NAMASTE TECHNOLOGIES INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the quarter ended May 31, 2019

This "Management's Discussion and Analysis" ("MD&A") for Namaste Technologies Inc. (the "Company") and its subsidiaries (together referred to as, the "Group" or "Namaste") dated July 18, 2019 should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements and related notes for the quarter ended May 31, 2019 and its audited consolidated financial statements ("last annual financial statements") and MD&A for the period ended November 30, 2018 which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). This MD&A includes information available to, and is dated July 18, 2019. All amounts are presented in Canadian dollars, unless otherwise noted.

FORWARD LOOKING STATEMENTS

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

Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding management's goal of creating shareholder value, the ability to fund future operating costs, the timing for future research and development of the Company's current and future technologies, sensitivity analysis on financial instruments that may vary from amounts disclosed, prices and price volatility of the Company's products and general business and economic conditions.

Readers are cautioned that the above factors are not exhaustive. Although management has attempted to identify important factors that could cause actual events and results to differ materially from those described in the forward-looking information, there may be other factors that cause events or results to differ from those intended, anticipated or estimated. Management believes the expectations reflected in the forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct and readers are cautioned not to place undue reliance on forward-looking information contained in this MD&A.

The forward-looking information contained in this MD&A is provided as of the date hereof and management undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. All of the forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

OVERVIEW OF NAMASTE

The Company is an entity formed under the British Columbia Business Corporations Act and is a reporting issuer in British Columbia, Alberta and Ontario, listed on the TSX Venture Exchange under the trading symbol "N". The Company's registered office is 2300 - 550 Burrard Street, Vancouver, British Columbia, V6C 2B5, Canada.

Namaste powers the ultimate online customer experience for medicinal cannabis and related products. Beginning with NamasteMD.com, the Group's integrated telemedicine application, Namaste connects medical clients with health care practitioners to more readily issue and renew cannabis prescriptions online. Featuring the first Canadian Medical Sales-Only License, the Group's own Cannmart.com is 'everything cannabis store' offering clients a large variety of strains to fill their prescription needs. Namaste's unique artificial intelligence (AI) engine incorporated in its platforms and related Uppy App, completes our ecosystem by identifying the right product and pairing to address specific medical cannabis requirements. Namaste also provides vaporizers and accessories across several platforms operating in multiple countries. Namaste's global technology addresses local needs in a burgeoning cannabis industry requiring smart solutions.

SEGMENT INFORMATION

The Company reports its results in six operating segments: Namaste Bahamas & Dollinger US[1] (together referred to as, "Namaste Vapes"), Australian Vaporizers, CannMart Inc. and CannMart Labs Inc. (together referred to as, "CannMart"), Namaste MD, Findify[2] and Corporate & Other.

Namaste Vapes and Australian Vaporizers - These are the Company's global e-commerce businesses that sell hardware, including vaporizers, glassware and related accessories.

CannMart - CannMart Inc. is a wholly-owned subsidiary of the Company licensed under Canada's Access to Cannabis for Medical Purposes Regulations. It is focused on providing medical cannabis patients with access to high quality cannabis products.

Namaste MD - Namaste MD is a Health Canada compliant telemedicine application, providing an integrated patient portal with remote access to healthcare practitioners for the purpose of acquiring prescriptions for medical cannabis.

Findify - Findify is an e-commerce machine learning application with over 1200 customers in more than 60 countries around the world. Findify has developed a unique machine learning core, that leverages user behaviour, to personalise online experiences in real-time. Findify is an official Shopify Plus Technology Partner, recognised as a "Best-In-Class Solution" for modern, rapidly growing e-Commerce businesses.

[1] The operating results of Dollinger US are included up to December 31, 2017, the date when the Company disposed of subsidiary.

[2] The operating results of the Findify segment are included starting from May 18, 2018, the date of acquisition.

