in the online retail of medical cannabis in the Canadian market. CannMart Inc. is a Canadian-based “sales-only” licensed entity. Namaste has developed and acquired innovative technology platforms including NamasteMD.com, and in May 2018, the Company acquired a leading e-commerce Artificial Intelligence (AI) and machine learning company, Findify AB (“Findify”). Findify uses AI algorithms to optimise and personalise a consumer's on-site buying experience. Namaste is focused on leveraging its technology to enhance the user experience throughout its platforms. Namaste will continue to develop and acquire innovative technologies which will provide value to the Group and to its shareholders as well as to the broader cannabis market.

2. Basis of preparation

(a) *Statement of compliance*

These interim consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, and should be read in conjunction with the Group’s consolidated financial statements as at and for the year ended November 30, 2018 (“last annual financial statements”), which were prepared in accordance with International Financial Reporting Standards (“IFRS”). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to understanding of the changes in Group’s financial position and performance since the last annual financial statements.

These interim consolidated financial statements were approved and authorised by the Board of Directors of the Company on May 31, 2019.

NAMASTE TECHNOLOGIES INC.

Notes to Interim Consolidated Financial Statements

For the three months ended February 28, 2019

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

(b) *Basis of measurement*

The interim consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

(c) *Functional and presentation currency*

The interim consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. All amounts have been rounded to the nearest dollar, unless otherwise indicated.

The functional currencies of the Company' directly and indirectly owned subsidiaries are as follows:

Entity	Percentage holding	Country of incorporation	Functional currency
Namaste Technologies Holdings Inc.	100	Canada	United States dollar
Namaste Bahamas Inc.	100	Bahamas	United States dollar
Namaste MD Inc.	100	Canada	Canadian dollar
Australian Vaporizers Pty Ltd.	100	Australia	Australian dollar
CannMart Inc.	100	Canada	Canadian dollar
Findify AB	100	Sweden	Swedish krona
CannMart Labs Inc.	51	Canada	Canadian dollar

(d) *Basis of consolidation*

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the interim consolidated financial statements from the date on which control commences until the date on which control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those adopted by the Group.

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

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

NAMASTE TECHNOLOGIES INC.

Notes to Interim Consolidated Financial Statements

For the three months ended February 28, 2019

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

revenues, and expenses. Management uses various factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes differ from these estimates under different assumptions and conditions.

The critical judgments and significant estimates in applying accounting policies that have the most significant effect on the amounts recognised in the interim consolidated financial statements are outlined in note 2 of last annual financial statements. There have been no significant changes in the Company's judgments and estimates applied during the three months ended February 28, 2019 relative to those described in last annual financial statements.

3. Changes in accounting policies

(a) *New accounting standards effective fiscal year 2019*

The Company has adopted the following new standards, effective December 1, 2018.

IFRS 9 Financial Instruments was issued in July 2014 and includes (i) a third measurement category for financial assets - fair value through other comprehensive income; (ii) a single, forward-looking "expected loss" impairment model; and (iii) a mandatory effective date of annual periods beginning on or after January 1, 2018. On adoption of this standard, there was no accounting impact to the financial statements and there were no changes in the carrying values of any of the Company's financial assets.

On the date of initial application, December 1, 2018, the financial instruments of the group were as follows, with any reclassifications noted:

	-----Measurement category-----		-----Carrying amount-----		
	Original (IAS 39)	Revised (IFRS 9)	Original	Revised	Difference
			\$	\$	\$
Financial assets:					
Cash and cash equivalents	Amortised cost	Amortised cost	78,210,706	78,210,706	-
Accounts receivable	Amortised cost	Amortised cost	1,627,781	1,627,781	-
Equity investments	AFS investments	FVOCI	3,671,889	3,671,889	-
Derivatives	FVTPL	FVTPL	80,700	80,700	-
Long-term deposits	Amortised cost	Amortised cost	15,826	15,826	-
Financial liabilities:					
Accounts payable and accrued liabilities	Amortised cost	Amortised cost	6,508,113	6,508,113	-
Loan payable	Amortised cost	Amortised cost	40,439	40,439	-

On December 1, 2018, the Company adopted the requirements of IFRS 15 Revenue from Contracts with Customers. As a result, the Company updated its accounting policy for deferred revenue to align with the requirements of IFRS 15. On adoption of this standard, there was no accounting impact on the interim consolidated financial statements.

