Namaste Technologies Inc.

(Formerly Next Gen Metals Inc.)

Condensed Consolidated Interim Financial Statements

February 29, 2016

(Unaudited)

MANAGEMENT'S COMMENTS ON
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if any auditor has not performed a review of the condensed consolidated interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim 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 condensed consolidated interim financial statements by an entity's auditor.

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(Unaudited)

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Condensed Consolidated Interim Statements of Financial Position
As at February 29, 2016
(Expressed in Canadian dollars)
(Unaudited)

	February 29, 2016 *(Note 1)*	*August 31, 2015*
Assets		
Current		
Cash	**$1,102,127**	$169,642
Prepaids and deposits	**129,198**	6,249
Inventory *(Note 5)*	**546,084**	496,117
Receivables	**5,821**	80,476
Due from related party	**-**	153,015
	$1,783,230	$905,499
Liabilities		
Current		
Accounts payable and accrued liabilities *(Note 6)*	**189,161**	183,365
Taxes payable *(Note 12)*	**-**	232,686
Due to related party *(Note 7)*	**166,852**	135,665
	356,013	551,716
Equity		
Share capital	**1,340,216**	-
Warrant and option reserve	**81,639**	-
Retained earnings	**5,362**	353,783
	1,427,217	353,783
	$1,783,230	$905,499

Approved on behalf of the Board of Directors on May 1, 2016:

(Signed) Sean Dollinger
Director

(Signed) Sidney Himmel
Director

Namaste Technologies Inc.
Condensed Consolidated Interim Statement of Loss
For the three month period ended February 29, 2016
(Expressed in Canadian dollars)
(Unaudited)

	For three months ended		*For six months ended*	
	February 29, 2016 *(Note 1)*	*February 28, 2015*	***February 29, 2016*** *(Note 1)*	*February 28, 2015*
Sales	**$698,331**	$1,270,197	**$1,873,672**	$2,384,164
Cost of goods sold	**381,871**	669,186	**1,168,879**	1,349,100
Gross profit	**316,460**	601,011	**704,793**	1,035,064
Operating expenses				
Advertising and promotion	**35,142**	187,241	**149,778**	290,206
Consulting fees	**81,154**	158,221	**180,152**	183,316
Salaries	**56,183**	89,283	**122,057**	135,004
Bank and credit card fees	**63,293**	66,127	**107,474**	115,225
Professional fees	**-**	910	**18,514**	17,158
Communications	**8,504**	11,624	**19,321**	22,755
General and administrative	**15,982**	6,216	**22,712**	18,521
Rent and rental services	**8,434**	25,831	**23,478**	34,051
Shipping	**42,678**	68,289	**68,176**	158,592
Travel and vehicles	**28,293**	15,716	**48,392**	22,776
Foreign exchange loss (gain)	**(36,587)**	(4,838)	**56,999**	2,138
Listing costs expensed (*Note 1)*	**586,346**	-	**586,346**	-
	889,422	624,620	**1,403,399**	999,742
Other income *(Note 1)*	**125,137**	-	**125,137**	-
Loss before income taxes	**(447,823)**	(23,610)	**(573,469)**	35,322
Provision for income taxes (recovery) (*Note 11*)	**(238,416)**	(12,487)	**(238,416)**	13,775
Net income (loss)	**$(209,407)**	$(11,122)	**$(335,053)**	$21,546
Net income (loss) per share, basic:	$(0.00)	$(0.00)	$(0.01)	$0.00
Weighted average number of outstanding common shares, basic:	59,514,836	59,514,836	59,514,836	59,514,836
Net income (loss) per share, diluted:	$(0.00)	$(0.00)	$(0.01)	$0.00
Weighted average number of outstanding common shares, diluted:	60,519,871	60,117,253	60,519,871	60,117,253

Namaste Technologies Inc.
Condensed Consolidated Interim Statement of Comprehensive Loss
For the three month period ended February 29, 2016
(Expressed in Canadian dollars)
(Unaudited)

	Three months ended		Six months ended	
	February 29, 2016	*February 28, 2015*	***February 29, 2016***	*February 28, 2015*
Net income (loss)	**(209,407)**	(11,122)	**(335,053)**	21,546
Other comprehensive income				
Unrealized gain on translation of foreign operations	**3,264**	449	41,663	8,859
Net comprehensive income (loss) for the period	**(206,143)**	(10,673)	**(293,390)**	30,405

