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## **High Tide Reports First Quarter 2020 Financial Results Featuring 173% Revenue Increase over the Same Period of the Previous Year**

Calgary, AB, March 31, 2020 / CNW / – High Tide Inc. (“High Tide” or the “Company”) (CSE:HITI) (OTCQB:HITIF) (FRA:2LY), an Alberta-based, retail-focused cannabis corporation enhanced by the manufacturing and wholesale distribution of smoking accessories and cannabis lifestyle products, has filed its financial results for the first fiscal quarter of 2020 ending January 31, the highlights of which are included in this news release. The full set of Condensed Interim Consolidated Financial Statements and Management’s Discussion and Analysis can be viewed by visiting High Tide’s website at [www.hightideinc.com](http://www.hightideinc.com), its profile page on SEDAR at [www.sedar.com](http://www.sedar.com) or the Company’s CSE profile page at [www.thecse.com](http://www.thecse.com).

"High Tide's first quarter results for the 2020 fiscal year confirm the company's positive trajectory towards profitability, with our best quarterly numbers since going public in December 2018. The Company's significant year-over-year increases in revenue and gross profit, coupled with cost-cutting measures across the organization, have helped narrow our loss from operations for the quarter by 60% over the same period of the previous year," said Raj Grover, President & Chief Executive Officer. "For the remainder of this year, we will be focused on furthering our expansion in Ontario, Canada's largest and most underserved market, with an expectation of seven additional stores by September 2020. With more Canna Cabana locations either under development or nearing completion in Alberta, we continue to grow our retail portfolio at a sustainable pace. I am also pleased to report that High Tide has continued to generate additional subscription-based revenue through our proprietary Cabanalytics™ data analytics service," added Mr. Grover.

*First Quarter 2020 – Financial Highlights (in thousands of Canadian Dollars, except where noted):*

- Revenue for the three months ended January 31, 2020 increased by 173%, to \$13,659 from \$5,001 in the previous year. The increase in revenue was primarily driven by the retail segment of the Company with operations of Canna Cabana and KushBar.
- Gross profit for the three months ended January 31, 2020 increased by 167%, to \$4,777 from \$1,790 in the same period in 2019, primarily due to an increase in sales volume.
- Adjusted EBITDA<sup>(1)</sup> for the three months ended January 31, 2020 increased by 84%, to negative \$550 from a negative \$3,338 in the previous year.
- For the three months ended January 31, 2020, the Company generated a loss from operations of \$1,943 (1Q19: \$4,861 loss).
- As at January 31, 2020, the Company had a working capital deficit of \$11,086, compared to surplus of \$1,938 on October 31, 2019. The change is mainly due to convertible debt of

\$11,512 and related derivative liability of \$3,245 maturing in less than 12 months as at January 31, 2020.

- During the first quarter of 2020, the Company secured a credit facility of up to \$10,000 from Windsor Capital. This transaction, among others, is expected to provide the Company sufficient liquidity to execute on its near-term expansion plan and for its working capital needs.
- During the three-month period ended January 31, 2020, Canna Cabana locations processed over 537,000 transactions, evidencing the Company's loyal customer base and attracting new customers to its top-rated retail experience.
- As of the date of this news release, approximately 46,900 members have joined Cabana Club, with the majority subscribing in-store upon completing purchase transactions.
- The Company launched its proprietary data analytics service named Cabanalytics™ and started generating subscription-based revenue. The Company continues to realize significant interest in its data analytics service, which is expected to result in a growing subscriber base.

Acquisitions in the first quarter of 2020:

- In December 2019, the Company acquired the remaining 49.9% of KushBar Inc. ("KushBar"). This transaction resulted in KushBar becoming a wholly owned subsidiary of High Tide.
- In January 2020, the Company acquired 2680495 Ontario Inc., a company that operates a Canna Cabana branded retail cannabis store in Hamilton, Ontario.
- In January 2020, the Company acquired a 50% interest in a partnership which holds a Canna Cabana-branded retail cannabis store in Sudbury, Ontario.

*Subsequent to the end of the first fiscal quarter of the 2020 fiscal year, the Company:*

- Entered into an agreement to sell the assets of KushBar in consideration for a deemed value of \$12,000 in common shares of Halo Labs.
- The Company closed the acquisition of 102088460 Saskatchewan Ltd., which operates a licensed retail cannabis store in Tisdale, Saskatchewan (the "Tisdale Store").

*Selected financial information for the first quarter ended January 31, 2020:*

*(Expressed in thousands of Canadian Dollars)*

	Three Months Ended January 31,		
	2020	2019	%
	\$	\$	Change
Revenue	13,659	5,001	173%
Gross Profit	4,777	1,790	167%
Total Operating Expenses	6,720	6,651	1%
Adjusted EBITDA <sup>(a)</sup>	(550)	(3,338)	84%
Loss from Operations	(1,943)	(4,861)	(60%)
Net Loss	(3,852)	(3,822)	1%
Loss Per Share (Basic)	(0.02)	(0.02)	-
Loss Per Share (Diluted)	(0.02)	(0.02)	-

<sup>(a)</sup> Adjusted EBITDA is a non-IFRS financial measure.

The following is a reconciliation of Adjusted EBITDA to net loss:

	<b>Three Months Ended January 31,</b>	
	<b>2020</b>	<b>2019</b>
Net Loss	<b>(3,852)</b>	(3,822)
Income taxes	<b>(85)</b>	(1,230)
Accretion and interest	<b>1,815</b>	106
Depreciation and amortization	<b>1,366</b>	186
<b>EBITDA</b> <sup>(1)</sup>	<b>(756)</b>	(4,760)
Foreign exchange	<b>(4)</b>	75
Transaction and acquisition costs	<b>622</b>	142
Revaluation of derivative liability	<b>(439)</b>	-
Share-based compensation	<b>27</b>	1,232
Discount on accounts receivable	-	(24)
Gain on disposal of property and equipment	-	(3)
<b>Adjusted EBITDA</b> <sup>(1)</sup>	<b>(550)</b>	(3,338)

<sup>(1)</sup> Earnings before interest, taxes, depreciation and amortization ("EBITDA") and Adjusted EBITDA. These measures do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Non-IFRS measures provide investors with a supplemental measure of the Company's operating performance and therefore highlight trends in Company's core business that may not otherwise be apparent when relying solely on IFRS measures. Management uses non-IFRS measures in measuring the financial performance of the Company.

<sup>(2)</sup> Financial information for 2019 has not been restated for the adoption of IFRS 16. For the three months ended January 31, 2020, the Company made 969 in lease payments.

### *Outlook*

The Company has been continuing to respond to COVID-19 with changes to internal business practices consistent with the guidelines of public health authorities. Since inception, High Tide's purpose has been to serve cannabis enthusiasts and a significant part of that commitment is ensuring the Company is putting the safety of its customers and employees first. The Company has implemented significant measures to protect the health and wellbeing of these valued groups of individuals. High Tide continues to monitor the situation closely while keeping its retail locations and wholesale facilities open, where permitted.

The Company believes that the senior secured credit facility advanced by Windsor Capital, together with the proceeds from the eventual sale of the common shares of Halo Labs, position the Company to be well funded to execute on its strategic objectives in 2020.

### **About High Tide Inc.**

High Tide is an Alberta-based, retail-focused cannabis company enhanced by the manufacturing and wholesale distribution of smoking accessories and cannabis lifestyle products. It is a vertically-integrated company in the Canadian cannabis market, with portfolio subsidiaries including Canna Cabana Inc., KushBar Inc., Grasscity.com, Smoker's Corner Ltd., RGR Canada Inc. and Famous Brandz Inc. High Tide's strategy as a parent company is to extend and strengthen its integrated value chain, while providing a complete customer experience and maximizing shareholder value. Key industry investors in High Tide include Aphria Inc. (TSX:APHA) (NYSE:APHA) and Aurora Cannabis Inc. (NYSE:ACB) (TSX:ACB).

With the deregulation of recreational cannabis for adult use across Canada, Canna Cabana Inc. and its 28 branded stores is a sizeable retail business with a sophisticated yet playful customer

experience. KushBar Inc. is a second retail cannabis business with 2 operating stores in Alberta, offering a modern experience aimed at the Company's growing customer base in Alberta. Based in Amsterdam since 2000, Grasscity.com is the world's preeminent and most searchable online retailer of smoking accessories and cannabis lifestyle products with approximately 5.8 million site visits annually. Representing the core of High Tide's wholesale segment, RGR Canada Inc. is a high-quality and innovative designer, manufacturer and distributor of cannabis accessories. Famous Brandz Inc. is a dominant manufacturer of licensed lifestyle accessories, through partnerships with celebrities and entertainment companies including Snoop Dogg and Paramount Pictures. Famous Brandz' products are sold to wholesalers and retailers around the world.

For more information about High Tide Inc., please visit [www.hightideinc.com](http://www.hightideinc.com) and its profile page on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Cautionary Note Regarding Forward-Looking Statements**

Certain statements in this news release are forward-looking information or forward-looking statements, including, but not limited to (i) the expected ability of the Company to receive funds from the Windsor Capital credit facility and the sale of the Halo Labs shares; (ii) the Company's intention to develop all permits that it holds in Alberta; (iii) the Company's expected future acquisition of the Canna Cabana location in Toronto; and (iv) the Company's expectation that it will open retail cannabis stores in British Columbia. Such information and statements, referred to herein as "forward-looking statements" are made as of the date of this news release or as of the date of the effective date of information described in this news release, as applicable. Forward-looking statements relate to future events or future performance and reflect current estimates, predictions, expectations or beliefs regarding future events. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (generally, forward-looking statements can be identified by use of words such as "outlook", "expects", "intend", "forecasts", "anticipates", "plans", "projects", "estimates", "envisages", "assumes", "needs", "strategy", "goals", "objectives", or variations thereof, or stating that certain actions, events or results "may", "can", "could", "would", "might", or "will" be taken, occur or be achieved, or the negative of any of these terms or similar expressions, and other similar terminology) are not statements of historical fact and may be forward-looking statements.

Such forward-looking statements are based on assumptions that may prove to be incorrect, including but not limited to the ability of the Company to execute on its business plan and that the Company will receive one or multiple licenses from Alberta Gaming, Liquor & Cannabis, British Columbia's Liquor Distribution Branch, Liquor, Gaming and Cannabis Authority of Manitoba, Alcohol and Gaming Commission of Ontario or the Saskatchewan Liquor and Gaming Authority permitting it to carry on its Canna Cabana Inc. business. The Company considers these assumptions to be reasonable in the circumstances. However, there can be no assurance that any one or more of the government, industry, market, operational or financial targets as set out herein will be achieved. Inherent in the forward-looking statements are known and unknown risks, uncertainties and other factors that could cause actual results, performance or achievements, or industry results, to differ materially from any results, performance or achievements expressed or implied by such forward-looking statements.

The forward-looking statements contained herein are current as of the date of this news release. Except as required by law, High Tide does not have any obligation to advise any person if it becomes aware of any inaccuracy in or omission from any forward-looking statement, nor does it intend, or assume any obligation, to update or revise these forward-looking statements to reflect

new events or circumstances. Any and all forward-looking statements included in this news release are expressly qualified by this cautionary statement, and except as otherwise indicated, are made as of the date of this news release.

SOURCE High Tide Inc.

For further information, please contact Raj Grover, President & Chief Executive Officer of High Tide Inc.; Tel: (403) 770-9435; Email: [Raj@HighTideInc.com](mailto:Raj@HighTideInc.com); Web: [www.HighTideInc.com](http://www.HighTideInc.com).



HIGHTIDE

# Condensed Interim Consolidated Financial Statements

**For the three months ended January 31, 2020 and 2019**

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

(Unaudited)



**High Tide Inc.**  
**Condensed Interim Consolidated Financial Statement**  
For the three months ended January 31, 2020 and 2019

**Notice of no auditor review of Condensed Interim Consolidated Financial Statements for the three months ended January 31, 2020 and 2019.**

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

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

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

**Approved on behalf of the Board:**

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

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

**High Tide Inc.****Condensed Interim Consolidated Statements of Financial Position**

As at January 31, 2020 and October 31, 2019

HIGHTIDE (Unaudited – In thousands of Canadian dollars)

	Notes	2020	2019
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		4,099	806
Restricted marketable securities		50	50
Accounts receivable	17	2,539	2,385
Inventory		7,088	6,719
Prepaid expenses, deposits and other receivables	8	2,968	2,518
Current portion of loans receivable		76	261
<b>Total current assets</b>		<b>16,820</b>	<b>12,739</b>
<b>Non-current assets</b>			
Loans receivable		283	878
Property and equipment	7	13,058	12,382
Right-of-use assets, net	20	18,894	-
Long term prepaid expenses, deposits and other receivables	8	1,444	1,380
Deferred tax asset		730	1,190
Intangible assets and goodwill	6	18,101	12,174
<b>Total non-current assets</b>		<b>52,510</b>	<b>28,004</b>
<b>Total assets</b>		<b>69,330</b>	<b>40,743</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		5,363	4,402
Notes payable current	11	3,582	3,570
Current portion of convertible debentures	10	11,512	-
Current portion of lease liabilities	20	4,199	-
Current portion of finance lease obligation		4	6
Shareholder loans		-	701
Derivative liability	10, 12	3,245	2,121
<b>Total current liabilities</b>		<b>27,905</b>	<b>10,800</b>
<b>Non-current liabilities</b>			
Notes payable	11	71	62
Convertible debentures	10	14,587	19,664
Lease liabilities	20	14,680	-
Long term contract liability		53	89
Finance lease obligations		11	11
Deferred tax liability		1,309	710
<b>Total non-current liabilities</b>		<b>30,711</b>	<b>20,536</b>
<b>Total liabilities</b>		<b>58,616</b>	<b>31,336</b>
<b>Shareholders' equity</b>			
Share capital	13	29,895	26,283
Contributed surplus	4, 14	1,646	2,119
Convertible debentures – equity	10	1,728	1,637
Warrants	15	8,468	6,609
Accumulated other comprehensive income		(296)	(366)
Accumulated deficit		(30,727)	(26,696)
<b>Equity attributable to owners of the Company</b>		<b>10,714</b>	<b>9,586</b>
Non-controlling interest	21	-	(179)
<b>Total shareholders' equity</b>		<b>10,714</b>	<b>9,407</b>
<b>Total liabilities and shareholders' equity</b>		<b>69,330</b>	<b>40,743</b>



