

**High Tide Inc.**  
**(formerly known as High Tide Ventures Inc.)**  
**Condensed Consolidated Interim Financial Statements**

*For the three and nine months ended July 31, 2018*  
*(and combined condensed financial statements for three and nine months ended July 31, 2017 of RGR Canada Inc., Smoker's Corner Ltd. and Famous Brandz Inc.)*  
(Unaudited)

# High Tide Inc.

## Condensed Consolidated Interim Statements of Financial Position

Stated in Canadian Dollars

	As at July 31, 2018 (Unaudited)	As at October 31, 2017 (Audited) (Note 3)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,694,909	\$ 1,067,493
Marketable securities (Note 11)	-	697,874
Inventory (Note 6)	4,161,714	3,542,590
Prepaid expenses (Note 7)	1,488,945	232,485
Current portion of loans receivable	1,248,268	1,473,028
Advances to related parties (Note 11)	-	1,726,706
Accounts receivable (Note 8)	2,548,010	1,710,402
Total current assets	\$ 11,141,846	\$ 10,450,578
<b>Non-current assets</b>		
Loans receivable	\$ 6,064	\$ 81,950
Deferred tax asset	566,527	479,225
Intangible asset – software	69,207	-
Property and equipment	134,352	101,251
Total non-current assets	\$ 776,150	\$ 662,426
<b>Total assets</b>	<b>\$ 11,917,996</b>	<b>\$ 11,113,004</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 9)	\$ 1,691,910	\$ 798,895
Income taxes payable	843,309	677,166
Current portion of long-term loans	31,485	32,907
Preference shares (Notes 10 (b) (ii) and 10 (b) (iii))	-	18,629,100
Shareholder loans (Note 11)	-	209,938
Total current liabilities	\$ 2,566,704	\$ 20,348,006
<b>Non-current liabilities</b>		
Long-term loans	\$ -	\$ 21,833
Total non-current liabilities	\$ -	\$ 21,833
<b>Total liabilities</b>	<b>\$ 2,566,704</b>	<b>\$ 20,369,839</b>
<b>Equity</b>		
Share capital (Note 10)	\$ 35,291,453	\$ 786,636
Warrants (Note 12)	399,247	-
Accumulated other comprehensive income	-	51,021
Accumulated deficit	(26,329,535)	(10,094,492)
<b>Equity attributable to owners of the Company</b>	<b>\$ 9,361,165</b>	<b>\$ (9,256,835)</b>
<b>Non-controlling interests</b>	<b>(9,873)</b>	<b>-</b>
Total equity	\$ 9,351,292	\$ (9,256,835)
<b>Total liabilities and equity</b>	<b>\$ 11,917,996</b>	<b>\$ 11,113,004</b>

### Commitments (Note 18)

### Subsequent events (Note 20)

Approved on behalf of the Board:

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

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

# High Tide Inc.

## Condensed Consolidated Interim Statement of (Loss) Income and Other Comprehensive (Loss) Income

Stated in Canadian Dollars  
(Unaudited)

	Three months ended July 31		Nine months ended July 31	
	2018	2017 (Note 3)	2018	2017 (Note 3)
<b>Revenue</b>				
Merchandise sale	\$ 2,054,542	\$ 3,048,132	\$ 6,246,016	\$ 7,244,223
Royalty	200,852	216,605	641,173	572,524
Interest and other	41,077	120,474	153,034	340,856
Less: Discounts	(121,831)	(340,104)	(388,991)	(660,555)
	\$ 2,174,640	\$ 3,045,107	\$ 6,651,232	\$ 7,497,048
<b>Cost of sales</b>	\$ (997,698)	\$ (1,271,825)	\$ (3,001,378)	\$ (3,952,023)
<b>Gross margin</b>	\$ 1,176,942	\$ 1,773,282	\$ 3,649,854	\$ 3,545,025
<b>Expenses</b>				
Salaries, wages and benefits	\$ 784,781	\$ 413,967	\$ 1,834,691	\$ 1,215,313
General and administration	291,143	333,583	1,056,749	1,029,389
Professional fees	581,875	39,042	931,521	107,134
Advertising and promotion	157,284	102,564	383,805	216,224
Depreciation	9,294	6,971	28,525	20,848
Interest and bank charges	59,746	22,416	106,777	76,197
<b>Total expenses</b>	\$ 1,884,123	\$ 918,543	\$ 4,342,068	\$ 2,665,105
<b>(Loss) income before other income (expenses)</b>	\$ (707,181)	\$ 854,739	\$ (692,214)	\$ 879,920
<b>Other income (expenses)</b>				
Derivative liability fair value	\$ -	\$ -	\$ 28,415	\$ -
Accretion expense	-	-	(7,709)	-
Disposition of marketable securities (Note 11)	51,021	-	51,021	-
Foreign exchange gain (loss)	31,640	(79,822)	(30,082)	(108,657)
<b>(Loss) income before taxes</b>	\$ (624,520)	\$ 774,917	\$ (650,569)	\$ 771,263
Income taxes (recovery) expense	(9,425)	203,558	32,518	199,536
<b>(Loss) income for the period</b>	\$ (615,095)	\$ 571,359	\$ (683,087)	\$ 571,727
<b>Other comprehensive income</b>				
Loss on fair value of available for sale marketable securities	\$ -	\$ (70,645)	\$ -	\$ (70,645)
<b>Total comprehensive (loss) income for the period</b>	\$ (615,095)	\$ 500,714	\$ (683,087)	\$ 501,082
<b>Total (loss) income and comprehensive (loss) income attributable to:</b>				
Owners of the Company	\$ (605,222)	\$ 500,714	\$ (673,214)	\$ 501,082
Non-controlling interest	(9,873)	-	(9,873)	-
	\$ (615,095)	\$ 500,714	\$ (683,087)	\$ 501,082
<b>(Loss) income per share (Note 13)</b>				
Basic	\$ (0.00)	\$ 0.04	\$ (0.01)	\$ 0.05
Diluted	\$ (0.00)	\$ 0.04	\$ (0.01)	\$ 0.05

