



HIGHTIDE

Condensed Interim Consolidated Financial Statements

For the three and nine months ended July 31, 2019 and 2018
(Stated In thousands of Canadian dollars, except share and per share amounts)
(Unaudited)



High Tide Inc.
Condensed Interim Consolidated Financial Statement
For the three and nine months ended July 31, 2019 and 2018

Notice of no auditor review of Condensed Interim Consolidated Financial Statements for the three and nine month periods ended July 31, 2019 and 2018.

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

The accompanying unaudited condensed interim consolidated financial statements of High Tide Inc. ("High Tide" or the "Company") have been prepared by and are the responsibility of the Company's management and have been approved by the Audit Committee and Board of Directors of the Corporation.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim condensed financial statements by the entity's auditor.

Approved on behalf of the Board:

(Signed) "Harkirat (Raj) Grover"
President and Chairman of the Board

(Signed) "Nitin Kaushal"
Director and Chairman of the Audit Committee



High Tide Inc.
Condensed Interim Consolidated Statements of Financial Position

As at July 31, 2019 and October 31, 2018

(Unaudited – In thousands of Canadian dollars)

	Notes	July 31, 2019	October 31, 2018
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		2,502	8,198
Restricted marketable securities		50	-
Accounts receivable	13	2,587	855
Inventory		5,718	3,463
Prepaid expenses, deposits and other receivables		5,456	4,931
Current portion of loans receivable		278	62
Total current assets		16,591	17,509
Non-current assets			
Property and equipment	6	11,330	3,598
Long term prepaid expenses, deposits and other receivables		300	1,200
Long term accounts receivable		773	706
Loans receivable		892	-
Deferred tax asset		5,787	1,975
Intangible assets	5	7,587	934
Goodwill		7,443	-
Total non-current assets		34,112	8,413
Total assets		50,703	25,922
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		2,091	2,515
Short term contract liability		14	-
Income taxes payable		222	33
Current portion of finance lease obligation		6	6
Shareholder loans		419	36
Total current liabilities		2,752	2,590
Non-current liabilities			
Notes payable		1,900	-
Convertible debentures	7	21,439	-
Long term contract liability		352	-
Finance lease obligations		13	17
Total non-current liabilities		23,704	17
Total liabilities		26,456	2,607
Shareholders' equity			
Share capital	8	27,257	35,695
Contributed surplus		1,939	-
Convertible debentures – equity	7	935	-
Warrants	11	5,776	16,904
Special warrants	10	-	905
Accumulated other comprehensive income		6	-
Accumulated deficit		(11,551)	(30,176)
Equity attributable to owners of the Company		24,362	23,328
Non-controlling interest		(115)	(13)
Total shareholders' equity		24,247	23,315
Total liabilities and shareholders' equity		50,703	25,922



High Tide Inc.

Condensed Interim Consolidated Statements of Comprehensive (Loss) Income

For the three and nine months ended July 31, 2019 and 2018

(Unaudited – In thousands of Canadian dollars)

	Notes	Three months ended		Nine months ended	
		July 31		July 31	
		2019	2018	2019	2018
		\$	\$	\$	\$
Revenue					
Merchandise sales (net of discounts)	4	7,707	1,933	18,885	5,857
Royalty revenue	4	449	201	584	641
Interest and other revenue	4	132	41	416	153
Net revenue		8,288	2,175	19,885	6,651
Cost of sales		(5,228)	(998)	(12,683)	(3,001)
Gross profit		3,060	1,177	7,202	3,650
Expenses					
Salaries, wages and benefits		(2,678)	(785)	(7,019)	(1,835)
Share-based Compensation		(207)	-	(2,029)	-
General and administration		(1,931)	(291)	(4,953)	(1,057)
Professional fees		(1,169)	(582)	(3,521)	(932)
Advertising and promotion		(554)	(157)	(1,720)	(384)
Depreciation and amortization		(462)	(9)	(910)	(29)
Interest and bank charges		(97)	(60)	(298)	(107)
Total expenses		(7,098)	(1,884)	(20,450)	(4,344)
Loss from operations		(4,038)	(707)	(13,248)	(694)
Other income (expenses)					
FV Change in Conversion Feature and warrants liability		-	-	-	28
Disposition of marketable securities		-	51	-	51
Gain on disposal of asset		(2)	-	-	-
Discount on accounts receivable		5	-	87	-
Financing Costs		(1,040)	-	(1,414)	-
Foreign exchange gain (loss)		41	32	5	(30)
Total other income (expenses)		(996)	83	(1,322)	49
Loss before taxes		(5,034)	(624)	(14,570)	(645)
Income tax recovery (expense)		1,310	9	3,706	(42)
Net loss and comprehensive loss for the period		(3,724)	(615)	(10,864)	(687)
Net loss and comprehensive loss attributable to:					
Owners of the Company		(3,696)	(605)	(10,762)	(677)
Non-controlling interest		(28)	(10)	(102)	(10)
		(3,724)	(615)	(10,864)	(687)
Loss per share					
Basic	12	(0.02)	(0.00)	(0.06)	(0.01)
Diluted	12	(0.02)	(0.00)	(0.06)	(0.01)

Commitments and Contingencies (Note 16)

Subsequent Events (Note 18)



High Tide Inc.
Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited – In thousands of Canadian dollars)