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements

Namaste Technologies Inc.
Condensed Consolidated Interim Statement of Changes in Equity
For the three month period ended February 29, 2016
(Expressed in Canadian dollars)
(Unaudited)

	Common shares	***Common shares $***	***Options and warrants $***	***Accumulated OCI $***	***Retained earnings $***	***Total $***
Shareholder's equity - August 31, 2015	-	-	-	-	353,783	**353,783**
Shares issued *(Note 1)*	59,514,836	1,452,412	-	-	-	**1,452,412**
Net income	-	-	-	-	(335,053)	**(335,053)**
Options and warrants *(Note 8)*	2,762,667	-	81,639	-	-	**81,639**
Issuance costs	-	(112,197)	-	-	-	**(112,197)**
Unrealized gain (loss) on foreign exchange	-	-	-	41,663	(55,030)	**(13,367)**
Shareholder's equity - February 29, 2016		1,340,216	81,639	41,663	(36,301)	**1,427,217**

The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements

(Expressed in Canadian dollars)

	Three months ended		*Six months ended*	
	February 29, 2016	*February 28, 2015*	***February 29, 2016***	*February 28, 2015*
Cash provided by (used for) the following activities				
Operating activities				
Net income (loss)	**$(209,407)**	$(11,122)	**$(335,053)**	$21,546
Listing costs	**586,346**	-	**586,346**	-
Foreign exchange loss (gain)	**(36,587)**	(4,838)	**56,999**	2,138
Provision for income taxes	**(238,416)**	(12,487)	**(238,416)**	13,775
Forgiveness of loans	**(344,151)**	-	**(344,151)**	-
Changes in non-cash working capital items:				
Increase in current assets	**(198,515)**	30,319	**(98,261)**	(606,861)
Increase in accounts payable and accrued liabilities	**87,676**	31,211	**(358)**	31,211
Taxes payable	**(205,949)**	14,242	**(203,569)**	21,928
Investing activities				
Due to related party	**166,743**	-	**184,202**	-
Property, plant and equipment	-	(22,235)	-	(22,235)
Financing activities				
Issuance of common shares	**1,452,412**	-	**1,452,412**	-
Share issuance costs	**(112,197)**	-	**(112,197)**	-
Due to related party	-	(71,435)	-	(3,356)
Due from related party	-	51,770	-	544,565
Increase in cash resources	**947,954**	5,426	**947,954**	2,711
Cash resources, beginning of period	**154,173**	(2,714)	**154,173**	-
Cash resources, end of period	**$1,102,127**	$2,711	**$1,102,127**	$2,711

1. Nature of operations and background information

Namaste Technologies Inc. ("Namaste" or the "Company") is an e-commerce business that distributes vaporizers and accessories for aromatherapy purposes. The Company is also designing with the intention to fully commercialize its own proprietary vaporizer products. Namaste is an entity formed under the British Columbia *Business Corporations Act*. The Company is a reporting issuer in British Columbia, Alberta and Ontario, listed (since 19 February 2014) on the Canadian Securities Exchange ("CSE") under the trading symbol "N".

The Company's head office is located at Suite 1600, 100 King Street West, Toronto, Ontario, Canada M5X 1G5.

The accompanying unaudited condensed consolidated interim statement of financial position 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 consolidated statement of financial position gives effect to the Transaction as closed 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").

Under International Financial Reporting Standards ("IFRS"), the share exchange between Dollinger Canada and Next Gen is considered to be a capital transaction in substance, rather than a business combination. That is, the share exchange is equivalent to the issuance of stock by Dollinger Canada for the net monetary assets of Next Gen, accompanied by a recapitalization, and is accounted for as a change in capital structure. Accordingly, the accounting for the share exchange is identical to that resulting from a reverse acquisition, except no goodwill is recorded. Under reverse acquisition accounting, the post reverse acquisition comparative financial statements of Next Gen, the legal acquirer, are now those of Dollinger Canada, the accounting acquirer.

