RGR CANADA INC., SMOKER'S CORNER LTD. AND FAMOUS BRANDZ INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED OCTOBER 31, 2017

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1.0 Preface

1.1 Definitions

In this document, the terms “we”, “us”, “our”, “Group” refer to the combined financial results of RGR Canada Inc. (“RGR”), Smoker’s Corner Ltd. (“Smoker’s Corner”) and Famous Brandz Inc. (“Famous Brandz”). This document also refers to the Group’s two reportable operating segments: the “Retail segment”, the “Wholesale segment”.

The financial results for the Wholesale segment are delivered by the businesses operated under the Group’s Wholesale entities RGR and Famous Brandz. The financial results for the Retail segment are delivered by the business operated under the Group’s retail entity Smoker’s Corner.

Other capitalized terms in this document are defined the first time they are used.

1.2 Forward-Looking Statements

Certain statements contained within the Management’s Discussion and Analysis (“MD&A”), and in certain documents incorporated by reference into this document, constitute forward-looking statements. These statements relate to future events or the Group’s future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements.

In particular, this MD&A contains the following forward-looking statements pertaining to, without limitation, the following: changes in general and administrative expenses; future business operations and activities and the timing thereof; the future tax liability of the Group; the estimated future contractual obligations of the Group; the future liquidity and financial capacity of the Group; and its ability to fund its working capital and forecasted capital expenditures.

We believe the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in, or incorporated by reference into, this MD&A should not be unduly relied upon.

These statements speak only as of the date of this MD&A or as of the date specified in the documents incorporated by reference into this MD&A, as the case may be. The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A: counterparty credit risk; access to capital; limitations on insurance; changes in environmental or legislation applicable to our operations, and our ability to comply with current and future environmental and other laws; changes in income tax laws or changes in tax laws and incentive programs relating to the cannabis industry; and the other factors discussed under “Financial Instruments and Risk Management” in this MD&A.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this MD&A and the documents incorporated by reference herein are expressly qualified by this cautionary statement. The forward-looking statements contained in this document speak only as of the date of this document and the Group does not assume any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws.

1.3 Review and Approval by the Board of Directors

The contents of this MD&A were approved and authorized for issuance by the Board of Directors on October ●, 2018.

1.4 Accounting Estimates and Assumptions

In the application of the Group's accounting policies management is required to make judgements, estimates and assumptions that affect the carrying amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenues and expenses for the years presented. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, the results of which form the basis of the valuation of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to 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. The following are the critical judgements in applying accounting policies and key sources of estimation uncertainty at the end of the reporting year that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

<u>Estimates</u>

Critical accounting estimates are those that require management to make assumptions about matters that are highly uncertain at the time the estimate or assumption is made. Critical accounting estimates are also those that could potentially have a material impact on the Group's financial results where a different estimate or assumption is used.

The significant area of estimation uncertainty is:

Allowance for doubtful accounts

The Group makes an allowance for doubtful accounts based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyzed historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when estimating the adequacy of the allowance for doubtful accounts. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables.

Write-down of inventory

Inventory is carried and the lower of cost and net realizable value; in estimating net realizable value, the Group makes estimates related to obsolescence, future selling prices, seasonality, customer behaviour, and fluctuations in inventory levels.

Taxation

The calculations for current and deferred taxes require management's interpretation of tax regulations and legislation in the various tax jurisdictions in which the Group operates, which are subject to change. The measurement of deferred tax assets and liabilities requires estimates of the timing of the reversal of temporary differences identified and management's assessment of the Group's ability to utilize the underlying future tax deductions against future taxable income before they expire, which involves estimating future taxable income. The Group is subject to assessments by various taxation authorities in the tax jurisdictions in which it operates and these taxation authorities may interpret the tax legislation and regulations differently. In addition, the calculation of income taxes involves many complex factors. As such, income taxes are subject to measurement uncertainty and actual amounts of taxes may vary from the estimates made by management.

Deferred tax assets

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

Judgements

Judgement is used in situations when there is a choice and/or assessment required by management. The following are critical judgements apart from those involving estimations, that management has made in the process of applying the Group's accounting policies and that have a significant effect on the amounts recognized in the combined financial statements.