	Note	Share capital	Special warrants	Warrants	Contributed surplus	Equity portion of convertible debt	Accumulated other comprehensive income (loss)	Accumulated deficit	Attributable to owners of the Company	NCI	Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, October 31, 2017		668	-	-	-	-	51	(10,375)	(9,656)	-	(9,656)
Shares issued for cash		445	-	-	-	-	-	-	445	-	445
Shares issued on debt conversion		852	-	-	-	-	-	-	852	-	852
Shares issued for services rendered		145	-	-	-	-	-	-	145	-	145
Shares issued - convertible debentures		669	-	-	-	-	-	-	669	-	669
Shares and warrants issued on reorganization		31,987	-	242	-	-	-	(10,789)	21,440	-	21,440
Eliminated on corporate reorganization		(2,779)	-	-	-	-	-	-	(2,779)	-	(2,779)
Dividends on corporate reorganization		-	-	-	-	-	-	(4,492)	(4,492)	-	(4,492)
Shares issued on High Tide incorporation		20	-	-	-	-	-	-	20	-	20
Private placement		3,705	-	-	-	-	-	-	3,705	-	3,705
Share issue costs – cash		(263)	-	-	-	-	-	-	(263)	-	(263)
Broker warrants		(158)	-	158	-	-	-	-	-	-	-
Unrealized loss on marketable securities		-	-	-	-	-	(22)	-	(22)	-	(22)
Marketable securities upon settlement		-	-	-	-	-	(29)	-	(29)	-	(29)
Loss for the period		-	-	-	-	-	-	(673)	(673)	(10)	(683)
Balance, July 31, 2018		35,291	-	400	-	-	-	(26,329)	9,362	(10)	9,352
Intangible assets acquisition		301	-	-	-	-	-	-	301	-	301
Special warrants		-	18,364	-	-	-	-	-	18,364	-	18,364
Warrant issue costs		-	(2,000)	506	-	-	-	-	(1,494)	-	(1,494)
Tax effect of share issue costs		103	540	-	-	-	-	-	643	-	643
Loss for remainder of the year		-	-	-	-	-	-	(3,847)	(3,847)	(3)	(3,850)
Balance, October 31, 2018		35,695	16,904	906	-	-	-	(30,176)	23,329	(13)	23,316
Transition adjustment – IFRS 9		-	-	-	-	-	-	(26)	(26)	-	(26)
Transition adjustment – IFRS 15		-	-	-	-	-	-	(286)	(286)	-	(286)
Conversion of special warrants	10	13,051	(16,904)	3,853	-	-	-	-	-	-	-
Acquisition - Grasscity	3	4,205	-	-	-	-	-	-	4,205	-	4,205
Share-based compensation		90	-	-	1,939	-	-	-	2,029	-	2,029
Equity portion of convertible debentures		-	-	-	-	935	-	-	935	-	935
Cumulative translation adjustment		-	-	-	-	-	6	-	6	-	6
IPO transaction Cost		(143)	-	-	-	-	-	-	(143)	-	(143)
Interest payment paid in shares		1,156	-	122	-	-	-	-	1,278	-	1,278
Warrants	11	-	-	600	-	-	-	-	600	-	600
Acquisition - Dreamweavers	3	1,147	-	295	-	-	-	-	1,442	-	1,442
Corporate reorganization	8	(29,699)	-	-	-	-	-	29,699	-	-	-
Fees paid in shares		1,752	-	-	-	-	-	-	1,752	-	1,752
Warrant exercise		3	-	-	-	-	-	-	3	-	3
Comprehensive loss for the period		-	-	-	-	-	-	(10,762)	(10,762)	(102)	(10,864)
Balance, July 31, 2019		27,257	-	5,776	1,939	935	6	(11,551)	24,362	(115)	24,247



High Tide Inc.
Condensed Interim Consolidated Statements of Cash Flows

For the nine months ended July 31, 2019 and 2018

(Unaudited – In thousands of Canadian dollars)

	Notes	2019	2018
		\$	\$
Operating activities			
Comprehensive loss for the period		(10,864)	(687)
Income tax (recovery) expense		(3,706)	42
Finance costs and fees for services paid in shares		3,031	8
Depreciation and amortization	5, 6	910	29
Derivative liability fair value		-	(28)
Disposition of marketable securities		-	(51)
Share-based compensation	9	2,029	-
Inventory Obsolescence		-	60
Discount on accounts receivable		(87)	-
		(8,687)	(627)
Changes in non-cash working capital			
Accounts receivable		(1,799)	(845)
Inventory		(2,255)	(679)
Prepaid expenses, deposits and other receivables		374	(1,254)
Advances to related parties		-	642
Accounts payable and accrued liabilities		(424)	893
Contract liability		(365)	-
Shareholder loans		383	-
Income tax payable		189	46
Net cash used in operating activities		(12,584)	(1,824)
Investing activities			
Purchase of property and equipment		(6,791)	(62)
Purchase of intangible assets		(3,160)	(69)
Loans receivable	17	(1,108)	301
Loans Payable		1,900	-
Acquisition costs	3	(6,277)	-
Net cash (used in) provided by investing activities		(15,436)	170
Financing activities			
Repayment of debt		(4)	(23)
Proceeds from convertible debentures net of issue costs	7	22,378	-
Marketable securities		(50)	3,462
Payment of dividends		-	(1,155)
Net cash provided by financing activities		22,324	2,284
Net (decrease) increase in cash and cash equivalents		(5,696)	630
Cash and cash equivalents, beginning of the period		8,198	1,067
Cash and cash equivalents, end of the period		2,502	1,697



