RGR Canada Inc., Smoker's Corner Ltd. and Famous Brandz Inc.
Combined Financial Statements

For the years ended October 31, 2017 and 2016

Independent Auditors' Report

To the Directors of RGR Canada Inc., Smoker's Corner Ltd. and Famous Brandz Inc.

We have audited the accompanying combined financial statements of RGR Canada Inc., Smoker's Corner Ltd. and Famous Brandz Inc., which comprise the combined statements of financial position as at October 31, 2017 and 2016 and the combined statements of income and other comprehensive income, changes in shareholders' equity and cash flows for the years then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Combined Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements present fairly, in all material respects, the combined financial position of RGR Canada Inc., Smoker's Corner Ltd. and Famous Brandz Inc. as at October 31, 2017 and 2016, and their combined financial performance and their combined cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP LLP

Calgary, Alberta
August 20, 2018

Chartered Professional Accountants

RGR Canada Inc., Smoker's Corner Ltd. and Famous Brandz Inc.

Combined Statements of Financial Position

Stated in Canadian Dollars
As at October 31,

		2017		2016
ASSETS				
Current assets				
Accounts receivable (Note 5)	**$**	**1,710,402**	$	1,099,373
Advances to related parties (Note 6)		**1,726,706**		1,843,071
Current portion of loans receivable (Note 7)		**1,473,028**		1,399,601
Prepaid expenses		**232,485**		474,854
Inventory (Note 8)		**3,542,590**		3,721,104
Marketable securities (Note 9)		**697,874**		162,916
Cash and cash equivalents		**1,067,493**		1,115,338
Total current assets	**$**	**10,450,578**	$	9,816,257
Non-current assets				
Property and equipment (Note 10)	**$**	**101,251**	$	79,337
Deferred tax asset (Note 16)		**479,225**		228,439
Loans receivable (Note 7)		**81,950**		294,185
Total non-current assets	**$**	**662,426**	$	601,961
Total assets	**$**	**11,113,004**	$	10,418,218
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities (Note 11)	**$**	**798,895**	$	499,837
Income taxes payable		**677,166**		607,555
Current portion of finance lease obligation (Note 12)		**32,907**		24,636
Preference shares (Note 15)		**18,629,100**		18,629,100
Shareholder loans (Note 13)		**209,938**		506,016
Total current liabilities	**$**	**20,348,006**	$	20,267,144
Non-current liabilities				
Finance lease obligation (Note 12)	**$**	**21,833**	$	25,239
Total non-current liabilities	**$**	**21,833**	$	25,239
Total liabilities	**$**	**20,369,839**	$	20,292,383
Shareholders' deficiency				
Share capital (Note 14 (b))	**$**	**786,636**	$	6
Accumulated other comprehensive income		**51,021**		-
Accumulated deficit		**(10,094,492)**		(9,874,171)
Total shareholders' deficiency	**$**	**(9,256,835)**		(9,874,165)
Total liabilities and shareholders' deficiency	**$**	**11,113,004**	$	10,418,218

Commitments (Note 22)
Subsequent events (Note 23)

Approved on behalf of the Board:

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

RGR Canada Inc., Smoker's Corner Ltd. and Famous Brandz Inc.

Combined Statement of Income and Other Comprehensive Income

Stated in Canadian Dollars
For the years ended October 31,

		2017		2016
Revenue				
Merchandize sale	**$**	**9,828,912**	$	7,669,950
Royalty		**792,662**		676,819
Interest and other		**162,547**		96,557
Less: Discounts		**(790,875)**		(3,342)
	$	**9,993,246**		8,439,984
Cost of sales	**$**	**(5,285,496)**	$	(4,045,923)
Gross margin	**$**	**4,707,750**	$	4,394,061
Expenses				
Salaries, wages and benefits	**$**	**1,638,157**	$	1,278,366
General and administration		**1,196,754**		1,065,719
Professional fees		**347,800**		79,384
Advertising and promotion		**399,163**		178,541
Depreciation (Note 10)		**28,290**		71,995
Interest and bank charges		**138,747**		48,490
Total expenses	**$**	**3,748,911**	$	2,722,495
Income before other income (expenses)	**$**	**958,839**	$	1,671,566
Other income (expenses)				
Foreign exchange (loss) gain	**$**	**(116,467)**	$	12,345
Income before taxes	**$**	**842,372**	$	1,683,911
Income taxes (Note 16)		**265,067**		468,153
Income for the year	**$**	**577,305**	$	1,215,758
Other comprehensive income				
Gain on fair value of available for sale marketable securities (Note 9)	**$**	**51,021**		-
Total comprehensive income for the year		**628,326**		**1,215,758**
Income per share (Note 17)				
Basic	**$**	**0.05**	$	3.04
Diluted	**$**	**0.05**	$	3.04

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

RGR Canada Inc., Smoker's Corner Ltd. and Famous Brandz Inc.