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

# High Tide Inc.

## Condensed Consolidated Interim Statements of Changes in Equity

Stated in Canadian dollars

For the nine months ended July 31, 2018 and 2017

(Unaudited)

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Warrants	Accumulated other comprehensive income	Accumulated deficit	Total				
Balance at October 31, 2016	\$ 6	\$ -	\$ -	\$ (9,874,171)	\$ (9,874,165)	\$ -	\$ -	\$ (9,874,165)	
Bonus shares	237,619	-	-	(237,619)	-	-	-	-	
Shares issued upon conversion of shareholder loans	215,342	-	-	-	215,342	-	-	215,342	
Dividends – cash	-	-	-	(448,957)	(448,957)	-	-	(448,957)	
Income for the period	-	-	-	571,727	571,727	-	-	571,727	
Other comprehensive income	-	-	(70,645)	-	(70,645)	-	-	(70,645)	
<b>Balance at July 31, 2017 (Note 3)</b>	<b>\$ 452,967</b>	<b>\$ -</b>	<b>\$ (70,645)</b>	<b>\$ (9,989,020)</b>	<b>\$ (9,606,698)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (9,606,698)</b>	
Balance at October 31, 2017 (Note 3)	\$ 786,636	\$ -	\$ 51,021	\$ (10,094,492)	\$ (9,256,835)	\$ -	\$ -	\$ (9,256,835)	
Common share issued upon incorporation (Note 10 (b))	20,000	-	-	-	20,000	-	-	20,000	
Eliminated upon corporate reorganization (Note 10 (b))	(786,636)	-	-	-	(786,636)	-	-	(786,636)	
Common shares issued to acquire common shares on corporate reorganization (Note 10 (b))	13,357,900	-	-	(11,069,561)	2,288,339	-	-	2,288,339	
Common shares issued to acquire preferred shares on corporate reorganization (Note 10 (b))	18,629,100	-	-	-	18,629,100	-	-	18,629,100	
Warrants issued in exchange for warrants of Famous Brandz Inc. on corporate reorganization (Note 12)	-	241,700	-	-	241,700	-	-	241,700	
Shares issued on private placement (Note 10 (b))	3,705,000	-	-	-	3,705,000	-	-	3,705,000	
Share issue cost – cash (Note 10 (b))	(263,000)	-	-	-	(263,000)	-	-	(263,000)	
Share issue cost – broker warrants (Note 10 (b))	(157,547)	157,547	-	-	-	-	-	-	
Dividends (Note 10 (b))	-	-	-	(4,492,268)	(4,492,268)	-	-	(4,492,268)	
Disposition of marketable securities (Note 11)	-	-	(51,021)	-	(51,021)	-	-	(51,021)	
Loss for the period	-	-	-	(673,214)	(673,214)	(9,873)	-	(683,087)	
<b>Balance at July 31, 2018</b>	<b>\$ 35,291,453</b>	<b>\$ 399,247</b>	<b>\$ -</b>	<b>\$ (26,329,535)</b>	<b>\$ 9,361,165</b>	<b>\$ (9,873)</b>	<b>\$ -</b>	<b>\$ 9,351,292</b>	

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

# High Tide Inc.

## Condensed Consolidated Interim Statements of Cash Flows

Stated in Canadian dollars

(Unaudited)

	Nine months ended	
	July 31	
	2018	2017
<b>Operating activities</b>		
(Loss) income for the period	\$ (683,087)	\$ 571,727
Adjustments for:		
Income taxes (recovery) expense	32,518	199,536
Depreciation	28,525	20,848
Derivative liability fair value	(28,415)	-
Accretion	7,709	-
Disposition of marketable securities	(51,021)	-
Impairment (reversal) loss on trade receivables (Note 15)	7,036	(34,003)
Inventory obsolescence (reversal) provision	60,288	(4,662)
	\$ (626,447)	\$ 753,446
Changes in working capital:		
Accounts receivable	\$ (844,644)	\$ (779,698)
Inventory	(679,412)	131,696
Prepaid expenses	(1,256,460)	206,881
Loans receivable	300,646	187,501
Advances to related parties	641,881	387,346
Accounts payable and accrued liabilities	893,014	379,553
Shareholder loans (Note 11)	-	214,071
Income tax refund (paid)	46,323	(443,837)
<b>Cash flows (used in) provided by operating activities</b>	\$ (1,525,099)	\$ 1,036,959
<b>Financing activities</b>		
Receipt of long-term debt	\$ -	\$ 31,179
Repayment of long-term debt	(23,255)	(18,853)
Payment of dividends	(1,155,397)	(448,957)
Proceeds from share issuance net of share issue cost	3,462,000	-
<b>Cash flows from (used in) financing activities</b>	\$ 2,283,348	\$ (436,631)
<b>Investing activities</b>		
Purchase of marketable securities (Note 11)	\$ -	\$ (556,495)
Purchases of property and equipment	(61,626)	(41,031)
Purchase of intangible asset – software	(69,207)	-
<b>Cash flows used in investing activities</b>	\$ (130,833)	\$ (597,526)
<b>Increase in cash and cash equivalents</b>	\$ 627,416	\$ 2,802
<b>Cash and cash equivalents, beginning of the period</b>	<b>1,067,493</b>	<b>1,115,338</b>
<b>Cash and cash equivalents, end of the period</b>	<b>\$ 1,694,909</b>	<b>\$ 1,118,140</b>