High Tide Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended July 31, 2019 and 2018

(Unaudited – In thousands of Canadian dollars, except share and per share amounts)

1. Nature of Operations

High Tide is a vertically integrated manufacturer, distributor, and a seller of smoking accessories, as well as a downstream focused retailer of cannabis products. The Company's shares are listed on the Canadian Stock Exchange ("CSE") under the symbol "HITI", the Frankfurt Stock Exchange ("FSE") under the securities identification code 'WKN: A2PBPS' and the ticker symbol "2LY", and on the OTCQB Market ("OTCQB") under the symbol "HITIF". The address of the Company's corporate and registered office is # 120 – 4954 Richard Road SW, Calgary, Alberta T3E 6L1.

The Company is primarily involved in wholesale and retail sales of cannabis and smoking accessories.

High Tide does not engage in any U.S. cannabis-related activities as defined by the Canadian Securities Administrators Staff Notice 51-352.

2. Accounting Policies

A. Basis of Preparation

These unaudited condensed interim consolidated financial statements ("Financial Statements") have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). They are condensed as they do not include all of the information required for full annual financial statements, and they should be read in conjunction with the audited consolidated financial statements of the Company for the year ended October 31, 2018 which are available on SEDAR at www.sedar.com.

For comparative purposes, the Company has reclassified certain immaterial items on the comparative condensed interim consolidated statement of financial position and the condensed interim consolidated statement of comprehensive (loss) income to conform with current period's presentation.

The principles and accounting policies used to prepare the Financial Statements are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of IFRS 15 and IFRS 9, which was disclosed in the Company's condensed interim consolidated financial statement for the period ended January 31, 2019.

These Financial Statements were approved and authorized for issue by the Board of Directors on September 27, 2019.

B. Use of estimates

The estimates and assumptions are reviewed on an ongoing basis. Revisions in accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years. Significant judgements, estimates, and assumptions within these condensed interim consolidated financial statements remain the same as those applied to the consolidated financial statements for the year ended October 31, 2018 as well as the condensed interim consolidated financial statements for the periods ended January 31, 2019 and April 30, 2019.

C. New Accounting Pronouncements

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 Leases, which will replace IAS 17 Leases. This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term greater than twelve months, unless the underlying asset's value is insignificant. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessors will continue to classify leases as operating or finance, with lessor accounting remaining substantially unchanged from the preceding guidance under IAS 17, Leases.

Management is currently executing its implementation plan and has completed the initial scoping phase to identify material lease contracts. However, the analysis of such contracts to quantify the transitional impact is still in progress. The most significant impact of IFRS 16 will be our initial recognition of the present value of unavoidable future lease payments as right-of-use assets under property, plant and equipment and the concurrent recognition of a lease liability on the consolidated statement of financial position. Majority of our property leases, which are currently treated as operating leases, are expected to be impacted by the new standard which will result in lower rent expense, higher depreciation expense and higher finance costs related to accretion and interest expense of the lease liability. IFRS 16 will also impact the presentation of the consolidated statement of cash flows by decreasing operating cash flows and increasing financing cash flows.

The standard will be effective for the Company for the fiscal year commencing November 1, 2019. The Company will be adopting the standard retrospectively by recognizing the cumulative impact of initial adoption in opening retained earnings (i.e. the difference between the right-of-use asset and the lease liability). The Company will measure the right-of-use asset at an amount equal to the lease liability on November 1, 2019, apply a single discount rate to leases with similar remaining lease terms for similar classes of underlying assets and will not separate non-lease components from lease components for certain classes of underlying assets.



High Tide Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended July 31, 2019 and 2018

(Unaudited – In thousands of Canadian dollars, except share and per share amounts)

Definition of a Business

In October 2018, the IASB issued "Definition of a Business (Amendments to IFRS 3)". The amendments clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendment provides an assessment framework to determine when a series of integrated activities is not a business. The amendments are effective for business combinations occurring on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The Company is currently evaluating the potential impact of these amendments on the Company's consolidated financial statements.

3. Business Combinations

A. Current period

	Dreamweavers Acquisition
Total consideration	\$
Cash paid	1,550
Notes Payable	300
Common shares	1,147
Warrants	295
	3,292
Net identifiable assets acquired	
Prepaid expenses and deposits	5
Inventory	100
Property and equipment	272
Intangible assets - licenses	1,457
	1,834
Purchase price allocation	
Net identifiable assets acquired	1,834
Goodwill	1,458
	3,292

On May 23, 2019, the Company, entered into a share purchase agreement to acquire all of the issued and outstanding shares of Dreamweavers Cannabis Products Ltd. ("Dreamweavers"). Based in Swift Current, Saskatchewan, Dreamweavers is a retailer for cannabis products smoking accessories. The Company acquired Dreamweavers to increase its retail footprint, and to establish a presence in the province of Saskatchewan. The Company acquired all of the issued and outstanding shares of Dreamweavers for aggregate consideration of \$3,292 which included 3,100,000 common shares with a fair value of \$1,147.