These consolidated financial statements reflect the assets, liabilities and results of operations of Dollinger Canada, since it is deemed to be the accounting acquirer. The results of operations, cash flows and assets and liabilities of Next Gen have been included in the consolidated financial statements since February 26, 2016, the acquisition date. All amounts reported prior to February 26, 2016 are those of Dollinger Canada and its subsidiaries.

All of the shares of Dollinger Canada shares were exchanged for shares of Next Gen as follows:

Pursuant to the Agreement, Next Gen consolidated its issued and outstanding common shares on a 3:1 basis and had 7,243,640 common shares issued and outstanding post consolidation, such that each Next Gen shareholder received one (1) post consolidated common share for each (3) pre consolidation common shares of Next Gen. Post consolidation, Next Gen issued Dollinger Canada five (5) Next Gen post consolidated common shares for every one (1) common share of Dollinger Canada for a total issuance of 36,218,202 post consolidated common shares of Next Gen to the shareholders of Dollinger Canada.

1. Nature of operations and background information *(Continued from previous page)*

The fair value of consideration and net assets of Next Gen acquired on February 26, 2016 are as follows:

The fair value of the consideration is as follows:

Deemed issuance price of common issued to former shareholders of Next Gen	$0.06
Deemed issuance of common shares of former shareholders of Next Gen	7,243,640
Fair value of consideration	$434,618

The allocation of the consideration is as follows:

Cash	$7,281
Short and long term investments	300
Accounts receivable	5,149
Other liabilities	3,861
Accounts payable	88,323
Listing costs expensed	506,345
Value attributed to Next Gen shares issued	$434,618

The share capital, warrant and option reserve, and deficit of Next Gen have been eliminated for the purposes of these condensed consolidated interim consolidated financial statements and the listing costs expensed of $506,345 and net amount of identifiable current assets and liabilities have been reduced from deficit. In addition to the listing cost expensed, the Company has also recognized an additional $80,000 of costs associated with the Transaction, which have also been expensed. Because the Company issued shares with a value in excess of the assets deemed received, IFRS 2 would indicate the difference be recognized in comprehensive loss as a listing expense.

The Company has also recognized the following adjustments to its consolidated statement of financial position pursuant to the Transaction:

- Reduction of amount due from related party and share capital by $219,014
- Reduction of taxes payable and increase of retained earnings by $209,298
- Reduction of amount due to related party and increase to retained earnings by $125,137

These condensed consolidated interim financial statements are not necessarily indicative of the results that would have been attained if the Division had been operated as a separate legal entity during the period presented and therefore are not necessarily indicative of future operating results.

The unaudited pro forma consolidated statement of financial position has been prepared in accordance with International Financial Reporting Standards ("IFRS"), and, in the opinion of management, include all adjustments necessary for fair presentation.

All amounts in these consolidated interim financial statements have presented in Canadian dollars and indicated as “$”. Canadian dollars are the reporting currency of the Company.

These condensed consolidated interim financial statements were approved and authorized by the Board of Directors of the Company on May 1, 2016.

2. Going concern

These condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to a going concern which assumes that the Company will be able to continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The ability of the Company to continue as a going concern is dependent on maintaining profitable operations, raising additional financing, and developing its products and services.

Historically, management has been successful in generating profits from operation, obtaining sufficient funding for operating and capital requirements from the inception of the Company to date. There is, however, no assurance that the Company will continue to generate profits from operation or that additional future funding will be available to the Company, or that such funding will be available on terms which are acceptable to the management of the Company.

These financial statements do not reflect any adjustments to the carrying values of assets and liabilities and the reported amounts of expenses and balance sheet classifications that would be necessary if the going concern assumption was not appropriate and such adjustments could be material.

3. Basis of preparation

3.1. Basis of presentation and statement of compliance

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

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, Interim reporting using accounting policies consistent with International Financial Reporting Standards, as issued by the International Accounting Standards Board and International Financing Reporting Interpretations Committee. These condensed consolidated interim financial statements should be read in conjunction with the Company’s annual audited carve-out financial statements and notes thereto prepared for the period from commencement of operations on September 3, 2014 to August 31, 2015.

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 condensed consolidated interim financial statements and their effect are disclosed below.

The condensed consolidated interim financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 4.