**High Tide Inc.****Condensed Interim Consolidated Statements of Comprehensive Loss**

For the three months ended January 31, 2020 and 2019

HIGH TIDE (Unaudited – In thousands of Canadian dollars)

	Notes	2020	2019
		\$	\$
<b>Revenue</b>			
Merchandise sales	5	12,951	4,900
Royalty revenue	5	583	85
Interest and other revenue	5	125	16
<b>Net revenue</b>		<b>13,659</b>	<b>5,001</b>
<b>Cost of sales</b>		<b>(8,882)</b>	<b>(3,211)</b>
<b>Gross profit</b>		<b>4,777</b>	<b>1,790</b>
<b>Expenses</b>			
Salaries, wages and benefits		(3,171)	(2,218)
Share-based compensation	14	(27)	(1,232)
General and administration		(1,163)	(1,359)
Professional fees		(763)	(879)
Advertising and promotion		(87)	(650)
Depreciation and amortization	6, 7, 20	(1,366)	(186)
Interest and bank charges		(143)	(127)
<b>Total expenses</b>		<b>(6,720)</b>	<b>(6,651)</b>
<b>Loss from operations</b>		<b>(1,943)</b>	<b>(4,861)</b>
<b>Other income (expenses)</b>			
Revaluation of derivative liability	10, 12	439	-
Gain on disposal of property and equipment		-	2
Discount on accounts receivable		-	24
Finance and other costs	9	(2,437)	(142)
Foreign exchange gain (loss)		4	(75)
<b>Total other expenses</b>		<b>(1,994)</b>	<b>(191)</b>
<b>Loss before taxes</b>		<b>(3,937)</b>	<b>(5,052)</b>
Deferred tax recovery		85	1,230
<b>Net Loss</b>		<b>(3,852)</b>	<b>(3,822)</b>
<b>Other comprehensive loss</b>			
Translation difference on re-valuation of foreign subsidiary		70	-
<b>Total comprehensive loss</b>		<b>(3,782)</b>	<b>(3,822)</b>
<b>Net loss and comprehensive loss attributable to:</b>			
Owners of the Company		(3,774)	(3,780)
Non-controlling interest	21	(8)	(42)
		<b>(3,782)</b>	<b>(3,822)</b>
<b>Loss per share</b>			
Basic	16	(0.02)	(0.02)
Diluted	16	(0.02)	(0.02)

Subsequent Events (Note 22)



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

	Note	Share capital	Special warrants	Warrants	Contributed surplus	Equity portion of convertible debt	Accumulated other comprehensive income (loss)	Accumulated deficit	Attributable to owners of the Company	NCI	Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance, October 31, 2018</b>		<b>35,695</b>	<b>16,904</b>	<b>905</b>	-	-	-	<b>(30,176)</b>	<b>23,328</b>	<b>(13)</b>	<b>23,315</b>
Transition adjustment – IFRS 9		-	-	-	-	-	-	(26)	(26)	-	(26)
Transition adjustment – IFRS 15		-	-	-	-	-	-	(67)	(67)	-	(67)
Conversion of special warrants		13,051	(16,904)	3,853	-	-	-	-	-	-	-
Warrants issued December, 2018		-	-	93	-	-	-	-	93	-	93
Acquisition - Grasscity		3,047	-	-	-	-	-	-	3,047	-	3,047
Share-based compensation		71	-	-	2,119	-	-	-	2,190	-	2,190
Equity portion of convertible debentures		-	-	-	-	1,637	-	-	1,637	-	1,637
Cumulative translation adjustment		-	-	-	-	-	(366)	-	(366)	-	(366)
Interest payment paid in shares		1,156	-	-	-	-	-	-	1,156	-	1,156
Warrants issued April, 2019		-	-	883	-	-	-	-	883	-	883
Acquisition - Dreamweavers		1,147	-	296	-	-	-	-	1,443	-	1,443
Acquisition - Jasper Ave.		205	-	-	-	-	-	-	205	-	205
Warrants issued June, 2019		-	-	342	-	-	-	-	342	-	342
Reduction in share capital		(29,699)	-	-	-	-	-	29,699	-	-	-
Fee paid in shares & warrants		1,607	-	132	-	-	-	-	1,739	-	1,739
Warrants issued September, 2019		-	-	105	-	-	-	-	105	-	105
Warrant exercise		3	-	-	-	-	-	-	3	-	3
Comprehensive loss for the year		-	-	-	-	-	-	(26,126)	(26,126)	(166)	(26,292)
<b>Balance, October 31, 2019</b>		<b>26,283</b>	-	<b>6,609</b>	<b>2,119</b>	<b>1,637</b>	<b>(366)</b>	<b>(26,696)</b>	<b>9,586</b>	<b>(179)</b>	<b>9,407</b>
Fee paid in shares		182	-	-	-	-	-	-	182	-	182
Warrants issued	15	-	-	1,543	-	-	-	-	1,543	-	1,543
Share-based compensation	4, 14	-	-	-	27	-	-	-	27	-	27
Equity portion of convertible debentures	10	-	-	-	-	241	-	-	241	-	241
Equity portion of convertible debentures re-paid	10	-	-	-	-	(150)	-	-	(150)	-	(150)
Cumulative translation adjustment		-	-	-	-	-	70	-	70	-	70
Prepaid Interest paid in shares	10	612	-	-	-	-	-	-	612	-	612
Purchase of minority interest - KushBar Inc.	4	500	-	-	(500)	-	-	(187)	(187)	187	-
Acquisition - 2680495 Ontario Inc.	3	1,100	-	-	-	-	-	-	1,100	-	1,100
Acquisition - Saturninus Partners	3	1,218	-	316	-	-	-	-	1,534	-	1,534
Comprehensive loss for the period		-	-	-	-	-	-	(3,844)	(3,844)	(8)	(3,852)
<b>Balance, January 31, 2020</b>		<b>29,895</b>	-	<b>8,468</b>	<b>1,646</b>	<b>1,728</b>	<b>(296)</b>	<b>(30,727)</b>	<b>10,714</b>	-	<b>10,714</b>

**High Tide Inc.****Condensed Interim Consolidated Statements of Cash Flows**

For the three months ended January 31, 2020 and 2019

HIGHTIDE (Unaudited – In thousands of Canadian dollars)

	Notes	2020	2019
		\$	\$
<b>Operating activities</b>			
Net loss		<b>(3,852)</b>	(3,822)
Income tax recovery		<b>85</b>	(1,230)
Accretion expense		<b>1,532</b>	-
Acquisition costs		<b>600</b>	-
Depreciation and amortization	6, 7, 20	<b>1,366</b>	186
Accretion of lease liability	20	<b>305</b>	-
Revaluation of derivative liability	10, 12	<b>439</b>	-
Gain on disposal of property and equipment		-	(2)
Share-based compensation	14	<b>27</b>	1,232
Provision for impairment on accounts receivable		-	(24)
		<b>502</b>	(3,660)
<b>Changes in non-cash working capital</b>			
Accounts receivable		<b>(171)</b>	(613)
Inventory		<b>499</b>	(1,343)
Loans receivable		-	13
Prepaid expenses and deposits		<b>128</b>	1,026
Accounts payable and accrued liabilities		<b>(1,234)</b>	693
Income tax payable		-	(73)
Contract liability		<b>(44)</b>	(141)
Shareholder loans		-	155
<b>Net cash used in operating activities</b>		<b>(320)</b>	(3,943)
<b>Investing activities</b>			
Purchase of property and equipment	7	<b>(372)</b>	(3,083)
Purchase of intangible assets	6	<b>(132)</b>	(301)
Loans receivable		<b>17</b>	-
Cash paid for business combination, net of cash acquired	3	<b>(2,284)</b>	(4,688)
<b>Net cash used in investing activities</b>		<b>(2,771)</b>	(8,072)
<b>Financing activities</b>			
Repayment of finance lease obligations		<b>(2)</b>	(1)
Proceeds from convertible debentures net of issue costs	10	<b>8,855</b>	10,780
Repayment of convertible debentures	10	<b>(1,500)</b>	-
Lease liability payments	20	<b>(969)</b>	-
<b>Net cash provided by financing activities</b>		<b>6,384</b>	10,779
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>3,293</b>	(1,236)
<b>Cash and cash equivalents, beginning of the year</b>		<b>806</b>	8,198
<b>Cash and cash equivalents, end of the year</b>		<b>4,099</b>	6,962



## High Tide Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended January 31, 2020 and 2019

HIGHTIDE

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

## 1. Nature of Operations

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

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

## 2. Accounting Policies

### A. Basis of Preparation

These unaudited condensed interim consolidated financial statements (“Financial Statements”) have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (“IASB”). They are condensed as they do not include all of the information required for full annual financial statements, and they should be read in conjunction with the audited consolidated financial statements of the Company for the year ended October 31, 2019 which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

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

The principles and accounting policies used to prepare the financial statements are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of IFRS 16.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on March 30, 2020.

### B. Use of estimates

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

### C. Adoption of new standards

#### IFRS 16 Leases

On January 13, 2016, the IASB published a new standard, IFRS 16 Leases. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. The standard is effective for annual periods beginning on or after January 1, 2019. Under the new standard, a lessee recognizes a right-of-use asset and a lease liability.

On November 1, 2019 the Company, adopted IFRS 16 Leases. The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 Leases.

As a result of adopting IFRS 16, the Company has recognized a significant increase to both assets and liabilities on our Condensed Interim Consolidated Statements of Financial Position, as well as a decrease to operating expenses (for the removal of base rent expense and operating costs for leases), an increase to depreciation (due to the depreciation of the right-of use asset), and an increase to finance costs (due to accretion of the lease liability). Lease inducements, store closure costs and average rent adjustments (which were previously included in accounts payable and accrued liabilities) and onerous lease provisions are no longer recognized as separate liabilities and are included in the calculation of right-of-use assets under IFRS 16.



**C. Adoption of new standards (continued)**

Applying IFRS 16, for all leases, the Company:

- recognizes right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;
- recognizes depreciation of right-of-use assets on a straight-line basis and interest on lease liabilities in the consolidated statements of income or loss; and
- reports the total amount of cash paid, including both the principal portion and interest within financing activities in the consolidated statements of cash flows. Lease incentives are recognized as part of the measurement of the right-of-use (“ROU”) assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive liability, amortized as a reduction of rental expense on a straight-line basis.

On adoption of IFRS 16, the Company recognized lease assets and liabilities in relation to leases previously classified as ‘operating leases’ under the principles of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the related incremental borrowing rate as of November 1, 2019. The incremental borrowing rate applied is 8%. The associated right-of-use assets were measured as equal to the lease liability and prepaid rent, discounted using the incremental borrowing rates as of November 1, 2019 adjusted for the effects of provisions for onerous leases.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets. In the context of transition to IFRS 16, the Company recognized right-of-use assets of \$19,638 and lease liabilities of \$19,543 as at November 1, 2019. The Company capitalized prepaid lease deposits and lease inducements amounting to \$95 to right of use assets on November 1, 2019 in accordance with IFRS 16.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the Company has elected to use a single discount rate to a portfolio of leases with reasonably similar underlying characteristics;
- the Company has elected to exclude initial direct costs incurred in obtaining leases in the measurement of the right-of-use asset on transition;
- the Company has elected to use hindsight to determine the lease term where the lease contracts contain options to extend or terminate the lease;
- the Company has elected not to separate lease components from any associated non lease components;
- the Company has elected to rely on an onerous lease assessment as of October 31, 2019, as an alternative to performing an impairment review as at November 1, 2019; and
- the Company has elected not to account for leases for which the lease term ends within 12 months of November 1, 2019 as short-term leases or leases that meet the low-value exemption.

A reconciliation of lease commitments as at October 31, 2019, outlining the effect of transition to IFRS 16 is outlined below.

Operating lease commitments disclosed at October 31, 2019	21,218
Effect of discounting using incremental borrowing rate at November 1, 2019	(5,926)
Reasonably certain lease extensions	4,251
<b>Total Lease Liabilities as of November 1, 2019</b>	<b>19,543</b>



**C. Adoption of new standards (continued)**

**Accounting policy**

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Right-of-use assets are measured at cost, which is calculated as the amount of the initial measurement of lease liability plus any lease payments made at or before the commencement date, any initial direct costs and related restoration costs. The right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the useful life of the underlying asset. The depreciation is recognized from the commencement date of the lease. To assess whether a contract conveys the right to control the use of an identified asset, we assess whether:

- The contract involves the use of an identified asset;
- The Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use; and
- The Company has the right to direct the use of the asset.

**Estimates**

The Company estimates the incremental borrowing rate used to measure our lease liability for each lease contract. This includes estimation in determining the asset-specific security impact. There is also estimation uncertainty arising from certain leases containing variable lease terms that are linked to operational results or an index or rate.