Determination of Cash Generating Units ("CGUs")

For the purposes of assessing impairment of non-financial assets, the Group must determine CGUs. Assets and liabilities are grouped into CGUs at the lowest level of separately identified cash flows. Determination of what constitutes a CGU is subject to management judgement. The asset composition of a CGU can directly impact the recoverability of assets included within the CGU. The determination of the Group's CGUs was based on management's judgement in regard to shared infrastructure, geographical proximity and similar exposure to market risk and materiality. The Group has 1 CGU at October 31, 2017 (October 31, 2016 – 1).

Contingencies

Management uses judgement to assess the existence of contingencies. By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. Management also uses judgement to assess the likelihood of the occurrence of one or more future events.

1.5 Rounding and Percentages

Rounded numbers are used throughout the MD&A. All year-over-year percentage changes are calculated on whole dollar amounts except in the presentation of basic and diluted earnings per share ("EPS"), in which the year-over-year percentage changes are based on fractional amounts.

2.0 Company and Industry Overview

2.1 Overview of the Business

RGR was incorporated under the laws of Alberta, Canada, on November 16, 2010, Smoker's Corner was incorporated under the laws of Alberta, Canada, on July 22, 2009, and Famous Brandz was incorporated under the laws of Ontario, Canada, on September 28, 2015.

The Group is a privately-held, wholesale and retail, smoking accessories corporation operating under common control. Specific principal activities of each of the entities within the Group are as follows: RGR is a high-quality and innovative designer, manufacturer and distributor of smoking accessories. Smoker's Corner is approved by the Canadian Franchise Association and is a Canadian counter-culture chain with 17 locations. Famous Brandz is a manufacturer of licenced lifestyle accessories, through celebrity endorsements and entertainment companies, which are sold to wholesalers and retailers around the world. Subsequent to the period end, two additional Smoker's Corner locations were opened bringing the total count to 19.

The address of the Group's registered office is 120 4954 Richmond Road SW, Calgary, Alberta T3E 6L1.

2.2 Competitive Landscape

The Group operates 9 retail locations under the Smoker's Corner brand across Alberta and British Columbia and is represented by 10 franchised locations operating across Alberta, British Columbia and Nova Scotia. Key competitors in this segment are independent retailers without significant concentration. Smoker's Corner has created a differentiated brand through its locations and customer service as well as the depth and breadth of its product offering, which is largely sourced through RGR

The Wholesale segment's only major competitors operate as product distributors, while the Group designs, manufactures, imports and distributes its products. This creates advantages through vertical integration due to favorable product costs and the ability to leverage different price points and maintain strong margins. These strengths are passed-through to the Retail segment.

In future years, the Group expects that its Retail segment will experience increased competition from the deregulated recreational cannabis industry with an increasing number of third-party stores offering cannabis products along with smoking accessories. The Group believes that its product knowledge and operating advantages achieved through vertical integration will allow it to continue to operate profitably. Additionally, the Group expects opportunities to arise from the deregulation of recreational cannabis for its Wholesale segment to acquire new customers, thereby offsetting some of the risks associated with increased competition affecting our Retail segment.

3.0 Operating Performance

3.1 Statement of Financial Position

At October 31, 2017, the Group has a working capital deficit of $9,897,428 (2016 - $10,450,887), which is mainly due to the issuance of redeemable preference shares in the amount of $18,629,100 in June of 2016. The Group generated income for the year of $577,305 (2016 - $1,215,758) and also generated positive operating cash flow of $1,041,438 during the year (2016 - $289,720).

3.2 Selected Annual Information

The following table provides a brief summary of the Group's financial operations for the fiscal years of 2017, 2016 and 2015 ending on October 31 and for the position as at October 31 in each fiscal year.