OVERALL PERFORMANCE

The following table summarises the Group's results of operations for the periods indicated (in Canadian dollars except where otherwise indicated):

		Three months ended May 31, 2019	Three months ended May 31, 2018	Six months ended May 31, 2019	Six months ended May 31, 2018
Revenue	$	3,994,232	4,062,221	8,587,689	9,696,051
Gross profit (loss)	$	853,102	873,105	1,840,228	2,667,090
Gross margin		21%	21%	21%	28%
Selling, general and administration expenses	$	9,792,708	9,251,794	21,575,450	14,716,112
Net loss attributable to owners of the Company	$	(8,623,159)	(8,097,146)	(18,892,519)	(11,439,818)
Net loss per share (basic and diluted)	$	(0.03)	(0.03)	(0.06)	(0.04)
Non-IFRS measure					
Adjusted EBITDA		(6,104,432)	(3,438,971)	(11,191,990)	(4,402,923)

Revenue

Revenue for the quarter ended May 31, 2019 was $4.0 million, compared to $4.1 million in the comparable quarter in the prior year. Overall, there was a decrease of $0.1 million attributable to decline in revenue from Namaste Vapes and Australian Vaporizers, partially offset by increase in revenue from CannMart, Findify and Namaste MD. The decline in revenue from Namaste Vapes was a result of the closure of the Brazilian operation in March 2019. The increase in revenue in CannMart was due to the commencement of cannabis sales upon receipt of the sales license in September 2018. The increase in revenue from Namaste MD and Findify were contributed from full quarter of operation for the quarter ended May 31, 2019 compared to partially operational in the same quarter last year as Namaste MD commenced operation in April 2018 and Findify was acquired in May 2018.

Revenue for the six months ended May 31, 2019 was $8.6 million, compared to $9.7 million in the comparable period in the prior year. The decrease was primarily due to a decline in revenue from Namaste Vapes and Australian Vaporizers, partially offset by increase in revenue from CannMart, Findify and Namaste MD. The decline in revenue from Namaste Vapes was a result of the divestiture of the U.S. business in December 2017. The increase in revenue in CannMart was due to the commencement of cannabis sales upon receipt of the sales license in September 2018. The increase in revenue from Namaste MD and Findify were contributed from a full six-month period of operation for the period ended May 31, 2019 compared to partially operational in the same period last year as Namaste MD commenced operation in April 2018 and Findify was acquired in May 2018.

Gross margin

Gross margin for the quarter ended May 31, 2019 was 21%, consistent to the comparable quarter in the prior year.

Gross margin for the six months ended May 31, 2019 was 21%, compared to 28% for the comparable period in the prior year. The decline in gross margin was due primarily to lower price mark-up on the vapes business due to competition in the industry and higher freight and shipping costs.

Selling, general and administration expenses

Selling, general and administration expenses for the quarter ended May 31, 2019 was $9.8 million, compared to $9.3 million in the comparable quarter in the prior year. The increase was due primarily to higher salaries and admin costs, offset by decrease in share-based compensation expenses.

For the six months ended May 31, 2019, selling and general and administration expenses totaled $21.6 million compared to $14.7 million. This increase was primarily due to an increase in professional fees and salaries expenses, partially offset by a decrease in share-based compensation expenses. The increase in professional fees relates mostly to the work initiated by the Special Committee of the Board of Directors.

Net loss attributable to owners of the Company

Net loss attributable to owners of the Company for the quarter ended May 31, 2019 was $8.6 million (or loss per share of $0.03), compared to $8.1 million (or loss per share of $0.03) in the comparable quarter in the prior year. The increase in net loss attributable to owners of the Company was due primarily to the share of Namaste's loss in our equity interest in Pineapple Express Delivery Inc. ("Pineapple Express") and Choklat Inc.

For the six months ended May 31, 2019, net loss attributable to owners of the company was $18.9 million (or loss per share of $0.06), compared to $11.4 million (or loss per share of $0.04) in the comparable period in the prior year. The increase in net loss attributable to owners of the Company was due primarily to a decrease in gross profit of $0.9 million and an increase in selling, general and administrative expenses of $6.9 million.

Adjusted EBITDA

Adjusted EBITDA (see "Non-IFRS Financial Measures" section) for the quarter ended May 31, 2019 was a loss of $6.1 million, compared to a loss of $3.4 million in the comparable quarter in the prior year. The increase in adjusted EBITDA was due primarily to lower gross profit and higher selling, general and administration expenses.

For the six months ended May 31, 2019, Adjusted EBITDA was a loss of $11.2 million, compared to a loss of $4.4 million for the same period in 2018. The increase was due mainly to lower gross profit and higher selling, general and administration expenses.

KEY DEVELOPMENTS

(a) On December 17, 2018, the Company entered into a share purchase agreement to acquire common shares in Pineapple Express and its affiliated entity, representing an additional 34% equity in exchange for such number of common shares of Namaste having an aggregate value of approximately $3.1 million. The transaction closed on March 13, 2019 with Namaste now owning 49% of the issued and outstanding common shares of Pineapple Express.

