NAMASTE TECHNOLOGIES INC.

Consolidated Financial Statements

Fiscal years ended November 30, 2019 and 2018

Namaste Technologies

NAMASTE TECHNOLOGIES INC.
Table of Contents

Fiscal years ended November 30, 2019 and 2018

Page

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Namaste Technologies Inc.:

Opinion

We have audited the consolidated financial statements of Namaste Technologies Inc. and its subsidiaries (the “Company”), which comprise the consolidated statements of financial position as at November 30, 2019 and 2018, and the consolidated statements of operations, consolidated statements of comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the year ended November 30, 2019 and the 15 month period ended November 30, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at November 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the year ended November 30, 2019 and the 15 month period ended November 30, 2018 in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management’s Discussion & Analysis filed with the relevant Canadian securities commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits and remain alert for indications that the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is John C. Sinclair.

Baker Tilly WM LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
April 30, 2020

NAMASTE TECHNOLOGIES INC.

Consolidated Statements of Financial Position

As at November 30, 2019 and November 30, 2018
(Expressed in Canadian dollars)

	Notes	2019	2018(i)
ASSETS			
Current assets			
Cash and cash equivalents	22	$ 37,856,048	$ 78,210,706
Trade and other receivables	6	2,495,776	1,803,317
Inventories	7	5,997,246	5,767,729
Prepaid expenses and other assets	13	4,729,485	1,720,365
Total current assets		51,078,555	87,502,117
Non-current assets			
Investments in associates	8	1,345,779	-
Portfolio investments	9	3,365,112	3,752,589
Loans receivable from associates	23	465,149	-
Property and equipment	10	1,343,571	1,216,043
Intangible assets	11	7,561,958	9,222,530
Goodwill	12	667,091	15,280,854
Other assets	13	1,892,029	15,826
Total non-current assets		16,640,689	29,487,842
Total assets	5	$ 67,719,244	$ 116,989,959
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	14	$ 7,104,861	$ 6,582,440
Deferred revenue		595,162	81,425
Provisions	15	3,964,750	-
Total current liabilities		11,664,773	6,663,865
Non-current liabilities			
Deferred tax liabilities	20	276,534	718,732
Total non-current liabilities		276,534	718,732
Shareholders' equity			
Share capital	16	133,989,964	124,779,177
Warrants reserve		33,105,831	34,340,037
Options reserve		10,541,291	12,674,068
Contributed surplus		4,101,586	343,967
Accumulated other comprehensive income		704,871	576,717
Accumulated deficit		(126,581,051)	(63,085,385)
Total shareholder's equity		55,862,492	109,628,581
Non-controlling interests		(84,555)	(21,219)
Total equity		55,777,937	109,607,362
Total liabilities and shareholders' equity		$ 67,719,244	$ 116,989,959

Commitments and contingencies (Note 24)

(i) Certain comparative figures have been reclassified to conform with the current year presentation (see Note 16(f)).

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

Approved on behalf of the Board on April 30, 2020 by

"Branden Spikes"
Director

"Meni Morim"
Director

NAMASTE TECHNOLOGIES INC.

Consolidated Statements of Operations

Fiscal years ended November 30, 2019 and 2018
(Expressed in Canadian dollars)

	Notes		2019		2018(i)
Gross revenue		$	16,446,691	$	23,797,827
Excise taxes			(106,370)		(2,434)
Net revenue	5,17		16,340,321		23,795,393
Cost of goods sold	7		13,616,975		18,664,994
Gross profit before inventory adjustment			2,723,346		5,130,399
Inventory write-down (reversal)	7		1,366,242		(508,129)
Gross profit		$	1,357,104	$	5,638,528
Salaries and other compensation costs			10,000,542		6,704,595
Office and general			7,645,533		8,270,370
Technological development			1,994,190		2,099,480
Professional fees			2,549,857		2,569,438
Selling and marketing expense			2,278,055		3,892,102
Depreciation and amortization	10,11		2,501,650		1,887,361
Share-based compensation	16		2,015,222		21,928,335
Loss before the following:		$	(27,627,945)	$	(41,713,153)
Other income	19		(1,219,575)		(1,115,533)
Restructuring and other costs	18		15,136,724		1,441,873
Impairment of goodwill and intangibles	11,12		16,138,602		-
Impairment of loan receivable	21		1,391,224		-
Share of associates' loss, net of tax	8		4,520,908		-
Net loss before income tax recovery			(63,595,828)		(42,039,493)
Income tax recovery	20		365,474		422,062
Net loss		$	(63,230,354)	$	(41,617,431)
Net loss attributable to:					
Shareholders of the Company		$	(63,167,018)	$	(41,596,212)
Non-controlling interest			(63,336)		(21,219)
Net loss		$	(63,230,354)	$	(41,617,431)
Net loss per share (basic and diluted)		$	(0.20)	$	(0.16)
Weighted average number of outstanding shares (basic and diluted)			320,127,091		259,064,164

(i) Certain comparative figures have been reclassified to conform with the current year presentation (see Note 2(e)).
The accompanying notes are an integral part of the consolidated financial statements.

NAMASTE TECHNOLOGIES INC.

Consolidated Statements of Comprehensive Loss

Fiscal years ended November 30, 2019 and 2018

(Expressed in Canadian dollars)

	Notes		2019		2018
Net loss		$	(63,230,354)	$	(41,617,431)
Other comprehensive income:					
Items that are or may be reclassified to profit or loss					
Cumulative translation adjustment (CTA)			(77,662)		(606,857)
Reclassification of CTA on disposal of subsidiary			-		163,672
Reclassification of unrealized gain on disposition of equity investments			-		(148,510)
Items that will not be reclassified to profit or loss					
Changes in the fair value of equity investments, net of tax			205,816		1,467,428
			128,154		875,733
Total comprehensive loss		$	(63,102,200)	$	(40,741,698)
Total comprehensive loss attributable to:					
Shareholders of the Company		$	(63,038,864)	$	(40,720,479)
Non-controlling interests			(63,336)		(21,219)
Total comprehensive loss		$	(63,102,200)	$	(40,741,698)

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

NAMASTE TECHNOLOGIES INC.

Consolidated Statements of Changes in Shareholders' Equity

Fiscal years ended November 30, 2019 and 2018

(Expressed in Canadian dollars)

	Attributable to shareholders of the Company												
	Share Capital		Warrants Reserve		Options Reserve		Contributed Surplus	Deferred Shares	Accumulated OCI	Accumulated Deficit	Total	Non-controlling interests	Total
	#	$	#	$	#	$	$	$	$	$	$	$	$
Balance at September 1, 2017	185,715,916	21,637,191	44,728,934	6,354,364	12,905,000	–	1,798,564	1,190,636	(299,016)	(19,154,345)	11,527,394	–	11,527,394
Impact of reclassification adjustment [i]	–	–	–	–	–	1,798,564	(1,798,564)	–	–	–	–	–	–
Adjusted balance at September 1, 2017	185,715,916	21,637,191	44,728,934	6,354,364	12,905,000	1,798,564	–	1,190,636	(299,016)	(19,154,345)	11,527,394	–	11,527,394
Total comprehensive income (loss):													
Net loss	–	–	–	–	–	–	–	–	–	(41,596,212)	(41,596,212)	(21,219)	(41,617,431)
Other comprehensive income	–	–	–	–	–	–	–	–	875,733	–	875,733		875,733
Transactions directly recorded in equity:													
Issue of shares for cash	47,443,900	63,972,743	47,345,961	31,631,002	–	–	–	–	–	–	95,603,745	–	95,603,745
Share issuance costs	–	(11,773,415)	–	3,981,141	–	–	–	–	–	–	(7,792,274)	–	(7,792,274)
Issue of shares for acquisition of Findify	7,142,857	11,785,714	–	–	–	–	–	–	–	–	11,785,714	–	11,785,714
Exercise of stock options and warrants	59,864,369	28,005,438	(51,221,580)	(7,625,469)	(8,642,788)	(2,062,631)	–	–	–	–	18,317,338	–	18,317,338
Forfeiture of options and warrants	–	–	(357,657)	(12,704)	(2,565,462)	(986,119)	343,967	–	–	–	(654,856)	–	(654,856)
Share-based compensation	4,845,912	8,658,937	–	–	18,655,000	13,924,254	–	–	–	–	22,583,191	–	22,583,191
Issue of shares for services	1,068,882	1,958,978	–	11,703	–	–	–	–	–	–	1,970,681	–	1,970,681
Issue of shares for earn-out	5,067,406	1,190,636	–	–	–	–	–	(1,190,636)	–	–	–	–	–
Share buy-backs	(2,167,700)	(657,045)	–	–	–	–	–	–	–	(2,334,828)	(2,991,873)	–	(2,991,873)
Balance at November 30, 2018	308,981,542	124,779,177	40,495,658	34,340,037	20,351,750	12,674,068	343,967	–	576,717	(63,085,385)	109,628,581	(21,219)	109,607,362
Total comprehensive income (loss):													
Net loss	–	–	–	–	–	–	–	–	–	(63,167,018)	(63,167,018)	(63,336)	(63,230,354)
Other comprehensive income	–	–	–	–	–	–	–	–	128,154	–	128,154	–	128,154
Transactions directly recorded in equity:													
Issue of shares for purchase of Pineapple	2,587,466	3,210,488	–	–	–	–	–	–	–	–	3,210,488	–	3,210,488
Exercise of stock options and warrants	12,841,375	6,172,508	(9,910,000)	(1,173,979)	(2,931,375)	(690,066)	–	–	–	–	4,308,463	–	4,308,463
Forfeiture of options and warrants	–	–	(360,000)	(60,227)	(8,720,125)	(8,493,469)	3,757,619	–	–	–	(4,796,078)	–	(4,796,078)
Share-based compensation	–	10,542	–	–	1,621,379	6,800,758	–	–	–	–	6,811,300	–	6,811,300
Issue of stock options for purchase of Choklat	–	–	–	–	535,992	250,000	–	–	–	–	250,000	–	250,000
Share buy-backs	(460,900)	(182,751)	–	–	–	–	–	–	–	(328,648)	(511,399)	–	(511,399)
Balance at November 30, 2019	323,949,483	133,989,964	30,225,658	33,105,831	10,857,621	10,541,291	4,101,586	–	704,871	(126,581,051)	55,862,492	(84,555)	55,777,937

[i] *See Note 16(f) for details on changes in classification of equity components.*

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

NAMASTE TECHNOLOGIES INC.