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

# High Tide Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Stated in Canadian dollars

For the three and nine months ended July 31, 2018 and 2017

(Unaudited)

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### 1. Description of business

High Tide Inc. ("High Tide" or the "Company") was incorporated under the Business Corporation Act (Alberta) on February 8, 2018. These unaudited condensed consolidated interim financial statements comprise the Company and its subsidiaries, RGR Canada Inc. ("RGR"), Smoker's Corner Ltd. ("Smoker's Corner"), Famous Brandz Inc. ("Famous Brandz"), Canna Cabana Inc. ("Canna Cabana"), KushBar Inc. ("KushBar") and Kush West Distribution Inc. ("Kush West") collectively referred to as the "Group".

The Company is primarily involved in wholesale and retail sale of smoking accessories. The Company intends to diversify its business into wholesale and retail cannabis in Canada upon receipt of applicable business licenses and regulatory approval; this business will be conducted through its entities; Canna Cabana, KushBar and Kush West.

On September 18, 2018, the Board of Directors authorized to change the Company's name from High Tide Ventures Inc. to High Tide Inc. The name change was filed with the Business Corporates Act (Alberta) at Alberta Registries and is effective October 4, 2018.

The address of the Company's corporate and registered office is 120 4954 Richard Road SW, Calgary, Alberta T3E 6L1.

### 2. Corporation reorganization

On February 28, 2018, RGR and Smoker's Corner and on April 30, 2018, Famous Brandz became wholly owned subsidiaries of newly created High Tide following a corporate reorganization whereby the shareholders of RGR, Smoker's Corner and Famous Brandz transferred all of their ownership interests in exchange for fully-paid common shares of High Tide as follows:

- The shareholders of RGR received 6,128,301 (pre-share split: 2,220,400) Class A common shares of High Tide for their 100 Class A common shares and the holders of preferred shares received 45,128,840 (pre-share split: 16,351,029) Class A common shares of High Tide for their 88,044 Class F preferred shares (redeemable at a value of \$100 each);
- The shareholders of Smoker's Corner received 6,024,250 (pre-share split: 2,182,700) Class A common shares of High Tide for their 100 Class A common shares and the holders of preferred shares received 50,358,600 (pre-share split: 18,245,871) Class A common shares of High Tide for their 98,247 Class F preferred shares (redeemable at a value of \$100 each); and
- The shareholders of Famous Brandz received 30,324,120 (pre-share split: 10,987,000) Class A common shares of High Tide for their 58,517,012 Class A common shares. In addition, Famous Brandz had 3,403,333 warrants issued and outstanding which were exchanged for 1,813,731 (pre-share split: 657,149) warrants of High Tide.

### 3. Basis of consolidation, composition of the unaudited condensed consolidated interim financial statements and basis of accounting

The audited combined financial statements as at and for the year ended October 31, 2017, combined the assets, liabilities and equity at October 31, 2017, and the results of operations, changes in equity and cash flows for the year then ended of RGR, Smoker's Corner and Famous Brandz as these entities were under common control.

As the controlling group of RGR, Smoker's Corner and Famous Brandz also control High Tide and its subsidiaries, the assets and liabilities of the later three entities have been accounted for at their historical carrying amounts; therefore, the consolidated financial statements of High Tide, subsequent to the corporate reorganization, have been presented on a continuity of interest basis.

These unaudited condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries, which are consolidated from the date of acquisition/completion of the corporate reorganization, being the date on which the Company obtained control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent, using consistent accounting policies. All intercompany balances and transactions are eliminated in full upon consolidation. Accumulated losses were carried through High Tide under common control and share capital of subsidiaries was eliminated upon consolidation.