Management is in the process of gathering the relevant information that existed at the acquisition date to determine the fair value of the net identifiable assets acquired. As such, the initial purchase price was provisionally allocated based on the Company's estimated fair value of the identifiable assets acquired on the acquisition date. The values assigned are, therefore, preliminary and subject to change. Management continues to refine and finalize its purchase price allocation for the fair value of identifiable intangible assets, property plant and equipment, and the allocation of goodwill. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

The Company incurred various legal and due diligence related fees totalling \$38; these costs have been included as professional fees in the Financial Statements.

For the three months ended July 31, 2019, Dreamweavers (now operating as a Canna Cabana) accounted for \$348 in revenues and \$27 in net income.

B. Prior period

On December 6, 2018, the Company entered into a share purchase agreement to acquire all of the issued and outstanding shares of three entities, SJV B.V., SJV2 B.V. and SJV USA Inc. that together operate under the name Grasscity. The transaction closed on December 19, 2018. Based in Amsterdam, Netherlands, Grasscity is an online retailer of smoking accessories and cannabis lifestyle products that has been operating for over 20 years. The Company acquired Grasscity to increase its customer base, establish an international presence, and to leverage synergies to further enhance High Tide's vertically integrated supply chain, manufacturing expertise, and distribution networks. Details of this business combination were disclosed in Note 4 of the Company's condensed interim consolidated financial statements for the period ended January 31, 2019.



High Tide Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended July 31, 2019 and 2018

(Unaudited – In thousands of Canadian dollars, except share and per share amounts)

4. Revenue from Contracts with Customers

For the three months ended July 31, 2019	Retail	Wholesale	Corporate	Total
	\$	\$	\$	\$
Primary geographical markets				
Canada	5,388	900	226	6,514
USA	1,107	520	-	1,627
International	147	-	-	147
Total revenue	6,642	1,420	226	8,288
Major products and services				
Cannabis	4,510	-	-	4,510
Smoking accessories	1,819	1,378	-	3,197
Franchise royalties and fees	239	-	210	449
Interest and other revenue	74	42	16	132
Total revenue	6,642	1,420	226	8,288
Timing of revenue recognition				
Transferred at a point in time	6,329	1,378	-	7,707
Transferred over time	313	42	226	581
Total revenue	6,642	1,420	226	8,288
For the nine months ended July 31, 2019	Retail	Wholesale	Corporate	Total
	\$	\$	\$	\$
Primary geographical markets				
Canada	11,179	3,766	254	15,199
USA	2,812	1,455	-	4,267
International	327	92	-	419
Total revenue	14,318	5,313	254	19,885
Major products and services				
Cannabis	8,787	-	-	8,787
Smoking accessories	4,909	5,190	-	10,099
Franchise royalties and fees	357	-	226	583
Interest and other revenue	265	123	28	416
Total revenue	14,318	5,313	254	19,885
Timing of revenue recognition				
Transferred at a point in time	13,868	5,190	-	19,058
Transferred over time	450	123	254	827
Total revenue	14,318	5,313	254	19,885

5. Intangible Assets

	Software	Lease buy-out	Brand Name	Total
Cost	\$	\$	\$	\$
Balance, October 31, 2017	-	-	-	-
Additions	159	777	-	936
Balance, October 31, 2018	159	777	-	936
Additions (i)	1,568	3,589	1,804	6,961
Balance, July 31, 2019	1,727	4,366	1,804	7,897
Accumulated depreciation				
Balance, October 31, 2017	-	-	-	-
Charge for the period	2	-	-	2
Balance, October 31, 2018	2	-	-	2
Charge for the period	54	71	183	308
Balance, July 31, 2019	56	71	183	310
Net book value				
Balance at October 31, 2017	-	-	-	-
Balance at October 31, 2018	157	777	-	934
Balance at July 31, 2019	1,671	4,295	1,621	7,587

(i) Brand name intangible additions of \$1,539 were acquired as part of the acquisition of Grasscity.

6. Property and Equipment

	Office equipment and computers	Leasehold improvements	Vehicles	Buildings	Total
	\$	\$	\$	\$	\$
Cost					
Balance, October 31, 2017	49	321	163	-	533
Additions	144	3,288	4	145	3,581
Balance, October 31, 2018	193	3,609	167	145	4,114
Additions (i), (ii)	197	5,655	1	2,655	8,508
Balance, July 31, 2019	390	9,264	168	2,800	12,622
Accumulated depreciation					
Balance, October 31, 2017	25	311	96	-	432
Charge for the year	24	14	46	-	84
Balance, October 31, 2018	49	325	142	-	516
Charge for the period	68	699	9	-	776
Balance, July 31, 2019	117	1,024	151	-	1,292
Net book value					
Balance, October 31, 2018	144	3,284	25	145	3,598
Balance, July 31, 2019	273	8,240	17	2,800	11,330

(i) \$1,227 was incurred for new buildout of leasehold improvements for head office and warehouse in November and December 2018. The new head office and warehouse was available for use on January 1, 2019.

(ii) The Company purchased a building in Niagara, Ontario, for the purpose of opening a Canna Cabana retail location. The consideration for the building consisted of \$700 in cash, a \$1,600 vendor take back loan (notes payable), and \$300 paid in shares.