		2017 Audited		2016 Audited		2015 Unaudited
Revenue	**$**	**9,993,246**	$	8,439,984	$	8,251,439
Gross Margin	**$**	**4,707,750**	$	4,394,061	$	3,834,066
Gross Margin Rate		**47.11%**		52.06%		46.47%
Total Expenses	**$**	**3,865,378**	$	2,710,150	$	2,537,992
Income Before Taxes	**$**	**842,372**	$	1,683,911	$	1,296,074
Income for the Period	**$**	**577,305**	$	1,215,758	$	813,482
Income Per Share (Basic)	**$**	**0.05**	$	3.04	$	2.03
Income Per Share (Diluted)	**$**	**0.05**	$	3.04	$	2.03
Total Assets	**$**	**11,113,004**	$	10,418,218	$	8,047,105
Total Non-Current Liabilities	**$**	**21,833**	$	25,239	$	603,757
Total Liabilities	**$**	**20,369,839**	$	20,292,383	$	2,076,218
Total Equity (Shareholders' Deficiency)	**$**	**(9,256,835)**	$	(9,874,165)	$	5,970,827

Total Expenses include Salaries, Wages and Benefits, General and Administrative Expenses, Professional Fees, Advertising and Promotional Expenses, Depreciation, Interest and Banking Charges and Other Income (Expense) (Derivative Liability Fair Value, Accretion Expenses, Disposition of Marketable Securities and Foreign Exchange loss(gain)). Total Expenses excludes Cost of Sales and Income Tax.

The combined financial statements for the period ending October 31, 2015, have been presented for the purposes of trending performance only. They have not been prepared using the same accounting principles as the periods ending October 31, 2016, and October 31, 2017, and are unreviewed and unaudited.

3.3 Combined Operations

Revenue increased from 2016 to 2017 by $1.5 million or 18.4% driven by growth in the Group's Wholesale segment, which included only a partial year of operations in 2016 for Famous Brandz compared to a full year in 2017. A large portion of the revenue growth is due to a single sale of $0.7 million to a sole customer that sought an exclusive distribution deal from Famous Brandz. The Group was not willing to commit to exclusivity and subsequently does not expect to repeat that sale in 2018. The sales performance translated to an improved Gross Margin which increased by $0.3 million or 7.1%, while the combined gross margin rate fell by 495 basis points ("bps") attributable to the increase in sales mix of the Wholesale segment, which carries lower margin rates than the Retail segment.

Income for the Period fell by $0.6 million or 52.5% primarily driven by an increase of $1.2 million or 42.6% in operating expenses. The increase in expenses were driven by increased personnel to support product development and sales, professional fees for audited financial statements and increased promotional activity to grow our Wholesale segment.

Income Per Share fell by $2.99 or 98.4%. A decline of $1.60 or 52.5% is attributable to the reduction in income, while the balance of the reduction is attributable to the issuance of 6,400,000 bonus shares in Famous Brandz as well as the conversion of shareholders loans into another 11,600,000 shares.

3.4 Segment Operations

$ millions	**Wholesale**		**Retail**		**Total**	
	2017	2016	**2017**	2016	**2017**	2016
Revenue	**5.8**	4.4	**4.2**	4.1	**10.0**	8.4
Gross Margin	**1.2**	0.7	**3.5**	3.7	**4.7**	4.4
Rate	**21.4%**	15.5%	**82.1%**	91.1%	**47.1%**	52.1%
Total Expenses	**2.3**	1.2	**1.6**	1.5	**3.9**	2.7
(Loss)/Income	**(0.8)**	(0.4)	**1.4**	1.6	**0.6**	1.2

Total Expenses include Salaries, Wages and Benefits, General and Administrative Expenses, Professional Fees, Advertising and Promotional Expenses, Depreciation, Interest and Banking Charges and Other Income (Expense) (Derivative Liability Fair Value, Accretion Expenses, Disposition of Marketable Securities and Foreign Exchange loss(gain)). Total Expenses excludes Cost of Sales and Income Tax.

3.4.1 Wholesale Segment Performance

The Group's Wholesale segment achieved significant growth in revenue as Famous Brandz operated for the full twelve months compared to only four months in 2016. Their performance saw Wholesale segment revenues increase by $1.4 million or 32.2% partly driven by a sole customer that placed an order for $0.7 million. The customer was seeking an exclusive distribution agreement with Famous Brandz, which the Group was unwilling to accept. Consequently, the Group does not expect this sale to repeat in 2018.