**Judgments**

The Company estimates the lease term by considering the facts and circumstances that can create an economic incentive to exercise an extension option, or not exercise a termination option by assessing relevant factors such as store profitability. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the lease will be extended. The assessment of the lease term is reviewed if a significant event or a significant change in circumstances occurs, which affects this assessment and that is within the control of the lessee.

**D. New Accounting Pronouncements not yet adopted**

**Definition of a Business**

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



## High Tide Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended January 31, 2020 and 2019

HIGHTIDE

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

### 3. Business Combinations

#### A. 2680495 Ontario Inc. Acquisition

<b>Total consideration</b>	<b>\$</b>
Cash paid	2,903
Common shares	1,100
	<b>4,003</b>
<b>Purchase price allocation</b>	
Cash	455
Prepaid expenses and deposits	3
Inventory	444
Property and equipment	456
Intangible assets - license	4,325
Accounts payable and accrued liabilities	(762)
Deferred tax liability	(918)
	<b>4,003</b>

On January 24, 2020, the Company completed the acquisition of 2680495 Ontario Inc. ("2680495") which operates a licensed retail cannabis store in Hamilton, Ontario. As consideration for the acquisition, the Company paid to the vendor \$2,903 in cash and issued to the vendor 4,761,904 common shares in the capital of the Company. In connection with the transaction, the Company acquired all the issued and outstanding shares of 2680495.

Management is in the process of gathering the relevant information that existed at the acquisition date to determine the fair value of the net identifiable assets acquired. As such, the initial purchase price was provisionally allocated based on the Company's estimated fair value of the identifiable assets acquired on the acquisition date. The values assigned are, therefore, preliminary and subject to change. Management continues to refine and finalize its purchase price allocation for the fair value of identifiable intangible assets, property plant and equipment, and the allocation of goodwill. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes. For the three months ended January 31, 2020, 2680495 accounted for \$516 in revenues and \$93 in net income. The Company also incurred \$600 in transaction costs, which have been expensed during the period.



### 3. Business Combinations (continued)

#### B. Saturninus Partners Acquisition

<b>Total consideration</b>	<b>\$</b>
Common shares	1,218
Warrants	316
Contingent consideration	116
	<b>1,650</b>
<b>Purchase price allocation</b>	
Cash	164
Accounts receivable	15
Prepaid expenses and deposits	28
Inventory	393
Property and equipment	269
Accounts payable and accrued liabilities	(891)
Goodwill	1,672
	<b>1,650</b>

On January 27, 2020, the Company acquired a 50% interest in the Saturninus Partners (“Saturninus”) which operates a licensed retail cannabis store in Sudbury, Ontario. The Company, has classified this acquisition as a joint operation. The activity of the joint operation constitutes a business, as defined in IFRS 3 Business Combinations, it shall apply, to the extent of its share in accordance with all of the principles on business combinations accounting. As consideration for the transaction, the Company issued to nominees of the partners of the partnership an aggregate of 5,319,149 common shares of the Company, as well as common share purchase warrants to purchase up to an aggregate of 2,500,000 shares of the Company. Each warrant entitles the holder to acquire one share at an exercise price of \$0.40 per share for a period of two years from the date of issuance. In addition, for a period of 2 years following the closing date, one of the outgoing partners will be entitled to receive, from the Saturninus, a royalty of 1% of the gross revenues of the Sudbury store. Contingent consideration was calculated using the present value of expected payment, discounting using 22% discount rate. The expected payment is determined by considering the 1% share of forecasted revenue.

Management is in the process of gathering the relevant information that existed at the acquisition date to determine the fair value of the net identifiable assets acquired. As such, the initial purchase price was provisionally allocated based on the Company's estimated fair value of the identifiable assets acquired on the acquisition date. The values assigned are, therefore, preliminary and subject to change. Management continues to refine and finalize its purchase price allocation for the fair value of identifiable intangible assets, property plant and equipment, and the allocation of goodwill. None of the goodwill arising on this acquisition is expected to be deductible for tax purposes. For the three months ended January 31, 2020, Saturninus accounted for \$56 in revenues and (\$5) in net loss.

### 4. Purchase of Minority interest in Shareholder

On December 10, 2019, the Company entered into a definitive share purchase agreement with 2651576 Ontario Inc. (the “Minority Shareholder”), a private Ontario company, to acquire the remaining 49.9% interest (the “Minority Interest”) in High Tide’s majority-owned subsidiary, KushBar Inc. (“KushBar”). Pursuant to the definitive agreement, High Tide, which presently holds a controlling interest of 50.1% in KushBar, will acquire the Minority Interest in a transaction (the “Transaction”) that will result in KushBar becoming a wholly owned subsidiary of High Tide. The consideration paid for the minority interest was by the issuance of a secured convertible debenture in the principal amount of approximately \$700 to settle the shareholder loan and 2,645,503 number of common shares in the capital of High Tide (“Shares”) having an aggregate fair value of \$500, with each common share priced at the 10-day volume weighted average trading price of the shares on the CSE immediately prior to the closing date.

The book value of the non-controlling interest at the time of the purchase was negative \$187. The incremental amount of the fair value of the consideration paid over the book value of the non-controlling interest at December 10, 2019, of \$500 was recognized as an adjustment to contributed surplus and \$187 to accumulated deficit.





## High Tide Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended January 31, 2020 and 2019

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

## 5. Revenue from Contracts with Customers

For the three months ended January 31, 2020		Retail	Wholesale	Corporate	Total
		\$	\$	\$	\$
<b>Primary geographical markets</b>					
	Canada	10,712	871	217	11,800
	USA	1,193	507	-	1,700
	International	159	-	-	159
<b>Total revenue</b>		<b>12,064</b>	<b>1,378</b>	<b>217</b>	<b>13,659</b>
<b>Major products and services</b>					
	Cannabis	9,601	-	-	9,601
	Smoking accessories	2,030	1,320	-	3,350
	Franchise royalties and fees	376	-	207	583
	Interest and other revenue	57	58	10	125
<b>Total revenue</b>		<b>12,064</b>	<b>1,378</b>	<b>217</b>	<b>13,659</b>
<b>Timing of revenue recognition</b>					
	Transferred at a point in time	12,064	1,378	217	13,659
<b>Total revenue</b>		<b>12,064</b>	<b>1,378</b>	<b>217</b>	<b>13,659</b>

## 6. Intangible Assets

	Software	Licenses	Lease buy-out	Brand Name	Goodwill	Total
Cost	\$	\$	\$	\$	\$	\$
Balance, October 31, 2018	159	-	777	-	-	936
Additions	553	-	1,780	-	-	2,333
Additions from business combinations	1,136	2,594	-	1,539	9,066	14,335
Impairment loss	-	-	-	-	(4,600)	(4,600)
Balance, October 31, 2019	1,848	2,594	2,557	1,539	4,466	13,004
Additions	132	-	-	-	-	132
Additions from business combinations (Note 3)	-	4,326	-	-	1,672	5,998
Impairment loss	-	-	-	-	-	-
<b>Balance, January 31, 2020</b>	<b>1,980</b>	<b>6,920</b>	<b>2,557</b>	<b>1,539</b>	<b>6,138</b>	<b>19,134</b>
<b>Accumulated depreciation</b>						
Balance, October 31, 2018	2	-	-	-	-	2
Amortization	109	75	191	-	-	375
Balance, October 31, 2019	111	75	191	-	-	377
Amortization	75	143	7	-	-	225
<b>Balance, January 31, 2020</b>	<b>186</b>	<b>218</b>	<b>198</b>	<b>-</b>	<b>-</b>	<b>602</b>
<b>Foreign currency translation</b>						
Balance, October 31, 2018	-	-	-	-	-	-
Recorded in other comprehensive loss	60	-	-	57	336	453
Balance, October 31, 2019	60	-	-	57	336	453
Recorded in other comprehensive loss	(1)	-	-	(1)	(20)	(22)
<b>Balance, January 31, 2020</b>	<b>59</b>	<b>-</b>	<b>-</b>	<b>56</b>	<b>316</b>	<b>431</b>
<b>Net book value</b>						
Balance at October 31, 2018	157	-	777	-	-	934
Balance, October 31, 2019	1,677	2,519	2,366	1,482	4,130	12,174
<b>Balance, January 31, 2020</b>	<b>1,735</b>	<b>6,702</b>	<b>2,359</b>	<b>1,483</b>	<b>5,822</b>	<b>18,101</b>



## 7. Property and Equipment

	Office equipment and computers	Leasehold improvements	Vehicles	Buildings	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
Balance, October 31, 2018	193	3,609	167	145	4,114
Additions	196	6,823	-	2,655	9,674
Additions from business combinations	63	293	-	-	356
Impairment loss	-	(220)	-	-	(220)
Balance, October 31, 2019	452	10,505	167	2,800	13,924
Additions	42	330	-	-	372
Additions from business combinations (Note 3)	19	706	-	-	725
Impairment loss	-	-	-	-	-
<b>Balance, January 31, 2020</b>	<b>513</b>	<b>11,541</b>	<b>167</b>	<b>2,800</b>	<b>15,021</b>
<b>Accumulated depreciation</b>					
Balance, October 31, 2018	49	325	142	-	516
Depreciation	78	940	6	2	1,026
Balance, October 31, 2019	127	1,265	148	2	1,542
Depreciation	19	397	3	2	421
<b>Balance, January 31, 2020</b>	<b>146</b>	<b>1,662</b>	<b>151</b>	<b>4</b>	<b>1,963</b>
<b>Net book value</b>					
Balance, October 31, 2019	325	9,240	19	2,798	12,382
<b>Balance, January 31, 2020</b>	<b>367</b>	<b>9,879</b>	<b>16</b>	<b>2,796</b>	<b>13,058</b>

## 8. Prepaid expenses and deposits

As at	January 31, 2020	October 31, 2019
	\$	\$
Business acquisition deposit	300	300
Deposits on cannabis retail outlets	1,444	1,380
Prepaid interest, insurance and other	2,021	1,833
Prepayment on purchases	647	385
<b>Total</b>	<b>4,412</b>	<b>3,898</b>
Less current portion	(2,968)	(2,518)
<b>Long-term</b>	<b>1,444</b>	<b>1,380</b>

## 9. Finance and other costs

Finance and other costs are comprised of the following:

	January 31, 2020	January 31, 2019
	\$	\$
Accretion expense	845	-
Interest on convertible debenture	583	-
Interest on notes payable	82	-
Accretion of lease liability	305	-
Transaction cost	22	142
Acquisition costs	600	-
<b>Total</b>	<b>2,437</b>	<b>142</b>



## 10. Convertible Debentures

- i. On November 28, 2018, the Company entered into an agreement for a brokered private placement for the sale of up to 20,000 unsecured convertible debentures of the Company, at a price of \$1 per debenture for gross proceeds of up to \$20,000. The debentures bear interest at a rate of 8.5% per annum, payable on the last business day of each calendar quarter. The debentures are convertible to common shares of the Company at a price of \$0.75 per common share and mature two years from the closing of the offering. The first closing occurred on December 13, 2018 issuing 11,330 debentures at a price of \$1 per debenture for gross proceeds of \$11,330. The company incurred \$618 in issue costs in relation to the first closing which included the 504,733 broker warrants valued at \$93 using Black-Scholes model with the following assumptions: stock price of \$0.36; expected life of 2 years; \$Nil dividends; 130% volatility; and risk-free interest rate of 1.60%. Each broker warrant is exercisable for one common share of the Company at a price of \$0.75 per share until December 11, 2020.

Management calculated the fair value of the liability component as \$8,907 using a discount rate of 22%, with the residual amount of \$2,422 net of deferred tax of \$654 being allocated to the conversion feature recorded in equity. The Company incurred \$618 in debt issuance cost, \$486 was allocated to debt component and the remaining \$132 to the equity.

- ii. On April 10, 2019, the Company closed the first tranche of the sale of unsecured convertible debentures of the Company under a non-brokered private placement for gross proceeds of \$8,360. The outstanding principal amount is convertible at any time before maturity at the option of the holder, into common shares of the Company at a conversion price of \$0.75 per share and mature two years from the closing of the private placement. Under the private placement, the Company also issued common share purchase warrants such that each subscriber received one warrant for each \$0.75 original principal amount of its debenture, resulting in 11,146,667 warrants being issued as part of the offering. Each warrant entitles the holder to acquire one share at an exercise price of \$0.85 per share for two years from the date of issuance. The company incurred \$50 in legal costs which was paid by the issuance of 100,000 shares with a fair value of \$0.50 per share. The debentures bear interest at a rate of 10% per annum, payable annually upfront in common shares of High Tide based on the 10-day volume weighted average price of \$0.48 prior to the closing date of the private placement. Concurrent with the issuance of the debentures, the Company paid the annual amount of interest due to holders upfront in the form of 1,752,621 Shares.

Management calculated the fair value of the liability component as \$7,138 using a discount rate of 22%, with the residual amount of \$1,222 net of deferred tax of \$330 being allocated to warrants, recorded in equity. The Company incurred \$58 in debt issuance cost, \$50 being allocated to debt component and the remaining \$8 to the warrants.

On December 4, 2019, the Company repaid \$1,500 towards the principal of the convertible debt.

- iii. On June 17, 2019, the Company closed the final tranche of the sale of unsecured convertible debentures of the Company under the non-brokered private placement for gross proceeds of \$3,200. The outstanding principal amount is convertible at any time before maturity at the option of the holder, into common shares of the Company at a conversion price of \$0.75 per share and mature two years from the closing of the offering. Under the offering, the Company also issued common share purchase warrants such that each subscriber received one warrant for each \$0.75 original principal amount of its debenture, resulting in 4,266,667 warrants being issued as part of the offering. Each warrant entitles the holder to acquire one share at an exercise price of \$0.85 per share for two years from the date of issuance. The debentures will bear interest at a rate of 10% per annum, payable annually upfront in common shares of High Tide based on the 10-day volume weighted average price of \$0.384 prior to the closing date of the offering. Concurrent with the final tranche issuance of the debentures, the Company paid the annual amount of interest due to holders upfront in the form of 855,615 Shares.