(b) On March 6, 2019 the Company entered into a share purchase agreement to acquire 49% of the issued and outstanding shares of Choklat Inc. for $1.5 million in cash consideration and $0.25 million in stock options.

(c) On March 18, 2019 the Company announced the appointment of Baker Tilly WM LLP ("Baker Tilly") as its auditor. This followed Namaste's prior announcement on March 5, 2019, that PricewaterhouseCoopers, LLP resigned as auditor of the Company.

(d) On April 2, 2019, the British Columbia Securities Commission ("BCSC") and on April 4, 2019, the Ontario Securities Commission ("OSC") have accepted the Company's application for, and granted, a management cease trade order (the "MCTO"). The application for the MCTO was made by the Company due to a delay in the filing of its audited annual financial statements for fiscal 2018, the accompanying management's discussions and analysis and the related CEO and CFO certifications (collectively, the "Annual Filings") by the filing deadline of April 1, 2019.

(e) On April 25, 2019, the Company appointed Kenneth Jones to the Board of Directors and chair of the Audit Committee.

(f) On May 24, 2019, the Company appointed Andy Wilczynski to the Board of Directors and the Audit Committee.

(g) On June 6, 2019, the Company announced that the MCTO imposed by the BCSC and the OSC on April 2, 2019 and April 4, 2019 respectively have been lifted upon the Company's filing of its annual and interim filings on May 31, 2019.

RESULTS OF OPERATIONS

The following section provides details of the Group's financial performance for the quarter ended May 31, 2019 compared to the quarter ended May 31, 2018, and for six months ended May 31, 2019 compared to the six months period ended May 31, 2018.

(a) Quarter ended May 31, 2019 compared to the quarter ended May 31, 2018

Revenue

The following table presents the Group's external revenue by operating segment for each of the periods indicated:

		Namaste Vapes	Australian Vaporizers	CannMart	Namaste MD	Findify	Total
Quarter ended May 31, 2019	$	2,397,762	1,097,296	148,613	82,808	267,753	3,994,232
Quarter ended May 31, 2018		2,782,707	1,195,380	45,697	17,457	20,980	4,062,221
Change	$	(384,945)	(98,084)	102,916	65,351	246,773	(67,989)

Namaste Vapes

Revenue from Namaste Vapes in the quarter ended May 31, 2019 was $2.4 million, compared to $2.8 million in the comparable quarter in 2018. The decrease of $0.4 million was due primarily to the closure of the Brazilian operations in 2019, in combination with a decrease in average order value and decline in sales orders as a result of declines in website traffic.

Australian Vaporizers

Revenue from Australian Vaporizers in the quarter ended May 31, 2019 was $1.1 million, compared to $1.2 million in the comparable quarter in 2018. The decrease of 8% was due primarily to a weakening of the Australian dollar against the Canadian dollar.

CannMart

Revenue from CannMart in the quarter ended May 31, 2019 was $0.1 million, representing a 225% increase compared to the comparable quarter in 2018. Revenue generated in the quarter ended May 31, 2019 relates primarily to cannabis sales whereas revenue in the comparable quarter in the prior year relates entirely to hardware sales to a licensed cannabis producer.

Findify and Namaste MD

Revenue generated in the quarter ended May 31, 2019 by Findify and Namaste MD was $0.3 million and $0.1 million, respectively. There was minimal revenue for the comparable quarter in the prior year for these entities as Namaste MD commenced operation in April 2018 and Findify was a newly acquired entity in May 2018.

The following table presents the Group's external revenue based on the location of customers for each of the periods indicated:

		Three months ended May 31, 2019	Three months ended May 31, 2018	Change $	Change %
Australia	$	1,169,892	1,291,727	(121,835)	(9%)
United Kingdom		1,125,797	1,168,003	(42,206)	(4%)
Canada		760,560	566,781	193,779	34%
Germany		221,994	204,250	17,744	9%
United States of America		150,034	5,075	144,959	2856%
France		99,812	12,275	87,537	713%
Ireland		91,996	88,133	3,863	4%
New Zealand		28,888	85,919	(57,031)	(66%)
Brazil		9,894	384,467	(374,573)	(97%)
Other		335,365	255,591	79,774	31%
	$	3,994,232	4,062,221	(67,989)	(2%)

Majority of the revenue was generated by several key markets. For the quarter ended May 31, 2019, the top five revenue earning countries generated 86% (2018: 89%) of the total revenue.