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Notes to Interim Consolidated Financial Statements

For the three months ended February 28, 2019

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

(b) Update on accounting standards issued but not yet effective

In January 2016, the IASB issued IFRS 16, Leases (“IFRS 16”), replacing IAS 17, Leases and related interpretations. The standard provides a new framework for lessee accounting that requires substantially all assets obtained through operating leases to be capitalised and a related liability to be recorded. The new standard seeks to provide a more accurate picture of a company’s leased assets and related liabilities and create greater comparability between companies who lease assets and those who purchase assets. IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019, and is to be applied retrospectively. The Company is currently assessing the impact of the new standard on its interim consolidated financial statements.

Other amended standards and interpretations, including Foreign Currency Transactions and Advance Consideration (“IFRIC 22”), Uncertainty Over Income Tax Treatment (“IFRIC 23”) and amendments to IFRS 2 Share-Based Payment, are not expected to have significant impact on the Company’s interim consolidated financial statements.

4. Operating segments

(a) Segmented information

The operating segments of the Group are known as Namaste Bahamas & Dollinger US (together referred to as the “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. The chief operating decision maker monitors these segments separately throughout the year.

Disclosure by segment as at February 28, 2019 and November 30, 2018, and for the three months ended February 28, 2019 and February 28, 2018 were as follows:

	Namaste Vapes	Australian Vaporizers	CannMart	Namaste MD	Findify	Corporate & other	Total
2019:							
Revenue							
Net segment revenue	\$ 3,039,725	1,057,801	145,052	103,866	265,736	-	4,612,180
Intersegment revenue	-	-	-	(18,723)	-	-	(18,723)
External revenue	3,039,725	1,057,801	145,052	85,143	265,736	-	4,593,457
Depreciation and amortisation	10,321	232,587	73,612	267,581	76,950	5,161	666,212
Income tax recovery	-	(59,643)	-	-	(26,004)	(7,646)	(93,293)
Net loss	2,266,506	140,274	703,725	483,996	107,426	6,576,109	10,278,036
Total assets	17,476,365	9,445,177	7,766,875	994,209	2,334,870	72,662,559	110,680,055
Total liabilities	1,741,869	684,787	721,429	286,038	496,405	2,707,338	6,637,866

NAMASTE TECHNOLOGIES INC.

Notes to Interim Consolidated Financial Statements

For the three months ended February 28, 2019

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

	Namaste Vapes	Australian Vaporizers	CannMart	Namaste MD	Findify	Corporate & other	Total
2018:							
Revenue							
Net segment revenue	\$ 4,397,952	1,106,995	164,168	-	-	-	5,669,115
Intersegment revenue	(35,285)	-	-	-	-	-	(35,285)
External revenue	4,362,667	1,106,995	164,168	-	-	-	5,633,830
Depreciation and amortisation	7,263	237,612	3,514	-	-	-	248,389
Income tax recovery	-	(41,356)	-	-	-	-	(41,356)
Net loss	257,274	132,089	229,357	45,085	-	2,678,867	3,342,672
Total assets	19,454,901	9,598,520	7,160,503	1,084,958	2,353,144	77,337,933	116,989,959
Total liabilities	2,492,306	611,394	1,118,093	399,475	503,458	2,257,871	7,382,597

(b) Geographical information

The Group markets its products and services globally. Revenue is attributed to countries based on the location of customers:

	Three months ended February 28,	
	2019	2018
Australia	\$ 1,087,507	1,234,429
United Kingdom	1,073,731	1,346,193
Canada	726,395	678,815
Brazil	628,507	380,879
Germany	242,024	287,878
France	143,011	34,319
United States of America	141,809	1,140,217
Israel	141,798	94,160
New Zealand	119,624	71,714
Other	289,051	365,226
	\$ 4,593,457	5,633,830

(c) Customer information

The Group does not have any major customers representing more than 10% of total sales for the reporting segment.

NAMASTE TECHNOLOGIES INC.

