



FOR IMMEDIATE RELEASE

High Tide Reports Third Quarter 2021 Financial Results Featuring a 99% Increase in Revenue and Sixth Consecutive Quarter of Positive Adjusted EBITDA

Calgary, AB, September 14, 2021 / CNW / – High Tide Inc. (“**High Tide**” or the “**Company**”) (NASDAQ: HITI) (TSXV: HITI) (FSE: 2LYA), a retail-focused cannabis corporation enhanced by the manufacturing and distribution of consumption accessories, filed its financial results for the third fiscal quarter of 2021 ending July 31, 2021, 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, its profile page on SEDAR at www.sedar.com, and its profile page on EDGAR at www.sec.com.

The Company will host a conference call to discuss the results at 6:00pm Eastern Time on September 14, 2021.

Third Quarter 2021 – Financial Highlights:

- Revenue increased by 99% to \$48.1 million in the three months ended July 31, 2021, compared to \$24.1 million in the same quarter last year. The third quarter of 2021 financial results incorporate the acquisition of META Growth Corp. (“Meta”) on November 18, 2020, Smoke Cartel, Inc. (“Smoke Cartel”) on March 24, 2021, Fab Nutrition, LLC. (“FABCBD”) on May 10, 2021, and DHC Supply LLC. (“DHC”) on July 6, 2021.
- As of today, Cabana Club membership has grown by 45% to approximately 221,127 (June 28, 2021 – 151,240) due in large part to the success of our ‘One Stop Shop’ accessories promotion.
- Gross profit increased by 75% to \$16.7 million in the three months ended July 31, 2021, compared to \$9.5 million in the same quarter last year.
- Gross profit margin in the three months ended July 31, 2021, was 35% compared to 40% in the same quarter last year.
- Adjusted EBITDA⁽¹⁾ for the three months ended July 31, 2021, was \$1.5 million compared to \$3.4 million for the same quarter last year. The decrease in adjusted EBITDA was primarily due to expenses related to the up listing of the Company’s stock to Nasdaq including directors’ and officers’ liability insurance premiums, Nasdaq listing fees, one-time professional fees, and additional human resources to support the integration of newly acquired companies. As a result of the up listing to Nasdaq, the Company became a non-venture issuer resulting in higher compliance requirements.
- Geographically in the three months ended July 31, 2021, \$38.4 million of revenue was earned in Canada, \$9.6 million in the United States and an immaterial amount internationally.
- Revenue from the United States increased to \$9.6 million, compared to \$5.7 million for the second quarter of 2021, representing a 69% increase sequentially.
- Segment-wise in the three months ended July 31, 2021, \$46.3 million of revenue was generated by Retail, \$1.8 million by Wholesale, and an immaterial amount by Corporate.
- Cash on hand as of July 31, 2021, totaled \$26.6 million compared to \$7.5 million as of October 31, 2020.

¹ Adjusted EBITDA is a non-IFRS financial measure.

“Since our inception over a decade ago there has never been a more opportunistic time for our company’s growth. Over the past year, we have been making strategic moves to successfully advance our rising portfolio of companies. We believe we can continue to build upon this momentum and capture a sizeable share of the cannabis market globally. I’m proud of our team’s efforts this quarter which resulted in revenue increasing once again by 99 percent over last year and 18 percent sequentially, despite market disruptions due to pandemic related lockdowns and a very aggressive pricing strategy adopted by some value players. In Ontario, the largest cannabis market in Canada, due to pandemic related restrictions, our stores were closed for in-person shopping for about half of the second quarter with only click-and-collect and delivery permitted. Despite these challenges we have been able to remain EBITDA positive by increasing our revenue at a pace consistent with previous quarters,” said Raj Grover, President and Chief Executive Officer of High Tide. “This last quarter

saw us continue our organic growth momentum by opening seven new retail locations across Canada with a total of 93 locations today. While the Canadian retail market remains competitive, our one stop cannabis shop concept is very well received. This is evidenced by the fact that our Cabana Club membership grew by over 69,000 during the last quarter. We are very excited to have announced earlier today our new value focussed cannabis concept that is ready to be deployed in value sensitive markets. Beyond our bricks and mortar organic growth, we doubled down on more accretive e-commerce acquisitions last quarter, in the consumption accessories and hemp-derived CBD space, with a particular focus on the U.S. market. With these acquisitions our portfolio now includes three of the top five most popular online platforms for consumption accessories in the world. I remain excited about our e-commerce pipeline and look forward to sharing more good news on the M&A front in the very near future,” added Mr. Grover.