7. Convertible Debentures

On November 28, 2018, the Company entered into an agreement for a brokered private placement for the sale of up to 20,000 convertible debentures of the Company, at a price of \$1 per debenture for gross proceeds of up to \$20,000. The net proceeds of the offering will be used by the Company to fund retail acquisitions, Canna Cabana and Smoker's store upgrades, for strategic acquisition opportunities as well as for general working capital purposes. The debentures bear interest at a rate of 8.5% per annum, payable on the last business day of each calendar quarter. The debentures are convertible to common shares of the Company at a price of \$0.75 per common share and mature two years from the closing of the offering. The lead agent has the option, at its discretion, to arrange for the purchase of up to an additional \$20,000 in Debentures, for total proceeds of up to \$40,000. The first closing occurred on December 13, 2018 issuing 11,330 debentures at a price of \$1 per debenture for gross proceeds of \$11,330. The company incurred \$504 in issue costs and \$45 in legal costs in relation to the first closing.

On April 10, 2019, the Company closed the first tranche of the sale of unsecured convertible debentures (the "Debentures") of the Company under the non-brokered private placement (the "Offering") with gross proceeds of \$8,360. The outstanding principal amount under the Debentures is convertible at any time before maturity and at the option of the holder, into common shares of the Company (the "Shares") at a conversion price of \$0.75 per share. Under the Offering, the Company also issued common share purchase warrants (the "Warrants") such that each subscriber received one Warrant for each \$0.75 original principal amount of its Debenture, resulting in 11,146,667 Warrants being issued as part of the Offering. Each Warrant entitles the holder to acquire one Share at an exercise price of \$0.85 per Share for two years from the date of issuance. The company incurred \$398 in issue costs which was paid in warrants at \$0.85 per share and \$56 in legal costs paid in shares at \$0.50 per share.

The proceeds of \$8,360 were first allocated to the debenture component, and the remainder allocated to the equity conversion option and warrants as follows: i) the debenture component for \$7,679, ii) the equity conversion option for \$224, and iii) the warrants for \$398. The company incurred a transaction cost of \$59 for issuing the Debenture. The warrants were valued using the Black-Scholes valuation method using the following assumptions: stock price of \$0.45; expected life of 2 years; \$nil dividends; expected volatility of 130% based on comparable companies; exercise price of \$0.85 per share; and risk-free interest rate of 1.56%.

On June 17, 2019, the Company closed the final tranche of the sale of unsecured convertible debentures (the "Debentures") of the Company under the non-brokered private placement (the "Offering") with gross proceeds of \$3,200. The outstanding principal amount under the Debentures is convertible at any time before maturity and at the option of the holder, into common shares of the Company (the "Shares") at a conversion price of \$0.75 per share. Under the Offering, the Company also issued common share purchase warrants (the "Warrants") such that each subscriber received one Warrant for each \$0.75 original principal amount of its Debenture, resulting in 4,266,667 Warrants being issued as part of the Offering. Each Warrant entitles the holder to acquire one Share at an exercise price of \$0.85 per share for two years from the date of issuance. Concurrent with the Final Tranche issuance of the Debentures, the Company paid the annual amount of interest due to holders upfront in the form of 855,615 Shares. The company incurred \$122 in issue costs which was paid in warrants at \$0.85 per share.

The proceeds of \$3,200 were first allocated to the debenture component, and the remainder allocated to the equity conversion option and warrants as follows: i) the debenture component for \$3,109, ii) the equity conversion option for \$91, and iii) the warrants for \$122. The warrants were valued using the Black-Scholes valuation method using the following assumptions: stock price of \$0.38; expected life of 2 years; \$nil dividends; expected volatility of 130% based on comparable companies; exercise price of \$0.85 per share; and risk-free interest rate of 1.40%.



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8. Share Capital

(a) Issued:

Common shares:

	Number of shares	Amount
	#	\$
Balance, October 31, 2017	18,400,200	668
Issued for cash	11,113,817	445
Issued on debt conversion	20,486,183	852
Issued for services rendered	3,500,000	146
Issued on conversion of convertible debentures	5,017,012	669
Issued on incorporation of High Tide Inc.	2,760,000	20
Issued to acquire common shares of RGR	6,128,304	1,196
Issued to acquire preferred shares of RGR	45,128,840	8,804
Issued to acquire common shares of Smoker's	6,024,250	1,175
Issued to acquire preferred shares of Smoker's	50,358,600	9,825
Issued to acquire common shares of Famous Brandz	30,324,120	10,987
Eliminated upon reorganization	(58,517,212)	(2,779)
Issued for cash on private placement	10,225,800	3,704
Share issue costs – broker warrants	-	(158)
Share issue cost – cash	-	(263)
Tax effect on share issue costs	-	114
Issued upon asset acquisition	800,000	290
Balance, October 31, 2018	151,749,914	35,695
Issued upon listing of securities ⁽ⁱ⁾	36,728,474	13,051
Issued upon closing of Grasscity acquisition	8,410,070	4,205
Issued to pay fee in shares	1,064,887	522
Issued to pay finders fee	2,977,333	1,230
Issued to pay interest via shares	2,608,624	1,156
Share issue cost ⁽ⁱⁱ⁾	-	(143)
Corporate re-organization ⁽ⁱⁱⁱ⁾	-	(29,699)
Issued upon closing of Dreamweavers acquisition	3,100,000	1,147
Share-based compensation	200,000	90
Exercise - broker warrants	7,590	3
Balance, July 31, 2019	206,846,892	27,257

(i) On November 20, 2018, the Company filed its final prospectus in connection with its proposed initial public offering. The final prospectus qualified, and the Company distributed, 36,728,474 common shares and 18,364,236 common share purchase warrants.