Notes to Interim Consolidated Financial Statements

For the three months ended February 28, 2019

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

5. Accounts receivable

Accounts receivable as at February 28, 2019 and November 30, 2018 were as follows:

	2019	2018
Accounts receivable	\$ 553,057	803,035
Sales tax receivable	1,090,667	824,746
	\$ 1,643,724	1,627,781

6. Inventories

Inventories as at February 28, 2019 and November 30, 2018 were as follows:

	2019	2018
Hardware	\$ 5,848,143	4,961,935
Cannabis	1,189,005	899,567
Total inventories, gross	7,037,148	5,861,502
Provision for inventories - hardware	(92,843)	(93,773)
Total inventories, net	\$ 6,944,305	5,767,729

The cost of inventories recognised as an expense and included in cost of goods sold for the three months ended February 28, 2019 was \$2,569,428 (2018: \$3,676,773). There was no inventory write-down during the three months ended February 28, 2019 (2018: 181,025).

7. Investments

Investments as at February 28, 2019 and November 30, 2018 were as follows:

	2019	2018
Equity investments (a)	\$ 4,084,904	3,671,889
Derivatives (b)	105,064	80,700
	\$ 4,189,968	3,752,589

NAMASTE TECHNOLOGIES INC.

Notes to Interim Consolidated Financial Statements

For the three months ended February 28, 2019

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

- (a) Details of equity investments as at February 28, 2019 and November 30, 2018 were as follows:

	Cost	Fair value - gross	Unrealised (gain) loss
2019			
Atlas Biotechnologies	\$ 200,000	1,200,000	(1,000,000)
Cannbit Pharmaceutical Ltd. (i)	464,715	1,238,125	(773,410)
Inolife R&D Inc.	200,000	200,000	-
Kief Cannabis Company Ltd.	250,000	250,000	-
Lovelabs.com	32,220	32,220	-
Pineapple Express Delivery Inc. (ii)	906,199	906,199	-
RMMI Corp.	250,000	120,000	130,000
The Green Organic Dutchman Holdings	94,982	103,824	(8,842)
YPB Group	130,000	34,536	95,464
	\$ 2,528,116	4,084,904	(1,556,788)
2018			
Atlas Biotechnologies	\$ 200,000	1,200,000	(1,000,000)
Cannbit Pharmaceutical Ltd. (i)	464,715	1,156,869	(692,154)
Inolife R&D Inc.	200,000	200,000	-
Kief Cannabis Company Ltd.	250,000	250,000	-
Lovelabs.com	32,220	32,220	-
Pineapple Express Delivery Inc. (ii)	550,889	550,889	-
RMMI Corp.	250,000	130,000	120,000
The Green Organic Dutchman Holdings	94,982	85,870	9,112
YPB Group	130,000	66,041	63,959
	\$ 2,172,806	3,671,889	(1,499,083)

- (i) The Company signed a subscription agreement with Cannbit Pharmaceutical Ltd. (“Cannbit”) on June 13, 2018 to purchase 779 shares of Cannbit for an aggregate purchase price of NIS2,500,000. As of February 28, 2019, the Company has purchased 389 shares for a cash consideration of \$464,715 (NIS1,250,000) and has a commitment to buy the remaining 390 shares, by issuing shares of the Company, for an amount equivalent to NIS1,250,000 in the future, subject to terms and conditions of the subscription agreement.

During November 2018, Cannbit merged with a public company and as a result of share split, the Company now owns 404,933 shares in the new company.

- (ii) The Company signed a subscription agreement with Pineapple Express Delivery Inc. (“Pineapple”) on June 12, 2018 to invest an aggregate purchase price of \$1,000,000 comprising of \$850,000 in cash and \$150,000 in shares of the Company. As at February 28, 2019, the Company has invested cash of \$535,000. The remaining investment, being \$315,000 in cash and \$150,000 in shares of the Company, was paid subsequent to the reporting date.

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Notes to Interim Consolidated Financial Statements

For the three months ended February 28, 2019

(Expressed in Canadian dollars, except for share and per share amounts, unless otherwise noted)

(b) Details of derivatives as at February 28, 2019 were as follows:

	Number of options	Number of warrants	Fair value
			\$
BlissCo Cannabis Corp.	210,000	-	1,470
The Green Organic Dutchman Holdings	-	34,347	102,594
YPB Group	3,800,000	-	-
Inolife R&D Inc.	-	1,000,000	1,000
			105,064

Details of derivatives as at November 30, 2018 were as follows:

	Number of options	Number of warrants	Fair value
			\$
BlissCo Cannabis Corp.	210,000	-	1,050
The Green Organic Dutchman Holdings	-	34,347	78,650
YPB Group	3,800,000	-	-
Inolife R&D Inc.	-	1,000,000	1,000
			80,700

(c) Following is the summary of various valuation techniques and the underlying key/significant observable/unobservable inputs used to determine the fair value of the investments:

Type of investment	Fair value determination
Equity investments - level 1	Quoted price in active market.
Equity investments - level 2	Fair value is determined based on per share value in the most recent financing transaction publicly available.
Equity investments - level 3	Management has evaluated if any transactions or events would impact the cost and concluded that the cost approximates fair value at the value at the reporting date.
Derivatives	Options and warrants are valued using Black-Scholes option pricing model. Quoted price of underlying share in active market is used as key input. Where underlying share price in active market was not available, management considered the fair value of those options/warrants as nominal.