Third Quarter 2021 – Operational Highlights:

- The Company completed the acquisition of FABCBD on May 10, 2021, and Daily High Club (“DHC”) on July 6, 2021, enhancing the Company’s e-commerce business.
- The Company announced the filing of Form 40-F with the U.S. Securities and Exchange Commission fulfilling a significant milestone for the NASDAQ listing.
- The Company completed a 15:1 share consolidation on May 14, 2021, and began trading on the Nasdaq on June 2, 2021, under the symbol “HITI”.
- The Company was added to three prominent ETFs: Cannabis ETF (“THCX”), AdvisorShares Pure Cannabis ETF (“YOLO”), and Horizons Marijuana Life Sciences Index ETF (“HMMJ”).
- The Company closed an oversubscribed bought deal equity financing on May 26, 2021, for gross proceeds of \$23.2 million.
- The Company announced the elimination of its senior secured debt.
- The Company completed the sale of KushBar retail cannabis assets to Halo for \$5.7 million.
- The Company announced its plan to acquire leading online retailer DS Distribution Inc., (“DankStop”) to continue rapid expansion into the United States.
- The Company announced plans to increase its presence in Saskatchewan through acquisition of a Regina retail store portfolio.
- The Company opened seven cannabis retail locations under the Canna Cabana banner: two in Ontario, four in Alberta, and one in Saskatchewan.

Subsequent Events:

- The Company completed the acquisition of all the common shares of 102105699 Saskatchewan Ltd., (operating as 102 Saskatchewan) for \$2.7 million.
- The Company opened four new Canna Cabana stores, three in Ontario, and one in Alberta.
- The Company completed the acquisition of 100% of DankStop for US\$3.85 million.
- The Company was added to the prominent ETF: ETFMG Alternative Harvest ETF (“MJ”).
- The Company announced the elimination of all its META convertible debentures.
- The Company entered into two white label partnerships with Heritage Cannabis Holdings and Loosh Inc.
- The Company finalized and revealed the store design for its new cannabis retail value outlets, “Cannabis Chop Club”.

Selected financial information for the three and nine months ended July 31, 2021:

(Expressed in thousands of Canadian Dollars)

	Three months ended July 31			Nine months ended July 31		
	2021	2020	Change	2021	2020	Change
	\$	\$		\$	\$	
Revenue	48,069	24,103	99%	127,256	58,389	118%
Gross Profit	16,679	9,539	75%	46,445	22,087	110%
Gross Profit Margin	35%	40%	(5)%	36%	38%	(2)%
Total Operating Expenses	(23,946)	(7,915)	203%	(60,268)	(22,424)	169%
Adjusted EBITDA	1,540	3,397	(55)%	10,862	4,348	150%
Net (loss) income from Operations	(7,267)	1,624	(547)%	(13,823)	(337)	4001%
Net (loss) income	(1,750)	3,826	(146)%	(30,861)	(5,031)	513%
(Loss) earnings per share (Basic and Diluted)	(0.03)	0.25	(112)%	(0.79)	(0.33)	139%

The following is a reconciliation of Adjusted EBITDA to Net Income/(Loss):

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2021	2020	2021	2020
Net (loss) income	(1,750)	3,827	(30,861)	(5,031)
Income taxes (recovery)	224	316	688	393
Accretion and interest	1,095	2,456	6,635	6,719
Depreciation and amortization	8,299	1,771	22,107	4,585
EBITDA ⁽¹⁾	7,868	8,370	(1,431)	6,666
Foreign exchange	(28)	4	66	(17)
Transaction and acquisition costs	1,939	193	4,409	988
Debt restructuring gain	-	-	(1,145)	-
Revaluation of derivative liability ⁽²⁾	(5,919)	67	8,553	(247)
(Gain) Loss on extinguishment of debenture	-	(3,576)	516	(3,390)
Impairment loss	57	-	57	247
Share-based compensation	508	2	2,578	101
Revaluation of marketable securities	112	(1,663)	256	-
Gain on disposal of property and equipment	(2,997)	-	(2,997)	-
Adjusted EBITDA ⁽¹⁾	1,540	3,397	10,862	4,348

⁽¹⁾ 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.