Gross profit

Cost of sales includes expenditures relating to products sold, which includes shipping fees, import duties, storage costs, handling charges and insurance. Namaste uses the weighted average method for costing of inventory items. Inventory consists of hardware, including vaporizers, vaporizer accessories, and cannabis. Inventory consists solely of goods currently available for sale and does not include any unfinished goods or work-in-progress.

Gross profit for the quarter ended May 31, 2019 was $0.9 million, compared to $0.9 million in the quarter ended May 31, 2018.

Selling, general and administration expenses

The following table presents the Group's selling, general and administration expenses by type of expense for each of the periods indicated:

		Three months ended May 31, 2019	Three months ended May 31, 2018	Change $	Change %
Selling and distribution expenses	$	1,940,342	1,997,212	(56,870)	(3%)
General and administration expenses		8,014,138	6,638,536	1,375,602	21%
Other (income)/expenses, net		(161,772)	616,046	(777,818)	(126%)

Selling and distribution expenses

Selling and distribution expenses include advertising and promotion costs, patient prescription costs and consulting fees.

Advertising and promotion costs consist of online search services as well as costs associated with online promotional and social media tools utilised by Namaste to generate sales. These costs further represent Namaste's significant investment into search engine optimisation and its ongoing customer acquisition strategy. Patient prescription costs includes but are not limited to nurse practitioner and patient coordinators costs. Consulting expenses relate to compensation amounts paid to various companies and individuals for marketing, fulfillment and distribution services, customer service activities, e-commerce product development, back-office e-commerce support and sales commissions.

Selling and distribution expenses for the quarter ended May 31, 2019 decreased by $0.1 million compared to the comparable period in 2018. This decrease was primarily a decrease in patient prescription costs of $0.2 million, offset by a slight increase in consulting fees of $0.1 million.

General and administration expenses

General and administration expenses consist of salaries and benefits, share-based compensation costs, legal and professional fees, bank and credit card fees, filing fees, insurance expense, rent expense and other general office costs.

General and administration expenses for the quarter ended May 31, 2019 increased by $1.4 million compared to the comparable period in 2018. This increase was primarily due to an increase in professional fees relating to work initiated by the Special Committee and an increase in salaries, offset by a decrease in share-based compensation expenses.

Other (income)/expenses, net

Other (income)/expenses include interest income, depreciation and amortisation, foreign exchange gains or losses and acquisition costs incurred in connection with the new businesses acquired.

Other income for the quarter ended May 31, 2019 was $0.2 million compared to other expenses of $0.6 million in the comparable period in 2018. This change was driven by an increase in foreign exchange gain of $0.9 million, offset by an increase in depreciation and amortisation of $0.1 million. The increase in depreciation and amortisation was mainly related to the intellectual properties and customer lists acquired as part of the Findify acquisition.

(b) Six months ended May 31, 2019 compared to May 31, 2018

Revenue

The following table presents the Group's external revenue by operating segment for each of the periods indicated:

		Namaste Vapes	Australian Vaporizers	CannMart	Namaste MD	Findify	Total
Six months ended May 31, 2019	$	5,437,487	2,155,097	293,665	167,951	533,489	8,587,689
Six months ended May 31, 2018		7,145,374	2,302,375	209,865	17,457	20,980	9,696,051
Change	$	(1,707,887)	(147,278)	83,800	150,494	512,509	(1,108,362)

Namaste Vapes

Revenue from Namaste Vapes for the six months ended May 31, 2019 was $5.5 million, compared to $7.2 million in the comparable period in 2018. The decrease of $1.7 million was due primarily to a decrease in revenue as a result of the disposal of the U.S. business in December 2017, in combination with the closure of Brazilian operations in early 2019 and an overall decrease in average order value and decline in website traffic.

Australian Vaporizers

Revenue from Australian Vaporizers for the six months ended May 31, 2019 was $2.2 million, compared to $2.3 million in the comparable period in 2018. The decrease of 6% was due primarily to a weakening of the Australian dollar against the Canadian dollar.

CannMart

Revenue from CannMart for the six months ended May 31, 2019 was $0.3 million, compared to $0.2 million in the comparable period in 2018. The increase of 40% in revenue for the six months period relates primarily to cannabis sales whereas revenue in the comparable period in 2018 relates entirely to hardware sales to a licensed cannabis producer.