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- (d) Following is the movement schedule of derivatives and equity investments for the three months ended February 28, 2019:

		Equity investments	Derivatives
Balance at November 30, 2018	\$	3,671,889	80,700
Purchases		355,310	-
Unrealised gain on changes in fair value		57,705	24,364
Balance at February 28, 2019	\$	4,084,904	105,064

8. Property and equipment

		Leasehold improvements	Computer equipment	Furniture and equipment	Total
Cost:					
Balance at November 30, 2018	\$	1,044,533	205,839	369,367	1,619,739
Additions		25,361	39,372	8,045	72,778
Translation adjustment		-	(563)	(4,247)	(4,810)
Balance at February 28, 2019	\$	1,069,894	244,648	373,165	1,687,707
Accumulated depreciation:					
Balance at November 30, 2018	\$	192,246	78,037	133,413	403,696
Depreciation		46,221	23,258	19,439	88,918
Translation adjustment		-	(253)	(3,797)	(4,050)
Balance at February 28, 2019	\$	238,467	101,042	149,055	488,564
Carrying amount:					
Balance at November 30, 2018	\$	852,287	127,802	235,954	1,216,043
Balance at February 28, 2019	\$	831,427	143,606	224,110	1,199,143

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9. Intangible assets

	Intellectual properties	License	Customer list	Brand names	Computer software & domains	Total
Cost:						
Balance at November 30, 2018	2,226,800	3,626,833	2,992,217	331,313	2,073,054	11,250,217
Additions	-	11,875	35,200	-	1,007,535	1,054,610
Translation adjustment	-	-	-	-	(10,415)	(10,415)
Balance at February 28, 2019	\$ 2,226,800	3,638,708	3,027,417	331,313	3,070,174	12,294,412
Accumulated amortisation:						
Balance at November 30, 2018	172,312	-	1,604,012	-	251,363	2,027,687
Amortisation	76,950	-	247,640	-	252,704	577,294
Translation adjustment	-	-	-	-	1,410	1,410
Balance at February 28, 2019	\$ 249,262	-	1,851,652	-	505,477	2,606,391
Carrying amount:						
Balance at November 30, 2018	\$ 2,054,488	3,626,833	1,388,205	331,313	1,821,691	9,222,530
Balance at February 28, 2019	\$ 1,977,538	3,638,708	1,175,765	331,313	2,564,697	9,688,021

Amortisation expense on definite life intangible assets for the three months ended February 28, 2019 has been recognised as part of selling, general and administration expenses in the interim consolidated statement of operations in the amount of \$577,294 (2018: \$234,562). No impairment losses were recognised on intangible assets for the three months ended February 28, 2019 and February 28, 2018.

10. Goodwill

The value of goodwill was allocated to the operating segments, Namaste Vapes and Australian Vaporizers, in the amount of \$9,152,334 and \$6,128,520, respectively. During the three months period ended February 28, 2019, there was no change in the value of goodwill.

11. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities as at February 28, 2019 and November 30, 2018 were as follows:

	2019	2018
Accounts payable	\$ 3,072,545	2,827,346
Accrued liabilities	2,449,860	3,680,767
	\$ 5,522,405	6,508,113

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12. Share capital

(a) *Authorised share capital*

The Company is authorised to issue an unlimited number of common shares with no par value. As at February 28, 2019 the Company had 318,942,517 common shares issued and outstanding.

(b) *Shares buyback*

On July 18, 2018, the Company commenced a normal course issuer bid (“NCIB”) to purchase up to 25,308,136 common shares, representing approximately 8.9% of the Company’s issued and outstanding common shares at the time. The NCIB will remain in place for a 12-month period ending July 17, 2019. During the three months ended February 28, 2019, the Company has completed a buyback of 460,900 shares at an average price of \$1.11 per share.