Combined Statements of Changes in Shareholders' Equity

Stated in Canadian dollars

	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)**

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

RGR Canada Inc., Smoker's Corner Ltd. and Famous Brandz Inc.

Combined Statements of Cash Flows

Stated in Canadian dollars
For the years ended October 31,

		2017		2016
Operating activities				
Income for the year	**$**	**577,305**	$	1,215,758
Income taxes		**265,067**		468,153
Depreciation (Note 10)		**28,290**		71,995
Impairment (reversal) loss on trade receivables (Note 19)		**(11,168)**		82,642
Inventory obsolescence (reversal) provision		**(37,376)**		101,376
	$	**822,118**	$	1,939,924
Change in working capital accounts:				
Account receivables		**(599,861)**		(568,947)
Inventory		**215,890**		(339,365)
Prepaid expenses		**242,369**		(410,708)
Loans receivable		**138,808**		(896,393)
Advances to related parties		**116,365**		25,885
Accounts payable and accrued liabilities		**299,058**		120,658
Shareholder loans		**252,933**		506,016
Income tax paid		**(446,242)**		(87,350)
Cash flows provided by operating activities	**$**	**1,041,438**	$	289,720
Financing activities				
Receipt of from finance lease obligation (Note 12)	**$**	**31,380**	$	-
Repayment of finance lease obligation (Note 12)		**(26,515)**		(23,703)
Payment of dividends		**(560,007)**		(155,315)
Share issuance		**-**		2
Cash flows used in financing activities	**$**	**(555,142)**	$	(179,016)
Investing activities				
(Purchase) disposition of marketable securities		**(483,937)**		820,558
Purchase of property and equipment		**(50,204)**		(2,444)
Cash flows (used in) provided by investing activities	**$**	**(534,141)**	$	818,114
(Decrease) increase in cash	**$**	**(47,845)**	$	928,818
Cash and cash equivalents, beginning of the year		**1,115,338**		186,520
Cash and cash equivalents, end of the year	**$**	**1,067,493**	$	1,115,338

1. Description of business

Nature of the business

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

The Group is a privately-held, wholesale and retail, smoking accessories corporation. Specific principal activities of each of the entities within the Group are as follows: RGR Canada Inc. is a high-quality and innovative designer, manufacturer and distributor of smoking accessories. Smoker's Corner Ltd. is approved by the Canadian Franchise Association and is a Canadian counter-culture chain with 19 current locations. Famous Brandz is a manufacturer of licensed lifestyle accessories, through partnerships with celebrities and entertainment companies, which are sold to wholesalers and retailers around the world.

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

Going concern

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 2016 (Note 15). The Group generated income for the year of $577,305 (2016 - $1,215,758) and also generated positive operating cash flows of $1,041,438 during the year (2016 - $289,720).

Subsequent to the year-end, Group underwent an organizational restructuring whereby an ultimate parent company, High Tide Ventures Inc. ("High Tide") acquired, through share exchange, all of the common shares of RGR Canada Inc. and Smoker's Corner Ltd. on February 28, 2018 and acquired, through share conversion and issuance of shares for convertible debentures, all of the common shares of Famous Brandz Inc. on April 2, 2018. High Tide also acquired all of the redeemable preference shares of RGR Canada Inc. and Smoker's Corner Ltd. from the holders, issuing common shares of High Tide in exchange.

In addition, subsequent to the year end, the Group raised funds through issuance of convertible debentures with warrants, private brokered placement of High Tide's common shares and entered into private placement of 7,246,377 special warrants (Note 23); these transactions are expected to provide the Group an excess of additional funds to undertake its planned capital and operational programs.

Accordingly, these financial statements have been on the basis of accounting policies applicable to a going concern, which assumes that the Group will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

2. Basis of preparation

Statement of compliance

These combined financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). These combined financial statements represent the Group's first annual financial statements under IFRS and are for the years ended October 31, 2017 and 2016.