Consolidated Statements of Cash Flow

Fiscal years ended November 30, 2019 and 2018
(Expressed in Canadian dollars)

	Notes	2019	2018
Cash flows from operating activities:			
Net loss		$ (63,230,354)	$ (41,617,431)
Adjustments for:			
Depreciation	10	402,566	289,703
Amortization	11	2,099,084	1,597,658
Share of the associates' loss, net of tax	8	4,520,908	-
Impairment of goodwill and intangibles	11,12	16,138,602	-
Impairment on loan receivable	21	1,391,224	-
Share-based compensation	16	2,015,222	21,928,335
Shares issued for services		-	1,970,681
Gain on disposal of subsidiary		-	(265,345)
Gain on disposal of equity investments		-	(148,510)
Unrealized loss (gain) on derivatives	9	73,839	(80,700)
Net movement in provision for inventories	7	1,366,120	(508,129)
Other non-cash income		(43,798)	(48,644)
Deferred tax recovery	20	(460,357)	(632,313)
Foreign exchange gain		(10,079)	(616,053)
Cash used in operations before changes in non-cash working capital		(35,737,023)	(18,130,748)
Changes in non-cash working capital	22(b)	(2,151,787)	852,472
Net cash used in operating activities		(37,888,810)	(17,278,276)
Cash flows from investing activities:			
Investment in business acquisitions	4	-	(2,409,373)
Purchase of equity investments		(355,310)	(2,328,573)
Investment in associate	8(a,iii)	(1,500,000)	-
Purchase of property and equipment	10	(525,685)	(1,440,719)
Purchase of intangible assets	11	(1,975,855)	(2,351,717)
Proceeds from sale of subsidiary		-	184,280
Proceeds from disposal of property and equipment		-	3,614
Proceeds from disposition of equity investments		-	304,278
Loans advanced to associates	23(ii)	(1,812,575)	-
Net cash used in investing activities		(6,169,425)	(8,038,210)
Cash flows from financing activities:			
Proceeds from issuance of share capital		-	95,603,745
Proceeds from exercise of warrants and stock options	16	4,308,463	18,317,338
Cash used for shares buyback	16	(511,399)	(2,991,873)
Share issuance costs		-	(7,792,274)
Repayment of loans payable		(20,844)	(389,471)
Earn-out payment		-	(489,230)
Net cash provided by financing activities		3,776,220	102,258,235
Net (decrease) increase in cash and cash equivalents		(40,282,015)	76,941,749
Effect of movement in exchange rates on cash held		(72,643)	136,187
Cash and cash equivalents, beginning of period		78,210,706	1,132,770
Cash and cash equivalents, end of period		$ 37,856,048	$ 78,210,706

See Note 22 for additional cash flow information.

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

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, Saskatchewan, Manitoba, Ontario, Alberta, New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and Labrador. Namaste is listed on the TSX-V under the symbol "N", on the OTCQB® Venture Market under the symbol "NXTTF" and traded as open stock on the Frankfurt Stock Exchange under the symbol "M5BQ".The Company's registered office is 2300 - 550 Burrard Street, Vancouver, British Columbia, Canada.

Namaste 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 optimize and personalize a consumer's on-site buying experience. Namaste is focused on leveraging its technology to enhance the user experience throughout its platforms.

2. Summary of significant accounting policies

(a) Basis of presentation and measurement

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"), effective for the Company's reporting for the year ended November 30, 3019. The accounting policies are consistent with those of the previous financial year, except for the adoption of IFRS 15 - Revenue from Contracts with Customers and IFRS 9 - Financial Instruments. The 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 consolidated financial statements have been prepared on the historical cost basis except for certain financial assets and liabilities, which are measured using either fair value through profit or loss ("FVTPL") or fair value through other comprehensive income ("FVOCI").

(Expressed in Canadian dollars, unless otherwise noted)

These consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the "Group" or "Namaste") as follows:

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

The consolidated financial statements were approved and authorized by the Board of Directors of the Company on April 30, 2020.

(b) Change in fiscal year end

To facilitate efficiencies in the administration, accounting and production of the financial statements, the Company changed its fiscal year end from August 31st to November 30th in 2018. As a result, the current fiscal year is a twelve-month period ending November 30, 2019 (referred to as "fiscal 2019"), while the comparative period is fifteen months spanning from September 1, 2017 to November 30, 2018 (referred to as "fiscal 2018") and are not entirely comparable.

(c) Foreign currency translation

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognized in consolidated statement of operations.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisitions, are translated into Canadian dollars using the exchange rate at the reporting date. Revenues and expenses of foreign operations are translated into Canadian dollars at the exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income or loss and accumulated in the translation reserve, except to the extent that the translation difference is allocated to the non-controlling interests ("NCI").

(d) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in consolidated statement of operations immediately. Transaction costs are expensed as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in consolidated statement of operations.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in consolidated statement of operations.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 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 subsidiaries are included in the 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.

The results of Findify were included in the consolidated financial statements as of the May 18, 2018 (acquisition date). The results of Dollinger Enterprises US Inc. ("Dollinger US") were included in the consolidated financial statements up to December 31, 2017, which was the date the Company disposed of the subsidiary.

(iii) Non-controlling interests

Non-controlling interests (NCI) in subsidiaries are identified separately from the Group's equity. The carrying amount of NCI is the amount of these interests at initial recognition plus the NCI's share of subsequent changes in equity. Total comprehensive income is attributed to NCI even if it results in NCI having a deficit balance.

(iv) Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in consolidated statement of operations. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(v) Transactions eliminated on consolidation

All intragroup balances and transactions, and any unrealized income and expenses arising from intragroup transactions, are eliminated in full on consolidation.

(e) Classification of expenses

During 2019, the Group modified the classification of merchant charges, consulting fees, selling and marketing expenses, patient coordinators and administration costs, and certain legal and professional fees to appropriately reflect the way in which economic benefits are derived from its use. Comparative amounts in the statement operations were reclassified for consistency. As a result, the following were reclassified:

(i) $584,377 of merchant charges were reclassified from 'office and general expenses' to 'cost of goods sold',

(ii) $96,308 of patient coordinators and administration costs were reclassified from 'cost of goods sold' to 'office and general expenses', and

(iii) $1,043,626 of legal and other professional fees incurred in connection with the work initiated by the Special Committee of the Board of Directors were reclassified from 'office and general expenses' to 'transaction, restructuring and other costs'.

(f) *Revenue from contracts with customers*

Policy applicable from December 1, 2018

(i) Sale of goods

Revenue from sale of goods consists of hardware sales, including vaporizers, glassware and accessories, and cannabis and cannabis related products. Revenue from sale of goods is generally recognized when control over the goods has been transferred to the customer.

E-commerce sales to customers are recognized at the point in time when the goods have been delivered to the customer's location, as this is when the Group transfers control to the customer and satisfies the performance obligation. Revenue is measured based on the transaction price listed on the e-commerce platforms net of customer discounts and other sales related discounts.

Wholesale revenue from strategic partnerships with provincial governments and other corporate customers is generally recognized when the goods are delivered to the customer's destination. Payment is due based on a specified time period as permitted by the underlying agreement. Revenue is measured at the agreed upon transaction price based on the underlying arrangement which defines the consideration expected to be received.

(ii) Rendering of services

Service revenues, including artificial intelligence service fees and patient referrals, are recognized over a period of time as performance obligations are completed. The transaction price is determined based on the contractual agreements and payments are due based on the terms set by these agreements.

(g) *Inventories*

Inventories are measured at the lower of cost and net realizable value (NRV). Cost is determined using the weighted average method and include all costs of purchases and all other costs incurred in bringing inventories to their present location and condition. The inventory consists of raw materials, work-in-progress and finished goods held for sale. NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

When there is a decline in the price of an item which indicates that the cost is higher than the NRV, a provision for inventories is established and an expense is recognized in the period in which the write-down occurs. Reversal of such write-down is recognized in the period in which the reversal occurs.

(h) Property and equipment

Property and equipment are measured at cost, less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. All other expenditures, including repair and maintenance, are recognized in the consolidated statement of operations as incurred.

Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of operations.

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amounts substituted for cost, less its residual value and commences when the asset is available for use. Depreciation is recognized in the consolidated statement of operations on a straight-line basis over the estimated useful lives of the items of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives of property and equipment are as follows:

Category	Useful life
Leasehold improvements	Over the lease term
Computer equipment	2 years
Furniture and equipment	3 - 5 years

Depreciation method, useful lives and residual values are reviewed at each annual reporting date and adjusted, prospectively, if appropriate.

(i) Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Group’s investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group’s share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately. The consolidated statement of operations reflects the Group's share of the results of operations of the associates and a gain on bargain purchase, if applicable.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associates. At each reporting date, the Group determines whether there is objective evidence that the investments in the associates is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss as 'Share of loss of the associates, net of tax' in the consolidated statement of operations. The recoverable amount is based on a fair value less cost to sell. Accordingly, any reversal of that impairment is recognized to the extent that the recoverable amount of the associate subsequently increases.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained interest at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained interest and proceeds from disposal is recognized in the consolidated statement of operations.

(j) Intangible assets and goodwill

Goodwill is measured at cost less accumulated impairment losses.

Expenditures on research activities are recognized in consolidated statement of operations as incurred. Development expenditures are capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient funds to complete development and to use or sell the asset. Otherwise, these are recognized in consolidated statement of operations as incurred. Subsequent to initial measurement, development expenditures are measured at cost less accumulated amortization and any accumulated impairment losses.

Purchased intangible assets are recognized as assets where it is probable that the use of the asset will generate future economic benefits and where the cost of the asset can be determined reliably. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

Intangible assets that have a finite useful life are measured at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets with finite lives are amortized over their useful economic life on a straight-line basis from the date that they are available for use.

Amortization relating to customer lists and intellectual properties is recognized as part of depreciation and amortization in the consolidated statement of operations. The estimated useful lives for the current period are as follows:

Category	Useful life
Intellectual properties	7 years
Customer lists	3 - 7 years
Computer software	2 - 5 years

Amortization methods, useful lives and residual values are reviewed at each annual reporting date and adjusted, prospectively, if appropriate.

Intangible assets with indefinite lives, comprised of brand names and licenses are not amortized but are tested annually for impairment, or more frequently if events or changes in circumstances indicate that the asset might be impaired.

(k) Impairment of non-financial assets

Assets with finite lives are tested for impairment at each reporting date whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill and indefinite life intangibles are tested for impairment at least annually at their designated dates, and whenever there is an indication that the assets may be impaired.

Events or changes in circumstances which may indicate impairment include a significant change to the Company's operations, a significant decline in performance, or a change in market conditions which adversely affect the Company.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in consolidated statement of operations.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss recognized in prior periods is assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(l) *Leases*

Leases are classified as either operating or finance, based on the substance of the transaction at inception of the lease. Classification is reassessed if the terms of the lease are changed.

Leases in which a significant portion of the risks and rewards of ownership are not assumed by the Group are classified as operating leases. Payments under an operating lease are recognized in office and general expenses on a straight-line basis over the term of the lease. Premises were accounted for as operating leases.

(m) *Financial instruments*

Policy applicable from December 1, 2018

Recognition

The Group recognizes a financial asset and financial liability when it becomes party to the contractual provisions of the financial instrument, except for trade receivables which are initially recognized when they are originated. Financial assets are initially measured at fair value and are derecognized either when the Group has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Classification and measurement

The Group determines the classification of its financial instruments at initial recognition. Financial assets and financial liabilities are classified according to the measurement categories:

- those to be measured subsequently at FVTPL,
- those to be measured subsequently at FVOCI, and
- those to be measured subsequently at amortized cost.

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (when a designation is made as an irrevocable election at the time of recognition).

The financial instruments that are measured at amortized cost are cash and cash equivalents, trade and other receivables, loans receivable, other assets, accounts payable, accrued liabilities and loans payable. The financial instruments that are measured at fair value through other comprehensive income are the Group's equity investments. The financial instruments that are measured at fair value through profit or loss are the Group's derivatives.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability are classified as and then subsequently measured at amortized cost or at FVOCI and are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at FVTPL are expensed in profit or loss.

Impairment

The Group uses the "expected credit loss" model for calculating impairment and recognizes expected credit losses as a loss allowance in the consolidated statement of financial position if they relate to a financial asset measured at amortized cost. The Group's trade and other receivables are typically short-term receivables and do not have a significant financing component. Therefore, the Group recognizes impairment and measures expected credit losses as lifetime expected credit losses. The carrying amount of these assets in the consolidated statement of financial position is stated net of loss allowance, if any.

(n) Share-based compensation

Share-based payments to employees, officers and directors are measured at the fair value of the instruments issued at grant date and are recognized over the vesting period. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined that fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the options reserve. The fair value of options is determined using the Black Scholes Option Pricing Model ("Black Scholes Model") which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that will eventually vest.

(o) Income tax

Income tax expense comprises current and deferred taxes. Current income taxes and deferred income taxes are recognized in consolidated statement of operations for the period, except for items recognized directly in equity or in consolidated statement of comprehensive loss.

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 the consolidated statement of operations in the period that substantive enactment occurs. 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 Group intends to settle its current tax assets and liabilities on a net basis.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, 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 Group does not consider it probable that a deferred tax asset will be recovered, the deferred tax asset is not recognized.

(p) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances, restricted cash and short-term deposits with original maturities of three months or less.

(r) Share capital

Ordinary shares are classified as equity. Incremental costs attributable to the issue of ordinary shares are recognized as a deduction from equity. When shares and warrants are issued under the same offering, the residual method is used to allocate proceeds between shares and warrants.

(s) Interest income

Interest income is recognized on an accrual basis using the effective interest rate method.

(t) Use of management estimates, judgments and measurement uncertainty

The preparation of the 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 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 consolidated 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 differ from these estimates under different assumptions and conditions.

(i) Critical judgments in applying accounting policies

Business combination

A business combination is a transaction or event in which an acquirer obtains control of one or more businesses and is accounted for using the acquisition method. In determining the fair value of all identifiable assets, liabilities and contingent liabilities acquired, the most significant estimates relate to contingent consideration and intangible assets. Management exercises judgment in estimating the probability and timing of when earn-outs are expected to be achieved which is used as the basis for estimating fair value. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

Recoverability of deferred tax assets

Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

(ii) Significant estimates in applying accounting policies

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount. In determining the recoverable amount, defined as the higher of the value in use and the fair value less costs of disposal, various estimates are used. Value-in-use is determined based on management's best estimate of projected future sales, gross profit margin and earnings which is discounted by using an estimate of industry pre-tax weighted average cost of capital adjusted for the Company's estimated risk profile.

Inventory valuation

The Company determines if the cost of any inventory exceeds its net realizable value, such as cases where prices have decreased, or inventory has spoiled or has otherwise been damaged. The Company records a write-down to reflect management's best estimate of the net realizable value of inventory based on the above factors.

Useful lives of property and equipment and intangible assets

Depreciation of property and equipment and amortization of intangible assets are dependent upon estimates of useful lives, which are determined through the exercise of judgment. The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. To determine the useful lives of intangible assets the Company considers the period over which the assets are expected to contribute directly or indirectly to the future cash flows. The estimate of the useful life is also based on analysis of all pertinent factors, including the expected use of the asset, legal, regulatory or contractual provisions that may limit the useful life, the Company's own historical experience in renewing or extending similar arrangements and other relevant factors.

Share-based compensation

The Company measures the cost of equity-settled transactions with employees, officers and directors by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life and volatility. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

Fair value of financial instruments

Certain of the Company's assets such as share purchase options, share purchase warrants and available for sale investments are measured at fair value. The estimated fair value of financial assets, by their very nature, are subject to measurement uncertainty. The Company estimates fair value using valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Such valuation techniques include the market approach and the cost approach.

3. Standards adopted and not yet adopted

a) Standards issued and adopted

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

(i) IFRS 9

IFRS 9 - Financial Instruments was issued in July 2014 and includes (i) a 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 Group's financial instruments.

On the date of initial application, December 1, 2018, the financial instruments of the Group were as follows, with the following changes to the measurement category:

	----------Measurement category----------	
	Original (IAS 39)	Revised (IFRS 9)
Financial assets:		
Cash and cash equivalents	Amortized cost	Amortized cost
Trade and other receivables	Amortized cost	Amortized cost
Deposits	Amortized cost	Amortized cost
Other non-current receivables	Amortized cost	Amortized cost
Loans receivable	Amortized cost	Amortized cost
Equity investments	AFS investments*(i)*	FVOCI
Derivatives	FVTPL	FVTPL
Financial liabilities:		
Accounts payable and accrued liabilities	Amortized cost	Amortized cost

(i) Available-for-sale investments

(ii) IFRS 15

In 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers ("IFRS 15"), replacing IAS 18 - Revenue; IAS 11 - Construction Contracts and related interpretations. The new standard provides a comprehensive framework for the recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the accounting standards on leases, insurance contracts and financial instruments. IFRS 15 is effective for annual periods beginning on or after January 1, 2018.