# High Tide Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Stated in Canadian dollars

For the three and nine months ended July 31, 2018 and 2017

(Unaudited)

Details of the entities contained in these unaudited condensed consolidated interim financial statements are as follows:

<b>Entity</b>	<b>Principle activity</b>	<b>Place of business and operations</b>	<b>Equity percentage</b>
RGR	Wholesale of smoking accessories	Calgary, Alberta	100%
Smoker's Corner	Retail of smoking accessories	Calgary, Alberta	100%
Famous Brandz	Wholesale of smoking accessories	Toronto, Ontario	100%
Canna Cabana	Wholesale and retail of cannabis upon receipt of applicable business licenses and regulatory approval	Calgary, Alberta	100%
KushBar	Retail of cannabis upon receipt of applicable business licenses and regulatory approval	Calgary, Alberta	50.1%
Kush West	Wholesale of cannabis upon receipt of applicable business licenses and regulatory approval	Calgary, Alberta	100%

These unaudited condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and should be read in conjunction with the Group's last annual combined financial statements as at and for the year ended October 31, 2017, ("last annual financial statements"). They do not include all of the information required for a complete set of International Financial Reporting Standards ("IFRS") financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

These unaudited condensed consolidated interim financial statements are presented in Canadian dollars ("C\$"), which is the Company's and its subsidiaries functional currency.

These unaudited condensed consolidated interim financial statements were approved and authorized for issuance by the Board of Directors on October 1, 2018.

#### 4. Use of judgements and estimates

In preparing these unaudited condensed consolidated interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

#### 5. Recently issued accounting standards not yet applied

In January 2016, the IASB issued IFRS 16 *Leases*, which requires lessees to recognize all leases on the statement of Financial Position. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for companies that also applies IFRS 15 Revenue from Contracts with Customers.

In May 2014, the IASB issued IFRS 15 *Revenue from Contracts with Customers*, which replaces IAS 18 Revenue, IAS 11 Construction Contracts, and related interpretations. The standard is required to be adopted either retrospectively or using a modified transition approach for fiscal years beginning on or after January 1, 2018, with earlier adoption permitted. IFRS 15 will come into effect for annual periods beginning on or after January 1, 2018.

In July 2014, the IASB completed the final elements of IFRS 9 *Financial Instruments*. The Standard supersedes earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9, as amended, includes a principle-based approach for classification and measurement of financial assets, a single 'expected loss' impairment model and a substantially reformed approach to hedge accounting. IFRS 9 will come into effect for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

The Company is currently evaluating the impact of the above standards on its consolidated financial statements.

# High Tide Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Stated in Canadian dollars

For the three and nine months ended July 31, 2018 and 2017

(Unaudited)

### 6. Inventory

	July 31, 2018	October 31, 2017
Finished goods	\$ 4,631,195	\$ 3,951,783
Provision for obsolescence	(469,481)	(409,193)
	\$ 4,161,714	\$ 3,542,590

Inventories recognized as an expense and included in cost of sales during the three and nine months ended July 31, 2018 totaled \$975,103 and \$3,145,624 respectively (three and nine months ended July 31, 2017: \$1,277,136 and \$2,904,468 respectively).

### 7. Prepaid expenses

Prepaid expenses include a deposit of \$629,737 to acquire a business for which negotiations are ongoing and rental deposit of \$546,522 for planned cannabis retail outlets. A significant portion of the rental deposit amount is refundable as these payments were made to secure the retail outlet and are subject to meeting certain criteria relating to operating retail cannabis and the related licensing. Prepaid expenses also include license fee deposits, insurance and software fees.

### 8. Accounts receivable

	July 31, 2018	October 31, 2017
Trade receivables	\$ 2,663,877	\$ 1,819,233
Allowance for doubtful receivables	(115,867)	(108,831)
	\$ 2,548,010	\$ 1,710,402

### 9. Accounts payable and accrued liabilities

	July 31, 2018	October 31, 2017
Accounts payable	\$ 1,279,034	\$ 675,283
Accrued salaries	59,716	60,839
Accrued liabilities	347,548	33,381
Other payables	5,612	29,392
	\$ 1,691,910	\$ 798,895



# High Tide Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Stated in Canadian dollars

For the three and nine months ended July 31, 2018 and 2017

(Unaudited)

### 10. Share capital

#### (a) Authorized:

The Company is authorized to issue an unlimited number of Class A, Class B and Class C common shares. The holders of these common shares are entitled to:

- vote at all meetings of shareholders except meetings at which only holders of a specified class of shares are entitled to vote;
- receive dividends in the discretion of the directors exclusive of other classes of shares of the Company; and
- receive the remaining property of the Company under dissolution equally.

#### (b) Issued:

##### Common shares

	Number of Class A common shares	Amount
<b>Balance, October 31, 2017 (Note 2)</b>	<b>18,400,200</b>	<b>\$ 786,636</b>
Issued on incorporation (i)	2,760,000	20,000
Eliminated upon reorganization (Note 2)	(18,400,200)	(786,636)
Issued to acquire 100 Class A common shares of RGR (ii)	6,128,301	1,195,600
Issued to acquire 88,044 Class F preferred shares of RGR (ii)	45,128,840	8,804,400
Issued to acquire 100 Class A common shares of Smoker's Corner (iii)	6,024,250	1,175,300
Issued to acquire 98,247 Class F preferred shares of Smoker's Corner (iii)	50,358,600	9,824,700
Issued to acquire 58,517,012 Class A common shares of Famous Brandz (iv)	30,324,120	10,987,000
Issued for cash on private placement (v)	10,225,800	3,705,000
Share issue cost – broker warrants (v)	-	(157,547)
Share issue cost – cash (v)	-	(263,000)
<b>Balance, July 31, 2018</b>	<b>150,949,911</b>	<b>\$ 35,291,453</b>