(c) *Issuance of shares*

For the three months ended February 28, 2019, the Company issued 10,421,875 common shares on exercise of various warrants and options for total gross proceeds of \$3,650,372. The fair value of the various warrants and options exercise was \$1,360,677.

(d) *Share purchase warrants*

The following is a summary of the changes in the Company’s share purchase warrants for the three months ended February 28:

	-----2019-----		-----2018-----	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of period	40,495,658	\$ 2.56	45,951,703	\$ 0.19
Granted	-	-	18,636,418	2.68
Exercised	(9,910,000)	0.35	(29,766,535)	0.29
Forfeited	(300,000)	0.35	-	-
Outstanding, end of period	30,285,658	3.30	34,821,586	1.57

For three months ended February 28, 2019, share purchase warrants exercised were the result of acceleration notice given by the Company for warrants issued as part of the non-brokered private placement in October 31, 2017.

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The assumptions used for the calculation of the fair value of the warrants for the three months ended February 28 were as follows:

	2019	2018
Risk free rate	1.46%	1.46%
Expected life	2 years	2 years
Expected volatility	125%	125%
Expected dividend per share	Nil	Nil

Volatility is calculated by using the historical volatility of other companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public. The expected life in years represents the time that the options granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options.

(e) *Stock options*

The Company has established a stock option plan (the “Plan”) for directors, officers and employees. Under the Plan, the exercise price of each option is determined by the Board. The aggregate number of common shares issuable pursuant to options granted under the Plan is being less than 10% of the Company's issued common shares under the Plan. The board of directors has the exclusive power over the granting of options and their vesting and cancellation provisions.

The following is a summary of the movement in the Plan for the three months ended February 28:

	-----2019-----		-----2018-----	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		\$		\$
Outstanding, beginning of period	20,351,750	1.47	14,765,000	0.20
Granted (i)	860,000	0.95	2,440,000	3.07
Exercised	(511,875)	0.36	(4,946,538)	0.27
Forfeited	(2,084,375)	1.70	-	-
Outstanding, end of period	18,615,500	1.46	12,258,462	0.61

For the three months ended February 28, 2019, the Company recognised share-based compensation expense of \$1,403,536 (2018: \$1,864,100).

For the three months ended February 28, 2019, the weighted average share price of options exercised was \$1.00.

The following table summarises information regarding stock options outstanding by exercise price as at February 28, 2019:

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	Number of options outstanding	Weighted average remaining contractual life in years	Weighted average exercise price
			\$
\$0.01 - \$1.00	4,611,875	0.82	0.27
\$1.01 - \$2.00	10,841,875	2.53	1.48
\$2.01 - \$4.00	3,161,750	0.67	3.06
	18,615,500	1.79	1.46

The following table summarises information regarding exercisable stock options outstanding as at February 28, 2019:

Exercise price range	Number of options outstanding	Weighted average remaining contractual life in years	Weighted average exercise price
			\$
\$0.01 - \$1.00	3,100,625	3.02	0.27
\$1.01 - \$2.00	3,436,875	4.23	1.53
\$2.01 - \$4.00	1,612,125	3.62	3.10
	8,149,625	3.65	1.36

The assumptions used for the calculation of the fair value of the options for the three months ended February 28 were as follows:

	2019	2018
Risk free rate	0.72% - 2.01%	0.55% - 1.78%
Expected life	2 - 5 years	5 years
Expected volatility	83% - 125%	125%
Expected dividend per share	Nil	Nil

Volatility is calculated by using the historical volatility of other companies that the Company considers comparable that have trading and volatility history prior to the Company becoming public. The expected life in years represents the time that the options granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options.

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

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

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

Following is the summary of the financial instruments as at February 28, 2019 and November 30, 2018:

	Financial assets at FVOCI	Financial assets at amortised cost	Financial assets FVTPL	Financial liabilities at amortised cost	Total
2019					
<i>Financial assets</i>					
Cash and cash equivalents	\$ -	69,265,952	-	-	69,265,952
Accounts receivable	-	1,643,724	-	-	1,643,724
Investments	4,084,904	-	105,064	-	4,189,968
Long-term deposits	-	43,276	-	-	43,276
	\$ 4,084,904	70,952,952	105,064	-	75,142,920
<i>Financial liabilities</i>					
Accounts payable and accrued liabilities	\$ -	-	-	(5,522,405)	(5,522,405)
Loans payable	-	-	-	(34,680)	(34,680)
	\$ -	-	-	(5,557,085)	(5,557,085)
2018					
<i>Financial assets</i>					
Cash and cash equivalents	\$ -	78,210,706	-	-	78,210,706
Accounts receivable	-	1,627,781	-	-	1,627,781
Investments	3,671,889	-	80,700	-	3,752,589
Long-term deposits	-	15,826	-	-	15,826
	\$ 3,671,889	79,854,313	80,700	-	83,606,902
<i>Financial liabilities</i>					
Accounts payable and accrued liabilities	\$ -	-	-	(6,508,113)	(6,508,113)
Loans payable	-	-	-	(40,439)	(40,439)
	\$ -	-	-	(6,548,552)	(6,548,552)

The carrying values of financial instruments and fair value amounts of all the Company's financial instruments approximate their fair values as at February 28, 2019.

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

	Level 1	Level 2	Level 3	Total
Equity investments	\$ 1,496,485	1,200,000	1,388,419	4,084,904
Derivatives	-	104,064	1,000	105,064
	\$ 1,496,485	1,304,064	1,389,419	4,189,968

During the three months ended February 28, 2019 and February 28, 2018, there were no transfer between the levels of the fair value hierarchy except for Cannbit which moved from level 3 to level 1 as a result of going public.

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

A five percentage point change in the foreign currencies against functional currencies, assuming that all other variables are constant, would have change profit and loss by \$98,148 (2018: \$115,343) as a result of the revaluation on foreign currency denominated financial assets and liabilities.

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b. Interest rate risk

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

c. Other price risk

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

If the fair value of these financial assets were to increase or decrease by 5%, net comprehensive loss and accumulated other comprehensive income (loss) would have changed by \$209,498 (2018: \$187,629).

(ii) Credit risk

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

(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 sufficient liquidity to meet its liabilities when they are due, without incurring unacceptable losses or risking damage to the Group's reputation.

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The following are the remaining contractual maturities of financial liabilities as at February 28, 2019 and November 30, 2018:

	Carrying value	less than 3 months	4 - 6 months	7 - 12 months	Over 12 months
2019:					
Accounts payable and accrued liabilities	\$ 5,522,405	5,522,405	-	-	-
Loans payable	34,680	4,845	4,845	9,690	15,300
	<u>\$ 5,557,085</u>	<u>5,527,250</u>	<u>4,845</u>	<u>9,690</u>	<u>15,300</u>
2018:					
Accounts payable and accrued liabilities	\$ 6,508,113	6,508,113	-	-	-
Loans payable	40,439	4,957	4,957	9,914	20,611
	<u>\$ 6,548,552</u>	<u>6,513,070</u>	<u>4,957</u>	<u>9,914</u>	<u>20,611</u>

14. Additional disclosures for statement of cash flows

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

Changes in non-cash working capital for the three months ended February 28, 2019 and 2018 were as follows:

	2019	2018
Increase in accounts receivables	\$ (15,943)	(305,586)
(Increase) decrease in inventories	(1,176,576)	298,316
Increase in prepaid expenses, other assets and long-term deposits	(594,445)	(730,296)
Decrease in income tax receivable	38,084	17,216
(Decrease)/increase in accounts payable and accrued liabilities	(986,540)	1,276,174
Increase in deferred revenue	339,076	-
Changes in non-cash working capital	<u>\$ (2,396,344)</u>	<u>555,824</u>

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(b) Additional information

Additional information for the three months ended February 28, 2019 and 2018 were as follows:

	2019	2018
Taxes paid	\$ -	-
Interest paid	(684)	-
Interest received	380,139	-

15. 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 financial statements.

Related party balances as at February 28, 2019 and as at November 30, 2018, and transactions for the three months period ended February 28, 2019 and 2018, respectively, were as follows:

	2019	2018
Related party balances		
Accounts receivable (i)	\$ 14,690	18,173
Accounts payable and accrued liabilities (i)	(290,215)	(305,968)
Related party transactions		
Stock options	-	170,000
Payment processing services (ii)	14,028	77,231
Consulting fees (iii)	47,775	43,938
Technology and IT support services (iv)	663,456	89,230
Marketing services (v)	1,392,706	422,276
Technology support income (vi)	(14,690)	-
Key management personnel compensation (vii)	358,122	468,400

- (i) Balances with related parties are non-interest bearing, unsecured and due on demand.
- (ii) Up to February 3, 2019, the Company utilises payment processing services from Dollinger Enterprises Europe Ltd., a company controlled by the former Chief Executive Officer. The amount outstanding against these services as at February 28, 2019 was \$nil (2018: \$14,138).
- (iii) The Company received e-commerce support services from the consulting companies controlled by a former Board Member of the Company. The amount outstanding against these services as at

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February 28, 2019 was \$20,674 (2018: \$nil).