On December 1, 2018, the Group adopted the requirements of IFRS 15 retrospectively using the cumulative effect method. The adoption of IFRS 15 did not require any changes to the Group's revenue recognition approach and did not result in any measurement adjustments. As a result, there were no changes required to these consolidated financial statements.

The Group generates revenue from the sale of goods. IFRS 15 did not have an impact on the Group's accounting policies for revenue recognition, as under both IFRS 15 and IAS 18, the Group recognizes revenue from the sale of goods at a point in time, which is upon delivery of goods, as it meets the criteria to satisfy the performance obligation.

Having completed the five-step analysis, the Group identified contracts with customers and performance obligations therein, determined transaction price and its allocation to performance obligation and confirmed the appropriateness of its revenue recognition policy being at a point in time for hardware and cannabis sales as it is the moment the Group transfers control over the product to the customers, and being over time for revenue from rendering of services. See revenue accounting policies in Note 2 (f).

b) *New standards and interpretations not yet adopted*

(i) IFRS 16

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 capitalized 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.

Substantially all of the Group's existing leases are real estate leases for offices, warehouses and production facility, and are all classified as operating leases.

As a lessee, the Company will recognize right-of-use assets and lease liabilities for the aforementioned operating leases. The right-of-use assets will be depreciated on a straight-line basis over the remaining life of the lease. The lease liability will be recorded at amortized cost, with a finance charge recorded from unwinding the lease liability discount. The depreciation expense of the right-of-use assets and finance charge of the lease liability will replace rent expense, previously recognized on a straight-line basis under IAS 17 over the lease term.

IFRS 16 becomes effective for annual periods beginning on or after January 1, 2019. The Company intends to adopt IFRS 16 for the annual period beginning on December 1, 2019 using the modified retrospective approach. The modified retrospective approach applies the requirements of the standard retrospectively with no restatement of the comparative period.

In addition, the Company has elected to use the following practical expedients permitted on adoption of IFRS 16:

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

Based on the information as at April 30, 2020, in expectation of the initial application of IFRS 16 as at December 1, 2019, the Company anticipates recognizing approximately $883,829 of right-of-use assets and lease liabilities on its consolidated statement of financial position.

(ii) Other amended standards and interpretations

Other amended standards and interpretations, including Uncertainty Over Income Tax Treatments ("IFRIC 23"), amendments to IAS 28 - Investments in Associates and IFRS 2 - Share-Based Payment, are not expected to have significant impact on the Group's consolidated financial statements.

4. Acquisitions

Findify acquisition

On May 18, 2018, the Company completed the acquisition of Findify. Pursuant to the terms of the share purchase agreement, Namaste acquired all the issued and outstanding shares of Findify for cash consideration of $2,576,000 (US$2,000,000) and 7,142,857 shares of the Company. The shares issued as part of the acquisition included certain restrictions from trading for a period of up to 24 months from the closing date.

Findify's platform uses proprietary real-time machine learning algorithms to build unique user profiles and deliver a personalized experience for each user. The Company expects the integration of Findify's proprietary technology to increase monetization and propel revenue growth in both cannabis and hardware sales. The platform continuously learns from user behavior to automatically improve search results, recommendations, and product landing pages, displaying the most relevant products at any given time. It identifies product trends and, in combination with an analysis of unique customer behavior, ranks products in a way to optimize revenue, conversion rates and average order value. Due to the economic characteristics and the manner in which the chief operating decision maker reviews the operations and business performance of Findify, management considers this to be a separate operating segment.

(Expressed in Canadian dollars, unless otherwise noted)

Following is the summary of purchase price:

Cash	$ 2,576,000
Common shares	11,785,714
Net purchase price	$ 14,361,714

The purchase price allocation attributed to the identifiable net assets acquired is as follows:

Intellectual properties	$ 2,226,800
Cash and cash equivalents	166,627
Trade and other receivables	90,448
Prepaid expenses and other assets	7,240
Accounts payable and accrued liabilities	(114,061)
Loans payable	(61,918)
Deferred tax liability	(406,856)
Goodwill	12,453,434
Net purchase price	$ 14,361,714

The Company used certain estimates and judgments to determine the purchase price allocation. These included the implicit weighted internal rate of return of 12.2% based on the purchase price paid and the projected results of operations and avoided costs related to Findify's technologies and computer codes, a long-term growth rate of 2%, and an effective tax rate of 22% which reflects the future tax rates applicable in Sweden. Goodwill of $12,453,434 was primarily related to growth expectations and expected future profitability of the Group. Management allocated the goodwill of $8,613,763 and $3,839,671 to Namaste Vapes and Australian Vaporizers, respectively. See Note 12 for the goodwill annual impairment testing.

Acquisition costs related to this business combination were recognized in fiscal 2018 in the amount of $398,247, and included in office and general expenses within the consolidated statement of operations.

(Expressed in Canadian dollars, unless otherwise noted)

5. Operating segments

Segmented information

The operating segments of the Group are known as Namaste Bahamas Inc. & Dollinger Enterprise USA Inc. (together referred to as the “Namaste Vapes”), Australian Vaporizers Pty Ltd., CannMart Inc. and CannMart Labs Inc. (together referred to as the “CannMart”), NamasteMD Inc., Findify AB 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.

Disclosures by segment for fiscal 2019 and 2018 were as follows:

	Namaste Vapes	Australian Vaporizers	CannMart	Namaste MD	Findify	Corporate & other	Total
2019:							
Revenue	$	$	$	$	$	$	$
Net segment revenue	9,494,449	4,650,348	795,682	342,214	1,280,980	-	16,563,673
Intersegment revenue	-	(32,037)	-	(60,505)	(130,810)	-	(223,352)
External revenue	9,494,449	4,618,311	795,682	281,709	1,150,170	-	16,340,321
Depreciation and amortization	197,934	24,170	431,082	546,411	-	1,302,053	2,501,650
Impairment of goodwill and intangibles	9,121,542	6,000,000	-	-	-	1,017,060	16,138,602
Impairment loss on loan receivable	-	-	-	-	-	1,391,224	1,391,224
Income tax recovery	-	185,949	-	-	162,643	16,882	365,474
Net loss	(14,166,129)	(5,570,540)	(5,807,810)	(2,136,725)	(461,115)	(35,088,035)	(63,230,354)
Total assets	7,766,698	3,489,947	8,817,062	594,407	1,958,247	45,092,883	67,719,244
Total liabilities	2,973,343	410,879	1,039,477	81,135	335,263	7,101,210	11,941,307
2018:	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Revenue							
Net segment revenue	16,839,270	6,056,373	318,577	194,902	434,179	-	23,843,301
Intersegment revenue	(47,908)	-	-	-	-	-	(47,908)
External revenue	16,791,362	6,056,373	318,577	194,902	434,179	-	23,795,393
Depreciation and amortization	56,220	1,182,841	223,372	250,871	172,312	1,745	1,887,361
Income tax recovery	-	175,832	-	-	81,490	164,740	422,062
Net income loss	(10,559,342)	(421,041)	(1,205,640)	(1,164,907)	(61,247)	(28,205,254)	(41,617,431)
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

(Expressed in Canadian dollars, unless otherwise noted)

(a) Geographical information

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

	2019	2018
	$	$
Europe	6,774,150	9,339,298
Australia	5,040,730	6,921,973
North America	3,834,627	5,268,036
South America	662,587	2,079,543
Other	28,227	186,543
	16,340,321	23,795,393

(b) Customer information

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

6. Trade and other receivables

Trade and other receivables as at November 30, 2019 and 2018 were as follows:

	2019	2018
Trade receivables	$ 918,862	$ 659,293
Other receivables	775,258	143,742
Sales tax receivable	698,508	824,746
Income tax receivable	103,148	175,536
	$ 2,495,776	$ 1,803,317

Information about the Group's exposure to credit and market risks is included in Note 21 (b) (i, ii).

7. Inventories

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

	2019	2018
Hardware	$ 4,621,827	$ 4,961,935
Cannabis	2,835,434	899,567
Total inventories, gross	7,457,261	5,861,502
Provision for inventories - hardware	(171,203)	(93,773)
Provision for inventories - cannabis	(1,288,812)	-
Total inventories, net	$ 5,997,246	$ 5,767,729

(Expressed in Canadian dollars, unless otherwise noted)

The cost of inventories recognized as an expense and included in cost of goods sold for the fiscal 2019 was $12,095,277 (2018: $17,668,796).

Movement in provisions for inventories for the fiscal 2019 and 2018 were as follows:

	2019	2018
Opening balance	$ 93,773	$ 601,902
Write-down of inventories to NRV	1,366,120	53,636
Reversal of write-down of inventories to NRV	-	(598,494)
Translation adjustment	122	36,729
Closing balance	$ 1,460,015	$ 93,773

8. Investments in associates

(a) Cost of the investments in associates comprised as follows:

	Pineapple	Choklat
Transfer from equity investments (i)	$ 1,056,687	$ -
Issuance of common shares (ii)	3,060,000	-
Cash investment (iii)	-	1,500,000
Stock options (iii)	-	250,000
	$ 4,116,687	$ 1,750,000

(i) 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 to acquire 15% equity interest in Pineapple comprising of $850,000 in cash and $150,000 in shares of the Company. From the subscription date up to January 2019, the Company invested $850,000 in cash. On March 11, 2019, the Company issued 99,661 common shares for an aggregate value of $150,488 based on the market price of the shares on the date of issuance. The remaining balance of $56,199 represents the transactions costs attributable to the acquisition of the investment.