(ii) During the nine months period ended July 31, 2019, the Company incurred costs totalling \$143 (July 31, 2018 - \$nil) associated with becoming a listed entity on the Canadian Securities Exchange which were expensed as share issue costs.

(iii) The Board of Directors got an approval from the shareholders at the Company's Annual General Meeting, through a special resolution, to reduce its stated capital, in accordance with Part V, paragraph 37 of the Business Corporations Act, and reduce its retained deficit by \$29,699 (the "Reduction Amount"). The Reduction Amount was created by the increased value of the common shares issued on the corporate re-organization. Management feels that this increase in stated capital and reduction of



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accumulated earnings is not reflective of the nature or performance of the business which has operated profitably for many years as evident by the positive retained earnings prior to the accounting adjustments arising on the corporate reorganization.

9. Stock Option Plan:

The Company's stock option plan limits the number of common shares reserved under the plan from exceeding a "rolling maximum" of ten (10%) percent of the Company's issued and outstanding common shares from time to time. The stock options vest at the discretion of the Board of Directors, upon grant to directors, officers, employees and consultants of the Company and its subsidiaries. The maximum exercise period of an option shall not exceed 10 years from the grant date. Changes in the number of stock options, with their weighted average exercise prices, are summarized below:

	July 31, 2019		October 31, 2018	
	Number of options	Weighted Average Exercise Price (\$)	Number of options	Weighted Average Exercise Price (\$)
Balance, beginning of period	-	0.50	-	-
Granted	11,410,000	0.50	-	-
Forfeited	(1,000,000)	0.50	-	-
Balance, end of period	10,410,000	0.50	-	-
Exercisable, end of period	5,041,875	0.50	-	-

During the nine month period ended July 31, 2019, the Company granted 11,410,000 incentive stock options to various officers, directors, employees and consultants. Subsequent to the grant date, 1,000,000 options were forfeited. The options were valued using the Black-Scholes model utilizing the following, weighted average assumptions:

Risk Free Rate – 1.56%

Volatility – 130%

Option life – 3 years

Exercise price - \$0.50

10. Special Warrants

	Number of special warrants		Amount	
	#		\$	
Balance, October 31, 2017	-		-	
Special warrants issued August 22, 2018	17,911,459		8,956	
Issue costs – Cash	-		(582)	
Issue costs – Broker warrants	-		(247)	
Issue costs – Legal fees	-		(178)	
Special warrants issued October 2, 2018	18,817,015		9,409	
Issue costs – Cash	-		(612)	
Issue costs – Broker warrants	-		(259)	
Issue costs – Legal fees	-		(123)	
Tax effect on share issue costs	-		540	
Balance, October 31, 2018	36,728,474		16,904	
Special warrants converted into units* on November 27, 2018	(36,728,724)		(16,904)	
Balance, July 31, 2019	-		-	

* Each unit comprised of 1 share and ½ purchase warrant, with each full warrant exercisable to acquire one common share at \$0.75.

11. Warrants

Outstanding warrants at July 31, 2019 were as follows:

	Note	Number of warrants	Amount	Weighted average price	Weighted average number of years to expiry
		#	\$	\$	
Balance, October 31, 2017		-	-	-	-
Issued in exchange for Famous Brandz's warrants		1,194,590	243	0.4975	0.75
Issued to brokers for private placement		670,680	158	0.3623	0.75
Issued to brokers for special warrant financing		1,164,245	246	0.3246	1.05
Issued to brokers for special warrant financing		1,223,105	259	0.3246	1.17
Balance, October 31, 2018		4,252,620	906	0.3773	0.93
Special warrants converted into units November 27, 2018	10	18,364,236	3,853	0.7500	1.38
Issued warrants on convertible debt April 18, 2019		11,146,667	398	0.8500	1.72
Issued warrants for acquisition - Dreamweavers		1,550,000	295	0.7500	1.81
Issued warrants on convertible debt June 17, 2019		4,266,667	122	0.8500	1.88
Issued warrants for services		2,000,000	202	0.5500	0.49
Balance, July 31, 2019		41,580,190	5,776	0.5843	1.22

12. Loss Per Share

	Three months ended		Nine months ended	
	2019	July 31 2018	2019	July 31 2018
	\$	\$	\$	\$
(Net Loss) for the period	(3,696)	(605)	(10,762)	(677)
Non-controlling interest	(28)	(10)	(102)	(10)
(Net Loss) for the period attributable to owners of the Company	(3,724)	(615)	(10,864)	(687)
	#	#	#	#
Weighted average number of common shares - basic and diluted	204,361,819	150,727,619	193,021,524	87,864,340
Basic (loss) per share	(0.02)	(0.00)	(0.06)	(0.01)
Dilutive (loss) per share ⁽ⁱ⁾	(0.02)	(0.00)	(0.06)	(0.01)

(i) The Company did not have any options, warrants or other potential dilutive common share instruments outstanding during the period ended July 31, 2019.



13. Financial Instruments and Risk Management

The Company's activities expose it to a variety of financial risks. The Company is exposed to credit, liquidity, and market risk due to holding certain financial instruments. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by senior management in conjunction with the Board of Directors.