Management calculated the fair value of the liability component as \$2,732 using a discount rate of 22%, with the residual amount of \$468 net of deferred tax of \$128 being allocated to warrants, recorded in equity.



## 10. Convertible Debentures (continued)

- iv. On November 14, 2019, the Company closed the sale of unsecured convertible debentures of the Company under the non-brokered private placement for gross proceeds of \$2,000. The outstanding principal amount is convertible at any time before maturity at the option of the holder, into common shares of the Company at a conversion price of \$0.252 per share and mature two years from the closing of the offering. Under the offering, the Company also issued common share purchase warrants such that each subscriber received one warrant for each \$0.252 original principal amount of its debenture, resulting in 7,936,057 warrants being issued as part of the offering. Each warrant entitles the holder to acquire one share at an exercise price of \$0.50 per share for two years from the date of issuance. The debentures will bear interest at a rate of 10% per annum, payable annually upfront in common shares of High Tide based on the 10-day volume weighted average price of \$0.255 prior to the closing date of the offering. Concurrent with the final tranche issuance of the debentures, the Company paid the annual amount of interest due to holders upfront in the form of 784,314 Shares.

Management calculated the fair value of the liability component as \$1,707 using a discount rate of 22%, with the residual amount of \$292 net of deferred tax of \$79 being allocated to warrants, recorded in equity.

- v. On December 4, 2019, the Company closed the sale of unsecured convertible debentures of the Company under the non-brokered private placement for gross proceeds of \$2,115. The outstanding principal amount is convertible at any time before maturity at the option of the holder, into common shares of the Company at a conversion price of \$0.252 per share and mature two years from the closing of the offering. Under the offering, the Company also issued common share purchase warrants such that each subscriber received one warrant for each \$0.252 original principal amount of its debenture, resulting in 8,392,857 warrants being issued as part of the offering. Each warrant entitles the holder to acquire one share at an exercise price of \$0.50 per share for two years from the date of issuance. The debentures will bear interest at a rate of 10% per annum, payable annually upfront in common shares of High Tide based on the 10-day volume weighted average price of \$0.208 prior to the closing date of the offering. Concurrent with the final tranche issuance of the debentures, the Company paid the annual amount of interest due to holders upfront in the form of 1,016,826 Shares. An advising fee of \$3 was paid in connection to the convertible debt.

Management calculated the fair value of the liability component as \$1,806 using a discount rate of 22%, with the residual amount of \$309 net of deferred tax of \$83 being allocated to warrants, recorded in equity.

- vi. On December 12, 2019, the Company issued \$700, to acquire the remaining 49.9% interest (the “Minority Interest”) in HighTide’s majority-owned subsidiary, KushBar Inc. Pursuant to the definitive agreement, High Tide, which held a controlling interest of 50.1% in KushBar, acquired the Minority interest in a transaction (the “Transaction”) that resulted in KushBar becoming a wholly owned subsidiary of High Tide. The outstanding principal amount is convertible at any time before maturity at the option of the holder, into common shares of the Company at a conversion price of \$0.25 per share and mature two years from the closing of the offering. The debentures do not bear any interest rate. However, that any principal amount outstanding following the maturity date will bear interest at a rate of 10% per annum until repaid. If, following the expiry of all hold periods imposed by applicable Canadian securities laws, the volume-weighted average trading price of the common shares on the CSE exceeds \$0.30 for a period of 30 consecutive days, High Tide will be entitled to, subject to certain other conditions being met, cause the holder to convert all or part of the outstanding principal amount of the debenture into common shares. In addition, if at any time during the term thereof, High Tide issues securities at a price deemed lower than the conversion price then in effect, then, subject to certain other conditions, such conversion price will be adjusted downward to such lower price.

In accordance with IFRS 9, the equity conversion option embedded in the convertible debenture was determined to be a derivative liability, which has been recognized separately at its fair value of \$461. Subsequent changes in fair value of the equity conversion option will be recognized through profit and loss (i.e. FVTPL). The equity conversion option was classified as a derivative liability as it can be settled through the issuance of a variable number of shares, cash or a combination thereof, based on the trading price at the time of settlement. The fair value of the equity conversion option was determined using the a monte-carlo simulation and the following assumptions: stock price: \$0.17; expected life of 2 year; \$nil dividends; expected volatility of 111% based on comparable companies; exercise price of \$0.25; and risk-free interest rate of 1.65%. The debt host has been recognized at its amortized cost of \$239, which represents the remaining fair value allocated from the amount of shareholder loan settled of \$700. As of January 31, 2020, the conversion option had a fair value of \$470 and the Company recognized a \$9 unrealized gain on the derivative liability. The fair value of the equity conversion option was determined using the a monte-carlo simulation and the following assumptions: stock price: \$0.20; expected life of 1.88 year; \$nil dividends; expected volatility of 111% based on comparable companies; exercise price of \$0.25; and risk-free interest rate of 1.65%.



## 10. Convertible Debentures (continued)

- vii. On December 14, 2019, the Company issued \$2,000 in convertible debt to settle the put option related to Grasscity acquisition valued at \$2,121 as of October 31, 2019. The outstanding principal amount is convertible at any time before maturity at the option of the holder, into common shares of the Company at a conversion price of \$0.252 per share and mature two years from the closing of the offering. Under the offering, the Company also issued common share purchase warrants such that each subscriber received one warrant for each \$0.252 original principal amount of its debenture, resulting in 7,936,508 warrants being issued as part of the offering. Each warrant entitles the holder to acquire one share at an exercise price of \$0.50 per share for two years from the date of issuance. The debentures will bear interest at a rate of 10% per annum, payable annually upfront in common shares of High Tide based on the 10-day volume weighted average price of \$0.175 prior to the closing date of the offering. Concurrent with the final tranche issuance of the debentures, the Company paid the annual amount of interest due to holders upfront in the form of 1,142,857 Shares.

Management calculated the fair value of the liability component as \$1,708 using a discount rate of 22%, with the residual amount of \$292 net of deferred tax of \$79 being allocated to warrants, recorded in equity.

- viii. On January 6, 2020, the Company entered into a loan agreement with Windsor Private Capital (“Windsor”), a Toronto-based merchant bank, for a senior secured, non-revolving term credit facility (“the Facility”) in the amount of up to \$10,000. The Company will have immediate access to an initial \$6,000, that can be drawn down at Company’s discretion, and subject to satisfaction of certain conditions, will provide the Company with access to an additional \$4,000. Provided that certain conditions are satisfied, the Facility will automatically extend for an additional one-year term. The principal amount advanced under the facility is convertible, during its term at any time after an initial 6 month hold period, and at Windsor’s option, into common shares in the capital of the Company at a conversion price of \$0.17 per share and mature one year from the closing of the offering. The conversion price is subject to downward adjustment if the Company, at any time during the term of the facility, issues securities at a price deemed lower than the conversion price then in effect. Pursuant to the loan agreement, Windsor is entitled to a one-time placement fee equal to 3.5% of the initial Facility amount, which the Company capitalized into the principal amount advanced under the Facility. Under the offering, the Company also issued common share purchase warrants such that each subscriber received one warrant for each \$0.17 original principal amount of its debenture, resulting in 35,294,117 warrants being issued as part of the offering. Each warrant entitles the holder to acquire one share at an exercise price of \$0.255 per share for two years from the date of issuance. Amounts drawn down under the facility will bear interest at a rate of 11.5% per annum, payable monthly, in arrears, on the last day of each calendar month. As of January 31, 2020, the Company withdrew in the amount of \$5,000 from the credit facility.

Gross proceeds were \$5,000 and net proceeds were \$4,743, net of cash transaction costs of \$257. The gross proceeds were allocated on a relative fair value basis to the warrants for \$327, the host debt component for \$1,571, and the embedded derivatives for \$3,102. In accordance with IFRS 9, the equity conversion option embedded in the convertible debenture was determined to be a derivative liability, which has been recognized separately at its fair value of \$3,102. Subsequent changes in fair value of the equity conversion option will be recognized through profit and loss (i.e. FVTPL). The equity conversion option was classified as a derivative liability as it can be settled through the issuance of a variable number of shares, cash or a combination thereof, based on the trading price at the time of settlement. The fair value of the equity conversion option was determined using the a monte-carlo simulation and the following assumptions: stock price: \$0.16; expected life of 1 year; \$nil dividends; expected volatility of 111% based on comparable companies; exercise price of \$0.25; and risk-free interest rate of 1.65%. Management elected to capitalize transaction costs, which are directly attributable to the issuance of the loan agreement. As of January 31, 2020, the conversion option had a fair value of \$2,793 and the Company recognized a \$309 unrealized gain on the derivative liability. The fair value of the equity conversion option was determined using the a monte-carlo simulation and the following assumptions: stock price: \$0.20; expected life of 0.93 year; \$nil dividends; expected volatility of 111% based on comparable companies; exercise price of \$0.25; and risk-free interest rate of 1.65%.



## High Tide Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended January 31, 2020 and 2019

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

#### 10. Convertible Debentures (continued)

As at	January 31, 2020	October 31, 2019
	\$	\$
Convertible debentures, beginning of year	19,664	-
Cash advances from debt	9,115	22,890
Debt issuance to settle liabilities	2,700	-
Debt issuance costs paid in cash	(260)	(471)
Debt issuance costs paid in equity instruments	-	(93)
Transfer of warrants component to equity	(979)	(1,690)
Transfer of conversion component to equity	(241)	(2,422)
Transfer of conversion component to derivative liability	(3,563)	-
Revaluation of derivative liability	318	-
Repayment of debt	(1,500)	-
Accretion on convertible debentures	845	1,450
<b>Total</b>	<b>26,099</b>	<b>19,664</b>
Less current portion	(11,512)	-
Long-term	14,587	19,664

#### 11. Notes payable

On May 23, 2019, the Company acquired all of the issued and outstanding shares of Dreamweavers for aggregate consideration of \$3,094 which included 3,100,000 common shares with a fair value of \$1,147, 1,550,000 purchase warrants exercisable at \$0.75 per common share of High Tide and notes payables of \$300 repayable over five years with zero interest rate due at each anniversary date. Notes payable was valued at \$102 by discounting it over five years at market interest rate of 22%. During, the three-month ended January 31, 2020, the Company incurred accretion of \$9.

On June 26, 2019, the Company purchased a building in Niagara, Ontario, for the purpose of opening a Canna Cabana retail location. The consideration for the building consisted of \$754 in cash, out of which \$54 was legal fees, a \$1,600 vendor take back loan, and \$300 paid in shares. The loan has a twelve-month term and bears an interest rate of 5.5% per annum payable monthly with a maturity date of June 30<sup>th</sup>, 2020.

On September 4, 2019, the Company entered into a \$2,000 loan agreement with a private lender. The loan had a twelve-month term and carried an interest rate of 12% per annum payable monthly. In connection with the advance of the loan, the Company issued 1,600,000 warrants to the lender. Each warrant is redeemable for one common share in the capital of the Company at a price of \$0.85 per Common Share for a period of two years from the date of the loan agreement. Management calculated the fair value of the liability component as \$1,895 using a discount rate of 22%, with the residual amount of \$105 being allocated to warrants, recorded in equity. During, the three-month ended January 31, 2020, the Company incurred accretion of \$12. The loan was personally guaranteed by the CEO.

As at	January 31, 2020	October 31, 2019
	\$	\$
Vendor loan	1,600	1,600
Term loan	1,922	1,910
Dreamweavers – notes payable	131	122
<b>Total</b>	<b>3,653</b>	<b>3,632</b>
Less current portion	(3,582)	(3,570)
Long-term	71	62



## 12. Derivative Liability

The put option issued on the Grasscity acquisition on December 19, 2019 was initially measured at \$2,853 using a monte-carlo simulation and the following assumptions: stock price: \$0.3623; expected life of 1 year; \$nil dividends; expected volatility of 126% based on comparable companies; exercise price of \$0.50; and risk-free interest rate of 1.65%. On October 31, 2019, the Company revalued the fair value of the derivative liability and recognized an unrealized gain of \$732 in the consolidated statements of loss and other comprehensive loss. The derivative liability was revalued to \$2,121 using monte-carlo simulation and the following assumptions: stock price: \$0.25; expected life of 1 year; \$nil dividends; expected volatility of 92% based on comparable companies; exercise price of \$0.50; and risk-free interest rate of 1.65%. On December 14, 2019, the Company settled the derivative liability of \$2,121 by issuance of \$2,000 convertible debt and recognized a gain of \$121 as revaluation of derivative liability.

## 13. Share Capital

### (a) Issued:

#### Common shares:

	Number of shares	Amount
	#	\$
<b>Balance, October 31, 2018</b>	<b>151,749,914</b>	<b>35,695</b>
Issued upon listing of securities	36,728,474	13,051
Issued upon closing of Grasscity acquisition	8,410,470	3,047
Issued to pay fees in shares	4,042,203	1,607
Issued to pay interest via shares	2,608,236	1,156
Reduction in share capital	-	(29,699)
Issued upon closing of Dreamweavers acquisition	3,100,000	1,147
Share-based compensation	200,000	71
Exercise - broker warrants	7,590	3
Issued upon closing of Jasper Ave. acquisition	559,742	205
<b>Balance, October 31, 2019</b>	<b>207,406,629</b>	<b>26,283</b>
Issued to pay fees in shares (i)	852,319	182
Issued to pay interest via shares (Note 10)	2,944,002	612
Purchase of minority interest - KushBar Inc. (Note 4)	2,645,503	500
Acquisition - 2080495 Ontario Inc. (Note 3)	4,761,905	1,100
Acquisition - Saturninus Partners (Note 3)	5,319,149	1,218
<b>Balance, January 31, 2020</b>	<b>223,929,507</b>	<b>29,895</b>

- (i) During the three months period ended January 31, 2020, Company settled payables of \$182 through issuance of 852,319 common shares of the Company.