3.2. Use of management estimates, judgments and measurement uncertainty

The preparation of these consolidated interim 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 consolidated interim 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 consolidated interim financial statements. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenues, and expenses. Management uses various factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

3. Basis of preparation *(Continued from previous page)*

3.3 New and revised standards

New standards and interpretations to be adopted in future periods

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

IAS 1 “Presentation of Financial Statements” was amended by the IASB in December 2014. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. The effective date is for annual periods beginning or after January 1, 2016. Entities may still choose to apply IAS 1 immediately, but are not required to do so.

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

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

4. Summary of significant accounting policies

4.1 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and short term deposits with original maturities of three months or less. As at February 29, 2016 and as at August 31, 2015, there were no cash equivalents.

4. Summary of significant accounting policies *(Continued from previous page)*

4.2 Inventory

Inventory is valued at the lower of cost and net realizable value. 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.

Inventory is written down to net realizable value by item when a decline in the price of items indicates that the cost is higher than the net realizable value. When events having caused a decline in the valuation of inventories no longer exist, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised net realizable value.

4.3 Accounts payable and accrued liabilities

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not. Provisions are recognized when the Company has an obligation (legal or constructive) arising from a past event, and the Company has a present obligation, and the costs to settle this obligation are both probable and able to be reliably measured.

4.4 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating policy decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

4.5 Revenue recognition

The Company derives its revenues from the online sales of vaporizers and accessories through e-commerce platforms. Revenue is recognized when goods are delivered and the significant risks and rewards of ownership and control have been transferred, the amount of revenue can be measured reliably, the receipt of economic benefits is probable and costs incurred can be measured reliably.

Revenues billed before date of delivery are accounted for as deferred.

4.6 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. As of February 29, 2016 and August 31, 2015, the Company did not have any finance leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

4. Summary of significant accounting policies *(Continued from previous page)*

4.7 Income taxes

Tax expense is recognized in the statement of profit and loss, except to the extent it relates to items directly in equity, in which case the related tax is recognized in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, adjusted for amendments to tax payable with regards to previous years.

Deferred tax assets and liabilities and the related deferred income tax expense or recovery are recognized for deferred tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is reduced.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

4.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party.

Financial assets of the Company are comprised of cash and receivables. The financial liabilities of the Company are comprised of accounts payable and accrued liabilities, and inventory advances.

Financial assets and financial liabilities are recognized in the statement of financial position initially at fair value when the Company becomes a party to the contractual provisions of the financial instrument.

4.9 Financial assets

Financial assets are classified, at initial recognition, into one of the following categories:

- fair value through profit or loss;
- held-to-maturity investments;
- loans and receivables;
- available-for-sale financial assets; or
- derivatives designated as hedging instruments in an effective hedge.

4. Summary of significant accounting policies *(Continued from previous page)*

4.9 Financial assets (Continued from previous page)

Financial assets at fair value through profit or loss ("FVTPL") include financial assets held for trading, and are classified as such if they are acquired for the purpose of selling or repurchasing in the near term, and those that are designated as such upon initial recognition when doing so results in more relevant information being presented. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in an effective hedging relationship.

Financial assets are initially and subsequently measured at fair value with the exception of loans and receivables and investments that are held-to-maturity, which are subsequently measured at amortized cost using the effective interest rate method, less impairment.

Subsequent recognition of changes in fair value of financial assets re-measured at each reporting date at fair value depend on their initial classification. Financial assets at fair value through profit or loss are measured at fair value with all gains and losses included in net income in the period in which they arise. Available-for-sale financial assets are measured at fair value with gains and losses included in other comprehensive income until the asset is removed from the consolidated statement of financial position or until impaired.

4.10 Impairment of financial assets

At each reporting date, the Company assesses whether its financial assets are impaired. Impairment losses are recognized in the consolidated income statement when there is objective evidence that the financial assets are impaired. Financial assets are deemed to be impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset(s) that can be reliably estimated.

4.11 Derecognition of financial assets

Financial assets are derecognized when the Company's contractual rights to the cash flows from the respective assets have expired or have been transferred and the Company has neither exposure to the risks inherent in those assets nor entitlement to rewards from them.

4.12 Financial liabilities and equity instruments

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities are classified, at initial recognition, into one of the following categories:

- fair value through profit or loss;
- other financial liabilities measured at amortized cost; or
- derivatives designated as hedging instruments in an effective hedge.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term, and those that are designated as such upon initial recognition when doing so results in more relevant information being provided. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in an effective hedging relationship. Otherwise, they are considered as an other financial liability.