A full analysis is provided in Note 20 of the audited consolidated financial statements of the company for the year ended October 31, 2018 with significant updates as follows:

Credit risk

Credit risk arises when a party to a financial instrument will cause a financial loss for the counter party by failing to fulfill its obligation. Financial instruments that subject the Company to credit risk consist primarily of cash, accounts receivable, marketable securities and loans receivable. The credit risk relating to cash and cash equivalents and marketable securities balances is limited because the counterparties are large commercial banks. The amounts reported for accounts receivable in the statement of financial position is net of allowances for doubtful accounts and bad debts and the net carrying value represents the Company's maximum exposure to credit risk. Accounts receivable credit exposure is minimized by entering into transactions with creditworthy counterparties and monitoring the age and balances outstanding on an ongoing basis. Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk.

The following table sets forth details of the aging profile of accounts receivable and the allowance for doubtful accounts:

As at	July 31, 2019	October 31, 2018
	\$	\$
Current (for less than 30 days)	1,040	343
31 – 60 days	144	233
61 – 90 days	269	73
Greater than 90 days	1,302	334
Allowance for doubtful accounts	(168)	(128)
	2,587	855

During the period ended July 31, 2019, \$171 in trade receivables were written off due to bad debts (year ended October 31, 2018 – \$396). Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The remaining accounts receivable are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified.

The Company performs a regular assessment of collectability of accounts receivables. The Company monitors the financial performance and/or cash flows of its franchisees through observation of their point of sale system, receipt of cash from customers and maintains regular contact/discussions. The Company continues to receive payments from the franchisees, and has assessed their amounts to be collectible; however, a significant portion of the accounts will take more than one year to collect. Accordingly, management has classified them as long term. In fiscal 2018, the Company reviewed the expected payment schedule and discounted it using an average franchisee credit adjusted rate of 11% resulting in the receivables being discounted by \$474. For the period ended July 31, 2019, management reviewed the estimates with no significant changes. Accordingly, a recovery of \$87 was recognized for the nine months ended July 31, 2019, representing time value accretion on the discount, which has been recorded in the statement of comprehensive loss. The Company continues to receive payments from the franchisees. Further, the Company holds security over its franchisees by way of holding the head lease to their operations and having the right to assume control of the Franchisee location and any operations governed by the applicable Franchise Agreement.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company generally relies on funds generated from operations and equity financings to provide sufficient liquidity to meet budgeted operating requirements and to supply capital to expand its operations. The Company continues to seek capital to meet current and future obligations as they come due. Maturities of the Company's financial liabilities are as follows:

	Contractual cash flows	Less than one year	1-5 years	Greater than 5 years
	\$	\$	\$	\$
October 31, 2018				
Accounts payable and accrued liabilities	2,515	2,515	-	-
Shareholder loans	36	36	-	-
Finance lease obligation	23	6	17	-
Total	2,574	2,557	17	-
July 31, 2019				
Accounts payable and accrued liabilities	2,091	2,091	-	-
Shareholder loans	419	419	-	-
Finance lease obligation	19	6	13	-
Total	2,529	2,516	13	-

Interest rate risk

The Company is not exposed to significant interest rate risk as its interest-bearing financial instruments carry a fixed rate of interest.

Foreign currency risk

Foreign currency risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company maintains cash balances and enters into transactions denominated in foreign currencies, which exposes the Company to fluctuating balances and cash flows due to variations in foreign exchange rates.

The Canadian dollar equivalent carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities as at July 31, 2019 was as follows:

<i>(Canadian dollar equivalent amounts of US dollar and Euro balances)</i>	July 31, 2019 (Euro)	July 31, 2019 (USD)	July 31, 2019 Total	October 31, 2018
	\$	\$	\$	\$
Cash	174	65	239	90
Accounts receivable (including long term portion)	58	161	219	522
Accounts payable and accrued liabilities	(562)	(445)	(1,007)	(218)
Net monetary assets	(330)	(219)	(549)	394

Assuming all other variables remain constant, a fluctuation of +/- 5.0 percent in the exchange rate between the United States dollar and the Canadian dollar would impact the carrying value of the net monetary assets by approximately +/- \$11 (October 31, 2018 - \$20). Maintaining constant variables, a fluctuation of +/- 5.0 percent in the exchange rate between the Euro and the Canadian dollar would impact the carrying value of the net monetary assets by approximately +/- \$17 (October 31, 2018 - \$Nil). To date, the Company has not entered into financial derivative contracts to manage exposure to fluctuations in foreign exchange rates. The Company had no balances denominated in Euros as at October 31, 2018.



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14. Segmented Information

Segments are identified by management based on the allocation of resources, which is done on a basis of selling channel rather than by legal entity. As such, the Company has established two main segments, being retail and wholesale, with a Corporate segment which includes oversight and start up operations of new entities until such time as revenue generation commences. In assessing performance of the segments and the allocation of resources to the segments, executive management evaluates gross margin, and net (loss) income directly attributable to each segment. The reportable segments are managed separately because of the unique characteristics and requirements of each business.