## 14. Stock Option Plan:

The Company's stock option plan limits the number of common shares reserved under the plan from exceeding a "rolling maximum" of ten (10%) percent of the Company's issued and outstanding common shares from time to time. The stock options vest at the discretion of the Board of Directors, upon grant to directors, officers, employees and consultants of the Company and its subsidiaries. All options that are outstanding will expire upon maturity, or earlier, if the optionee ceases to be a director, officer, employee or consultant or there is a merger, amalgamation or change in control of the Company. One-fourth vesting immediately, one-fourth twelve months after the option grant date, one-fourth eighteen months after the option grant date and one-fourth twenty-four months after the option grant date. The maximum exercise period of an option shall not exceed 10 years from the grant date. Changes in the number of stock options, with their weighted average exercise prices, are summarized below:

	January 31, 2020		October 31, 2019	
	Number of options	Weighted Average Exercise Price (\$)	Number of options	Weighted Average Exercise Price (\$)
Balance, beginning of year	10,610,000	0.50	-	-
Granted	-	-	12,410,000	0.50
Forfeited	(575,000)	0.50	(1,800,000)	0.50
Balance, end of period	10,035,000	0.50	10,610,000	0.50
Exercisable, end of period	6,981,875	0.50	5,966,875	0.50

For the period ended January 31, 2020, the Company recorded share-based compensation of \$27 (2019 -\$1,232) related to stock options.

## 15. Warrants

	Number of warrants	Amount	Weighted average exercise price	Weighted average number of years to expiry	Expiry dates
	#	\$	\$		
<b>Balance, October 31, 2018</b>	<b>4,252,620</b>	<b>906</b>	<b>0.3773</b>	<b>0.44</b>	
Special warrants converted into units November 27, 2018	18,364,236	3,853	0.7500	0.37	November 26, 2020
Issued to brokers for financing	504,733	93	0.7500	0.01	December 10, 2020
Issued warrants on Convertible debt April 18, 2019	11,146,667	885	0.8500	0.31	April 17, 2021
Issued warrants for acquisition - Dreamweavers	1,550,000	295	0.7500	0.05	May 22, 2021
Issued warrants on convertible debt June 17, 2019	4,266,667	340	0.8500	0.13	June 16, 2021
Issued warrants for services	2,000,000	132	0.5000	0.05	March 21, 2021
Issued warrants on debt September 04, 2019	1,600,000	105	0.8500	0.06	September 3, 2021
Warrants exercised	(7,590)	-	-	-	-
<b>Balance, October 31, 2019</b>	<b>43,677,333</b>	<b>6,609</b>	<b>0.6083</b>	<b>0.98</b>	
Issued warrants for services <sup>(i)</sup>	300,000	63	0.3800	0.00	September 3, 2021
Issued warrants for services <sup>(ii)</sup>	3,500,000	390	0.3000	0.05	November 12, 2021
Issued warrants for services <sup>(iii)</sup>	1,000,000	111	0.3000	0.01	November 12, 2021
Issued warrants on Convertible debt November 14, 2019 (Note 10)	7,936,507	213	0.5000	0.10	November 14, 2021
Issued warrants on Convertible debt December 4, 2019 (Note 10)	8,392,857	226	0.5000	0.11	December 4, 2021
Issued warrants on Convertible debt December 14, 2019 (Note 10)	7,936,508	213	0.5000	0.11	December 12, 2021
Issued warrants on Convertible debt January 06, 2020 (Note 10)	58,823,529	327	0.2550	0.84	January 6, 2022
Issued warrants for acquisition - Saturninus Partners (Note 3)	3,750,000	316	0.4000	0.06	January 26, 2022
<b>Balance, January 31, 2020</b>	<b>135,316,734</b>	<b>8,468</b>	<b>0.4188</b>	<b>2.26</b>	



## 15. Warrants (continued)

- i) The Company issued 300,000 warrants for business development consultancy. Each warrant will allow the holder to acquire one common share at \$0.38. The warrants were valued at \$63 using the Black-Scholes model as, the fair value of the services provided cannot be measured reliably and the following assumptions were used: stock price of \$0.37; expected life of two years; \$nil dividends; expected volatility of 111% based on comparable companies; exercise price of \$0.38; and a risk-free interest rate of 1.6%.
- ii) The Company issued 3,500,000 warrants for business development consultancy. Each warrant will allow the holder to acquire one common share at \$0.30. The warrants were valued at \$390 using the Black-Scholes model as, the fair value of the services provided cannot be measured reliably and the following assumptions were used: stock price of \$0.22; expected life of two years; \$nil dividends; expected volatility of 111% based on comparable companies; exercise price of \$0.30; and a risk-free interest rate of 1.6%.
- iii) The Company issued 1,000,000 warrants for business development consultancy. Each warrant will allow the holder to acquire one common share at \$0.30. The warrants were valued at \$111 using the Black-Scholes model as, the fair value of the services provided cannot be measured reliably and the following assumptions were used: stock price of \$0.22; expected life of two years; \$nil dividends; expected volatility of 111% based on comparable companies; exercise price of \$0.30; and a risk-free interest rate of 1.6%.

As at January 31, 2020, 135,316,734 warrants were exercisable.

## 16. Loss Per Share

	Three months ended	
	2020	January 31 2019
	\$	\$
Net Loss for the year	<b>(3,852)</b>	(3,822)
Non-controlling interest	<b>8</b>	42
Net Loss for the year attributable to owners of the Company	<b>(3,844)</b>	(3,780)
	#	#
Weighted average number of common shares - basic and diluted	<b>223,929,507</b>	183,626,459
Basic loss per share	<b>(0.02)</b>	(0.02)
Dilutive loss per share <sup>(i)</sup>	<b>(0.02)</b>	(0.02)

- (i) The Company did not have any options, warrants or other potential dilutive common share instruments outstanding during the period ended January 31, 2020.



## 17. Financial Instruments and Risk Management

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

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

A full analysis is provided in Note 22 of the audited consolidated financial statements of the company for the year ended October 31, 2019 with significant updates as follows:

### Credit risk

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

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

As at	January 31, 2020	October 31, 2019
	\$	\$
Current (for less than 30 days)	1,450	1,038
31 – 60 days	272	336
61 – 90 days	106	295
Greater than 90 days	1,070	2,355
Less allowance	(359)	(1,639)
	<b>2,539</b>	<b>2,385</b>

During the period ended January 31, 2020, \$1,280 in trade receivables were written off against the loss allowance due to bad debts (year ended October 31, 2019 – \$100). Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The remaining accounts receivable are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified.

The Company performs a regular assessment of collectability of accounts receivables. The Company monitors the financial performance and/or cash flows of its franchisees through observation of their point of sale system, receipt of cash from customers and maintains regular contact/discussions. For the period ended January 31, 2020, management reviewed the estimates and have not created any additional loss allowances on accounts receivable.

**17. Financial Instruments and Risk Management (continued)****Liquidity risk**

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

	Contractual cash flows	Less than one year	1-5 years	Greater than 5 years
	\$	\$	\$	\$
<b>October 31, 2019</b>				
Accounts payable and accrued liabilities	4,402	4,402	-	-
Notes payable	3,632	3,570	62	-
Shareholder loans	701	701	-	-
Convertible debentures	19,664	-	19,664	-
<b>Total</b>	<b>28,399</b>	<b>8,673</b>	<b>19,726</b>	<b>-</b>
<b>January 31, 2020</b>				
Accounts payable and accrued liabilities	5,363	5,363	-	-
Notes payable	3,653	3,582	71	-
Convertible debentures	26,098	11,512	14,586	-
<b>Total</b>	<b>35,114</b>	<b>20,457</b>	<b>14,657</b>	<b>-</b>

**Interest rate risk**

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

**Foreign currency risk**

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

The Canadian dollar equivalent carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities as at January 31, 2020 was as follows:

<i>(Canadian dollar equivalent amounts of US dollar and Euro balances)</i>	January 31, 2020 (Euro)	January 31, 2020 (USD)	January 31, 2020 Total	October 31, 2019
	\$	\$	\$	\$
Cash	(28)	336	308	252
Accounts receivable (including long term portion)	99	118	217	421
Accounts payable and accrued liabilities	(470)	(610)	(1,080)	(998)
<b>Net monetary assets</b>	<b>(399)</b>	<b>(156)</b>	<b>(555)</b>	<b>(325)</b>

Assuming all other variables remain constant, a fluctuation of +/- 5.0 percent in the exchange rate between the United States dollar and the Canadian dollar would impact the carrying value of the net monetary assets by approximately +/- \$8 (October 31, 2019 - \$11). Maintaining constant variables, a fluctuation of +/- 5.0 percent in the exchange rate between the Euro and the Canadian dollar would impact the carrying value of the net monetary assets by approximately +/- \$20 (October 31, 2019 - \$17). To date, the Company has not entered into financial derivative contracts to manage exposure to fluctuations in foreign exchange rates.



## 18. Segmented Information

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

For the three months ended January 31,	Retail		Wholesale		Corporate		Total	Total
	2020	2019	2020	2019	2020	2019		
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Net Revenue	12,063	2,899	1,378	2,102	218	-	13,659	5,001
Gross margin	4,090	1,042	471	748	216	-	4,777	1,790
Income (loss) from operations	(464)	(1,287)	(376)	(189)	(1,103)	(3,384)	(1,943)	(4,860)
Net (loss) Income	(619)	(1,041)	(400)	(158)	(2,833)	(2,623)	(3,852)	(3,822)
<b>Total assets</b>	<b>44,455</b>	<b>32,350</b>	<b>6,008</b>	<b>4,819</b>	<b>18,867</b>	<b>3,574</b>	<b>69,330</b>	<b>40,743</b>
<b>Total liabilities</b>	<b>20,213</b>	<b>4,521</b>	<b>1,784</b>	<b>672</b>	<b>36,619</b>	<b>26,143</b>	<b>58,616</b>	<b>31,336</b>

For the three months ended January 31,	Canada		USA		Europe		Total	Total
	2020	2019	2020	2019	2020	2019		
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Net Revenue	12,241	4,356	-	-	1,418	645	13,659	5,001
Gross margin	4,046	1,498	-	-	731	292	4,777	1,790
Income (loss) from operations	(1,573)	(4,735)	(181)	-	(189)	(125)	(1,943)	(4,860)
Net (loss) Income	(3,454)	(3,696)	(204)	-	(194)	(126)	(3,852)	(3,822)
<b>Total assets</b>	<b>64,371</b>	<b>33,894</b>	<b>1,020</b>	<b>-</b>	<b>3,939</b>	<b>6,849</b>	<b>69,330</b>	<b>40,743</b>
<b>Total liabilities</b>	<b>56,876</b>	<b>30,830</b>	<b>834</b>	<b>-</b>	<b>906</b>	<b>506</b>	<b>58,616</b>	<b>31,336</b>

## 19. Related Party Transactions

As at January 31, 2020, the Company had the following transactions with related parties as defined in IAS 24 – *Related Party Disclosures*, except those pertaining to transactions with key management personnel in the ordinary course of their employment and/or directorship arrangements and transactions with the Company's shareholders in the form of various financing.

### Financing transactions

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

### Operational transactions

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



## 20. Right of Use Assets and Lease Obligations

The Company entered into various lease agreements predominantly to execute its retail platform strategy. The Company leases properties such as various retail stores and offices. Lease contracts are typically made for fixed periods of 5 to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

<b>Right of use assets</b>	
	\$
Balance at November 1, 2019	19,638
Net additions	-
Depreciation expense for the period	(720)
Impairment / modification (or can combined in net additions)	(24)
Balance at January 31, 2020	18,894

<b>Lease Liabilities</b>	
	\$
Balance at November 1, 2019	19,543
Net additions	-
Cash outflows in the period	(969)
Accretion (Interest) expense for the period ended	305
Remeasurement / modification (or can combined in net additions)	-
Balance at January 31, 2020	18,879
Current	(4,199)
Non-current	14,680

The following is a summary of the contractual undiscounted cash outflows for lease obligations as of January 31, 2020:

	\$
Less than one year	3,981
Between one and five years	13,095
Greater than five years	3,163
	20,239

### Contingent liability

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



## 21. Non-controlling interest

On December 10, 2019, the Company entered into a definitive share purchase agreement with 2651576 Ontario Inc. (the “Minority Shareholder”), a private Ontario company, to acquire the remaining 49.9% interest (the “Minority Interest”) in High Tide’s majority-owned subsidiary, KushBar Inc. (“KushBar”). Pursuant to the definitive agreement, High Tide, which presently holds a controlling interest of 50.1% in KushBar, will acquire the Minority Interest in a transaction (the “Transaction”) that will result in KushBar becoming a wholly owned subsidiary of High Tide. The net change in the non-controlling interests for the three months ended January 31, 2020, were as follows:

	\$
As at October 31, 2019	(179)
Net Income	(8)
Purchase of non-controlling interest	187
As at January 31, 2020	-

## 22. Subsequent Events

- (i) On February 14, 2020, the Company entered into a asset sale agreement with Halo Labs Inc. (“Halo”), under which High Tide will sell its KushBar retail cannabis assets and the rights to 5 permitted retail cannabis stores (the “Portfolio”) to Halo for \$12,000, payable in the form of 46,153,846 common shares of Halo, of which \$3,500 has been paid to the Company as a non-refundable deposit, subject to certain limited circumstances. In addition, Halo has agreed to engage the Company to substantially oversee all aspects of its retail cannabis operations with respect to the Portfolio and will pay the Company ongoing royalties for regulatory advisory services and retail management, and a fixed fee for managing the construction of the unopened stores.
- (ii) On February 21, 2020, the Company closed the acquisition of 102088460 Saskatchewan Ltd., which operates a licensed retail cannabis store in Tisdale, Saskatchewan (the “Tisdale Store”). The consideration paid to acquire the Tisdale Store was \$219 in cash, \$500 in the form of a promissory note due six months from the time of closing of the transaction and 5,000,000 of common shares of the Company with a fair value of \$975. Due to the short time period between the closing of the acquisition date and the publication of these consolidated financial statements, the allocation of the purchase price has not been provided because that information has not yet been finalized.