⁽²⁾ The Company recorded a gain from the revaluation of derivative liability of \$5,919 during the third quarter of 2021 (2020: loss of \$67). This non-cash accounting charge primarily relates to warrants issued to Windsor Private Capital in connection with the loan agreement entered into on January 6, 2020. The cashless exercise feature in the warrants creates a derivative liability which is required to be revalued each reporting period.

Outlook

High Tide continues to have a leading position in the Canadian bricks and mortar cannabis market with 93 locations across the country. Given the number of locations currently being built out, most notably in Ontario and Saskatchewan, the Company expects to be at approximately 110 stores by the end of calendar 2021, despite some delays experienced in securing building permits. The Company has made good progress on its application to enter the British Columbia market, and now expects that to occur by end of our 2021 fiscal year.

While competition has increased given material growth in store counts in Ontario and Alberta and the concurrent rise of value players, the Company is focused on maintaining and growing its market share. We have begun leveraging our unique positioning within accessories to attract and retain more customers, and this approach has already yielded meaningful

increases to our top line over the past few months. Just this week we announced two initiatives to expand our revenue streams.

First, we entered into private label partnerships for our upcoming house-branded shatter and THC gummies. These will be our first white label products, which we expect will provide margin enhancing opportunities. We are also in negotiations with Canadian licensed producers to bring select products from the FABCBD catalogue into our store network and look forward to expanding into other categories in due course as market dynamics evolve.

Second, we announced the launch of our new retail value concept, “Cannabis Chop Club”, which will offer exclusive deals and wholesale prices to specifically address value-sensitive markets. The Company’s goal is to convert at least five existing stores by the end of the calendar year, with the first new builds expected to be completed in early calendar 2022.

E-Commerce remains a key focus for High Tide. The Company’s recent acquisitions in this area are performing well, and we expect to gain more momentum on this front. We are currently in discussions with multiple parties across a variety of end markets, with a particular focus on e-commerce within the growing ancillary and hemp derived CBD markets. With a current annual run rate of revenues in the U.S. exceeding \$50 million, we believe we are excellently positioned to lever our U.S. customer base to also sell cannabis once permissible by federal regulations and/or exchange policies – and the Company intends to continue growing its U.S. presence in the meantime.

Conference Call Dial-In Information:

US/CANADA Participant Toll-Free Dial-In Number: (888) 869-1189

US/CANADA Participant International Dial-In Number: (706) 643-5902

Conference ID: 6717339

In order to join the conference call, all speakers and participants will be required to provide the Conference ID listed above.

About High Tide Inc.

High Tide is a retail-focused cannabis company enhanced by the manufacturing and distribution of consumption accessories. The Company is the largest Canadian retailer of recreational cannabis as measured by revenue, with 93 current locations spanning Ontario, Alberta, Manitoba and Saskatchewan. High Tide’s retail segment features the Canna Cabana, NewLeaf Cannabis, Meta Cannabis Co., and Meta Cannabis Supply Co. banners, with additional locations under development across the country. High Tide has been serving consumers for over a decade through its established e-commerce platforms including Grasscity.com, Smokecartel.com, Dailyhighclub.com, and Dankstop.com and more recently in the hemp-derived CBD space through CBDcity.com and FABCBD.com as well as its wholesale distribution division under Valiant Distribution, including the licensed entertainment product manufacturer Famous Brandz. 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 Tilray Inc. (TSX: TLRY) (Nasdaq: TLRY) and Aurora Cannabis Inc. (TSX: ACB) (Nasdaq: ACB).