Findify and Namaste MD

Revenue from Findify and Namaste MD for the six months ended May 31, 2019 were $0.5 million and $0.2 million, respectively. There was minimal revenue for the comparable period in prior year for these entities as they were newly acquired or newly incorporated subsidiaries during the six months ending May 31, 2018.

The following table presents the Group's external revenue based on the location of customers for each of the periods indicated:

		Six months ended May 31, 2019	Six months ended May 31, 2018	Change $	Change %
Australia	$	2,257,399	2,526,156	(268,757)	(11%)
United Kingdom		2,199,528	2,514,196	(314,668)	(13%)
Canada		1,486,955	1,245,596	241,359	19%
Germany		464,018	492,128	(28,110)	(6%)
United States of America		291,843	1,145,292	(853,449)	(75%)
France		242,823	46,594	196,229	421%
Ireland		233,794	182,293	51,501	28%
New Zealand		148,512	157,633	(9,121)	(6%)
Brazil		638,401	765,346	(126,945)	(17%)
Other		624,416	620,817	3,599	1%
	$	8,587,689	9,696,051	(1,108,362)	(11%)

Majority of the revenue was generated by several key markets. For the six months ended May 31, 2019, the top five revenue earning countries generated 77% (2018: 78%) of the total revenue.

Gross profit

Cost of sales includes expenditures relating to products sold, which includes shipping fees, import duties, storage costs, handling charges and insurance. Namaste uses the weighted average method for costing of inventory items. Inventory consists of hardware, including vaporizers, vaporizer accessories, and cannabis. Inventory consists solely of goods currently available for sale and does not include any unfinished goods or work-in-progress.

Gross profit for the six months ended May 31, 2019 was $1.8 million, compared to $2.7 million in the six months ended May 31, 2018. The decrease in gross profit was due primarily to a lower price mark-up on hardware inventory sold as a result of competition in the industry and higher freight and shipping costs.

Selling, general and administration expenses

The following table presents the Group's selling, general and administration expenses by type of expense for each of the periods indicated:

		Six months ended May 31, 2019	Six months ended May 31, 2018	Change $	Change %
Selling and distribution expenses	$	4,595,610	3,720,610	875,000	24%
General and administration expenses		16,105,566	10,109,785	5,995,781	59%
Other expenses, net		874,274	885,717	(11,443)	(1%)

<u>Selling and distribution expenses</u>

Selling and distribution expenses include advertising and promotion costs, patient prescription costs and consulting fees.

Advertising and promotion costs consist of online search services as well as costs associated with online promotional and social media tools utilised by Namaste to generate sales. These costs further represent Namaste's significant investment into search engine optimisation and its ongoing customer acquisition strategy. Patient prescription costs includes but are not limited to nurse practitioner and patient coordinators costs. Consulting expenses relate to compensation amounts paid to various companies and individuals for marketing, fulfillment and distribution services, customer service activities, e-commerce product development, back-office e-commerce support and sales commissions.

Selling and distribution expenses for the six months ended May 31, 2019 increased by $0.9 million compared to the same period in 2018. This increase was primarily due to an increase in online search services and promotional costs by $0.7 million and an increase in consulting fees by $0.4 million to support sales growth, offset by a decrease in patient prescription costs of $0.2 million.

<u>General and administration expenses</u>

General and administration expenses consist of salaries and benefits, share-based compensation costs, legal and professional fees, bank and credit card fees, filing fees, insurance expense, rent expense and other general office costs.

General and administration expenses for the six months ended May 31, 2019 increased by $6.0 million compared to the same period in 2018. This increase was due primarily to an increase in professional fees incurred for the work initiated by the Special Committee, an increases in salaries, and the closure costs for the Brazilian operations.

<u>Other expenses, net</u>

Other expenses include interest income, depreciation and amortisation, foreign exchange gains or losses and acquisition costs incurred in connection with the new businesses acquired.

Other expenses for the six months ended May 31, 2019 and the comparable period in 2018 were both $0.9 million.

SUMMARY OF QUARTERLY RESULTS

The unaudited interim condensed consolidated financial statements were prepared in accordance with IFRS. The following quarterly information is presented on the same basis as the annual audited financial statements and should be read in conjunction with the annual audited financial statements and the accompanying notes.