These combined financial statements were authorized for issue by the Board of Directors on August 20, 2018.

Basis of measurement

These combined financial statements have been prepared on the historical cost basis except for certain financial instruments that have been measured at fair value.

Functional and presentation currency

These combined financial statements are presented in Canadian dollars which is the Group's functional currency.

The functional currency of RGR Canada Inc., Smoker's Corner Ltd. and Famous Brandz Inc. is also the Canadian dollars.

2. Basis of preparation *(continued)*

Use of estimates and judgments

The preparation of combined financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the years. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates and judgements are significant to the combined financial statements are disclosed in Note 4.

3. Summary of significant accounting policies

The accounting policies set out below are considered to be significant and have been applied consistently by the Group to all years presented in these combined financial statements.

Basis of combination

The Combined financial statements include the following companies:

- RGR Canada Inc.;
- Smoker's Corner Ltd.; and
- Famous Brandz Inc.

Subsequent to the year end, the above companies entered into share exchange agreements with High Tide Ventures Inc., which became the ultimate holding company. As these companies were under common control prior to the share exchange transaction, these financial statements have been presented on a combined basis.

Control exists when the Group has the power, directly and indirectly, to govern the financial and operating policies of a company and be exposed to the variable returns from its activities. The financial statements of the above companies are included in the combined consolidated financial statements from the date that control commences until the date that control ceases.

All inter-company transactions, balances and unrealized gains/losses on transactions between these companies are eliminated upon combination.

Cash and cash equivalents

Cash and cash equivalent consists of bank balances and highly liquid short-term investments with a maturity date of less than 90 days which are convertible to known amounts of cash at any time by the Group without penalties.

Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is calculated on a specific identification or first-in first-out basis and includes expenditures incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Property and equipment

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

Depreciation is provided using the following methods at rates intended to depreciate the costs of the assets over their estimated use lives:

Asset	Method	Useful life
Office equipment and computers	Straight-line	3 to 5 years
Vehicles	Straight-line	5 years
Leasehold improvements	Straight-line	Term of lease

When a property and equipment asset has significant components with different useful lives, each significant component is depreciated separately.

3. Summary of Significant Accounting Policies *(continued)*

The estimated useful lives and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in combined statement of income and other comprehensive income.

Repairs and maintenance costs that do not improve or extend productive life are recognized in the combined statement of income and other comprehensive income in the period in which the costs are incurred.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Foreign currencies

Transactions in currencies other than the Group's functional currency are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences on monetary items are recognized in combined statement of income and other comprehensive income in the period in which they arise.

Revenue recognition

Revenue is measured at the fair value of consideration received or receivable, net of sales tax, trade discounts, rebates and similar allowances.

Revenue is recognized when the criteria specific to each separately identifiable component is met and the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Retail revenue

Retail revenue consists of sales through the corporate stores, franchised stores and e-commerce operations. Sales through ecommerce operations are recognized upon the delivery of the goods to the customer and when collection is reasonably assured.

It is the Group's policy to sell merchandise with a limited right to return. Returns are only provided through exchanges or the issuance of a gift certificate.

Royalty revenue

Ongoing royalty fees, which are determined on a formula basis in accordance with the terms of the relevant franchise agreement, are recognized in combined statement of income and other comprehensive income when earned or when the related services have been provided.

3. Summary of Significant Accounting Policies *(continued)*

Cost of sales

Cost of sales includes direct materials, direct labour, shipping and handling, and indirect overhead related to the sale of goods.

Income taxes

Income tax expense is comprised of current and deferred tax. Tax is recognized in the combined statement of income and other comprehensive income except to the extent that it relates to items recognized in other comprehensive income or equity on the statement of financial position.

<u>Current tax</u>

Current tax is calculated using tax rates which are enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to taxation authorities.

<u>Deferred tax</u>

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates which are enacted or substantively enacted at the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax liabilities are generally recognized for all taxable temporary differences, except for temporary differences that arise from goodwill, which is not deductible for tax purposes. Deferred tax liabilities are also recognized for taxable temporary differences arising on investments in subsidiaries except where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax assets are recognized to the extent it is probable that taxable profits will be available against which the deductible balances can be utilized. All deferred tax assets are analyzed at each reporting period and reduced to the extent that it is no longer probable that the asset will be recovered. Deferred tax assets and liabilities are not recognized with respect to temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination.