For more information about High Tide Inc., please visit www.hightideinc.com and its profile page on SEDAR at 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 Company’s application to list on the NASDAQ; (ii) the Company’s plans to adjust its business model and pursue expansion opportunities in the United States and Europe (iii) the Alcohol and Gaming Commission of Ontario’s intentions to increase the pace of Retail Store Authorizations it issues from 20 to 30 a week; (iv) the Company’s expectation to reach 30 open stores in Ontario by September, 30, 2021; (v) the Company’s expectations to profitably open new stores in Alberta, including several locations in the month of April; (vi) the Company’s belief that it is well positioned to take

advantage of the growing ancillary and hemp derived CBD markets in the United States and estimates regarding its current revenue run rate in the United States, pro forma for the Smoke Cartel acquisition, to be over \$25 million as of the date of this release; (vii) the Company's expectations to further expand the Company's operations in the United States through discussions with various parties across the federally permissible ecosystem in the United States; and (viii) the Company's belief that its application to list its shares on the Nasdaq may accelerate the Company's growth. 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 Company's ability to execute on its business plan and that the Company will have sufficient funds to execute on its strategic growth objectives in 2021, including the ability of the Company to pursue and finance the potential acquisitions and new store openings referenced in this release; the Company's ability to successfully list its shares on the Nasdaq; and that the Company will not be required to implement any measures to address unanticipated developments (including developments relating to COVID-19) affecting the Company's business, which could adversely affect the Company's proposed business plan. However, there can be no assurance that any one or more of the governments, 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.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

This news release does not constitute an offer to sell or a solicitation of an offer to buy any of the securities in the United States of America. The securities have not been and will not be registered under the United States Securities Act of 1933 (the "1933 Act") or any state securities laws and may not be offered or sold within the United States or to U.S. Persons (as defined in the 1933 Act) unless registered under the 1933 Act and applicable state securities laws, or an exemption from such registration is available.

CONTACT INFORMATION

Media Inquiries
Omar Khan
Senior Vice President - Corporate and Public Affairs
omar@hightideinc.com

Investor Inquiries
Vahan Ajamian
Capital Markets Advisor
vahan@hightideinc.com



Management's Discussion & Analysis

For the three and nine months ended July 31, 2021 and 2020





High Tide Inc.

Management's Discussion and Analysis

For the three and nine months ended July 31, 2021 and 2020

(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 and nine months ended July 31, 2021, and 2020 is dated September 14, 2021. This MD&A should be read in conjunction with the audited Consolidated Financial Statements of the Company for the years ended October 31, 2020 and 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 brands, including Canna Cabana, NewLeaf Cannabis ("NewLeaf"), Meta Cannabis Co, Grasscity, Smoke Cartel, CBDcity, FABCBD, and Daily High Club, (ii) the "Wholesale" Segment represented by brands, including Valiant Distribution ("Valiant") and Famous Brandz ("Famous Brandz"), and (iii) the "Corporate" Segment.

High Tide is a retail-focused cannabis corporation enhanced by the manufacturing and distribution of consumption accessories. The Company's shares are listed on the Nasdaq Capital Market ("Nasdaq") under the ticker symbol "HITI" as of June 2, 2021, the TSX Venture Exchange ("TSXV") under the symbol "HITI", and the Frankfurt Stock Exchange ("FSE") under the securities identification code 'WKN: A2PBPS' and the ticker symbol "2LYA". 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, 2020 audited Consolidated Financial Statements, news releases, the Company's short-form prospectus, and other disclosure items of the Company can be accessed at www.sedar.com and at 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 requirements 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. The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A: counterparty credit risk; access to capital; limitations on insurance; changes in environmental or legislation applicable to our operations, and our ability to comply with current and future environmental and other laws; changes in income tax laws or changes in tax laws and incentive programs relating to the cannabis industry; and the other factors discussed under "Financial Instruments and Risk Management" in this MD&A.



High Tide Inc.

Management's Discussion and Analysis

For the three and nine months ended July 31, 2021 and 2020

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

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.