- (i) Upon incorporation of High Tide on February 8, 2018, 2,760,000 (pre-share split: 1,000,000) Class A common shares at a price of \$0.0073 per share (pre-share split: \$0.02 per share) totalling \$20,000 were issued.
- (ii) On February 28, 2018, the Company issued 6,128,301 (pre-share split: 2,220,400) Class A common shares at a price of \$0.1949 per share (pre-share split: \$0.538 per share) totalling \$1,195,600 to acquire 100 Class A common shares of RGR from its shareholders and issued 45,128,840 (pre-share split: 16,351,029) Class A common shares at a price of \$0.1949 per share (pre-share split: \$0.538 per share) totalling \$8,804,400 to acquire 88,044 preferred shares of RGR from its holders. These preferred shares have been eliminated upon consolidation.
- (iii) On February 28, 2018, the Company issued 6,024,250 (pre-share split: 2,182,700) Class A common shares at a price of \$0.1949 per share (pre-share split: \$0.538 per share) totalling \$1,175,300 to acquire 100 Class A common shares of Smoker's Corner from its shareholders and issued 50,358,600 (pre-share split: 18,245,871) Class A common shares at a price of \$0.1949 per share (pre-share split: \$0.538 per share) totalling \$9,824,700 to acquire 98,247 preferred shares of Smoker's Corner from its holders. These preferred shares have been eliminated upon consolidation.
- (iv) On April 30, 2018, the Company issued 30,324,120 (pre-share split: 10,987,000) Class A common shares at a price of \$0.3623 per share (pre-share split: \$1.00 per share) totalling \$10,987,000 to acquire 58,517,012 Class A common shares of Famous Brandz from its shareholders.
- (v) On May 2, 2018, the Company closed a brokered private placement offering for 10,225,800 (pre-share split: 3,705,000) common shares at \$0.3623 per share (pre-share split: \$1.00 per share). The brokers' fees consist of cash payment of \$263,000 and 670,680 (pre-share split: 243,000) broker warrants, which are exercisable at \$0.3623 each (pre-share split: \$1.00 each). These warrants were valued at \$157,547 using Black Scholes option pricing model using the following assumptions:
- Rate free interest rate: 1.77%
  - Expected volatility: 130%
  - Expected life in years: 2
  - Expected dividends: Nil
- (vi) As the price of the Class A common shares of the Company that were exchanged to acquire Class A common shares of RGR, Smoker's Corner and Famous Brandz were higher, the Company has recorded the extra value paid against the accumulated losses amounting to \$11,069,561.

# High Tide Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Stated in Canadian dollars

For the three and nine months ended July 31, 2018 and 2017

(Unaudited)

(vii) Subsequent to the period end, on August 24, 2018, the shareholders approved by special resolution a stock split of the common shares of the Company at a ratio to be set by the Company's Board of Directors, provided that not more than 5 and not less than 1 post-split shares would be issued for each pre-split share. By resolution made effective September 18, 2018, the Company's Board of Directors authorized a share split of the unissued, and issued and outstanding common shares of the Company such that 1 pre-split share would be converted to 2.76 post-split shares (1:2.76). The Articles of Amendment effecting the share-split was filed with the Registrar of Corporations (Alberta) on October 4, 2018. The share split has been reflected in these unaudited condensed consolidated interim financial statements for the historical periods on a retroactive basis.

### 11. Dividends

As part of the corporate reorganization, dividends declared and paid during the three and nine months ended July 31, 2018 totalled \$4,492,268 comprising payments via cash of \$1,155,397, and transferring of marketable securities with a fair value at the date of transfer totalling \$675,587, Class A common shares of Famous Brandz owned by RGR and Smoker's Corner totalling \$1,006,998 and net balance of advances to related companies and shareholder loans totalling \$1,654,286.

Dividends declared and paid during the three and nine months ended July 31, 2017 totalling \$686,576 that was paid via cash of \$448,957 and shares of \$237,619.

### 12. Warrants

	Number of warrants	Amount
Issued in exchange for Famous Brandz's warrants (i)	1,194,590	\$ 241,700
Issued to brokers for private placement (Note 10 (b) (v))	670,680	157,547
<b>Balance at July 31, 2018</b>	<b>1,865,270</b>	<b>\$ 399,247</b>

(i) During the three and nine months ended July 31, 2018, Famous Brandz issued 721 units of unsecured convertible debentures with warrants at a price of \$1,000 per unit for total proceeds of \$710,000. The debentures were converted into Class A common share of Famous Brandz prior to the corporate reorganization. As part of the corporate reorganization, the Company issued 1,194,590 (pre-share split: 413,379) warrants with an exercise price of \$0.4975 (pre-share split: \$1.373) in exchange for 3,403,333 Famous Brandz's warrants of which 2,403,333 warrants related to the convertible debentures and 1,000,000 were other warrants. The 1,194,590 (pre-share split: 413,379) High Tide's warrants were valued at \$241,700 using Black Scholes option pricing model using the following assumptions:

- Rate free interest rate: 1.77%
- Expected volatility: 130%
- Expected life in years: 2
- Expected dividends: Nil

Outstanding warrants at July 31, 2018 were as follows:

	Number of warrants	Weighted average price	Weighted average number of years to expiry
Warrants	1,194,590	\$ 0.4975	1.74
Brokers warrants	670,680	0.3623	1.75
<b>Balance at July 31, 2018</b>	<b>1,865,270</b>	<b>\$ 0.4489</b>	<b>1.75</b>