		August 2017	November 2017 (Restated)	February 2018	May 2018	August 2018	November 2018	February 2019	May 2019
Revenue	$	3,895,915	4,931,110	5,633,830	4,062,221	3,934,150	5,234,082	4,593,457	3,994,232
Gross profit (loss)	$	(301,053)	1,579,533	1,793,985	873,105	930,886	949,088	987,126	853,102
Gross margin		(8%)	32%	32%	21%	24%	18%	21%	21%
Net loss	$	(11,378,603)	(3,103,601)	(3,342,672)	(8,097,146)	(8,689,720)	(18,384,292)	(10,278,036)	(8,632,771)
Net loss per share (basic and diluted)	$	(0.06)	(0.02)	(0.01)	(0.03)	(0.03)	(0.06)	(0.03)	(0.03)
Total assets	$	13,924,370	22,735,617	67,105,025	77,957,330	71,075,238	116,989,959	110,680,055	104,831,382

The Company, in general, has higher revenue in November due to sales generated on Black Friday and Cyber Monday. Gross margins for individual quarters are mostly consistent to the same quarters in the previous year with the exception of the quarter ended August 2017 being at a negative gross margin due to an inventory write-down provision of $0.6 million recorded in August 2017. The gross margin for the quarters ended November 2018 and February 2019 was lower compared to the same quarters in the prior year as a result of higher freight costs and/or lower price mark-up of hardware inventory sold.

The increase in net loss during the quarter ended August 2017 was primarily due to impairment of goodwill and intangible assets in the amount of $9.2 million. The higher net loss in the quarters ended May 2018, August 2018, November 2018 and February 2019 was due primarily to non-cash share-based compensation expense of $4.0 million, $4.1 million, $9.8 million and $1.4 million, respectively. The higher net loss in the quarters ended February 2019 and May 2019 was due primarily to non-cash share-based compensation expense, salaries and professional and legal fees incurred in connection with the work initiated by the Special Committee.

Total assets increase in various quarters was directly attributable to increase in cash and cash equivalents which was the result of cash raised from various equity financings within the respective quarter.

LIQUIDITY AND CAPITAL RESOURCES

(a) Overview

Namaste's objectives on managing its liquidity and capital resources are to ensure sufficient liquidity to support its financial obligations and execute its operating and strategic plans while maintaining healthy liquidity reserves and access to capital for at least the next twelve months. Although the Company has been operating in a loss position for the last few years, it has sufficient cash on hand to manage its short-term and long-term objectives.

(b) Liquidity

As at May 31, 2019, Namaste had a cash balance of $55.9 million and a working capital less cash and cash equivalents of $7.5 million. Working capital consists of current assets less current liabilities. As at May 31, 2019, the Company has sufficient capital resources to satisfy its near term and long-term financial obligations as well as growth initiatives.

The table below sets out the cash and cash equivalents and working capital position of the Group as at May 31, 2019 and November 30, 2018:

		2019	2018
Cash and cash equivalents	$	55,880,981	78,210,706
Working capital excluding cash and cash equivalents		7,517,242	2,648,157

Decrease in cash and cash equivalents of $22.3 million was due primarily to cash flow used in operations.

Increase in working capital excluding cash and cash equivalents of $4.9 million was due primarily to an increase in accounts receivable of $1.5 million, an increase in prepaid expenses and other assets of $2.7 million, and a decrease in accounts payable and accrued liabilities of $1.9 million, offset by a decrease in inventory by $0.8 million and increase in deferred revenue by $0.3 million.

(c) Cash flows

The table below sets forth Namaste's cash flows for the six months ended May 31, 2019 and May 31, 2018:

		2019	2018
Cash used in operating activities	$	(21,349,913)	(6,498,446)
Cash used in investing activities		(4,183,284)	(4,063,158)
Cash provided by financing activities		3,202,640	45,583,546
	$	(22,330,557)	35,021,942

Operating activities

For the six months ended May 31, 2019, cash used in operating activities was $21.3 million, compared to $6.5 million in the six months ended May 31, 2018. The increase in cash used in operating activities of $14.8 million was due primarily to an increase in selling, general and administration expenses of $10.1 million and increase in changes in non-cash working capital of $4.6 million.

Investing activities

For the six months ended May 31, 2019, cash used in investing activities was $4.2 million, compared to $4.1 million used in the six months ended May 31, 2018. The increase in cash used in investing activities was primarily due to an increase in investments in associates of $1.5 million, an increase in purchases of intangible assets of $1.3 million, and an issuance of a promissory note to an associate in the amount of $0.6 million, offset by a decrease in investments in business acquisitions of $2.4 million and a decrease in purchases of property and equipment of $0.9 million.