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 and nine months ended July 31, 2021, and 2020 are consistent with those applied and disclosed in Note 3 of the Company's Consolidated Financial Statements for the year ended October 31, 2020 and 2019.

At its June 2021 meeting, the IFRS Interpretations Committee finalized an agenda decision about the costs an entity includes as the 'estimated costs necessary to make the sale' when calculating net realizable value of inventories, which is used in determining if inventory balances are impaired. The committee concluded that when determining net realizable value of inventories, an entity estimates the costs necessary to make the sale in the ordinary course of business, which requires the exercise of judgement. The Company is assessing the impact of this agenda decision on its results of operations, financial position and disclosures.

Non-IFRS Financial Measures

Throughout this MD&A, references are made to non-IFRS financial measures, including same store sales, 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 Cannabis enterprise.

The Company's retail operations are focused on business-to-consumer markets. The operations of Canna Cabana, and the NewLeaf and Meta Cannabis Co brands that were obtained through the acquisition of Meta Growth Corp. ("META"), are focused on the retail sale of recreational cannabis products for adult use as well as consumption accessories in Canada. The Company's e-commerce operations are made up of Grasscity, CBDcity, Smoke Cartel, Inc. ("Smoke Cartel"), and the newly acquired Fab Nutrition, LLC ("FABCBD") and DHC Supply LLC ("DHC"). Grasscity has been operating as a major e-commerce retailer of consumption accessories for over 20 years. It has significant brand equity in the United States and around the world, while providing an established online sales channel for High Tide to sell its proprietary products. Smoke Cartel was founded in 2013 and has grown to become one of the most searchable sites of its kind. FABCBD was founded in 2017 and has grown to be one of the leading online retailers in the hemp derived CBD space in the United States, and with over one million consumption accessories sold under the daily high club name, DHC has become one of the leading online retailers of in demand consumption accessories and monthly subscription boxes, further establishing the Company's e-commerce presence.

The wholesale operations of Valiant helps with the overall product strategy of the retail operations of the Company and are primarily focused on the manufacturing and distribution of consumption accessories. Valiant designs and distributes a proprietary suite of branded consumption accessories including overseeing their contract manufacturing by third parties. Valiant also focuses on acquiring celebrity licenses, designing, and distributing branded consumption accessories. Additionally, it also distributes a minority of products



High Tide Inc.

Management's Discussion and Analysis

For the three and nine months ended July 31, 2021 and 2020

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

that are manufactured by third parties. Valiant does not sell its products directly to consumers but operates an e-commerce platform for wholesale customers.

Established Consumer Brands (as of the date of this MD&A):



Competitive Landscape

As of the date of this MD&A, the Company operates 86 corporately owned retail cannabis locations represented by 73 Canna Cabana locations, 3 NewLeaf locations, and 10 Meta Cannabis Co locations. Further, the Company has a 50% interest in a partnership that operates a branded retail Canna Cabana location in Sudbury, Ontario and two joint venture operations with 49% interest that operates two branded retail Meta Cannabis Co locations in Manitoba. The Company is also represented by three branded locations with 1 location in Toronto, Ontario, 1 in Scarborough, Ontario, and 1 in Guelph, Ontario, as well as one franchise in Calgary. In total, the Company currently has a total of 93 branded retail cannabis stores operating across Canada.



High Tide Inc.

Management's Discussion and Analysis

For the three and nine months ended July 31, 2021 and 2020

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

The Company's retail recreational cannabis products segment operates amongst many competitors, both consolidated chains and independent operators. Notable competitors include Fire & Flower, Nova Cannabis, Spiritleaf and Tokyo Smoke, as well as numerous independent retailers.

Most of the Company's competitors applicable to its Wholesale Segment operate primarily as product distributors, while Valiant designs, sources and distributes majority of their own products. This creates advantages through vertical integration, thereby enabling Valiant to bring unique product designs to market and offer wholesale customers favourable terms, proprietary products, and flexible pricing.