Costs similarly increased with a full twelve months of operations driven by new office and staff expenses to operate Famous Brandz and sales commissions tied to the increase in revenue.

The increase in costs lead to a loss in the Wholesale segment of $0.8 million.

3.4.2 Retail Segment Performance

The Group's Retail segment demonstrated consistent performance between 2016 and 2017 in line with management's expectations. Revenue increased nominally, driven by additional royalties paid by two stores that converted from corporate stores to franchises. The remaining corporate stores increased their sales performance as a result of strong demand that held year-over-year figures steady, despite the drop in corporate store count.

Gross margin dollars dropped slightly, due to the decrease in gross margin rate attributable to a change in sales mix. The change was the result of increased sales of electronic cigarettes, vaporizers and related products that have become a larger proportion of the Group's sales and carry smaller margins as a category.

Expenses were in-line with the prior year, leading to a decline in income of $0.2 million compared to 2016 due to the decrease in gross margin.

3.5 Summary of Quarterly Results

3.5.1 Fourth Quarter Highlights

The Group experienced growth in fourth quarter 2017 sales driven by the full year performance of Famous Brandz which had only partial operations in 2016 driving the revenue increase of $0.7 million. Net income was comparable due to increased expenses associated with operating Famous Brandz while EPS declined due to share issuances over the year.

3.5.2 Seasonal Trend Analysis

(C$ in millions, except per share amounts)	**Q4 2017**	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Revenue	**2.5**	3.0	2.1	2.4	1.8	2.2	2.0	2.4
Net income	**0.1**	0.5	0.1	(0.1)	0.1	0.1	0.5	0.6
Basic EPS	**0.01**	0.04	0.01	(0.02)	0.14	0.21	1.13	1.56
Diluted EPS	**0.01**	0.04	0.01	(0.02)	0.14	0.21	1.13	1.56

Aside from the annual increase in consumer spending leading up to the winter holiday season, which occurs in Q1 for the Group, seasonality is not a significant factor in the Group's sales performance. Improved sales performance was achieved in Q3 and Q4 2017, relating to increased Wholesale performance and a single sale of $0.7 million which is not expected to repeat in 2018.

3.6 Operating Commitments, Risks and Inflation

The Group is subject to operating risks driven by changes in the economic landscape, inflation, consumer spending and foreign exchange. The group monitors these environments for risks inherent to its business strategy and adjusts product and pricing strategies accordingly to mitigate these risks.

Further details on the companies liquidity risk, capital commitments and operating risks are present in sections 5.0, 6.0 and 10.0 respectively.

4.0 Balance Sheet

4.1 Current Assets Highlights

4.1.1 Accounts Receivable

Accounts Receivable consist of inventory sales to Franchisees and third-party account sales for the Group's Wholesale segment. Receivables related to Franchisees increased approximately $0.3 million due to two new franchisees and additional inventory shipments to existing Franchisees. Increased account sales to third parties provided an increase of $0.3 million consistent with the Wholesale segment sales performance.

	2017	2016
Trade receivables	**$ 1,819,233**	$ 1,219,372
Allowance for doubtful receivables	**(108,831)**	(119,999)
	$ 1,710,402	$ 1,099,373

Aged receivables increased significantly in 2017 driven by product shipments to Franchisees which have prioritized the payment of funds provided to establish their operations. As such, they have not been deemed to be at risk, notable by the comparable allowance year-over-year. These amounts are deemed to be collectable and are secured through inventories and leasehold improvements.

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

		2017		2016
Current (for less than 30 days)	$	**334,884**	$	245,948
31 – 60 days past due		**174,777**		169,559
61 – 90 days past due		**156,836**		113,169
Past due for greater than 90 days		**1,152,736**		690,696
Allowance for doubtful accounts		**(108,831)**		(119,999)
	$	**1,710,402**	$	1,099,373

4.1.2 Inventory

Inventory levels have decreased in 2017 by $178,514 primarily due to the conversion of two corporate stores into franchise stores. Accordingly, their inventories are no longer recognized by the Group.