(ii) Effective March 13, 2019, pursuant to another subscription agreement, the Company's equity interest in Pineapple increased from 15% to 49% and Pineapple became an associate from that date. The equity interest was acquired when the Company issued 2,487,805 common shares valued at $3,060,000 based on the market price of the shares on the date of issuance. Pineapple is a private entity involved in delivery of medical and recreational cannabis across Canada.

(iii) Effective March 8, 2019, the Company acquired 49% of the issued and outstanding shares of Choklat Inc. ("Choklat") for a purchase consideration of $1,750,000, comprising of $1,500,000 in cash and issuance of stock options having a fair value of $250,000 based on the Black Scholes Model. Choklat is a private entity which is involved in the manufacture and distribution of chocolate in Canada.

(Expressed in Canadian dollars, unless otherwise noted)

(b) On acquisition date, the difference between the cost of the investments and the Company's share of the net fair value of the investee's identifiable assets and liabilities were comprised as follows:

	Pineapple	Choklat
Cost of investments in associates	$ 4,116,687	$ 1,750,000
Company's share of net fair value of the investee's identifiable assets and liabilities	378,478	1,440,376
Goodwill	$ 3,738,209	$ 309,624

(c) The following tables illustrate the summarized financial information of the investees at November 30, 2019:

	Pineapple	Choklat
Current assets	$ 335,301	$ 531,638
Non-current assets	435,922	3,464,963
Current liabilities	(887,699)	(77,765)
Non-current liabilities	(1,556,770)	(304,234)
Net assets	$ (1,673,246)	$ 3,614,602
Company's share in equity	$ (819,891)	$ 1,036,155
Goodwill	3,738,209	309,624
Impairment loss	(2,918,318)	-
Company's carrying amount of the investment	$ -	$ 1,345,779

	Pineapple	Choklat
Revenue	$ 405,231	$ 261,641
Loss from continuing operations	$ (2,445,651)	$ (824,940)
Company's share of loss	$ (1,198,369)	$ (404,221)

(d) The following is the reconciliation of the cost of investments to carrying amount as at November 30, 2019:

	Pineapple	Choklat	Total
Cost of investments in associates	$ 4,116,687	$ 1,750,000	$ 5,866,687
Company's share of loss, net of tax	(1,198,369)	(404,221)	(1,602,590)
Impairment loss	(2,918,318)	-	(2,918,318)
Total share of (loss) gain of the associates	(4,116,687)	(404,221)	(4,520,908)
Company's carrying amount of the investment	$ -	$ 1,345,779	$ 1,345,779

(Expressed in Canadian dollars, unless otherwise noted)

9. Portfolio investments

Portfolio investments as at November 30, 2019 and 2018 were as follows:

	2019	2018
Equity investments – at FVOCI (a)	$ 3,358,251	$ 3,671,889
Derivatives – at FVTPL (b)	6,861	80,700
	$ 3,365,112	$ 3,752,589

(a) Equity investments designated at FVOCI comprise of investments in equity shares of listed and non-listed companies. These investments were irrevocably designated at fair value through OCI as the Company considers these investments to be strategic in nature.

Details of equity investments as at November 30, 2019 and 2018 were as follows:

	Number of shares acquired	Cost	Fair value	Unrealized (gain) loss - gross
		$	$	$
2019:				
Atlas Biotechnologies Inc.	200,000	200,000	1,200,000	(1,000,000)
Cannbit Pharmaceutical Ltd.	404,933	464,715	1,589,524	(1,124,809)
Inolife R&D Inc.	2,000,000	200,000	200,000	-
Kief Cannabis Company Ltd.	46,729	250,000	250,000	-
Lovelabs.com Inc.	8,243	32,220	32,220	-
RMMI Corp.	100,000	250,000	30,000	220,000
The Green Organic Dutchman Holdings Ltd.	26,021	94,982	19,256	75,726
YPB Group Ltd.	3,800,000	130,000	37,251	92,749
		1,621,917	3,358,251	(1,736,334)
		$	$	$
2018:				
Atlas Biotechnologies Inc.	200,000	200,000	1,200,000	(1,000,000)
Cannbit Pharmaceutical Ltd.	404,933	464,715	1,156,869	(692,154)
Inolife R&D Inc.	2,000,000	200,000	200,000	-
Kief Cannabis Company Ltd.	46,729	250,000	250,000	-
Lovelabs.com Inc.	8,243	32,220	32,220	-
Pineapple Express Delivery Inc.	944	550,889	550,889	-
RMMI Corp.	100,000	250,000	130,000	120,000
The Green Organic Dutchman Holdings Ltd.	26,021	94,982	85,870	9,112
YPB Group Ltd.	3,800,000	130,000	66,041	63,959
		2,172,806	3,671,889	(1,499,083)

(Expressed in Canadian dollars, unless otherwise noted)

(b) Details of derivatives as at November 30, 2019 and 2018 were as follows:

		2019		2018
Options of portfolio investments	$	3,629	$	1,050
Warrants of portfolio investments		3,232		79,650
	$	6,861	$	80,700

(c) Following is the movement schedule of derivatives and equity investments for the fiscal 2019 and 2018:

		Equity investments		Derivatives
Balance at August 31, 2017	$	-	$	-
Purchases		2,328,573		
OCI unrealized gain (loss)		1,647,594		80,700
Disposition		(155,768)		-
Reclassification of unrealized gain on disposition		(148,510)		-
Balance at November 30, 2018	$	3,671,889	$	80,700
Purchases in Pineapple		505,798		-
OCI unrealized gain (loss)		237,251		(73,839)
Disposition		-		-
Transfer to investment in associate (i)		(1,056,687)		-
Balance at November 30, 2019	$	3,358,251	$	6,861

(i) Reclassification of Pineapple shares to investments in associate

(Expressed in Canadian dollars, unless otherwise noted)

10. Property, plant and equipment

	Leasehold improvements	Computer equipment	Furniture and equipment	Total
Cost:				
Balance at August 31, 2017	$ -	$ -	$ -	$ -
Reclassification from prepaid expenses and other assets	58,796	11,887	112,237	182,920
Additions	985,737	192,416	262,566	1,440,719
Disposals	-	-	(9,606)	(9,606)
Translation adjustment	-	1,536	4,170	5,706
Balance at November 30, 2018	$ 1,044,533	$ 205,839	$ 369,367	$ 1,619,739
Additions	174,776	224,415	126,494	525,685
Translation Adjustment	-	6	(5,330)	(5,324)
Balance at November 30, 2019	$ 1,219,309	$ 430,260	$ 490,531	$ 2,140,100
Accumulated depreciation:				
Balance at August 31, 2017	$ -	$ -	$ -	$ -
Reclassification from prepaid expenses and other assets	42,137	7,840	68,880	118,857
Depreciation	150,109	69,362	70,232	289,703
Disposals	-	-	(5,992)	(5,992)
Translation Adjustment		835	293	1,128
Balance at November 30, 2018	$ 192,246	$ 78,037	$ 133,413	$ 403,696
Depreciation	185,245	132,165	85,156	402,566
Disposals	-	-	-	-
Translation adjustment	-	41	(9,774)	(9,733)
Balance at November 30, 2019	$ 377,491	$ 210,243	$ 208,795	$ 796,529
Carrying amount:				
Balance at November 30, 2018	$ 852,287	$ 127,802	$ 235,954	$ 1,216,043
Balance at November 30, 2019	$ 841,818	$ 220,017	$ 281,736	$ 1,343,571

(Expressed in Canadian dollars, unless otherwise noted)

11. Intangible assets

	Intellectual properties	Licenses	Customer lists	Brand names	Computer software and domains	Total
Cost:						
Balance at August 31, 2017	$ -	$ 3,516,310	$ 2,810,117	$ 331,313	$ -	$ 6,657,740
Acquisitions	2,226,800	-	-	-	-	2,226,800
Additions	-	110,523	182,100	-	2,059,094	2,351,717
Translation adjustment	-	-	-	-	13,960	13,960
Balance at November 30, 2018	$ 2,226,800	$ 3,626,833	$ 2,992,217	$ 331,313	$ 2,073,054	$11,250,217
Additions	-	-	56,300	-	1,928,180	1,984,480
Disposals/adjustments	-	(8,625)	-	-	-	(8,625)
Translation adjustment	-	-	-	-	(6,369)	(6,369)
Impairment	-	-	-	-	(1,524,839)	(1,524,839)
Balance at November 30, 2019	$ 2,226,800	$ 3,618,208	$ 3,048,517	$ 331,313	$ 2,470,026	$11,694,864
Accumulated amortization:						
Balance at August 31, 2017	$ -	$ -	$ 430,029	$ -	$ -	$ 430,029
Amortization	172,312	-	1,173,983	-	251,363	1,597,658
Balance at November 30, 2018	172,312	-	1,604,012	-	251,363	2,027,687
Amortization	316,625	-	1,014,372	-	768,087	2,099,084
Translation adjustment	-	-	-	-	6,135	6,135
Balance at November 30, 2019	$ 488,937	$ -	$ 2,618,384	$ -	$ 1,025,585	$ 4,132,906
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 November 30, 2019	$ 1,737,863	$ 3,618,208	$ 430,133	$ 331,313	$ 1,444,441	$ 7,561,958

(a) Finite life intangible assets

Intellectual properties, customer lists and computer software and domains are considered finite life intangible assets and are amortized over their useful lives. Amortization expense on finite life intangible assets in fiscal 2019 has been recognized in the consolidated statement of operations in the amount of $2,099,084 (2018: $1,597,658).