In the future, the Company expects its brick-and-mortar retail operations to experience increased competition from the recreational cannabis industry as a greater number of third-party stores are established across Canada, offering both cannabis products and consumption accessories. However, the Company believes that its vertically integrated e-commerce and wholesale operations, product knowledge, and operational expertise will enable it to operate profitably over the long term. While the Company is presently focused on its existing markets in the Provinces of Ontario, Alberta, Saskatchewan, and Manitoba, the Company is looking to expand its presence in Ontario and enter the market in British Columbia which we anticipate by the end of this fiscal year. The Company is currently evaluating entering other provinces and territories including Northwest Territories, and the Yukon as regulations permit and anticipates being able to grow both organically as well as through acquisitions in the future.

Select Financial Highlights and Operating Performance

	Three months ended July 31			Nine months ended July 31		
	2021	2020	Change	2021	2020	Change
	\$	\$		\$	\$	
Revenue	48,069	24,103	99%	127,256	58,389	118%
Gross Profit	16,679	9,539	75%	46,445	22,087	110%
Gross Profit Margin	35%	40%	(5)%	36%	38%	(2)%
Total Operating Expenses	(23,946)	(7,915)	203%	(60,268)	(22,424)	169%
Adjusted EBITDA ^(a)	1,540	3,397	(55)%	10,862	4,348	150%
Net (loss) income from Operations	(7,267)	1,624	(547)%	(13,823)	(337)	4002%
Net (loss) income	(1,750)	3,826	(146)%	(30,861)	(5,031)	513%
(Loss) earnings per share (Basic)	(0.03)	0.25	(112)%	(0.79)	(0.33)	139%

^(a) Adjusted EBITDA is a non-IFRS financial measure. A reconciliation of the Adjusted EBITDA to Net (Loss) income is found under "EBITDA and Adjusted EBITDA" in this MD&A.

Revenue increased by 99% to \$48,069 in the third quarter of 2021 (2020: \$24,103) and gross profit increased by 75% to \$16,679 in the third quarter of 2021 (2020: \$9,539). Loss from operations was \$7,267 in the third quarter of 2021 (2020: income \$1,624).

The key factors affecting the results for the three-month period ended July 31, 2021, were:

- **Merchandise Sales** – Merchandise sales increased by 89% for the three-month period ended July 31, 2021, as compared to 2020. Growth in merchandise sales was largely driven by acquired businesses representing \$21,841 of total sales increase.
- **Operating Expenses** – Operating expenses increased by 203% for the three-months ended July 31, 2021, compared to 2020, and as a percentage of revenue increased by 17% in the third quarter of 2021 to 50% (2020: 33%). Operating expenses increased over the same period in 2021 due to the Company's continued growth of their Retail Segment through new store openings, the acquisitions of META, Smoke Cartel, FABCBD, and DHC, as well as an increase in expenses related to the up listing of the Company's stock to Nasdaq including directors and officers' liability insurance premiums, Nasdaq listing fees, one-time professional fees, and additional human resources to support the integration of newly acquired companies. As a result of the up listing to Nasdaq, the Company became a non-venture issuer resulting in higher compliance requirements.



High Tide Inc.

Management's Discussion and Analysis

For the three and nine months ended July 31, 2021 and 2020

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

Revenue

Revenue increased by 99% to \$48,069 in the third quarter of 2021 (2020: \$24,103) and by 118% to \$127,256 in the nine-month period ended July 31, 2021 (2020: \$58,389).

The increase in revenue was driven primarily by the Company's Retail Segment through the acquisition of META on November 18, 2020, Smoke Cartel on March 24, 2021, FABCBD on May 10, 2021, and DHC on July 6, 2021.

For the three-month period ended July 31, 2021, additions of new stores and the business combination of META, Smoke Cartel, FABCBD, and DHC into the Company contributed \$26,828 of the increase in merchandise revenue. For the nine-month period ended July 31, 2021, new stores and business combinations contributed \$62,479 to the increase in merchandise revenue.