		2017		2016
Retail inventory	$	**3,951,783**	$	4,167,673
Provision for obsolescence		**(409,193)**		(446,569)
	$	**3,542,590**	$	3,721,104

Inventories recognized as an expense and included in cost of sales during the year ended October 31, 2017, totaled $4,060,737 (2016 – $4,019,722).

4.1.3 Marketable Securities

Marketable Securities increased by $534,958 in 2017 due in part to changes in their fair value of $51,021 and in part to purchases of listed equity and fixed income securities of $483,937. Marketable securities were used as a store of excess cash to get a short-term return. The securities will be divested in 2018 as a dividend payment associated with the corporate reorganization described in subsequent events.

		2017		2016
Listed equity securities	$	**313,336**	$	162,916
Listed fixed income securities		**384,538**		-
	$	**697,874**	$	162,916

The Group recorded an unrealized gain on change in fair value of the marketable securities of $51,021 (2016 - $Nil) in other comprehensive income.

4.2 Non-Current Assets Highlights

4.2.1 Deferred Tax Asset

Deferred Tax Assets increased by $250,786 resulting from losses in the Wholesale segment. The asset may be used to reduce future tax liabilities.

		2017		2016
Balance, beginning of year	$	**228,439**	$	89,940
Deferred tax recovery		**250,786**		138,499
Balance, end of year	$	**479,225**	$	228,439

4.3 Current Liabilities

4.3.1 Accounts Payable and Accrued Liabilities

Accounts Payable and Accrued Liabilities increased by $299,058 in 2017 driven by endorsement agreements held under Famous Brandz for branded products. Famous Brandz has entered into several licensing agreements with Snoop Dogg, Trailer Park Boys, Jay and Silent Bob and Cheech and Chong. Branded products help to establish a premium product and differentiate Famous Brandz as a smoking accessories wholesaler.

		2017		2016
Trade payables	**$**	**675,283**	$	445,392
Accrued salaries		**60,839**		22,162
Accrued liabilities		**33,381**		-
Other payables		**29,392**		32,283
	$	**798,895**	$	499,837

4.3.2 Preference Shares

Preference Shares of $18,629,100 were established in 2016 and were unchanged in 2017. This liability relates to the issuance of preferred shares redeemable at $100.00 per share at the option of the Group or the holder.

Subsequent to the year-end, High Tide Inc. (“High Tide”) acquired all of the redeemable preference shares of RGR and Smoker’s Corner from the holders, issuing common shares of High Tide in exchange.

4.4 Off-Balance Sheet Arrangements

The Group has no off-balance sheet arrangements.

5.0 Cash Flow and Liquidity

During the period ended October 31, 2017, the Group’s cash flow provided by operating activities was $1,041,438. The major changes in working capital accounts were generated, in order of magnitude, by accounts receivable, income tax paid, accounts payable and accrued liabilities, shareholder loans, prepaid expense, inventory, loans receivable and advances to related parties.

For the period ended October 31, 2017, the Group’s cash flow used in financing activities was $555,142, which was almost fully comprised of $560,007 for the payment of dividends. For the period ended October 31, 2017, the Group’s cash flow used in investing activities was $534,141, which was almost fully comprised of $483,937 for the purchase of marketable securities.

Maturities of the Group’s financial liabilities are as follows:

October 31, 2017	**Contractual cash flow ($)**	**Less than one year ($)**	**1-5 years ($)**	**Greater than 5 years ($)**
Accounts payable and accrued liabilities	798.895	798,895	-	-
Income taxes payable	677,166	677,166	-	-
Finance lease obligation	54,740	32,907	17,412	4,421
Total	**1,530,801**	**1,508,968**	**17,412**	**4,421**

The Group generates sufficient cash flow from operations to fund current liabilities and capital commitments. Changes in the Group’s cash flows are present due to the timing of inventory purchases or marketable securities held for sale. Future growth plans would require additional funding to be raised.

6.0 Capital Commitments and Management

6.1 Commitments

The Group 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 October 31		**2017**
Less than one year	$	385,935
Between one and five years		567,065
More than five years		-
	$	**953,000**

The group generates sufficient cash flow from operations to meet these commitments.