# High Tide Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Stated in Canadian dollars

For the three and nine months ended July 31, 2018 and 2017

(Unaudited)

### 13. (Loss) income per share

	Three months ended July 31		Nine months ended July 31	
	2018	2017 (Note 3)	2018	2017 (Note 3)
(Loss) income for the period attributable to common equity holders	\$ (605,222)	\$ 500,714	\$ (673,214)	\$ 501,082
Weighted average number of common shares for the purposes of basic income per share	150,727,619	12,600,200	87,864,340	9,852,947
Basic income per share	\$ (0.00)	\$ 0.04	\$ (0.01)	\$ 0.05
Dilutive income per share*	\$ (0.00)	\$ 0.04	\$ (0.01)	\$ 0.05

\* The Company did not have any options, warrants or other potential dilutive common share instrument outstanding during the three and nine months ended July 31, 2017. The warrants that were issued during the three and nine months ended July 31, 2018 were anti-dilutive due to the loss for the period.

### 14. Capital management

The Company's objectives when managing capital are to:

- Deploy capital to provide an appropriate return on investment to its shareholders;
- Maintain financial flexibility in order to preserve the Company's ability to meet financial obligations; and
- Maintain a capital structure that provides financial flexibility to execute on strategic opportunities.

The Company's strategy is formulated to maintain a flexible capital structure consistent with the objectives as stated above and to respond to changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year-over-year sustainable profitable growth. The Company is not subject to any externally imposed capital requirements or covenants.

The Company's capital structure consists of equity and working capital. In order to maintain or alter the capital structure, the Company may adjust capital spending, raise new debt and issue share capital. The Company expects that funds generated from operations and working capital amounts will provide sufficient capital resources and liquidity to fund existing operations in the remainder of 2018 and 2019.

### 15. 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 because of 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.

#### Fair value

IFRS establishes a three-level hierarchy that prioritizes the inputs relative to the valuation techniques used to measure fair value. Fair values of assets and liabilities included in Level 1 of the hierarchy are determined by reference to quoted prices in active markets for identical assets and liabilities. Fair value of assets and liabilities in Level 2 are determined using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Fair value of assets and liabilities in Level 3 are determined based on inputs that are unobservable and significant to the overall fair value measurement. Accordingly, the Company has categorized its financial instruments carried at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. The Company's cash balance and marketable securities is subject to Level 1 valuation.

The Company's financial instruments consist of cash and cash equivalent to accounts receivable, loans receivable, accounts payable and accrued liabilities, and long-term loans. The carrying amounts of current assets and liabilities approximate their fair value due to their short period to maturity.

# High Tide Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Stated in Canadian dollars

For the three and nine months ended July 31, 2018 and 2017

(Unaudited)

Loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The fair values of notes receivable are not materially different to their carrying amounts, since the interest receivable on those notes is either close to current market rates or the notes are of a short-term nature. If collection of the amounts is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

For all borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is close to current market rates.

### Credit risk

Credit risk arises when one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. Financial instruments that subject the Company to credit risk consist primarily of cash, accounts receivable and marketable securities. The credit risk relating to cash and cash equivalents and marketable securities balances is limited because the counterparties are large commercial banks in Canada and the United States. 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 (trade) credit exposure is minimized by entering into transactions with creditworthy counterparties and monitoring the age and balances outstanding on an ongoing basis. Payment terms with customers are at the point of sales or within 30 days from invoice date for corporate customers. 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, 2018
Current (for less than 30 days)	\$ 585,612
31 – 60 days past due	235,463
61 – 90 days past due	136,111
Past due for greater than 90 days	1,706,691
Allowance for doubtful accounts	(115,867)
	<b>\$ 2,548,010</b>

During the three and nine months ended July 31, 2018, \$Nil and \$Nil respectively (three and nine months ended July 31, 2017 - \$9,400 and \$17,000 respectively) in trade receivables were written off due to bad debts. 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.

For these receivables, the estimated impairment losses are recognised in a separate provision for impairment. The Company considers that there is evidence of impairment if any of the following indicators are present:

- significant financial difficulties of the customer;
- probability that the customer will enter bankruptcy or financial reorganization; and
- default or delinquency in payments (more than 90 days overdue).

Receivables for which an impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

Impairment losses are recognised in profit or loss within general and administrative expenses. Subsequent recoveries of amounts previously written off are credited against general and administrative expenses.

Movements in the provision for impairment of trade receivables that are assessed for impairment collectively are as follows:

Balance at November 1	\$ 108,831
Provision for impairment recognised during the year	7,036
Receivables written off during the year as uncollectible	-
<b>Balance at July 31, 2018</b>	<b>\$ 115,867</b>

# High Tide Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Stated in Canadian dollars

For the three and nine months ended July 31, 2018 and 2017

(Unaudited)

### 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 related parties to provide sufficient liquidity to meet budgeted operating requirements and to supply capital to increase the development of its technology services.

The Company has sufficient working capital to meet obligations as they come due.