	Wholesale	Wholesale	Retail	Retail	Corporate	Corporate	Total	Total
For the three months ended July 31,	2019	2018	2019	2018	2019	2018	2019	2018
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Net Revenue	1,421	1,094	6,643	1,080	226	-	8,290	2,174
Cost of sales	(927)	(528)	(4,297)	(469)	(4)	-	(5,228)	(997)
Gross margin	494	566	2,346	611	222	-	3,062	1,177
Operating Expenses	(1,035)	(913)	(3,958)	(558)	(2,106)	(413)	(7,099)	(1,884)
Other Income (Expenses)	216	32	410	(23)	(313)	83	313	92
Net Income (loss)	(325)	(315)	(1,202)	30	(2,197)	(330)	(3,724)	(615)

	Wholesale	Wholesale	Retail	Retail	Corporate	Corporate	Total	Total
For the nine months ended July 31,	2019	2018	2019	2018	2019	2018	2019	2018
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Net Revenue	5,314	3,771	14,317	2,880	254	-	19,885	6,651
Cost of sales	(3,345)	(2,252)	(9,333)	(750)	(5)	-	(12,683)	(3,002)
Gross margin	1,969	1,519	4,984	2,130	249	-	7,202	3,649
Operating Expenses	(2,924)	(2,093)	(9,403)	(1,782)	(8,123)	(468)	(20,450)	(4,343)
Other Income (Expenses)	242	101	1,020	(92)	1,122	(2)	2,384	7
Net Income (loss)	(713)	(473)	(3,399)	256	(6,752)	(470)	(10,864)	(687)

15. Related Party Transactions

As at July 31, 2019, the Company had the following transactions with related parties as defined in IAS 24 – *Related Party Disclosures*, except those pertaining to transactions with key management personnel in the ordinary course of their employment and/or directorship arrangements and transactions with the Company's shareholders in the form of various financing.

Financing transactions

As at July 31, 2019, the Company owed the non-controlling interest shareholder of KushBar Inc. \$426. The loan carries no interest and is due on demand.

Included in the convertible debenture issued on December 12, 2018, was an investment by a related party, CannalIncome Fund Corporation, for a total subscription amount of \$250.

Operational transactions

The Company paid \$807 (2018 - \$295), to 1990299 Alberta Ltd. ("199"), a company controlled by the President and CEO of the Company, for inventory purchases. 199 primarily facilitates the import of goods and sells these imported goods to the Company at 199's purchasing and transportation costs, without markup. High Tide incorporated HT Global Imports and has transitioned the process of facilitation of its imports from 199 to HT Global Imports instead.

An office and warehouse unit has been developed by Grover Properties Inc., a company that is related through a common controlling shareholder and the President & CEO of the company. The office and warehouse space were leased to High Tide to accommodate the Company's operational expansion. The lease was established by an independent real estate valuations services company at prevailing market rates and has annual lease payments totalling \$386 per annum. The primary lease term is 5 years with two additional 5-year term extensions exercisable at the option of the Company. To facilitate the mortgage for the development of this unit, a loan guarantee of up to \$1,500 has been provided by Smoker's Corner Ltd., a subsidiary of High Tide Inc.



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16. Commitments and Contingencies

The Company has commitments relating to operating leases for its office space and outlets under non-cancelable operating leases. The future minimal annual rental payments under these operating leases are as follows:

As at	July 31, 2019	October 31, 2018
	\$	\$
Less than one year	2,532	2,336
Between one and five years	13,191	10,103
Greater than five years	3,795	2,532
	19,518	14,971

As at July 31, 2019 Canna Cabana has entered into contracts totalling \$13,165. This includes leases for a total of 51 locations, including a warehouse in Regina, as well as construction and security contracts to complete the build out of the retail locations across Canada.

Included in the commitments schedule above, is the office and warehouse unit leased by High Tide for \$386 per annum (Note 15).

Contingent liability

An action with the Court of Queen's Bench (Alberta) (the "QB Claim") and a complaint with the Human Rights Tribunal (Alberta) (the "HR Complaint") was filed by a former employee. The amount claimed by the former employee is approximately \$200 plus interest and other costs. The Company has calculated a provision based on the amount claimed and the probability of the QB Claim being successful.

17. Loans Receivable

	July 31, 2019	October 31, 2018
	\$	\$
Term loans ⁽ⁱ⁾	1,170	62
Demand loan	-	1,094
Demand loan written-off	-	(1,094)
Total loans receivable	1,170	62

- (i) Term loans are due from franchisees and relate to acquisitions of the sub-lease location from the Company and initial inventory. Term loans are secured by promissory notes, bear interest between 6.95% and 8.00 % (2018 - ranging between 5.00 % and 7.00 %) per annum and require blended payments of principal and interest between \$4 and \$10 monthly. (2018 - ranging between \$0.8 and \$4 monthly). The Company maintains the head lease to all franchisee locations.

18. Subsequent Events

- (i) On September 1, 2019, the Company acquired assets of Smoker's Corner franchise located on Jasper Avenue, Edmonton, Alberta. The total consideration paid to acquire the franchise was \$475, of which \$270 payable in cash and the remainder was paid through the issuance of 559,742 common shares of the Issuer, with each common share having a deemed value of approximately \$0.367 per common share.
- (ii) On September 4, 2019, the Company obtained a \$2,000 term loan bearing an interest rate of 12% per annum. The purpose of the loan is to finance ongoing working capital and the Company's growing operations. The loan is due on September 4, 2020. The Company issued 1,600,000 warrants to the lender, exercisable at a price of \$0.85 per share, for a period of two years.