HIGHTIDE

# **Management's Discussion & Analysis**

**For the three months ended January 31, 2020 and 2019**



## High Tide Inc.

### Management's Discussion and Analysis

HIGHTIDE For the three months ended January 31, 2020 and 2019

(In thousands of Canadian dollars, except share and per share amounts or otherwise stated)

This Management's Discussion and Analysis ("MD&A") of High Tide Inc. ("High Tide" or the "Company") for the three months ended January 31, 2020 and 2019 is dated March 30, 2020. This MD&A should be read in conjunction with the audited Consolidated Financial Statements of the Company for the year ended October 31, 2019 (hereafter the "Financial Statements") and with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB").

In this document, the terms "we", "us" and "our" refer to High Tide. This document also refers to the Company's three reportable operating segments: (i) the "Retail" Segment represented by the businesses of the Company's subsidiaries, including Canna Cabana Inc. ("Canna Cabana"), KushBar Inc. ("KushBar"), SJV B.V. and SJV2 B.V. (collectively "Grasscity") and Smoker's Corner Ltd. ("Smoker's Corner"), (ii) the "Wholesale" Segment represented by the businesses of Company's subsidiaries, RGR Canada Inc. ("RGR") and Famous Brandz Inc. ("Famous Brandz"), and (iii) the "Corporate" Segment.

High Tide is an Alberta based, retail focused cannabis corporation enhanced by the manufacturing and wholesale distribution of smoking accessories and cannabis lifestyle products. The Company's shares are listed on the Canadian Securities Exchange ("CSE") under the symbol "HITI", the Frankfurt Stock Exchange ("FSE") under the securities identification code 'WKN: A2PBPS' and the symbol "2LY", and on the OTCQB Market ("OTCQB") under the symbol "HITIF". The address of the Company's corporate and registered office is # 120 – 4954 Richard Road SW, Calgary, Alberta T3E 6L1, while the address of the Company's headquarters is #112, 11127 15 Street NE, Calgary, Alberta, T3K 2M4.

Additional information about the Company, including the October 31, 2019 audited Consolidated Financial Statements, news releases and the Company's long form prospectus can be accessed at [www.sedar.com](http://www.sedar.com) and at [www.hightideinc.com](http://www.hightideinc.com).

#### Forward-Looking Information and Statements

Certain statements contained within this MD&A, and in certain documents incorporated by reference into this document, constitute forward-looking statements. These statements relate to future events or the Company'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 forward-looking statements pertaining, without limitation, to the following: changes in general and administrative expenses; future business operations and activities and the timing thereof; the future tax liability of the Company; the estimated future contractual obligations of the Company; the future liquidity and financial capacity of the Company; 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 forward-looking 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 Section 10: "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 Company 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.





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#### Changes in Accounting Policies and Critical Accounting Estimates

The significant accounting policies applied in preparation of the unaudited condensed interim consolidated financial statements for the three months ended January 31, 2020 are consistent with those applied and disclosed in Note 2 of the Company's 2019 audited consolidated financial statements. On November 1, 2019 the Company adopted IFRS 16 – Leases. The new standard has significant changes to the lessee accounting by removing the distinction between operating and finance leases and requires lessees to recognize a lease liability reflecting its obligation for future lease payments and a right-of-use asset representing its right to use the underlying asset. The impact of the adoption of IFRS 16 is disclosed in Note 2 and Note 18 of the condensed interim consolidated financial statements for the three months ended January 31, 2020. Critical accounting estimates remain the same as disclosed in the audited consolidated financial statements for the year ended October 31, 2019.

On November 1, 2019, the Company adopted the new accounting standard, IFRS 16, Leases ("IFRS 16") using the modified retrospective approach and has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard.

#### Non-IFRS Financial Measures

Throughout this MD&A, references are made to non-IFRS financial measures, including earnings before interest, taxes, depreciation and amortization ("EBITDA") and Adjusted EBITDA. These measures do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. Non-IFRS measures provide investors with a supplemental measure of the Company's operating performance and therefore highlight trends in Company's core business that may not otherwise be apparent when relying solely on IFRS measures. Management uses non-IFRS measures in measuring the financial performance of the Company.

## Corporate Overview

### Nature of Operations

The Company's vision is to offer a full range of best-in-class products and services to cannabis consumers, while growing organically and through acquisitions, to become the world's premier retail-focused and vertically integrated enterprise.

The Company's retail operations are focused on business-to-consumer markets. The operations of Canna Cabana (which is one of Canada's largest cannabis retail networks) and KushBar are focused both on the retail sale of recreational cannabis products for adult use as well as smoking accessories. Grasscity has been operating as a major e-commerce retailer of smoking accessories for over 20 years and has significant brand equity in the United States and around the world. Grasscity brings a recognizable name and an established online sales channel for High Tide to sell its proprietary products.

The wholesale operations of RGR are primarily focused on the manufacturing and distribution of smoking accessories and cannabis lifestyle products. RGR designs and distributes a proprietary suite of branded smoking accessories including overseeing their contract manufacturing by third parties. RGR also distributes a minority of products that are manufactured by third parties. RGR does not sell its products directly to consumers but operates an e-commerce platform for wholesale customers. Similar to RGR, the wholesale operations of Famous Brandz are primarily focused on the manufacturing and distribution of smoking accessories and cannabis lifestyle products. Famous Brandz differentiates itself from RGR by focusing on acquiring celebrity licences, designing and distributing branded products. Famous Brandz has developed an extensive network of wholesale clients across Canada, the United States and Europe.



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#### Established Consumer Brands:



#### Competitive Landscape

As of the date of this MD&A, the Company operates 27 corporately owned retail cannabis locations represented by 25 Canna Cabana locations and 2 KushBar locations. Further, the Company has a 50% interest in a partnership that operates a retail Canna Cabana branded location in Sudbury, Ontario. The Company is also represented by one branded location in Toronto, Ontario, as well as one franchise in Calgary. In total, the Company currently has a total of 30 branded retail cannabis stores operating across Canada.

Following the October 2018 legalization of cannabis for adult recreational use in Canada, High Tide established both Canna Cabana and KushBar retail concepts to rapidly service customers across Alberta, Ontario and Saskatchewan. Canna Cabana provides a unique customer experience focused on retention and loyalty through its Cabana Club customer membership platform. Members of Cabana Club receive SMS & email communications highlighting new and upcoming product arrivals, member-only events, and special deals. As of the date of this MD&A, approximately 46,950 members have joined Cabana Club, with the majority subscribing in-store, while completing purchase transactions. As a result, the database communicates with highly relevant consumers who are segmented at the local level by delivering regular content specific to their local Canna Cabana location. Canna Cabana and Kushbar operate amidst many competitors, both consolidated and independent. Notable competitors include Choom, Fire & Flower, Meta Growth, Nova Cannabis, and Spiritleaf, as well as numerous independent retailers.

The Company anticipates significant additional growth in revenue due to the legalization of cannabis edibles and concentrate products. Limited initial releases of vape and edible products by Canadian Licensed Producers have been well received by current retail customers, while also attracting many new customers that were previously purchasing from legacy and illicit market providers. As new products within the highly popular concentrates category become available, we expect to gain even more share of the Canadian cannabis consumer market.

Most of the Company's competitors applicable to its Wholesale Segment operate primarily as product distributors, while RGR and Famous Brandz both designs, source, import and distribute their products. This creates advantages through vertical integration, enabling RGR and Famous Brandz to bring unique product designs to market, and offer wholesale customers favourable and flexible pricing.

In the future, the Company expects its Retail Segment to experience increased competition from the recreational cannabis industry as a greater number of third-party stores are established across Canada to offer both cannabis products and smoking accessories. However, the Company believes that its product knowledge, operational expertise and margin maximization achieved through its vertically integrated smoking accessories business will enable it to operate profitably over the long term. In addition, the Company expects opportunities to arise from the legalization of recreational cannabis for its Wholesale Segment to



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acquire new clients by supplying third-party retailers with smoking accessories on a wholesale basis, thereby offsetting some of the risks associated with increased competition affecting the Retail Segment.

While the Company is presently focused on its existing markets in the Provinces of Alberta, Saskatchewan and Ontario, the Company is waiting for a final approval from the British Columbia Liquor Distribution Branch ("BC LDB") to establish up to the maximum number of eight Canna Cabana locations per operator in the Province of British Columbia. The Company also intends to enter other provinces and territories as regulations permit and anticipates being able to grow both organically as well as through acquisition in the future.

## Select Financial Highlights and Operating Performance

	Three months ended January 31		
	2020	2019	% Change
	\$	\$	
Revenue	13,659	5,001	173%
Gross Profit	4,777	1,790	167%
Gross Profit Margin	35%	36%	(1%)
Total Operating Expenses	(6,720)	(6,651)	1%
Adjusted EBITDA <sup>(a)</sup>	(550)	(3,338)	84%
Loss from Operations	(1,943)	(4,861)	(60%)
Net Loss	(3,852)	(3,822)	1%
Loss Per Share (Basic)	(0.02)	(0.02)	-
Loss Per Share (Diluted)	(0.02)	(0.02)	-

<sup>(a)</sup> Adjusted EBITDA is a non-IFRS financial measure. A reconciliation of the adjusted EBITDA to net loss is found under "EBITDA and adjusted EBITDA" in this MD&A.

Revenue increased by 173% to \$13,659 in the first quarter of 2020 (2019: \$5,001) and gross profit increased by 167% to \$4,777 in the first quarter of 2020 (2019: \$1,790). Loss from operations decreased to \$1,943 in the first quarter of 2020 (2019: \$4,861).

The key factors affecting the results for the three-month period ended January 31, 2020 were:

- **Merchandise Sales** – Merchandise sales increased by \$8,051 or 164% for the three-month period ended January 31, 2020 as compared to same period in 2019. Growth in merchandise sales was largely driven by increase in the number of Canna Cabana stores across Canada and from the acquired businesses.
- **Operating Expenses** – The increase was primarily driven by the Company's planned increase in personnel and operating costs to support the establishment of retail network across Canada.

### Revenue

Revenue increased by 173% or \$8,658 to \$13,659 in the first quarter of 2020 (2019: \$5,001).

The increase in sales was driven primarily by the retail segment of the Company with operations of Canna Cabana, KushBar and Grasscity.

Sales growth (excluding franchisee revenues) led to increases in revenues of \$8,658 between all segments. During the three-month period ended January 31, 2020, Canna Cabana locations processed over 537,000 transactions, fortifying our loyal Cabana Club customer base and connecting new shoppers to our strong consumer-focused retail experience.



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Our industry leading Cabana Club program delivers information to transacting customers. Cabana Club members receive SMS & email communications highlighting new and upcoming product arrivals, member-only events, and special promotions that connect them to their local Canna Cabana store. Our program focuses on building long-term purchase habits and a strong relationship with our customers, and we're proud that over 60% of our daily business is conducted with regular Cabana Club members.

The Company launched its proprietary data analytics service named Cabanalytics™ and started generating subscription-based revenue. The Company continues to realize significant interest in its data analytics service, which is expected to result in a growing subscriber base.

#### *Gross Profit*

For the three-month period ended January 31, 2020, gross profit increased by \$2,987 as compared to the same period during the prior year, which was driven by the increase in sales volume. The gross profit margin remained consistent around 35%.

#### *Operating Expenses*

Total operating expenses increased by \$69 to \$6,720 for the three-month period ended January 31, 2020 (2019: \$6,651). Operating expenses increased over the same period in 2019 due to Company's efforts to take advantage of significant market opportunities created due to the deregulation of recreational cannabis for adult use across Canada, which occurred on October 17, 2018. This increased effort resulted in the Company being represented by 30 branded stores across Canada as at the date of this MD&A in the Provinces of Alberta, Ontario, and Saskatchewan, while being ready to expand its operations into British Columbia in the near future.

The increase in operating expenses was largely attributed to salaries, wages and benefits expenses, which increased by \$953 compared to the same period during the prior year. The planned increase in staffing was due to the need for additional personnel, within both the Retail and the Corporate Segments, to facilitate growth and to ensure the Company could take advantage of various market opportunities. Share-based compensation expense decreased by \$1,205 for the three-month period ended January 31, 2020 compared to the same period during the prior year.

General and administrative expenses decreased by \$196 for the three-month period ended January 31, 2020 compared to the same period in 2019 primarily as a result of the adoption of IFRS 16. Additionally, professional fees expenses decreased by \$116 during the three-month period ended January 31, 2020, compared to the same period during the prior year. As the Company integrates the acquired businesses and streamlines the process to fully benefit from the synergies, the Company expects to seeing further reductions in its operating expenses.

#### *Financing and Other Costs*

Financing and other costs of \$2,437 was recorded during the three-month period ended January 31, 2020, representing the expense associated with the interest expense related to convertible debentures, accretion of lease liabilities, transaction costs related to securing a loan, and transaction costs related to the Company's acquisitions.