Maturities of the Company's financial liabilities are as follows:

	<b>Contractual cash flows</b>	<b>Less than one year</b>	<b>1 - 5 years</b>	<b>Greater than 5 years</b>
<b>July 31, 2018</b>				
Accounts payable and accrued liabilities	\$ 1,691,910	\$ 1,691,910	\$ -	\$ -
Income taxes payable	843,309	843,309	-	-
Long-term loans	31,485	31,485	-	-
<b>Total</b>	<b>\$ 2,566,704</b>	<b>\$ 2,566,704</b>	<b>\$ -</b>	<b>\$ -</b>

### 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, principally in United States dollars, 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, 2018 were as follows:

<i>(Canadian dollar equivalent amounts of US dollar balances)</i>	<b>July 31, 2018</b>
Cash	\$ 70,188
Accounts receivable	1,179,414
Accounts payable and accrued liabilities	(506,385)
	<b>\$ 743,217</b>

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 income before tax by approximately \$37,000. To date, the Company has not entered into financial derivative contracts to manage exposure to fluctuations in foreign exchange rates.

# High Tide Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

Stated in Canadian dollars

For the three and nine months ended July 31, 2018 and 2017

(Unaudited)

### 16. Segmented information

The following presents the results of Company's operating segments for the three and nine months ended July 31, 2018 and 2017.

In assessing performance of the segments and the allocation of resources to the segments, executive management evaluates gross margin, and (loss) income before tax directly attributable to each segment. All of the Company's identifiable assets are located in Canada. The reportable segments are managed separately because of the unique characteristics and requirements of each business.

Nine months ended July 31, 2018 and 2017

	<b>Wholesale 2018 (\$)</b>	Wholesale 2017 (\$)	<b>Retail 2018 (\$)</b>	Retail 2017 (\$)	<b>Corporate 2018 (\$)</b>	<b>Total 2018 (\$)</b>	Total 2017 (\$)
<b>Revenue</b>							
Merchandise sale	<b>4,076,047</b>	5,066,679	<b>2,169,969</b>	2,177,544	-	<b>6,246,016</b>	7,244,223
Royalty	-	-	<b>641,173</b>	572,524	-	<b>641,173</b>	572,524
Interest and other	<b>83,729</b>	151,529	<b>69,305</b>	189,327	-	<b>153,034</b>	340,856
Less: Discounts	<b>(388,991)</b>	(660,555)	-	-	-	<b>(388,991)</b>	(660,555)
	<b>3,770,785</b>	4,557,653	<b>2,880,447</b>	2,939,395	-	<b>6,651,232</b>	7,497,048
<b>Cost of sales</b>	<b>(2,251,721)</b>	(2,870,362)	<b>(749,657)</b>	(1,081,661)	-	<b>(3,001,378)</b>	(3,952,023)
<b>Gross margin</b>	<b>1,519,064</b>	1,687,291	<b>2,130,790</b>	1,857,734	-	<b>3,649,854</b>	3,545,025
<b>Expenses</b>							
Salaries, wages and benefits	<b>871,892</b>	586,758	<b>937,799</b>	628,555	<b>25,000</b>	<b>1,834,691</b>	1,215,313
General and administration	<b>539,632</b>	548,839	<b>481,747</b>	480,550	<b>35,370</b>	<b>1,056,749</b>	1,029,389
Professional fees	<b>314,714</b>	79,169	<b>212,581</b>	27,965	<b>404,226</b>	<b>931,521</b>	107,134
Advertising and promotion	<b>269,593</b>	144,855	<b>111,893</b>	71,369	<b>2,319</b>	<b>383,805</b>	216,224
Depreciation	<b>10,376</b>	7,858	<b>18,149</b>	12,990	-	<b>28,525</b>	20,848
Interest and bank charges	<b>87,139</b>	50,703	<b>18,442</b>	25,494	<b>1,196</b>	<b>106,777</b>	76,197
Derivative liability fair value	<b>(28,415)</b>	-	-	-	-	<b>(28,415)</b>	-
Accretion expense	<b>7,709</b>	-	-	-	-	<b>7,709</b>	-
Disposition of marketable securities	<b>(9,805)</b>	-	<b>(41,216)</b>	-	-	<b>(51,021)</b>	-
Foreign exchange loss (gain)	<b>16,004</b>	156,972	<b>13,696</b>	(48,315)	<b>382</b>	<b>30,082</b>	108,657
<b>(Loss) income before taxes</b>	<b>(559,775)</b>	112,137	<b>377,699</b>	659,126	<b>(468,493)</b>	<b>(650,569)</b>	771,263
Income taxes expense (recovery)	<b>(86,820)</b>	27,360	<b>119,338</b>	172,176	-	<b>32,518</b>	199,536
<b>(Loss) income for the year</b>	<b>(472,955)</b>	84,777	<b>258,361</b>	486,950	<b>(468,493)</b>	<b>(683,087)</b>	571,727
<b>Purchase of property and equipment</b>	<b>12,365</b>	5,953	<b>26,848</b>	35,078	<b>22,413</b>	<b>61,626</b>	41,031
<b>Purchase of intangible assets</b>	-	-	-	-	<b>69,207</b>	<b>69,207</b>	-

Total assets and total liabilities of the Company's operating segments as at July 31, 2018 and 2017 were as follows:

	<b>Wholesale 2018 (\$)</b>	Wholesale 2017 (\$)	<b>Retail 2018 (\$)</b>	Retail 2017 (\$)	<b>Corporate 2018 (\$)</b>	<b>Total 2018 (\$)</b>	Total 2017 (\$)
Total assets	<b>6,839,047</b>	6,928,894	<b>3,501,356</b>	3,699,108	<b>1,577,593</b>	<b>11,917,996</b>	10,628,002
Total liabilities	<b>325,358</b>	10,126,966	<b>1,175,301</b>	10,107,734	<b>1,066,045</b>	<b>2,566,704</b>	20,234,700

# High Tide Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended July 31, 2018 and 2017

(Unaudited)

### 17. Related party transactions

#### Operational transaction

RGR acts as the procurement entity for the Group and sells inventory to the Group for external sale. The transactions between RGR, Smoker's Corner and Famous Brandz have been eliminated upon consolidation and combination.

#### Executive compensation

The Company defines key management personnel as being the Chief Executive Officer (who is also the major shareholder and director), Chief Operating Officer, Chief Financial Officer, Chief Revenue Officer and Chief Strategy Officer. The Company has not provided non-cash benefits to the key management.

Key management compensation were as follows:

	Three months ended July 31		Nine months ended July 31	
	2018	2017	2018	2017
Salaries and other short-term employee benefits	\$ 145,489	\$ 77,500	\$ 414,294	\$ 232,500

None of the other directors were paid any fees or other emoluments during the three and nine months ended July 31, 2018 and 2017.

### 18. Commitments

#### Leases

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

As at July 31	2018
Less than one year	\$ 676,376
Between one and five years	714,140
More than five years	181,547
	<b>\$ 1,572,063</b>

### 19. 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 \$200,000 plus interest and other costs. Based on advice from the legal counsel, management believes that, in an adverse scenario, the amount is not expected to be material. Accordingly, no provision for the liability has been recognized in these unaudited condensed consolidated interim financial statements.

# High Tide Inc.

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended July 31, 2018 and 2017

(Unaudited)

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### 20. Subsequent events

Subsequent to the period end, the Company initiated a process to become a listed entity on the Canadian Securities Exchange ("CSE"). The Company is pursuing a listing to enable easier access to capital markets should additional capital be required to fund future growth plans as well as to create liquidity for existing shareholders.

Subsequent to the period end, Canna Cabana has entered into contracts totalling \$4.8 million with three building contractors in Calgary and Edmonton for the construction of 20 retail outlets. Additional contracts for security services have been signed with a Calgary based security services company.

The Company, through Canna Cabana and KushBar, submitted applications for 32 retail cannabis licences in Alberta. An additional licence application under Canna Cabana was submitted by a franchisee. On August 16, 2018, Canna Cabana was granted an interim conditional licence by Alberta Gaming and Liquor Commission (AGLC) for the sale of cannabis in Alberta. Further, as of the date of these unaudited condensed consolidated interim financial statements Canna Cabana has received 19 development permits for municipal operations. The Company, through Kush West has submitted an application for a wholesale cannabis permit in the province of Saskatchewan.

A new office and warehouse unit ("unit") is currently being developed for Grover Properties Inc., a related party under the control of a shareholder. This unit will be leased to High Tide to accommodate the Company's planned operational expansion. High Tide will be responsible for the related leasehold improvements, which are currently estimated at \$1.2 million. An assessment for fair market lease rates is currently being performed to establish an appropriate rental amount between the related parties. To facilitate the mortgage for the development of this unit, a loan guarantee of up to \$1.5 million has been provided by Smoker's Corner and the mortgage is yet to be finalized. The unit is expected to be completed and ready for occupancy on or around December 31, 2018.

On August 24, 2018, the shareholders approved by special resolution a stock split of the common shares of the Company at a ratio to be set by the Company's Board of Directors, provided that not more than 5 and not less than 1 post-split shares would be issued for each pre-split share. By resolution made effective September 18, 2018, the Company's Board of Directors authorized a share split of the unissued, and issued and outstanding common shares of the Company such that 1 pre-split share would be converted to 2.76 post-split shares (1:2.76). The Articles of Amendment effecting the share-split was filed with the Registrar of Corporations (Alberta) on October 4, 2018. The share split has been reflected in these unaudited condensed consolidated interim financial statements for the historical periods on a retroactive basis.

On September 18, 2018, the Board of Directors authorized to change the Company's name from High Tide Ventures Inc. to High Tide Inc. The name change was filed with the Business Corporates Act (Alberta) at Alberta Registries and is effective October 4, 2018.

On October 2, 2018, the Company closed a brokered private placement (entered into on June 21, 2018) issuing 13,307,418 special warrants for gross proceeds of \$18.4 million. The Company received net proceeds of \$17.0 million after deduction of commissions and brokerage fees issued in two tranches of \$8.2 million on August 22, 2018, and \$5.7 million on October 2, 2018. The balance of funds are held in trust by Garfinkle Biderman LLP. Each special warrant will consist of one common share and one-half common share purchase warrant exercisable at a purchase price of \$2.07 per warrant for a period of 24 months from the date of listing on the Canadian Securities Exchange.

On October 17, 2018, the Company acquired 100% of Smiley's Cannabis and Bud's in Okotoks, Alberta. The acquisition provides the Company with an additional retail location and development permit to operating a recreational Cannabis store.