6.2 Capital Management

The Group'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 Group's ability to meet financial obligations; and
- Maintain a capital structure that provides financial flexibility to execute on strategic opportunities.

The Group'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 Group is not subject to any externally imposed capital requirements or covenants. The Group's capital structure consists of equity and working capital. In order to maintain or alter the capital structure, the Group may adjust capital spending, raise new debt and issue share capital. The Group expects that funds generated from operations and working capital amounts will provide sufficient capital resources and liquidity to fund existing operations in 2018 and 2019.

7.0 Shareholders' Equity and Share Capital

7.1 Changes in Equity

At October 31, 2017, the Group had a shareholders' deficiency of $9,256,835, which improved by $617,330 from 2016 predominantly due to in year income.

The deficit position for shareholder equity was created on June 30, 2016, RGR and Smoker's Corner each repurchased 100 Class A common shares in exchange RGR issued 44,022 Class F and 44,022 Class G Preferred Shares and Smoker's Corner issued 98,247 Class F Preferred Shares. These Classes F and G Preferred Shares have a redemption value of $100.00 each and are redeemable by RGR and Smoker's Corner or at the option of the holder when notice is served by the party exercising the option. The fair value of these Classes F and G Preferred Shares have been determined to be $18,629,100.

Combined Statements of Changes in Shareholders' Equity

	Share capital	Accumulated other comprehensive income	Retained earnings (loss)	Total Shareholders' deficiency
	$	$	$	$
Balance at October 31, 2015	6	-	7,694,484	7,694,490
Share repurchased (Notes 14 (b) and 15)	(2)	-	(18,629,098)	(18,629,100)
Share issued (Note 14 (b))	2	-	-	2
Income for the year	-	-	1,215,758	1,215,758
Payment of dividends	-	-	(155,315)	(155,315)
Balance at October 31, 2016	6	-	(9,874,171)	(9,874,165)
Bonus shares (Note 14 (b))	237,619		(237,619)	-
Shares issued upon conversion of shareholder loans (Note 14 (b))	549,011	-	-	549,011
Payment of dividends (Note 14 (b))	-	-	(560,007)	(560,007)
Income for the year	-	-	577,305	577,305
Other comprehensive income	-	51,021	-	51,021
Balance at October 31, 2017	**786,636**	**51,021**	**(10,094,492)**	**(9,256,835)**

7.2 Shares Outstanding

The Group is authorized to issued an unlimited number of common shares and preferred shares of the following classes:

(i) Class A voting common shares;
(ii) Class B voting common shares;
(iii) Class C voting common shares;
(iv) Class D voting common shares;
(v) Class E non-voting common shares;
(vi) Class F preferred shares non-voting;
(vii) Class G preferred shares non-voting; and
(viii) Special voting preferred shares.

Of the voting common shares, the Group has only issued from Class A as of October 31, 2017, and 2016.

	Class A #	$
Balance, October 31, 2016	**400,200**	**6**
Bonus shares	6,400,000	237,619
Shares issued upon conversion of shareholder loans	11,600,000	549,011
Balance, October 31, 2017	**18,400,200**	**786,636**

Of the non-voting preferred shares, the Group issued from Classes F and G during the year (Note 13). The holders of special voting preferred shares are not entitled to receive any dividends. The special voting preferred shares have a redemption value of $0.01 per share. In the event of liquidation, dissolution or winding up, the holders shall be entitled, in priority to holders of Classes A, B, C, D and E but subject to preferences accorded to holders of Classes F and G, an amount equal to the redemption amount. These special voting preferred shares are subject to redemption at the option of the directors of the Group, without consent of the holders, and, if less than the whole of the outstanding special voting preferred shares are to be redeemed, then the preferred shares to be redeemed will be selected in such a manner as the Board of Directors may determine.

	Class F #	Class G #	$
Balance, October 31, 2015	**-**	**-**	**-**
Issued during the year	142,269	44,022	18,629,100
Balance, October 31, 2016 and 2017	**142,269**	**44,022**	**18,629,100**

In line with the Group's accounting policy relating to preference shares (see Note 3), the Classes F and G preference shares have been classified as a financial liability.