(Expressed in Canadian dollars)

4. Summary of significant accounting policies *(Continued from previous page)*

4.12 Financial liabilities and equity instruments *(Continued from previous page)*

Financial liabilities at fair value through profit or loss are measured at fair value with all gains and losses included in net income in the period in which they arise. Other financial liabilities are initially measured at fair value and subsequently measured at amortized cost using the effective interest rate method.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs and applicable income taxes.

4.13 Foreign currency transactions

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction or valuation where items are re-measured. Foreign denominated monetary assets and liabilities are translated to their US dollar equivalents, the Company's functional currency, using foreign exchange rates prevailing at the financial position reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

All conversions from US dollars, the Company's functional currency, to Canadian dollars, the Company's reporting currency, have been calculated utilizing the exchange rate as at February 29, 2016 or the average exchange rate for the period, as applicable.

5. Inventory

All inventory consists of finished goods.

The cost of inventory recognized as an expense and included in cost of goods sold for the period ended February 29, 2016 is $381,871 (February 29, 2015 - $1,349,100).

6. Accounts payable and accrued liabilities

	As at February 29, 2016	*As at August 31, 2015*
Consulting accrual	**39,302**	64,010
Employee contributions payable	**46,933**	45,805
Vendor payable	**95,332**	-
Audit accrual	**-**	35,107
Rent payable and leasehold inducements	**5,626**	13,013
Payroll accrual	**1,878**	7,520
Deferred revenue	**91**	5,839
Other accounts payable	**-**	12,071
Total	**189,161**	183,365

(Expressed in Canadian dollars)

7. Due to and from related party

Amounts due to and due from related parties are non-interest bearing, unsecured, and payable within the upcoming fiscal year.

8. Share capital

8.1 Authorized share capital

The Company has authorized for issuance an unlimited number of common shares. At February 29, 2016, the Company had 59,514,833 common shares issued and outstanding.

8.2 Issuance of shares

During the second 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-corner amalgamation with Next Gen.

Pursuant to the terms of the Transaction between the Company 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 cents 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.

8.3 Share purchase warrants

The following is a summary of the changes in the Company's share purchase warrants for the six months ended February 29, 2016 and three months ended November 30, 2015:

	February 29, 2016		November 30, 2015	
	Number of warrants	**Weighted average exercise price**	**Number of warrants**	**Weighted average exercise price**
Outstanding, beginning of period	627,917	0.54	627,917	0.54
Granted	2,762,666	0.14	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Outstanding, end of period	3,483,750	0.21	627,917	0.54

(Expressed in Canadian dollars)

8. Share capital *(Continued from previous page)*

The following table summarizes information regarding share purchase warrants outstanding as at February 29, 2016:

Date issued	Number of warrants	Exercise price	Expiry date
August 15, 2014	531,250	0.54	August 15, 2016
September 30, 2014	96,667	0.54	September 30, 2016
November 19, 2015	533,333	0.15	November 19, 2017
December 18, 2015	1,800,000	0.15	December 18, 2017
December 18, 2015	429,333	0.075	December 18, 2017
Outstanding, end of period	3,483,750		

8.4 Stock options

The Company has established a stock option plan for directors, employees, and consultants. Under the Company's stock option plan, the exercise price of each option is determined by the Board, subject to the Discounted Market Price policies of the CSE. The aggregate number of common shares issuable pursuant to options granted under the plan is 5,951,483 common shares, being 10% of the Company's issued common shares under the plan. As at the period ended February 29, 2016, the Company has not issued any stock options under the plan.

9. Capital management

Capital structure financial policy

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. The Company currently funds the working capital requirements out of its cash, internally-generated cash flows and the periodic use of credit facilities.

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 February 29, 2016, the Company is not subject to any externally imposed capital requirements.

10. Financial instruments

Fair value of financial instruments

Financial instruments that are measured at fair value use 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 its cash as FVTPL. Its accounts payable and accrued liabilities and due to shareholder have been designated as other financial liabilities.