Income per share

Basic income per share is calculated by dividing the profit or loss attributable to equity holders of the Group by the weighted average number of common shares outstanding during the year.

Diluted income per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares. The weighted average number of common shares outstanding is increased by the total number of additional common shares that would have been issued by the Group assuming exercise of all share options with exercise prices below the average market price for the year.

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses. The operating results of all operating segments for which discrete financial information is available are reviewed regularly by executive management to make decisions about resources to be allocated to the segments and assess their performance. Segment results that are important to executive management generally include items directly attributable to a segment.

Leases

Payments made under operating leases are recognized in earnings on a straight-line basis over the term of the lease. Lease incentives/inducements received are recognized as an integral part of the total lease expense over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3. Summary of Significant Accounting Policies *(continued)*

Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the combined statement of income and other comprehensive income.

The Group's financial assets and financial liabilities are classified into the following categories:

Financial asset/liability	Classification	Measurement
Cash and cash equivalents	Fair value through profit or loss	Fair value
Marketable securities	Available for sale	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Loans receivable	Loans and receivables	Amortized cost
Advances to related parties	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Finance lease obligation	Other financial liabilities	Amortized cost
Shareholder loans	Other financial liabilities	Amortized cost

<u>Financial assets</u>

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: loans and receivables, held to maturity, available for sale or fair value through profit or loss ("FVTPL").

Financial assets classified as loans and receivables and held to maturity are subsequently measured at amortized cost using the effective interest method less any allowance for impairment. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the other categories. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale financial assets are carried at fair value with unrealized gains or losses recognized in other comprehensive income except for losses in value that are considered other than temporary or a significant or prolonged decline in the fair value of that asset below its cost.

Financial assets classified as FVTPL are subsequently measured at fair value with unrealized gains or losses recognized through the statement of income and other comprehensive income

<u>Financial liabilities</u>

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the combined statement of income and other comprehensive income.

<u>Equity instruments</u>

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

3. Summary of Significant Accounting Policies *(continued)*

Impairment

Financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of the allowance or provision for impairment account. Such a provision is established when there is reasonable expectation that the Group will not be able to collect all amounts due. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, limited such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in the combined statement of income and other comprehensive income.

Marketable securities

Marketable securities are classified as available-for-sale securities. Such securities are measured at fair market value in the combined financial statements with unrealized gains or losses recorded in other comprehensive income. Fair values for marketable securities are estimated using quoted market prices in active markets, obtained from securities exchanges. At the time securities are sold or otherwise disposed of, gains or losses are included in net income or loss.

Preference shares

The Group's redeemable preference shares are classified as financial liabilities because they are redeemable by the Group or at the option of the holder when notice is served by the party exercising the option. Any dividends thereon are recognized as interest expense in statement of income as and when declared.

3. Summary of Significant Accounting Policies *(continued)*

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.

In April 2016, the IASB issued amendments to IAS 7 Statement of Cash Flows for annual periods beginning on or after January 1, 2017, with earlier application permitted. The amendments require entities to provide disclosures that enable users of combined financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

On January 19, 2016, the IASB issued amendments to IAS 12, Income Taxes, relating to the recognition of deferred tax assets for unrealized losses. The amendments are effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

The Group is currently evaluating the impact of the above standards on its combined financial statements.

4. Use of judgements and estimates

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.

Stated in Canadian dollars

4. Use of judgements and estimates *(continued)*

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 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.

5. Accounts receivable

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

Stated in Canadian dollars

6. Advances to related parties

The balance represents advances issued to shareholders and entities controlled by shareholders of the Group. These advances bear no interest, are unsecured and have no repayment terms.

Transactions with related parties are in the normal course of operations and are initially recorded at fair value.

7. Loans receivable

		2017		2016
Term loans (i)	**$**	**439,595**	$	439,180
Demand loans (ii)		**1,115,383**		1,254,606
		1,554,978		1,693,786
Less current portion:		**(1,473,028)**		(1,399,601)
	$	**81,950**	$	294,185

Loan receivable balance represents amounts due from franchisees on sale of merchandise to them by the Group upon signing a franchise agreement.