Subsequent to the 2017 year-end, High Tide acquired all of the redeemable preference shares of RGR and Smoker's Corner from the holders, issuing common shares of High Tide in exchange.

8.0 Related-Party Transactions

8.1 Common Control

As at October 31, 2017, the Group was under the common control of Harkirat ("Raj") Grover.

8.2 Key Management Compensation

The Group defines key management personnel as being the Chief Executive Officer, Chief Financial Officer and Chief Revenue Officer. The Group doesn't provide non-cash benefits to the key management.

Key management compensation for the years ended October 31 is as follows:

	2017	2016
Salaries and other short term employee benefits	**310,000**	310,000

9.0 Financial Instruments and Risk Management

The Group's activities expose it to a variety of financial risks. The Group is exposed to credit, liquidity, and market risk because of holding certain financial instruments. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by senior management in conjunction with the Board of Directors.

9.1 Fair Value

The Group's financial instruments consist of cash and cash equivalent to accounts receivable (trade), marketable securities, loans receivable, advances to related parties, accounts payable and accrued liabilities, and finance lease obligation. The carrying amounts of current assets and liabilities approximate their fair value due to their short period to maturity.

IFRS establishes a three-level hierarchy that prioritizes the inputs relative to the valuation techniques used to measure fair value. Fair value 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 Group 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 Group's cash balance and marketable securities are subject to Level 1 valuation.

The carrying value of the Group's cash and cash equivalents, marketable securities, accounts receivable, current portion of loans receivable, accounts payable and accrued liabilities and current portion of long-term debt approximate their fair value due to the short-term maturities of these financial institutions.

Loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The fair value 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.

9.2 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 Group 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 are net of allowances for doubtful accounts and bad debts and the net carrying value represents the Group'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 sale 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.

For uncollectible receivables, the estimated impairment losses are recognised in a separate provision for impairment. The Group 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 reorganisation; and
- default or delinquency on 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.

9.3 Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group 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 Group has sufficient working capital to meet obligations as they come due.

9.4 Interest Rate Risk

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

9.5 Foreign Currency Risk

Foreign currency risk is defined as the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group maintains cash balances and enters into transactions denominated in foreign currencies, principally in United States dollars, which exposes the Group to fluctuating balances and cash flow 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 October 31 was as follows:

(Canadian dollar equivalent amounts of US dollar balances)		**2017**		**2016**
Cash	**$**	**211,428**	$	211,625
Accounts receivable		**51,034**		72,073
Marketable securities		**246,884**		122,443
Accounts payable and accrued liabilities		**(235,071)**		(99,977)
Net monetary assets	**$**	**274,275**	$	306,164

Assuming all other variables remain constant, a fluctuation of +/- 5.0 percent in the exchange rate between the American dollar and the Canadian dollar would impact income before tax by approximately $18,000 (2016 - $20,000). To date, the Group has not entered into financial derivative contracts to manage exposure to fluctuations in foreign exchange rates.

10.0 Subsequent Events

10.1 Organizational Restructuring

The Group underwent an organizational restructuring whereby an ultimate parent company named High Tide Ventures Inc. was incorporated in the province of Alberta on February 2, 2018. High Tide Ventures Inc. was subsequently renamed High Tide Inc. on October 4, 2018 ("High Tide"). High Tide operating as a parent company to the Group acquired, through share exchange, all of the common shares of RGR and Smoker's Corner on February 28, 2018, and acquired, through share conversion and issuance of shares for convertible debentures, all of the common shares of Famous Brandz on April 2, 2018. High Tide also acquired all of the redeemable preference shares of RGR and Smoker's Corner from the holders, issuing common shares of High Tide in exchange.

Canna Cabana Inc. ("Canna Cabana") was incorporated on February 22, 2018, and is a wholly-owned subsidiary of High Tide. Canna Cabana has been established to operate retail cannabis stores upon deregulation of recreational cannabis on October 17, 2018.