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## Management's Discussion and Analysis

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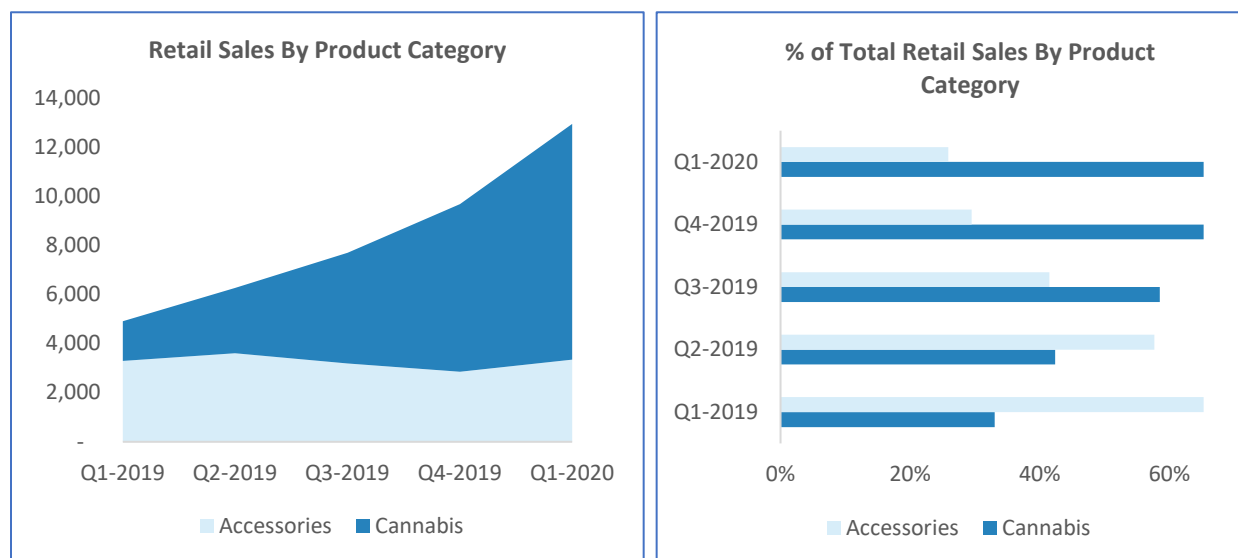
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### Segment Operations

For the three months ended January 31,	Retail		Wholesale		Corporate		Total	
	2020 (\$)	2019 (\$)	2020 (\$)	2019 (\$)	2020 (\$)	2019 (\$)	2020 (\$)	2019 (\$)
<b>Net Revenue</b>	<b>12,063</b>	2,899	<b>1,378</b>	2,102	<b>218</b>	-	<b>13,659</b>	5,001
<b>Gross margin</b>	<b>4,090</b>	1,042	<b>471</b>	748	<b>216</b>	-	<b>4,777</b>	1,790
<b>Income (loss) from operations</b>	<b>(464)</b>	(1,287)	<b>(376)</b>	(189)	<b>(1,103)</b>	(3,384)	<b>(1,943)</b>	(4,860)
<b>Net (loss) Income</b>	<b>(619)</b>	(1,041)	<b>(400)</b>	(158)	<b>(2,833)</b>	(2,623)	<b>(3,852)</b>	(3,822)
<b>Total assets</b>	<b>44,455</b>	32,350	<b>6,008</b>	4,819	<b>18,867</b>	3,574	<b>69,330</b>	40,743
<b>Total liabilities</b>	<b>20,213</b>	4,521	<b>1,784</b>	672	<b>36,619</b>	26,143	<b>58,616</b>	31,336

### Retail Segment Performance



The Company's Retail Segment demonstrated significant sales and revenue growth with an increase in revenue of \$9,164 compared to same period last year. Revenue growth is primarily attributable to the increased number of Canna Cabana and KushBar locations.

A full quarter of Grasscity revenue further contributed to the increase in overall revenue. Grasscity attracts approximately 5.8 million users to its online website each year and has had over 34 million unique users join its online forums since inception. High Tide continues to invest in Grasscity to refresh its online sales platform, increase its searchability and align its supply chain with RGR and Famous Brandz. Grasscity is a strong strategic fit with High Tide based on its strong brand and online presence, while enabling the Company to leverage its vertical integration to improve order fulfillment, customer reach, product margins and the overall profitability of the business.

Gross profit for the three-month period ended January 31, 2020 increased by \$3,048 compared to same period last year while the gross profit margin rate declined slightly to 34%. The decline in gross margin rate is due, in combination, to the product mix at Canna Cabana that earns a lower blended margin than purely from the sale of higher-margin smoking accessories, as well as due to a decline in financing and fixed royalty revenues. High Tide will continue to optimize its operations to improve margins as cannabis sales become an increasingly larger portion of the product mix.



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For the three-month period ended January 31, 2020, the Retail Segment incurred a loss from operations of \$464 compared to a loss from operations of \$1,287 in the same period last year.

### Wholesale Segment Performance

Revenues in the Company’s Wholesale Segment decreased by \$724 to \$1,378 in the three-month period ended January 31, 2020 (2019: \$2,102). The decrease in revenue was driven by the timing of large purchase orders that were fulfilled in the same period last year, which did not occur in the first quarter of 2020.

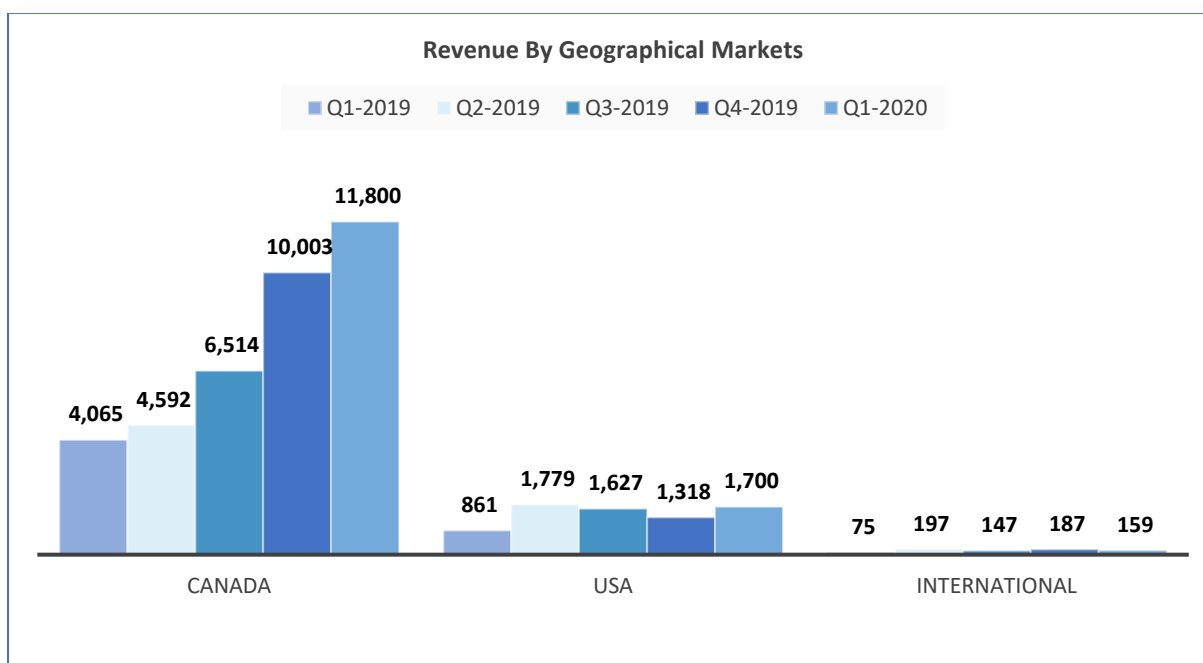
Gross profit decreased by \$277 to \$471 in the three-month period ended January 31, 2020, compared to \$748 for the same period last year.

The Wholesale Segment incurred a loss from operations of \$376 compared to a loss from operations of \$189 in the same period during the prior year.

### Corporate Segment Performance

The Corporate Segment’s main function is to administer the other two Segments (Retail and Wholesale) and is responsible for the executive management and financing needs of the business. The Corporate Segment earned revenues of \$218 in the three-month period ended January 31, 2020, compared to no revenue being earned in the same period during the prior year. The revenue was made up of royalty fees and interest revenues.

### Geographical Segments





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The following presents information related to the Company's geographical Segments:

For the three months ended January 31, 2020		Retail	Wholesale	Corporate	Total
		\$	\$	\$	\$
<b>Primary geographical markets</b>					
	Canada	10,712	871	217	11,800
	USA	1,193	507	-	1,700
	International	159	-	-	159
<b>Total revenue</b>		<b>12,064</b>	<b>1,378</b>	<b>217</b>	<b>13,659</b>
<b>Major products and services</b>					
	Cannabis	9,601	-	-	9,601
	Smoking accessories	2,030	1,320	-	3,350
	Franchise royalties and fees	376	-	207	583
	Interest and other revenue	57	58	10	125
<b>Total revenue</b>		<b>12,064</b>	<b>1,378</b>	<b>217</b>	<b>13,659</b>
<b>Timing of revenue recognition</b>					
	Transferred at a point in time	12,064	1,378	217	13,659
<b>Total revenue</b>		<b>12,064</b>	<b>1,378</b>	<b>217</b>	<b>13,659</b>

Sales performance increased significantly on average, with Canna Cabana leading Canadian sales and Grasscity contributing to US and International sales. Revenues in the International segment are comprised of sales made to all countries outside of North America.

### Summary of Quarterly Results

(C\$ in thousands, except per share amounts)	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Revenue	13,659	11,409	8,288	6,596	5,001	2,283	2,175	1,554
Adjusted EBITDA <sup>(b)</sup>	(550)	(6,004)	(3,369)	(3,486)	(3,338)	(2,749)	(698)	(704)
Loss from Operations	(1,943)	(6,393)	(4,038)	(4,582)	(4,861)	(2,771)	(707)	(721)
Net Loss	(3,852)	(15,427)	(3,724)	(3,319)	(3,822)	(3,847)	(615)	(396)
Net Loss per Share (Basic)	(0.02)	(0.07)	(0.02)	(0.02)	(0.02)	(0.05)	-	-
Net Loss per Share (Diluted)	(0.02)	(0.07)	(0.02)	(0.02)	(0.02)	(0.05)	-	-

<sup>(b)</sup> Adjusted EBITDA is a non-IFRS financial measure. A reconciliation of the adjusted EBITDA to net loss is found under "EBITDA and adjusted EBITDA" in this MD&A.

Aside from the seasonal increase in consumer spending leading up to and slightly after the winter holiday period, which occurs in the first quarter of the Company's fiscal year, seasonality is becoming a decreasing factor in the Company's sales performance as the Retail Segment grows. Quarter over quarter revenues are increasing as the Company aggressively expands Canna Cabana operations and integrates acquired businesses such as Grasscity and Dreamweavers into the Company's business.

The adjusted EBITDA increased by \$2,788 in the first quarter of 2020 compared to same period in the prior year due to higher revenues and improving operating expenses as a percentage of revenues.



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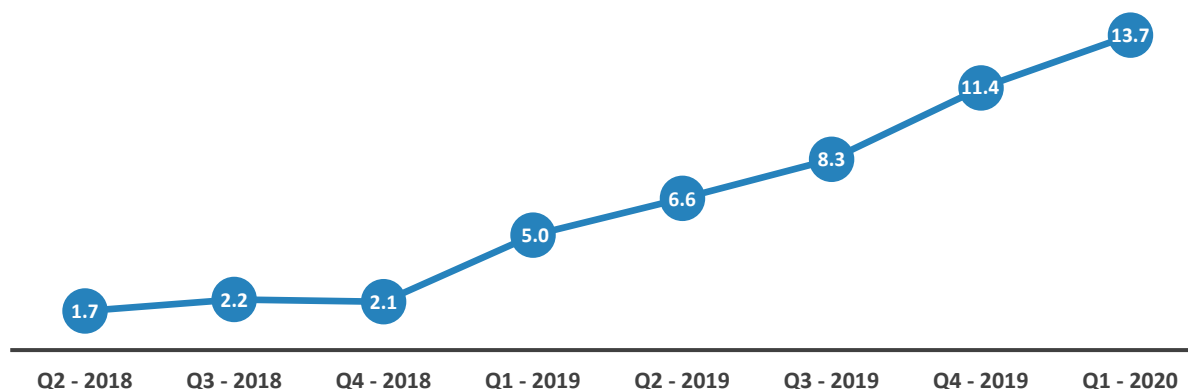
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## Quarterly Revenue Trend Overview (in \$millions)



## EBITDA and adjusted EBITDA

The Company defines EBITDA and adjusted EBITDA as per the tables below. It should be noted that these performance measures are not defined under IFRS and may not be comparable to similar measures used by other entities. The Company believes that these measures are useful financial metrics as they assist in determining the ability to generate cash from operations. Investors should be cautioned that EBITDA and adjusted EBITDA should not be construed as an alternative to net earnings or cash flows as determined under IFRS. The reconciling items between net earnings, EBITDA, and adjusted EBITDA are as follows:

	2020 <sup>(1)</sup>	2019 <sup>(2)</sup>				2018 <sup>(3)</sup>		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net Loss	(3,852)	(15,429)	(3,724)	(3,319)	(3,822)	(3,847)	(615)	(396)
Income taxes	(85)	2,998	(1,310)	(1,166)	(1,230)	(1,529)	(9)	42
Accretion and interest	1,815	1,676	1,040	231	106	-	-	-
Depreciation and amortization	1,366	478	462	275	186	58	9	9
EBITDA	(756)	(10,277)	(3,532)	(3,979)	(4,760)	(5,318)	(615)	(345)
Foreign exchange	(4)	49	(41)	(39)	75	190	(32)	(339)
Transaction and acquisition costs	622	(36)	-	-	142	491	-	8
Revaluation of derivative liability	(439)	(732)	-	-	-	-	-	-
Discount on accounts receivable	-	87	(5)	(58)	(24)	475	-	-
Gain on extinguishment of financial liability	-	(129)	-	-	-	-	-	-
Related party balances written off	-	34	-	-	-	1,419	-	-
Impairment loss	-	4,820	-	-	-	-	-	-
Share-based compensation	27	180	207	590	1,232	-	-	-
Gain on disposal of property and equipment	-	-	2	-	(3)	-	-	-
FV change in conversion feature	-	-	-	-	-	(28)	-	(28)
Disposition of marketable securities	-	-	-	-	-	22	(51)	-
Adjusted EBITDA	(550)	(6,004)	(3,369)	(3,486)	(3,338)	(2,749)	(698)	(704)

(1) Cash outflow for the lease liabilities during the three-month period ended January 31, 2020 were \$969.