The Company reviews the carrying value of its intangible assets at each reporting period for indicators of impairment. During fiscal 2019 management noted indicators of impairment at the asset specific level. Management concluded that certain development expenditures capitalized during fiscal 2019 relating to computer software are no longer commercially feasible, and the Company has no intend to complete development or use the asset. As a result, the Company recognized a $1,524,839 impairment loss for these development costs in the consolidated statement of operations.

(Expressed in Canadian dollars, unless otherwise noted)

(b) Indefinite life intangible assets

Licenses and brand names are considered to have indefinite lives. Brand names are considered part of the Australian Vaporizers CGU and tested annually for impairment. See Note 12(b). Licenses is considered part of the CannMart CGU and tested annually for impairment.

Impairment testing for CannMart CGU

The recoverable amount of this CGU including indefinite life intangible assets has been determined based on its fair value less costs of disposal. Fair value is the amount that would be received to sell the assets and settle the liabilities in an orderly transaction between market participants. Costs of disposal are the incremental costs directly attributable to the disposal of the CGU. The company used revenue multiples for Namaste as well as other similar trading companies and, using sensitivity analysis, applied a size-adjusted average multiple to the forecasted revenue of CannMart to arrive at the fair value for the CGU. The company assumed the costs of disposal to be 10% of the fair value.

The values assigned to the key assumptions represent management's assessment of market conditions in the cannabis and ecommerce industry and are based on both external and internal sources (historical data). Management believes that any reasonable possible change in key assumptions on which recoverable amounts are based will not lead to a materially different outcome.

12. Goodwill

The Company's goodwill was generated through various acquisitions and details are as follows:

	Australian Vaporizers	Namaste Vapes	Total
Balance at August 31, 2017	$ 2,827,420	$ -	$ 2,827,420
Findify acquisition	3,301,100	9,152,334	12,453,434
Balance at November 30, 2018	$ 6,128,520	$ 9,152,334	$ 15,280,854
Goodwill allocation	538,571	(538,571)	-
Impairment	(6,000,000)	(8,613,763)	(14,613,763)
Balance at November 30, 2019	$ 667,091	$ -	$ 667,091

Goodwill for each cash generating unit ("CGU") is tested for impairment annually at its designated date. The designated dates for the annual impairment test for Australian Vaporizers and Namaste Vapes are August 31th and November 30th, respectively.

(a) Impairment testing for Namaste Vapes CGU

The recoverable amount of Namaste Vapes CGU including the goodwill is based on a value in use calculation. The value in use is determined by discounting the future cash flows generated from the continuing use of the CGU.

(Expressed in Canadian dollars, unless otherwise noted)

The key assumptions used in estimation of recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	2019	2018
Weighted average cost of capital ("WACC")	16.5%	14.1%
Terminal value growth rate	2.0%	2.0%
Budgeted sales growth rate (average of next five years)	10.0%	104.0%

Five years of cash flows were included in the discounted cash flow model. Expected EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for anticipated growth.

Based on the value in use calculation, management has determined that the carrying amount of this CGU was determined to be higher than its recoverable amount of $2,466,117 and an impairment loss of $8,613,763 was recognized during fiscal 2019 (2018: $nil). The impairment loss was fully allocated to goodwill and included in the consolidated statement of operations.

(b) Impairment testing for Australian Vaporizers CGU

The recoverable amount of this CGU including the goodwill is based on a value in use calculation. The value in use is determined by discounting the future cash flows generated from the continuing use of the CGU.

The key assumptions used in estimation of recoverable amount are set out below:

	2019	2018
Weighted average cost of capital ("WACC")	15%	13.5%
Terminal value growth rate	1.6%	2.0%
Budgeted sales growth rate (average of next five years)	4%	22.0%

Cash flows are projected based on actual operating results and the annual plan. Cash flows for a five year period are projected using expected annual growth rates. Cash flows after the first five years were projected using terminal value growth rate, based on internal sources, in order to calculate the terminal recoverable amount. WACC is applied in determining the recoverable amount of the CGU.

The values assigned to the key assumptions represent management's assessment of future trends in the vapes and ecommerce industry and are based on both external and internal sources (historical data). Management believes that any reasonable possible change in key assumptions on which recoverable amounts are based will not lead to a materially different outcome.

(Expressed in Canadian dollars, unless otherwise noted)

Based on the value in use calculation, management has determined that the carrying amount of this CGU was determined to be higher than its recoverable amount of $1,975,307 and an impairment loss of $6,000,000 was recognized during fiscal 2019 (2018: $nil). The impairment loss was fully allocated to goodwill and included in the consolidated statement of operations.

13. Prepaid expenses and other assets

Prepaid expenses and other assets listed in the current assets section of the consolidated statement of financial position as at November 30, 2019 and 2018 were as follows:

	2019	2018
Prepaid expenses (i)	$ 3,835,786	$ 1,436,361
Deposits	715,828	192,683
Other assets	177,871	91,321
	$ 4,729,485	$ 1,720,365

Other assets listed in the non-current assets section of the consolidated statement of financial position as at November 30, 2019 and 2018 were as follows:

	2019	2018
Prepaid expenses (i)	$ 931,502	$ -
Deposits	152,307	15,826
Other non-current receivables (ii)	808,220	-
	$ 1,892,029	$ 15,826

(i) Prepaid expenses mainly consist of payments made for directors and officers liability insurance, inventory purchases, software subscriptions, and legal and directors fees.

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

14. Accounts payable and accrued liabilities

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

	2019	2018
Accounts payable	$ 2,424,556	$ 2,827,346
Accrued liabilities	4,660,710	3,680,767
Loans payable	19,595	40,439
Income tax payable	-	33,888
	$ 7,104,861	$ 6,582,440

(Expressed in Canadian dollars, unless otherwise noted)

15. Provisions

The Company is involved in litigation, investigations or proceedings related to claims arising out of its operations and the completion of acquisitions or divestitures. The Company believes that these claims and lawsuits in the aggregate, when settled are not expected to exceed $3,964,750 recognized as provisions in the consolidated statement of financial position.

16. Share capital

(a) Authorized share capital

The Company is authorized to issue an unlimited number of common shares with no par value. As at November 30, 2019 the Company had 323,949,483 (2018: 308,981,542) common shares issued and outstanding.

(b) Shares buyback

On July 18, 2018, the Company commenced a normal course issuer bid ("NCIB") for up to a 12-month period 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. During fiscal 2019 and before the NCIB expired, the Company completed a buyback of 460,900 shares at an average price of $1.11 per share (2018: 2,167,700 shares at an average price of $1.38 per share).

(c) Issuance of shares

Shares issued during fiscal 2019 were as follows:

	Note	Date of issuance	Number of shares
Acquisition of Pineapple	*a.*	March 11, 2019	2,587,466
Exercise of options and warrants	*b.*	Various	12,841,375
			15,428,841

a. On March 11, 2019, the Company issued 2,587,466 shares valued at $3,210,488 in relation to the acquisition of Pineapple.

b. In fiscal 2019, the Company issued 12,841,375 common shares on exercise of various warrants and options for total gross cash proceeds of $4,308,463. The fair value of the various warrants and options exercised was $1,864,045.

(Expressed in Canadian dollars, unless otherwise noted)

(d) Share purchase warrants

The following is a summary of the changes in the Company's share purchase warrants for fiscal 2019 and 2018:

	2019		2018	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
		$		$
Outstanding, beginning of period	40,495,658	2.44	44,728,934	0.28
Granted	-	-	47,345,961	2.16
Exercised	(9,910,000)	0.35	(51,221,580)	0.31
Forfeited	(360,000)	0.35	(357,657)	0.14
Outstanding, end of period	30,225,658	3.15	40,495,658	2.44

For the fiscal 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 on October 31, 2017.

The assumptions used for the calculation of the fair value of the warrants for fiscal 2019 and 2018 were as follows:

	2019	2018
Risk free rate	1.46%	1.46% – 2.40%
Expected life	2 years	2 – 5 years
Expected volatility	125%	90% – 125%
Expected dividend per share	Nil	Nil

Volatility was calculated using the historical volatility of other companies which the Company considered comparable that had trading and volatility history. The expected life in years represents the time that the warrants 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 warrants.

(e) Stock options

The Company has established a stock option plan (the "Plan") for officers and employees. Under the Plan, the exercise price of each option is determined by the Board. The 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 stakeholders approve the plan and the Board approves the execution of granting of options and their vesting and cancellation provisions.