(i) These loans are unsecured, bears interest ranging between 5% and 7% per annum and require blended payments of principal and interest between $3,800 and $17,500 monthly.

(ii) These loans are unsecured, non-interest bearing and are due on demand.

8. Inventory

		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).

9. Marketable securities

Marketable securities include the following:

		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.

Stated in Canadian dollars

10. Property and equipment

	Office equipment and computers	Leasehold improvements	Vehicles	Total
Cost				
Balance, October 31, 2015	$ 31,552	$ 321,440	$ 143,292	$ 496,284
Additions	2,444	-	-	2,444
Disposals	(5,000)	-	(10,207)	(15,207)
Balance, October 31, 2016	$ 28,996	$ 321,440	$ 133,085	$ 483,521
Additions	20,316	-	29,888	50,204
Balance, October 31, 2017	**$ 49,312**	**$ 321,440**	**$ 162,973**	**$ 533,725**
Accumulated depreciation				
Balance, October 31, 2015	$ 9,959	$ 266,629	$ 70,808	$ 347,396
Charge for the year	7,709	42,541	21,745	71,995
Disposals	(5,000)	-	(10,207)	(15,207)
Balance, October 31, 2016	$ 12,668	$ 309,170	$ 82,346	$ 404,184
Charge for the year	12,103	2,199	13,988	28,290
Balance, October 31, 2017	**$ 24,771**	**$ 311,369**	**$ 96,334**	**$ 432,474**
Net book value				
Balance at October 31, 2016	$ 16,328	$ 12,270	$ 50,739	$ 79,337
Balance at October 31, 2017	**$ 24,541**	**$ 10,071**	**$ 66,639**	**$ 101,251**

The carrying amounts of assets (vehicles) pledged as security for finance lease obligation (Note 12) are $66,639 (2016 - $50,739).

11. Account payables and accrued liabilities

	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

12. Finance lease obligation

	2017	2016
2.9% per annum vehicle loan, payable in monthly installments of $2,147 including principal and interest, maturing in October 2018. The vehicle has been pledged as security (Note 10).	**25,360**	49,875
3.49% per annum vehicle loan, payable in monthly installments of $526 including principal and interest, maturing in June 2022. The vehicle has been pledged as security (Note 10).	**29,380**	-
	54,740	49,875
Presented on the Statement of Financial Position as follows:		
Less than one year	**32,907**	24,636
Between one and five years	**21,833**	25,239

13. Shareholder loans

The shareholder loans are unsecured, carry no interest and are due on demand.

During the year, two shareholders’ loans totaling $549,011 were converted into 11,600,000 Class A common shares (Note 14 (b)).

14. Share capital

(a) Authorized:

The Group is authorized to issued 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.

Classes A, B, C and D voting common shares

The holders are entitled to receive dividends as and when declared by the Board of Directors, subject to preference accorded to the holders of Classes F and G Preference Shares.

In the event of liquidation, dissolution or winding up, subject to preference accorded to the holders of Classes F and G Preference Shares (see below), the holders of Classes A, B, C and D would first receive distribution of properties as follows: $0.04 per share to holders of Class A, $0.03 per share to holders of Class B, $0.02 per share to holders of Class C, and $0.01 per share to holders of Class D. Thereafter, remaining property would be share equally in proportion of the shares held.

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

Class E voting common shares

The holders are entitled to receive dividends as and when declared by the Board of Directors, subject to preference accorded to the holders of Classes F and G Preference Shares.

In the event of liquidation, dissolution or winding up, subject to preference accorded to the holders of Classes A, B, C and D (see above) and Classes F and G Preference Shares (see below), the holders will share equally in the remaining property.

The entity has not issued any Class E voting common shares.

Classes F and G Preferred Shares non-voting

The Group is only authorized to make a one-time issuance of these preferred shares. RGR Canada Inc. and Smoker’s Corner Ltd. have issued these preferred shares. These preferred shares are redeemable by the Group or at the option of the holder when notice is served by the party exercising the option. The holders of preferred shares are entitled to receiving a dividend of 6% on a non-cumulative basis as and when declared by the Board of Directors and in the event of liquidation, dissolution or winding up, the holders are entitled to an amount equal to the redemption amount in priority to the other classes of shares.

The Group has issued preference shares of Classes F and G during the year (Note 15).