Financing activities

For the six months ended May 31, 2019, cash generated from financing activities was $3.2 million, compared to $45.6 million in the six months ended May 31, 2018. The decrease of $42.4 million was due primarily to the cash generated from February 2018 bought deal financing of $40.2 million, and an decrease of $7.3 million in proceeds from exercise of warrants and options compared to the six months ended May 31, 2018, offset by share issuance costs of $3.4 million in 2018.

(d) Capital resources

The Company is authorised to issue an unlimited number of common shares and an unlimited number of preferred shares. The Company has 321,742,483 common shares that are issued and outstanding as of May 31, 2019.

During the six months ended May 31, 2019, the Company issued 10.6 million common shares on exercise of various share purchase warrants and share purchase options for total gross proceeds of $3.7 million.

USE OF PROCEEDS FROM BOUGHT-DEALS

On February 27, 2018, the Company completed the February 2018 offering. The intended use of the net offering proceeds of $37.8 million (inclusive of the over-allotment proceeds) was $16.5 million for CannMart inventories and supplies, $9.9 million on expanding the customer base, $3.3 million on e-commerce upgrades, and $8.1 million for general working capital purposes.

On October 25, 2018, the Company completed the October 2018 offering. The intended use of the net offering proceeds of $48.6 million (inclusive of the over-allotment proceeds) was $17.0 million for CannMart and Cannmart Labs inventories and supplies purchases, personnel, facility operations and securities, $10.0 million on completion of the integration of Findify across our e-commerce platforms, $5.0 million on expanding Namaste MD’s customer base, $6.0 million on upgrading and redesigning its e-commerce distribution websites and its enterprise resources planning system, and $10.5 million for general working capital purposes.

As at May 31, 2019, the Company has deployed the February and October 2018 offering proceeds as follows: $4.1 million for CannMart and CannMart Labs inventories and supplies purchases, personnel, facility operations and securities; $1.7 million on expanding the customer base; $3.5 million on e-commerce upgrades and enterprise resource planning system implementation; and $31.5 million for general working capital purposes. The remaining net proceeds from the February and October 2018 offering are expected to be used in the next 12 months.

OFF-BALANCE SHEET ARRANGEMENTS

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

Less than one year	$	260,786
Between one and five years		478,706
	$	739,492

RELATED PARTY TRANSACTIONS

Related parties include directors, key management personnel, and entities controlled or directed by key management. Related party transactions are disclosed in Note 17 of the unaudited interim condensed consolidated financial statements for the quarter ended May 31, 2019.

FINANCIAL INSTRUMENTS

The following table provides the fair value of each category of financial assets and financial liabilities as at May 31, 2019 and as at November 30, 2018. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Following is the summary of the financial instruments as at May 31, 2019 and November 30, 2018:

		Financial assets at FVOCI	Financial assets at amortised cost	Financial assets at FVTPL	Financial liabilities at amortised cost	Total
May 31, 2019						
Financial Assets						
Cash and cash equivalents	$	-	55,880,981	-	-	55,880,981
Accounts receivable		-	3,137,986	-	-	3,137,986
Other investments		3,097,915	-	83,512	-	3,181,427
Long-term deposits and other assets		-	1,202,182	-	-	1,202,182
	$	3,097,915	60,221,149	83,512	-	63,402,576
Financial liabilities						
Accounts payable and accrued liabilities	$	-	-	-	(4,622,257)	(4,622,257)
Loan payable		-	-	-	(29,731)	(29,731)
	$	-	-	-	(4,651,988)	(4,651,988)
November 30, 2018						
Financial Assets						
Cash and cash equivalents	$	-	78,210,706	-	-	78,210,706
Accounts receivable		-	1,627,781	-	-	1,627,781
Other investments		3,671,889	-	80,700	-	3,752,589
Long-term deposits and other assets		-	15,826	-	-	15,826
	$	3,671,889	79,854,313	80,700	-	83,606,902
Financial liabilities						
Accounts payable and accrued liabilities	$	-	-	-	(6,508,113)	(6,508,113)
Loan payable		-	-	-	(40,439)	(40,439)
	$	-	-	-	(6,548,552)	(6,548,552)

Non-derivative financial assets comprise cash and cash equivalents, accounts receivable, long-term deposits and equity investments.

Cash and cash equivalents, accounts receivable and long-term deposits are classified as financial assets at amortised cost and are subsequently measured at amortised cost using the effective interest method, less impairment losses, if any.