(2) Financial information for 2019 has not been restated for the adoption of IFRS 16.

(3) Financial information for 2018 has not been restated for the adoption of IFRS 15 and IFRS 16.





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## Financial Position, Liquidity and Capital Resources

### Assets

As at January 31, 2020, the Company had a working capital deficit of \$11,085, compared to surplus of \$1,938 on October 31, 2019. The change is mainly due to the maturity of convertible debt of \$11,512 and related derivative liability of \$3,245 being less than 12 months away as of January 31, 2020. During the first quarter of 2020, the Company secured a credit facility of up to \$10,000 from Windsor Capital. After the first quarter of 2020, the Company agreed to sell the assets of KushBar and the rights to five permitted retail cannabis stores to Halo Labs for \$12,000. These transactions provide the Company enough liquidity for working capital and to pursue its near-term expansion plan.

Total assets of the Company were \$69,330 on January 31, 2020 compared to \$40,743 on October 31, 2019. The increase in total assets is primarily due to an increase in intangible assets as a result of the acquisition of 2680495 Ontario Inc. ("2680495"), operating as Canna Cabana branded store in Hamilton, Ontario, and a 50% interest in Saturninus Partners, operating as Canna Cabana branded store Sudbury, Ontario. Assets also increased due to capital asset additions, inventory purchases, and prepaid lease deposits as a result of the expansion into the recreational retail sector during the period. The increase in total assets is also due to the recognition of right of use assets amounting to \$18,894 as a result of the transition to IFRS 16 on November 1, 2019.

### Liabilities

Total liabilities increased to \$58,616 at January 31, 2020 compared to \$31,336 on October 31, 2019 primarily due to increase in convertible debentures of \$6,435 and increase in derivative liability of \$1,124 arising from convertible debt. The proceeds from convertible debenture were used for expansion and working capital. As well, primarily due to the recognition of lease obligations amounting to \$18,879 as a result of the transition to IFRS 16 on November 1, 2019.

### Summary of Outstanding Share Data

The Company had the following securities issued and outstanding as at the date of this MD&A:

<b>Securities<sup>(1)</sup></b>	<b>Units Outstanding</b>
Issued and outstanding common shares	232,542,271
Warrants	135,316,734
Stock options	10,235,000
Convertible debentures	33,205

<sup>(1)</sup> Refer to the Company's Consolidated Financial Statements for a detailed description of these securities.

### Cash Flows

During the three-month period ended January 31, 2020, the Company had an overall increase in cash and cash equivalents of \$3,293 (2019: decrease \$1,236).

Total cash used in operating activities was \$320 for the three-month period ended January 31, 2020 (2019: \$3,943). The decrease in operating cash outflows are primarily driven by cost reduction initiatives taken by the management and due to adoption of IFRS 16. Cash used in investing activities was \$2,771 (2019: \$8,072) as a result of cash paid for business acquisition of 2680495. Cash from financing activities was \$6,384 (2019: \$10,779) as a result of issuing convertible debentures and drawing balance from Windsor credit facility to facilitate business acquisitions during the first quarter of 2020.

### Liquidity

In addition to cash and cash equivalents and non-cash working capital discussed above, the Company secured a credit facility of up to \$10,000 from Windsor Capital during the first quarter of 2020 and subsequent to the first quarter of 2020, agreed to sell



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the assets of KushBar and the rights to five permitted retail cannabis stores to Halo Labs for \$12,000. These transactions provide the Company enough liquidity for working capital and to pursue its near-term expansion plan.

#### Capital Management

The Company's objectives when managing capital resources are to:

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

The Company's strategy is formulated to maintain a flexible capital structure consistent with the objectives as stated above and to respond to changes in economic conditions and the risk characteristics of the underlying assets. The Board of Directors does not establish quantitative return on capital criteria for management, but rather promotes year over-year sustainable profitable growth. The Company is not subject to any externally imposed capital requirements or covenants. The Company's capital structure consists of equity and working capital. To maintain or alter the capital structure, the Company may adjust capital spending, raise new debt and issue share capital. The Company anticipates it will have adequate liquidity to fund future working capital, commitments, and forecasted capital expenditures through a combination of cash flow, cash on hand, and financings subsequent to the end of the year.

#### Off Balance Sheet Transactions

The Company does not have any financial arrangements that are excluded from the Financial Statements as at January 31, 2020, nor are any such arrangements outstanding as of the date of this MD&A.

### Transactions Between Related Parties

#### Financing transactions

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

#### Operational transactions

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

### Subsequent Events

- (i) On February 14, 2020, the Company entered into a binding asset sale agreement with Halo Labs Inc. ("Halo"), under which High Tide will sell its KushBar retail cannabis assets and the rights to five permitted retail cannabis stores (the "Portfolio") to Halo for \$12,000, payable in the form of 46,153,846 common shares of Halo, of which \$3,500 has been paid to the Company as a non-refundable deposit, subject to certain limited circumstances. In addition, Halo has agreed to engage the Company to substantially oversee all aspects of its retail cannabis operations with respect to the Portfolio and will pay the Company ongoing royalties for regulatory advisory services and retail management, and a fixed fee for managing the construction of the unopened stores.



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- (ii) On February 21, 2020, the Company closed the acquisition of 102088460 Saskatchewan Ltd., which operates a licensed retail cannabis store in Tisdale, Saskatchewan (the "Tisdale Store"). The consideration paid to acquire the Tisdale Store was \$219 in cash, \$500 in the form of a promissory note due six months from the time of closing of the transaction and 5,000,000 of common shares of the Company with a fair value of \$975. Under IFRS 3, if the acquisition date of a business combination is after the end of the reporting period, but prior the publication of the consolidated financial statements, the Company must provide the information required by IFRS 3 unless the initial accounting for the business combination is incomplete. Due to the short time period between the closing of the acquisition date and the publication of these consolidated financial statements, the allocation of the purchase price has not been provided because that information has not yet been finalized.

## Financial Instruments

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

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

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The remaining accounts receivable are assessed collectively to determine whether there is objective evidence that an impairment has been incurred but not yet been identified.

The Company performs a regular assessment of collectability of accounts receivables. The Company monitors the financial performance and/or cash flows of its franchisees through observation of their point of sale system, receipt of cash from customers and maintains regular contact/discussions.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company generally relies on funds generated from operations and equity financings to provide sufficient liquidity to meet budgeted operating requirements and to supply capital to expand its operations.

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

## Outlook

COVID-19 has resulted in unexpected uncertainties which, at this time, make it prudent for High Tide to temporarily withdraw its previous outlook statement of becoming profitable in the 2020 fiscal year. The Company has been continuing to respond to COVID-19 with changes to internal business practices consistent with the guidelines of public health authorities. Since inception, High Tide's purpose has been to serve cannabis enthusiasts and a significant part of that commitment is ensuring the Company is putting the safety of its customers and employees first. The Company has implemented significant measures to protect the health and wellbeing of these valued groups of individuals. High Tide continues to monitor the situation closely while keeping its retail locations and wholesale facilities open, where permitted.



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The Company believes that the senior secured credit facility advanced by Windsor Capital, together with the proceeds from the eventual sale of the common shares of Halo Labs, position the Company to be well funded to execute on its strategic objectives in 2020. This estimate is considered a financial outlook under applicable securities laws. The estimate and any other financial outlooks or future-oriented financial information included herein has been approved by management of High Tide as of the date hereof. Such financial outlooks or future-oriented financial information are provided for the purpose of presenting information about management's current expectations and goals relating to the future business of High Tide. Readers are cautioned that actual results may vary materially as a result of a number of risks, uncertainties and other factors, many of which are beyond High Tide's control. See "Cautionary Note Regarding Forward-Looking Statements".

At present, High Tide has 23 Canna Cabana locations (including one franchise) in Alberta, 2 locations in Saskatchewan, 2 locations in Ontario, 1 Canna Cabana branded location in Ontario and 2 KushBar locations in Alberta. The Company also has 18 development permits on hand to continue expanding across Alberta. As previously announced, the 2 operating KushBar locations and 5 of the development permits have been conditionally sold to US-based Halo Labs. High Tide is currently developing 7 retail sites in Alberta, with 3 currently under construction including a premium location in Banff. In due course, the Company will develop all permits, among other, to achieve the maximum allowable number of stores per operator in Alberta, which is currently capped at 42 by AGLC until December 31, 2020.

Going forward, Ontario is the largest and most important market for the Company. High Tide expects to acquire the Canna Cabana location in Toronto shortly, while also submitting applications to receive up to 7 more retail licenses throughout 2020 to achieve the current AGCO maximum of 10 stores per operator. The Company is also in the final stages of clearing due diligence with the LCRB and intends to open the maximum of 8 allowable stores per operator in British Columbia. High Tide is currently evaluating entering the Yukon and Northwest Territories to open cannabis retail stores.

Regarding the Company's e-commerce business, High Tide is looking forward to launching CBDcity.com in the near term for customers in the US and EU. High Tide continues to expand the Grasscity accessories portfolio and its US-based order fulfillment capabilities from the Las Vegas warehouse.

Overall, management continues to review segment operations and streamline processes to reduce expenses including changes to staffing levels, reductions in general and administrative expenses and reductions in professional fees.

## Risk Assessment

Management of High Tide defines risk as the evaluation of probability that an event might happen in the future that could negatively affect the financial condition, results of operations, and/or reputation of the Company. The following section describes specific and general risks that could affect the Company. The following descriptions of risk do not include all possible risks as there may be other risks of which management is currently unaware.

### Changes in Laws and Regulations

The *Cannabis Act* became effective on October 17, 2018. The Company's success is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and obtaining all regulatory approvals for the operation of its business. Further, the Company cannot predict the time required to secure all appropriate regulatory approvals for its business. The impact of cannabis regulatory compliance regime could have an adverse effect on the Company's business, results of operation and financial condition.

### Failure to Manage Growth Successfully

The Company's business has grown rapidly in the last year. The Company's growth places a strain on managerial, financial and human resources. The Company will need to provide adequate operational, financial and management controls and reporting procedures to manage the continued growth in the number of employees, scope of operating and financial systems and the geographic area of operations. Expanding the business into new geographic areas requires the Company to incur costs, which may be significant, before any associated revenues materialize. Future growth beyond the next 12 months will depend upon a number of factors, including the Company's ability to:



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- raise further equity and/or debt financing to fund the completion of the Company's expansion plans, including the build-out of new recreational cannabis stores, and the expansion of its client base.
- hire, train and management additional employees to provide agreed upon services.
- execute on, and successfully integrate, acquisitions.
- expand the Company's internal management to maintain control over operations and provide support to other functional areas within High Tide.

High Tide's inability to achieve any of these objectives could harm the Company's business, financial condition, reputation and operating results.

#### Dependence on Key Personnel

The success of High Tide is largely dependent on the performance of its key employees and directors. Failure to retain key employees and directors and to attract and retain additional key employees with necessary skills could have a material adverse impact on the Company's growth and profitability. The departure of any key personnel could have a material adverse effect on the Company's business, results of operations and financial condition.

#### Competition

As more licenses are issued, the Company will experience intense competition from other organizations with more financial resources, market access, and marketing experience than the Company. Increased competition may cause price reductions, reduced gross margins and loss of market share, any of which could have a material adverse effect on the Company's business, results of operation and financial condition.

#### Failure to Secure Retail Locations

One of the factors in the growth of the Company's Cannabis retail business depends on the Company's ability to secure attractive locations on terms acceptable to the Company. The Company faces competition for retail locations from its competitors and from operators of other businesses. There is no assurance that future locations will produce the same results as past locations.

#### Cyber Risks

The Company and its third-party services provider's information systems are vulnerable to an increasing threat of continually evolving cybersecurity risks. These risks may take the form of malware, computer viruses, cyber threats, extortion, employee error, malfeasance, system errors or other types of risks, and may occur from inside or outside of the respective organizations. The operations of the Company depend, in part, on how well networks, equipment, information technology systems and software are protected against damage from a number of threats. The failure of information systems or a component of information system could, depending on the nature of any such failure, could have a material adverse effect on the Company's, business, its reputation, results of operation and financial condition.

#### Market Risk

COVID-19 outbreak remains unknown, it has introduced uncertainty and volatility in global markets and economies. The Company is monitoring developments and is prepared for any impacts related to COVID-19. The Company has a comprehensive pandemic and business continuity plan that ensures its readiness to appropriately address and mitigate any business risks and impacts to customers and employees. The Company believes, this could have a material adverse effect on the Company's business, results of operations and financial condition.