Stated in Canadian dollars

14. Share capital *(continued)*

(a) Authorized:

Special voting preferred shares

The holders of special voting preferred shares are not entitled to receive any dividends. They 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, the preferred shares to be redeemed will be selected in such a manner as the Board of Directors may determine.

(b) Issued:

Common shares

	Class A #	**$**
Balance, October 31, 2015	**400,200**	**6**
Share repurchased (Note 15)	**(200)**	**(2)**
Share issued	**200**	**2**
Balance, October 31, 2016	**400,200**	**6**
Bonus shares (i)	**6,400,000**	**237,619**
Shares issued upon conversion of shareholder loans (ii)	**11,600,000**	**549,011**
Balance, October 31, 2017	**18,400,200**	**786,636**

(i) During the year, Famous Brandz Inc. declared bonus share issue of 6,400,000 Class A common shares to Class A shareholders. These were fair value at $237,619. In addition, both Smoker's Corner Ltd. and Famous Brandz Inc. declared and paid cash dividends of $560,007 during the year.

(ii) During the year, two shareholders' loans totaling $549,011 (Note 13) were converted into 11,600,000 Class A common shares. The fair value of the Class A common shares issued were determined to be the fair value of the loans upon conversion.

15. Preferred shares

	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**

Note 14 (a) summarizes the terms of Classes F and G Preferred Shares.

On June 30, 2016, RGR Canada Inc. and Smoker's Corner Ltd. repurchased 100 Class A common shares each and in exchange RGR Canada Inc. issued 44,022 Class F and 44,022 Class G Preferred Shares and Smokers issued 98,247 Class F Preferred Shares. These Classes F and G Preferred Shares have a redemption value of $100 each and are redeemable by RGR Canada Inc. and Smoker's Corner Ltd. 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.

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 financial liability.

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

Stated in Canadian dollars

16. Taxes

Income taxes

The income tax expense for the year is made up of the following:

	2017	2016
Current tax expense	**515,853**	606,652
Deferred tax recovery	**(250,786)**	(138,499)
	265,067	468,153

Reconciliation of effective tax rate:

The provision for income taxes differs from the result that would have been obtained by applying the combined federal and provincial tax rates to the income before taxes. The difference results from the following items:

	2017	2016
Income before taxes	**842,372**	1,683,911
Statutory income tax rate (%)	**27%**	27%
Expected taxes at statutory rate	**241,219**	454,657
Increase in taxes resulting from:		
Non-deductible items	**23,848**	13,496
Income taxes provision	**265,067**	468,153

The Group has non-capital losses which are available for deduction against future taxable income and will expire through to 2038.

Deferred tax asset

The income tax expense for the year is made up of the following:

	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

17. Income per share

	2017	2016
Income for the year attributable to common equity holders	**577,305**	1,215,758
Weighted average number of common shares for the purposes of basic income per share	**11,022,118**	400,200
Basic income per share	**0.05**	3.04
Dilutive income per share*	**0.05**	3.04

* The Group does not have any options, warrants or other potential dilutive common share instrument outstanding during the year.

18. 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 accumulated retained earnings and funds generated from operations and working capital amounts will provide sufficient capital resources and liquidity to fund existing operations in 2018.

19. 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.

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 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 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 is 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 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.

Stated in Canadian dollars

19. Financial instruments and risk management *(continued)*

Credit risk

Credit risk arise 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 is 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 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 (trade) and the allowance for doubtful accounts:

As at	**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

During the year-ended October 31, 2017, $23,931 (2016 – $80,213) 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 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 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:

	2017	2016
At November 1	**119,999**	37,357
Provision for impairment recognised during the year	**12,763**	162,855
Receivables written off during the year as uncollectible	**(23,931)**	(80,213)
At October 31	**108,831**	119,999

As at October 31, 2017, five (2016 – four) customers accounted for 63% (2016 – 49%) of accounts receivable (trade), each with balances greater than 10%. There are no significant concentrations of credit risk.

19. Financial instruments and risk management *(continued)*

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.

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

	Contractual cash flows ($)	Less than one year ($)	1-5 years ($)	Greater than 5 years ($)
October 31, 2017				
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**
October 31, 2016				
Accounts payable and accrued liabilities	499,837	499,837	-	-
Income taxes payable	607,555	607,555	-	-
Finance lease obligation	49,875	24,636	25,239	-
Total	**1,157,267**	**1,132,028**	**25,239**	**-**

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.