The Company's investments in equity securities are classified as financial assets at fair value through other comprehensive income ("FVOCI") and are measured at fair value with mark-to-market gains and losses recognised in other comprehensive income ("OCI") and accumulated in the investment revaluation reserve within the equity.

Accounts payable and accrued liabilities and loans payable are classified as financial liabilities at amortised cost. Subsequent to initial recognition, all financial liabilities included in accounts payable and accrued liabilities, are measured at amortised cost using the effective interest method.

Derivative financial assets comprise share purchase options and share purchase warrants and are measured at fair value through profit and loss ("FVTPL").

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.

The following table summarises the financial assets measured at fair value based on various level of inputs:

		Level 1	Level 2	Level 3	Total
Equity investments	$	1,415,695	1,200,000	482,220	3,097,915
Derivatives		-	82,512	1,000	83,512
	$	1,415,695	1,282,512	483,220	3,181,427

During the six months ended May 31, 2019, unrealised gain on changes in fair value of derivatives recognised in other income was $0.003 million. The gross unrealised gain on changes in fair value of equity investments recognised in OCI was $0.02 million.

During the six months ended May 31, 2019, there were no transfer between the levels of the fair value hierarchy.

FINANCIAL RISKS AND RISK MANAGEMENT

The Company's exposure to significant risks include, but are not limited to currency risk, interest rate risk, credit risk, price risk and liquidity risk. For a complete discussion of the risks, refer to the Company's unaudited interim condensed consolidated financial statements for the quarter ended May 31, 2019.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The critical accounting estimates and judgements are disclosed in note 2(e) of the audited consolidated financial statements for the period ended November 30, 2018.

CHANGES IN ACCOUNTING POLICIES

The changes in accounting policies and standards, interpretations and amendments not yet effective are disclosed in note 3 of the unaudited interim condensed consolidated financial statements for the period ended May 31, 2019.

NON-IFRS FINANCIAL MEASURES

Management evaluates the Group's performance using a variety of measures, including "Net loss before income tax, depreciation and amortisation" and "Adjusted EBITDA". The non-IFRS measures discussed below should not be considered as an alternative to or to be more meaningful than revenue or net loss. These measures do not have a standardised meaning prescribed by IFRS and therefore they may not be comparable to similarly titled measures presented by other publicly traded companies and should not be construed as an alternative to other financial measures determined in accordance with IFRS.

The Company believes these non-GAAP financial measures provide useful information to both management and investors in measuring the financial performance and financial condition of the Company.

Management uses these and other non-IFRS financial measures to exclude the impact of certain expenses and income that must be recognised under IFRS when analysing consolidated underlying operating performance, as the excluded items are not necessarily reflective of the Group's underlying operating performance and make comparisons of underlying financial performance between periods difficult. From time to time, the Group may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

The following table reconciles net loss to Adjusted EBITDA for the periods presented:

		Three months ended May 31, 2019	Three months ended May 31, 2018	Six months ended May 31, 2019	Six months ended May 31, 2018
Net loss	$	(8,632,771)	(8,097,146)	(18,910,807)	(11,439,818)
Current income tax expenses (i)		6,141	12,789	15,943	41,802
Deferred income tax recovery (i)		(78,620)	(128,504)	(181,715)	(198,873)
Depreciation and amortisation (i)		508,342	387,098	1,174,554	635,487
Share-based compensation (i)		1,178,673	3,992,016	2,582,209	5,856,116
Special investigation costs (ii)		1,915,375	-	5,183,851	-
Other income (iii)		(331,458)	165,828	(755,745)	452,133
Foreign exchange (gain)/loss (iv)		(670,114)	228,948	(300,280)	250,230
Adjusted EBITDA	$	(6,104,432)	(3,438,971)	(11,191,990)	(4,402,923)

(i) Current and deferred income taxes, depreciation and amortisation and share-based compensation were excluded from the Adjusted EBITDA calculation as they do not represent cash expenditures.

(ii) Non-recurring costs related to work initiated by the Special Committee were excluded from Adjusted EBITDA calculation.

(iii) Other income consisting of gain on disposal of subsidiary, interest income, unrealised gain on derivatives and other miscellaneous non-recurring income were excluded from Adjusted EBITDA calculation.

(iv) Foreign exchange (gain)/loss is excluded from Adjusted EBITDA calculation.

ADDITIONAL INFORMATION

Additional information regarding the Company, including the Company's Annual Information Form, is available under the Company's profile on SEDAR at www.sedar.com.