Raj Grover maintains a majority ownership holding, controlling or directing 51.78% of shares in High Tide as of the date of writing.

10.2 Private Placements and Proposed Transactions

Between December 2017 and April 2018, High Tide issued unsecured convertible debentures with warrants. Each unit consisted of $1,000 principal amount of an unsecured convertible debenture and one-half common share purchase warrant. A total of 721 units were issued, raising net cash of $710,000.

On May 2, 2018, High Tide closed a brokered private placement offering for 3,705,000 common shares at $1.00 per share.

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.

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.

10.3 KushBar Inc. Partnership

On April 1, 2018, High Tide entered into a business partnership with KushBar Inc. (“KushBar”) securing a 50.1% share of ownership. The business partnership with KushBar was established to gain access to strategic real estate locations across Canada with an intended focus on the province of Ontario.

10.4 Canna Cabana and KushBar Licensing

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.

10.5 Construction Contracts

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.

10.6 Development of a New Office and Warehouse

A new office and warehouse unit (“unit”) is currently being developed by 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.

10.7 New Contracts

On August 16, 2018, High Tide announced that it entered into a distribution agreement for its "Famous X" line of lifestyle accessories with Evergreen, a division of Summit Distribution, LLC ("Evergreen"). The range of products being distributed under the agreement were developed by the Company's Famous Brandz entity and include but are not limited to bubblers, dugouts, grinders, hand pipes, rolling trays and water pipes. Effective immediately, shipments of the "Famous X" product line, featuring familiar brands of Cheech & Chong's Up in Smoke and the Trailer Park Boys, will start being delivered to Evergreen's regional distribution centres across the United States.

On September 14, 2018, Famous Brandz announced that it entered into a Master Accessories Supply Agreement (“MASA”) with the Ontario Cannabis Store (“OCS”). The MASA formalizes the supply of a variety of the Company's hand-blown glass smoking accessories from its "Famous X" line of convenient and cost-effective products, over a two-year initial term with two-year renewal options held by the OCS. This MASA serving the province of Ontario, which is Canada's largest consumer market, validates Famous Brandz as a leading player in the cannabis accessories market.

On September 18, 2018, High Tide’s wholly-owned subsidiary, Famous Brandz (“Famous Brandz”) entered into a licensing agreement for certain merchandising rights to Guns N’ Roses with Bravado Canada, A Division of Universal Music Canada Inc. (the “Licence”). In exchange for royalties payable to the licensor, the Licence authorizes Famous Brandz to sell Guns N’ Roses branded goods including bubblers, dugouts, grinders, hand pipes, rolling papers, trays, vaporizers, waterpipes and other smoking accessories. The Licence has a three-year term and features an unlimited global territory, with all products permitted to be sold via mass retail, specialty stores, independent retailers and e-commerce websites.

10.8 Shareholder and Director Resolutions

On August 24, 2018, High Tide held a special meeting of shareholders to appoint the new members of the Board of Directors consisting of Arthur Kwan, Nader Ben Aissa, Paul Rosen and David Shekhter. On August 27, 2018, David Shekhter resigned due to a conflict of interest. On October 16, 2018 Nitin Kaushal was appointed to the Board of Directors. The Board of Directors is currently comprised of Raj Grover, Arthur Kwan, Nader Ben Aissa, Paul Rosen and Nitin Kaushal.

On September 18th, 2018, our Board of Directors authorized a stock split of both our authorized, and issued and outstanding shares of common stock of High Tide Inc. at a ratio of 2.76 for 1 common share (the "Stock Split"). The corporate action regarding the Stock Split with the Alberta Security Commission (ASC) was filed on October 4th, 2018.

The shareholders also passed resolutions to change the name of the Company from High Tide Ventures Inc. to High Tide Inc., which occurred on October 4, 2018.

10.9 Passing of Cannabis Act

The Cannabis Act has been passed which prevents the sale of certain types of branded cannabis accessories in Canada. As a result, the Group will redirect the sale of its branded products into international markets.

10.10 Business Acquisition

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.

11.0 ADDITIONAL INFORMATION

Additional information pertaining to the Group is available at www.hightideinc.ca.