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 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 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 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 United States 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.

Stated in Canadian dollars

20. Segmented information

The following presents the results of Group's operating segments for the years ended October 31, 2017 and 2016.

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 Corporation's identifiable assets are located in Canada. The reportable segments are managed separately because of the unique characteristics and requirements of each business.

	Wholesale 2017 ($)	Wholesale 2016 ($)	**Retail 2017 ($)**	Retail 2016 ($)	**Total 2017 ($)**	Total 2016 ($)
Revenue						
Merchandize sale	**6,506,352**	4,339,556	**3,322,560**	3,330,394	**9,828,912**	7,669,950
Royalty	**-**	-	**792,662**	676,819	**792,662**	676,819
Interest and other	**42,330**	14,502	**120,217**	82,055	**162,547**	96,557
Less: Discounts	**(790,875)**	-	**-**	(3,342)	**(790,875)**	(3,342)
	5,757,807	4,354,058	**4,235,439**	4,085,926	**9,993,246**	8,439,984
Cost of sales	**(4,525,274)**	(3,680,523)	**(760,222)**	(365,400)	**(5,285,496)**	(4,045,923)
Gross margin	**1,232,533**	673,535	**3,475,217**	3,720,526	**4,707,750**	4,394,061
Expenses						
Salaries, wages and benefits	**810,823**	524,189	**827,334**	754,177	**1,638,157**	1,278,366
General and administration	**697,047**	462,448	**499,707**	603,271	**1,196,754**	1,065,719
Professional fees	**254,499**	43,075	**93,301**	36,309	**347,800**	79,384
Advertising and promotion	**279,613**	124,420	**119,550**	54,121	**399,163**	178,541
Depreciation	**7,569**	7,016	**20,721**	64,979	**28,290**	71,995
Interest and bank charges	**107,189**	18,900	**31,558**	29,590	**138,747**	48,490
Foreign exchange loss (gain)	**112,793**	2,665	**3,674**	(15,010)	**116,467**	(12,345)
(Loss) income before taxes	**(1,037,000)**	(509,178)	**1,879,372**	2,193,089	**842,372**	1,683,911
Income taxes expense/(recovery)	**(262,684)**	(136,320)	**527,751**	604,473	**265,067**	468,153
(Loss) income for the year	**(774,316)**	(372,858)	**1,351,621**	1,588,616	**577,305**	1,215,758
Purchase of property and equipment	**6,186**	1,888	**44,018**	556	**50,204**	2,444

Total assets and total liabilities of the Group's operating segments as at October 31, 2017 and 2016 were as follows:

	Wholesale 2017 ($)	Wholesale 2016 ($)	**Retail 2017 ($)**	Retail 2016 ($)	**Total 2017 ($)**	Total 2016 ($)
Total assets	**7,099,921**	5,811,714	**4,013,083**	4,606,504	**11,113,004**	10,418,218
Total liabilities	**9,734,774**	9,692,678	**10,635,065**	10,599,705	**20,369,839**	20,292,383

Stated in Canadian dollars

21. Related party transactions

Key management personnel 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**

22. Commitments

Leases

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

23. Subsequent events

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, which acquired, through share exchange, all of the common shares of RGR Canada Inc. and Smoker's Corner Ltd. on February 28, 2018 and acquired, through share conversion and issuance of shares for convertible debentures, all of the common shares of Famous Brandz Inc. on April 2, 2018. High Tide also acquired all of the redeemable preference shares of RGR Canada Inc. and Smoker's Corner Ltd. from the holders, issuing common shares of High Tide in exchange.

Application for Retail Cannabis Licenses

High Tide, through its newly incorporated subsidiary names Canna Cabana Ltd. (incorporated on February 22, 2018 in the providence of Alberta), has submitted an application for a maximum of 37 retail cannabis licences in Alberta. This will allow High Tide to store and sell cannabis products to licenced retailers.

Private placements

Between December 2017 and April 2018, the Group 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 total cash of $710,000.

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

On June 21, 2018 High Tide entered into agreement for private brokered placement of 7,246,377 special warrants at a price of $1.38 per warrant. Each special warrant will consist of one common share and one half common share purchase warrant exercisable into a common share 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. Immediately following the issuance of the special warrants, High Tide is expected to file for public listing of its common shares with the Canadian Securities Commission.