- (iv) The Company outsourced substantially all of its technology and IT support services to an entity controlled by a member of key management personnel. There was no outstanding balance against these services as at February 28, 2019 and November 30, 2018.
- (v) The Company outsourced substantially all of its marketing and related services to an entity that is controlled by a member of key management personnel. The amount outstanding against these services as at February 28, 2019 was \$269,541 (2018: \$25,810).
- (vi) The Company received technology support income from an entity, the Company believes is related by virtue of the influence of a former Board Member over the entity under applicable accounting standards. The amount outstanding against these services as at February 28, 2019 was \$14,690 (2018: \$14,910).
- (vii) The key management personnel compensation includes salaries, benefits and incentives.

16. Commitments

(a) Operating lease commitments

The Group's commitments on future minimum lease payments under operating leases are as follows:

Less than one year	\$	307,580
Between one and five years		438,079
	\$	745,659

Rent expense for the three months ended February 28, 2019 were \$166,378 (three months ended February 28, 2018: \$89,992).

(b) Purchase commitment

CannMart Inc. entered into a definitive supply agreement with 8528934 Canada Ltd. d/b/a 7ACRES ("the seller") dated January 24, 2018 under which it committed to purchase a minimum annual quantity of 1,000 kilograms of premium dried cannabis flower at \$6 per gram within the calendar year 2018. The Company is currently disputing its obligations to the seller under the definitive supply agreement and the amount payable thereunder remains uncertain at this time.

(c) Contingencies

On October 6, 2018, a securities class action was filed in the United States District Court, Central District of California against the Company and certain officers of the Company alleging false or misleading statements in violation of U.S. federal securities laws relating to the Company's

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December 2017 sale of its US subsidiary Dollinger US and the Company's application for listing on the NASDAQ. The plaintiff voluntarily dismissed this lawsuit on December 26, 2018.

On October 19, 2018, a putative class action was filed in the Ontario Superior Court of Justice against the Company and certain officers of the Company alleging, among other things, that misrepresentations were made in connection with the divestiture of Dollinger US. A Fresh as Amended Statement of Claim issued on February 22, 2019 which, among other changes, expands the proposed class period. The Company intends to vigorously defend the allegations in the claim and will pursue all available legal remedies that it deems necessary.

On October 22, 2018, a second securities class action was filed in the United States District Court, Central District of California against the Company and certain officers of the Company alleging false or misleading statements in violation of U.S. federal securities laws relating to the Company's December 2017 sale of Dollinger US and the Company's application for listing on the NASDAQ. The plaintiff voluntarily dismissed this lawsuit on November 16, 2018, and refiled in the United States District Court, Southern District of New York. The Company intends to vigorously defend the allegations and will pursue all available legal remedies that it deems necessary.

As of the reporting date, there is an outstanding claim against the Company and one of its subsidiaries along with other individuals. This claim is for \$90 million and is for breach of contract, or, in the alternative, for breach of duty of good faith, or, in the alternative, for damages, against the Company and its subsidiary. The Company believes the claim is without merit and intends to vigorously defend the allegations and will pursue all available legal remedies that it deems necessary.

17. Subsequent events

- (a) Namaste Bahamas Inc. signed a letter of intent to acquire all of the issued and outstanding shares of CannMart Ltd. (CannMart UK) for an aggregate consideration of \$1,500,000, comprised of \$500,000 in cash and \$1,000,000 in shares of the Company.
- (b) Effective March 13, 2019 the Company acquired common shares in Pineapple and its affiliated entity, representing an additional 34% equity in exchange for 2,487,805 common shares of Namaste having an aggregate value of approximately \$3.1 million. The Company now owns 49% of the issued and outstanding common shares of Pineapple and has the option to acquire additional 10% equity in Pineapple.
- (c) On March 6, 2019, the Company entered into a share purchase agreement to acquire 49% of the issued and outstanding shares of Calgary, AB-based Choklat Inc. for a purchase consideration of \$1.75 million. The transaction was closed on March 8, 2019.