As at February 29, 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 to cash and accounts receivable. 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 financial instruments included in cash and due from related parties is minimal. The Company’s maximum exposure to credit risk as at February 29, 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 February 29, 2016, the Company had current assets of $1,783,230 compared to current liabilities of $356,013. 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.

(Expressed in Canadian dollars)

10. Financial instruments *(Continued from previous page)*

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.

11. Related parties and key management

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. For the period from December 1, 2015 to February 29, 2016, the management of the Company did not receive any form of cash or non-cash compensation.

12. Income taxes

The reconciliation of the combined US federal and state statutory income tax rate of 39% to the effective tax rate is as follows:

	February 29, 2016	*February 28, 2015*
Net income (loss) before income taxes	**(209,407)**	**35,322**
Expected income tax expense (recovery)	**(238,416)**	**13,775**
Decrease in income taxes resulting from:		
Permanent differences	-	-
Income tax expense	**(238,416)**	**13,775**

Income tax recovery is due to the utilization of tax losses associated with a former division of Dollinger USA.

Deferred tax
As of February 29, 2016, there were no material temporary differences.

(Expressed in Canadian dollars)

13. Commitments and contingencies

Commitments

a) The Company has commitments under operating leases for its office space. The minimum lease payments due are as follows:

Fiscal year	
2016	**29,565**
2017	**38,929**
2018	**19,634**

14. Segmented information

Product information

The Company has one reportable segment as the Company's operations are substantially all related to the sales of vaporizers and accessories through ecommerce platforms.

Geographic information

The Company markets its products globally. Sales are attributed to countries based on the location of customers. Current assets other than financial instruments and deferred taxes are attributed to countries based on the location of the assets.

	February 29, 2016	*November 30, 2015*
Revenue from external customers		
UK	**351,236**	486,773
Brazil	**72,228**	106
Australia	**39,775**	112,665
New Zealand	**35,923**	61,642
Italy	**25,184**	50,914
Germany	**23,913**	224,785
Sweden	**15,476**	48,802
Spain	**15,362**	34,286
US	**14,875**	15,323
Austria	**13,338**	40,238
Canada	**11,459**	7,688
Ireland	**11,365**	24,535
France	**10,994**	78,579
Netherlands	**10,512**	65,465
Israel	**8,916**	-
Denmark	**5,564**	17
South Africa	**2,963**	11,296
Other	**29,248**	7,082
Total	**698,331**	1,270,197

(Expressed in Canadian dollars)

14. Segmented information *(Continued from previous page)*

Customer information

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

	February 29, 2016	*November 30, 2015*
Inventory by location		
UK	**358,048**	412,220
Australia	**110,839**	-
United States	**77,197**	83,897
Total	**546,084**	496,117

15. Subsequent events

On April 14, 2016, the Company reported it entered into a binding letter of intent (the "Agreement") with Haze Industries, Inc. ("Haze") for the purchase of certain assets of Haze representing its VaporSeller business. VaporSeller is an e-commerce platform for the retail distribution of vaporizers with a substantial presence in the United States. Estimated by management to be one of the largest e-commerce distributors of vaporizers in the United States, VaporSeller generated an unaudited revenue of US$3.4 million in 2015. Pursuant to the terms of the Agreement, the Company will acquire the VaporSeller assets from Haze in exchange for cash, shares and an earn-out. Financial terms of the transaction are as follows:

- US$500 thousand in cash upon closing of the transaction;
- 5,000,000 shares of the Company;
- US$1.5 million of earn-out cash payments over 3-years, subject to certain performance criteria including operational controls on revenue and margins; and
- US$89 thousand annual management contract during the earn-out period.

The Company and Haze have agreed to proceed diligently and in good faith to: (a) negotiate and settle the terms of definitive documentation for execution on or before May 30th, 2016; and (b) complete the Transaction not later than June 30th, 2016.

On April 4, 2016, the Company has also granted 950,000 stock options to officers, directors, and consultants of the Company. The options have an exercise price of $0.20 per share for a term of 5-years.

On March 30, 2016, the Company has also granted 600,000 stock options to officers, directors, and consultants of the Company. The options have an exercise price of $0.15 per share for a term of 5-years.

On March 3, 2016, the Company has also granted 3,500,000 stock options to officers, directors, and consultants of the Company. The options have an exercise price of $0.15 per share for a term of 5-years.