(Expressed in Canadian dollars, unless otherwise noted)

The following is a summary of the movement in the plan for fiscal 2019 and 2018:

	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	12,905,000	0.27
Granted	2,157,371	0.82	18,655,000	1.74
Exercised	(2,931,375)	0.29	(8,642,788)	0.30
Forfeited	(8,720,125)	1.51	(2,565,462)	1.30
Outstanding, end of period	10,857,621	1.75	20,351,750	1.47
Vested and exercisable, end of period	7,695,585	1.75	6,285,188	1.18

In fiscal 2019, the Company recognized share-based compensation expense of $2,015,222 (2018: $21,928,335). The weighted average share price of options exercised was $0.67 (2018: $2.43).

The following table summarizes information regarding stock options outstanding by exercise price as at fiscal 2019:

Exercise price range	Number of options outstanding	Weighted average remaining contractual life in years	Weighted average exercise price
			$
$0.01 – $1.00	1,817,504	0.54	0.37
$1.01 – $2.00	6,486,619	2.22	1.62
$2.01 – $4.00	2,553,498	0.74	3.06
	10,857,621	1.59	1.75

The assumptions used for the calculation of the fair value of the options granted during fiscal 2019 and 2018 were as follows:

	2019	2018
Risk free rate	0.72% – 2.01%	1.65% – 2.10%
Expected life	2 – 5 years	2 – 5 years
Expected volatility	79.68% – 125%	83% – 125%
Expected dividend per share	Nil	Nil
Forfeiture rate	7.28% – 7.80%	Nil

Up to November 30, 2018, volatility was calculated using the historical volatility of other companies which the Company considered comparable that had trading and volatility history. Beginning December 1, 2018, the Company calculates volatility using its own historical trading prices. The expected life in years represents the time that the options granted are expected to be outstanding. The risk-free rate is based on zero coupon Canada government bonds with a remaining term equal to the expected life of the options.

(f) During 2019, the Group modified the nature of contributed surplus, which previously consisted of share-based compensation expense relating to options vesting, net of exercises and forfeitures.

(Expressed in Canadian dollars, unless otherwise noted)

All options-related activity was moved from contributed surplus into the options reserve account. Additionally, all forfeitures relating to warrants and vested options previously recognized in share capital were moved to contributed surplus. The comparative balances as of November 30, 2018, including as of the beginning of the preceding period, September 1, 2017, were reclassified for consistency. As a result, $1,798,564 of options-related activity was reclassified from contributed surplus to options reserve as of September 1, 2017. For fiscal year 2018, $10,875,504 of options-related activity was reclassified from contributed surplus to options reserve, and $343,967 of fair value of forfeited vested options and warrants was reclassified from share capital to contributed surplus.

17. Disaggregation of revenue

In the following table, revenue is presented for fiscal 2019 and 2018, and disaggregated by major products, service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable operating segments.

	Namaste Vapes	Australian Vaporizers	CannMart	Namaste MD	Findify	Total
2019:						
Major goods/service lines	$	$	$	$	$	$
Hardware (i)	9,494,449	4,618,311	156,998	-	-	14,269,758
Cannabis, net of excise taxes (i)	-	-	638,684	-	-	638,684
AI services (ii)	-	-	-	-	1,150,170	1,150,170
Referral fees (ii)	-	-	-	281,709	-	281,709
	9,494,449	4,618,311	795,682	281,709	1,150,170	16,340,321
2018:						
Major goods/service lines	$	$	$	$	$	$
Hardware (i)	16,791,362	6,056,373	-	-	-	22,847,735
Cannabis, net of excise taxes (i)	-	-	318,577	-	-	318,577
AI services (ii)	-	-	-	-	434,179	434,179
Referral fees (ii)	-	-	-	194,902	-	194,902
	16,791,362	6,056,373	318,577	194,902	434,179	23,795,393

Timing of revenue recognition:
(i) Goods transferred at a point in time
(ii) Services performed over period of time

18. Restructuring and other costs

Transaction, restructuring and other costs for fiscal 2019 and 2018 were as follows:

	2019	2018
Class action related costs	$ 8,002,550	$ 1,043,626
Legacy resolutions	4,713,249	-
Restructuring costs	2,420,925	398,247
	$ 15,136,724	$ 1,441,873

(Expressed in Canadian dollars, unless otherwise noted)

19. Other income

	2019	2018
Gain on disposal of subsidiary	$ -	$ 265,345
Interest income	1,227,545	547,629
Realized gain on disposition of equity investments	-	148,510
Unrealized (loss) gain on derivatives	(73,839)	80,700
Miscellaneous income	65,869	73,349
	$ 1,219,575	$ 1,115,533

20. Income taxes

(a) The Group's income tax (expense) recovery for fiscal 2019 and 2018 comprises the following:

	2019	2018
Current income tax expense	$ (94,883)	$ (210,251)
Deferred income tax recovery	460,357	632,313
Net income tax recovery	$ 365,474	$ 422,062

(b) The provision for income tax differs from the amount that would have resulted by applying the combined Canadian statutory income tax rates of approximately 26.5% (2018: 26.5%) for fiscal 2019 and 2018 as follows:

	2019	2018
Loss before income taxes	$ (63,170,452)	$ (42,039,493)
Expected income tax recovery at the statutory rate of 26.5%	16,740,170	11,140,466
Share-based compensation	(534,034)	(5,811,009)
Effect of tax rates of foreign jurisdictions	(3,635,292)	(2,784,280)
Tax impact of temporary differences for which no deferred tax asset was recorded	(10,196,187)	(1,978,560)
Change in statutory tax rates	-	55,385
Permanent and other differences	(209,183)	(199,940)
Impairment of goodwill	(1,800,000)	-
Total income tax recovery	$ 365,474	$ 422,062

The statutory tax rate used in the 2019 effective tax rate reconciliation is that of the Canadian parent entity which reflects the Canadian federal tax rate of 15.0% plus the provincial tax rate of 11.5%.

(Expressed in Canadian dollars, unless otherwise noted)

(c) The following table reflects the changes in deferred income tax liability for fiscal 2019 and 2018:

	2019	2018
Balance at beginning of the period	$ (718,732)	$ (749,868)
Deferred income tax recovery	460,357	632,313
Deferred income tax recorded through OCI	(31,436)	(198,629)
Deferred tax liabilities assumed on acquisitions	-	(406,000)
Foreign currency translation	13,277	3,452
Balance at end of the period	$ (276,534)	$ (718,732)

(d) The following table summarizes components of deferred tax assets and liabilities as at November 30, 2019 and November 30, 2018:

	2019	2018
Intangible assets	$ (583,255)	$ (868,494)
Equity investments	-	(209,321)
Property and equipment	(65,818)	10,024
Accounting provision and accruals	42,496	65,903
Losses carry forward	330,043	283,156
	$ (276,534)	$ (718,732)

(e) Deferred tax assets have not been recognized in respect of the following deductible temporary differences as at November 30, 2019 and November 30, 2018:

	2019	2018
Intangible assets	$ 5,802,610	$ 5,712,893
Share issuance costs	5,477,125	9,548,654
Property and equipment, net	190,345	91,371
Non-capital losses	49,893,959	13,262,000
Investments	2,352,336	-

(f) Tax losses in Canada can be carried forward to reduce taxable income in future years. The losses are scheduled to expire as follows:

Year	Amount
2037	$ 1,864,572
2038	6,615,672
2039	41,413,715
	$ 49,893,959

(Expressed in Canadian dollars, unless otherwise noted)

21. Financial instruments and associated risks

(a) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

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

	Level 1	Level 2	Level 3	Total
Financial assets:				
Loans receivable from associates	$ -	$ 465,149	$ -	$ 465,149
Equity investments	1,676,031	1,200,000	482,220	3,358,251
Derivatives	-	5,861	1,000	6,861
	$ 1,676,031	$ 1,671,010	$ 483,220	$ 3,830,261

	Level 1	Level 2	Level 3	Total
Financial liabilities:				
Loans payable	$ -	$ 19,595	$ -	$ 19,595
	$ -	$ 19,595	$ -	$ 19,595

During fiscal 2019 and 2018, there were no transfer between the levels of the fair value hierarchy except for investment in Cannbit shares which moved from level 3 to level 1 as a result of going public. Following is the summary of the financial instruments as at fiscal 2019 and 2018:

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

(Expressed in Canadian dollars, unless otherwise noted)

		Financial assets at FVOCI	Financial assets at amortized cost	Financial assets at FVTPL	Financial liabilities at amortized cost	Total
Financial liabilities:						
Accounts payable and accrued liabilities	$	-	-	-	7,104,861	7,104,861
	$	-	-	-	7,104,861	7,104,861
2018:						
Financial assets:						
Cash and cash equivalents	$	-	78,210,706	-	-	78,210,706
Trade and other receivables		-	1,627,781	-	-	1,627,781
Portfolio investments		3,671,889	-	80,700	-	3,752,589
Other assets		-	15,826	-	-	15,826
	$	3,671,889	79,854,313	80,700	-	83,606,902
Financial liabilities						
Accounts payable and accrued liabilities	$	-	-	-	6,582,440	6,582,440
	$	-	-	-	6,582,440	6,582,440

The carrying values of financial instruments and fair value amounts of all the Group's financial instruments approximate their fair values as at November 30, 2019.

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

a. Currency risk

The Group is party to financial instruments or enters into transactions denominated in currencies other than its functional currency. Consequently, the Group is exposed to translation risk in which other foreign currencies may change in a manner that has an adverse effect on the value of the Group's assets or liabilities denominated in its operational currency. This risk is mitigated by timely payment of creditors and monitoring of foreign exchange fluctuations by management. The Group does not hedge against movements in foreign currency exchange rates.

(Expressed in Canadian dollars, unless otherwise noted)

The Group's exposure to currency risk as at November 30, 2019 and November 30, 2018 was as follows:

	Cash and cash equivalents	Equity investments	Accounts receivable	Accounts payable	Net exposure
2019:					
Israeli new shekels	$ -	$ 1,589,524	$ -	$ -	$ 1,589,524
Brazilian reals	-	-	1,266,179	(457)	1,265,722
Pound sterlings	519,774	-	101,088	(154,827)	466,035
Euros	51,240	-	302,310	-	353,550
Australian dollars	-	37,252	-	(646)	36,766
United Stated dollars	-	-		(320,849)	(320,849)
	$ 571,014	$ 1,626,775	$ 1669,,577	$ (476,779)	$ 3,390,587
2018:					
Israeli new shekels	$ -	$ 1,156,869	$ -	$ -	$ 1,156,869
Brazilian reals	578,461	-	-	(3,555)	574,906
Pound sterlings	194,211	-	324,861	(180,284)	338,788
Euros	29,065	-	196,089	(88,843)	136,311
Australian dollars	-	66,042	-	-	66,042
United Stated dollars	120,721	32,220	15,030	(134,022)	33,949
	$ 922,458	$ 1,255,131	$ 535,980	$ (406,704)	$ 2,306,865

A 5% change in the foreign currencies against functional currencies, assuming that all other variables are constant, would have increased or decreased net loss and equity by $169,529 (2018: $115,343) as a result of the revaluation on foreign currency denominated financial assets and liabilities.

b. *Interest rate risk*

Interest rate risk refers to the risk of loss due to adverse movements in interest rates. Interest rate risk consists of a) the extent that payments made or received on the Company's monetary assets and liabilities are affected by changes in the prevailing market interest rates, and b) to the extent that changes in prevailing market rates differ from the interest rate in the Company's monetary assets and liabilities.

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

c. *Other price risk*

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

If the fair value of these financial assets were to increase or decrease by 5%, net loss would have increased or decreased by $343 and accumulated other comprehensive income would have changed by $167,913 (2018: $4,035 and $183,594).

(Expressed in Canadian dollars, unless otherwise noted)

(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, trade and other receivables, loans receivable, deposits and other assets.

The Group has no significant concentration of credit risk arising from operations. Cash and cash equivalents, deposits and other assets are held with reputable financial institutions and business partners which are closely monitored by management. Trade receivables primarily generated from online sales are held in reputable merchant accounts and are received within a short period of time. The carrying amount of financial assets represents the maximum credit exposure.

Loans receivable consist of promissory notes granted to the Group's associates, Pineapple and Choklat to finance their working capital and other requirements. Their relative credit risks are assessed by management through the credit evaluation process. The Group monitors changes in the credit risk of loans receivable based on data that is determined to be predictive of the risk of loss, including but not limited to financial information, management accounts and cash flow projections.

The Company recognized an impairment allowance of $1,391,224 in respect of loan advances to Pineapple because of the working capital constraints experienced by the debtor.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have the sufficient liquidity to meet its liabilities when they are due, without incurring unacceptable losses or risking damage to the Group's reputation. The following are the remaining contractual maturities of financial liabilities as at November 30, 2019:

	Carrying value	less than 3 months	4 - 6 months	7 – 12 months	>12 months
Accounts payable and accrued liabilities	$ 7,104,861	$ 7,090,094	$ 4,828	$ 7,623	$ 2,316

(Expressed in Canadian dollars, unless otherwise noted)

22. Additional disclosures for statement of cash flows

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

	2019	2018
Cash and cash equivalents	$ 37,345,383	$ 77,700,041
Restricted cash (i)	510,665	510,665
	$ 37,856,048	$ 78,210,706

(i) As at November 30, 2019 and 2018, $510,665 restricted cash was held in an escrow account relating to an investment in a private company.

(b) Changes in non-cash working capital

Changes in non-cash working capital for fiscal 2019 and 2018 were as follows:

	2019	2018
Decrease (increase) in trade and other receivables	$ (692,459)	$ (1,069,596)
Decrease (increase) in inventories	(1,595,759)	(2,724,987)
Decrease (increase) in prepaid expenses and other assets	(4,885,323)	(1,125,102)
Decrease (increase) in accounts payable and accrued liabilities	543,267	5,690,732
Increase in provisions	3,964,750	-
Increase in deferred revenue	513,737	81,425
	$ (2,151,787)	$ 852,472

(c) Additional information

Additional information for fiscal 2019 and 2018 were as follows:

	2019	2018
Income tax paid	$ (27,369)	$ (319,728)
Interest paid	(2,157)	(2,691)
Interest received	1,227,545	547,629

23. 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.

(Expressed in Canadian dollars, unless otherwise noted)

Related party balances as at November 30, 2019 and 2018, and transactions for the twelve and fifteen months period were as follows:

	2019	2018
Related party balances		
Trade and other receivables (i)	-	18,173
Loans receivable from associates (ii)	421,351	-
Interest receivable on loans receivable from associates (ii)	43,798	-
Accounts payable and accrued liabilities (i)	(2,608)	(305,968)
Related Party Transactions		
Key management personnel compensation (iii)	2,797,518	1,699,629
Directors fees	753,635	-
Stock options (iv)	663,667	11,802,203
Shares issued to key management personal as bonus	-	8,558,891
Payment processing services (v)	14,028	152,133
Consulting fees (vi)	63,775	438,039
Shipping and delivery services (vii)	15,048	-
Technology and IT support services (viii)	894,664	2,906,054
Marketing services (ix)	2,118,996	2,555,878
Technology support income (x)	(14,690)	(29,544)

(i) Balances with related parties are non-interest bearing, unsecured and due on demand.

(ii) During fiscal 2019, the Company granted promissory notes to its associates, Pineapple and Choklat, for a total of $1,512,575 and $300,000, respectively, to finance their working capital needs and other general operating or corporate requirements. The principals and all accrued interests thereon are repayable in full at any time prior to March 31, 2021 and December 31, 2020, respectively. Interest is charged at 6% and 12% per annum, respectively. During fiscal 2019, the Company recognized an impairment allowance of $1,391,224 in respect of loan advances to Pineapple because of the working capital constraints experienced by the associate.

(iii) The key management personnel compensation includes salaries and bonuses, benefits and incentives.

(iv) During fiscal 2019, key management personnel were granted as follows:

Grant date	Number of options	Exercise price	Fair value	Vesting period	Expiry date
		$	$		
December 19, 2018	250,000	1.12	0.71	1 year	December 19, 2023
December 31, 2018	500,000	0.80	0.51	0.7 year	December 1, 2023
July 31, 2019	200,000	0.50	0.29	2 years	July 31, 2024
September 3, 2019	561,379	0.53	0.31	3 years	September 3, 2024

(Expressed in Canadian dollars, unless otherwise noted)

(v) Up to February 3, 2019, the Company utilized 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 November 30, 2019 was $nil (2018: $14,138).

(vi) 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 November 30, 2019 was $nil (2018: $nil).

(vii) The Company received delivery services from the associate. The amount outstanding against these services as at November 30, 2019 was $2,608 (2018: $nil).

(viii) Up to August 15, 2019, the Company outsourced some of its technology and IT support services to an entity controlled by a member of key management personnel. The amount outstanding against these services as at November 30, 2019 was nil (2018: $nil)

(ix) Up to May 26, 2019, The Company outsourced substantially all of its marketing and related services to an entity that is controlled by a member of key management personnel. There was no outstanding balance against these services as at November 30, 2019 (2018: $25,810).

(x) 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 November 30, 2019 was $nil (2018: $14,910).

24. Commitments and contingencies

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

Less than one year	$	371,225
Between one and five years		930,267
	$	1,301,492

Rent expense for fiscal 2019 was $671,699 (2018: $533,818).

25. Subsequent events

(a) Subsequent to year-end, 16,303,158 outstanding warrants related to the February 27, 2018 issuance under a bought-deal financing expired. The value of these warrants as of November 30, 2019 recorded in warrants reserve was $12,991,305.

(b) Subsequent to year-end, the courts formally approved the settlements on both the US and Canadian securities class actions. A total of $2.15 million US will be paid to settle all claims in the Canadian action and $2.75 million US will be paid to settle all claims in the US action. These settlements were made without any admission or finding of liability.

(c) Subsequent to year-end, World-Class Extractions Inc. ("WCE") acquired a controlling interest in Pineapple Express Delivery Inc. ("Pineapple Express Delivery"). As part of the transaction, Namaste will be able to convert its outstanding debt into the same value of WCE common shares in 11 months time. In addition, Namaste granted WCE the option to acquire Namaste's common shares of Pineapple Express Delivery, exercisable during a 60-day period beginning two years following the closing of the transaction between WCE and Pineapple Express Delivery.

(d) Subsequent to November 30, 2019, financial markets have been negatively impacted by the novel Coronavirus or COVID-19, which was declared a pandemic by the World Health Organization on March 12, 2020. This has resulted in significant economic uncertainty and consequently, it is difficult to reliably measure the potential impact of this uncertainty on the Company's future financial results.