Canna Cabana, NewLeaf, and Meta Cannabis Co all provide a unique customer experience focused on retention and loyalty through its Cabana Club membership platform. Members of Cabana Club receive short message service ("SMS") and email communications highlighting new and upcoming product arrivals, member-only events, and other special offers. The database communicates with highly relevant consumers who are segmented at the local level by delivering regular content that is specific to their local Canna Cabana, NewLeaf, and Meta Cannabis Co locations. Approximately 221,127 (June 28, 2021 – 151,240) members have joined Cabana Club to date, with over 50% of our average daily transactions conducted by club members. This substantial increase to our database of over 69,000 members (approximately 45%) since June 28, 2021, alone can be attributed to the success of our 'One Stop Shop' promotion, where club members are eligible for discounts of up to 70% off premium cannabis accessories made available to our retail network through Valiant Distribution Canada.

Gross Profit

For the three-month period ended July 31, 2021, gross profit increased by 75% to \$16,679 (2020: \$9,539) and by 110% to \$46,445 for the nine-month period ended July 31, 2021 (2020: \$22,087). The increase in gross profit was driven by the acquisition of META, Smoke Cartel, FABCBD, and DHC, as well as an increase in sales volume. The gross profit margin decreased to 35% in the three-month period ended July 31, 2021 (2020: 40%) and decreased to 36% in the nine-month period ended July 31, 2021 (2020: 38%). The decrease in the gross profit margin percentage was due to a change in the Bricks & Mortar retail pricing strategy which is in line with the current market, and to maintain and grow market share.

Operating Expenses

Total operating costs increased by 203% to \$23,946 in the third quarter of 2021 (2020: \$7,915) and by 169% to \$60,268 for the nine-month period ended July 31, 2021 (2020: \$22,424). Operating expenses increased over the same period in 2021 due to the Company's continued growth of their Retail Segment through new store openings and the acquisition of META, Smoke Cartel, FABCBD, and DHC, resulting in a total of 89 branded retail stores operating across Canada compared to 33 branded retail stores as of July 31, 2020 (increase of 56 stores).

Salaries, wages, and benefits expenses increased by 101% to \$7,318 in the third quarter of 2021 (2020: \$3,642) and by 90% to \$19,373 for the nine-month period ended July 31, 2021 (2020: \$10,173). The increase in staffing was due primarily to the acquisition and integration of META, Smoke Cartel, FABCBD, DHC, the need for additional personnel within the Retail Segment to facilitate growth in the number of cannabis locations, and additional personnel within the corporate segment to support the up listing of the Company's stock to Nasdaq. For the nine-month period ended July 31, 2021, the Company received \$425 in Canada Emergency Wage Subsidy, which has been offset against salaries and wages in the consolidated statements of net loss.

Share-based compensation increased to \$508 for the third quarter of 2021 (2020: \$2), and to \$2,578 for the nine-month period ended July 31, 2021 (2020: \$101). The increase in share-based compensation was primarily due to granting of options and RSUs to employees, directors, and consultants of the company.



High Tide Inc.

Management's Discussion and Analysis

For the three and nine months ended July 31, 2021 and 2020

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

General and administrative expenses increased by 245% for the third quarter of 2021 compared to the same period in 2020, and as a percentage of revenue increased by 5% to 11% in the third quarter of 2021 compared to the same period in 2020 primarily because of the acquisitions of META, Smoke Cartel, FABCBD, and DHC, and an increase in insurance premiums related to the up listing of the Company's stock to Nasdaq.

Amortization expense on property, equipment, intangibles, and right-of-use assets of \$8,299 for the third quarter of 2021 increased by 369% compared to same period in 2020 primarily because of \$64,988 of assets acquired by the acquisitions of META, Smoke Cartel, FABCBD and DHC.

The Company is progressing well in integrating META's operations. As of the date of this MD&A, the Company has achieved all of the expected short-term synergies. The Company will continue to realize additional synergies in the long-term operations of META. Following is a breakdown of the annualized synergies achieved:

Synergy category	Actual savings (\$)	Target savings (\$)	% Achieved
Overhead SG&A and other	3,700	4,500	82%
Store optimization and leases	5,310	4,000	133%
Total	9,010	8,500	106%

Financing and Other Costs

Financing and other costs of \$3,034 was recorded during the third quarter of 2021 (2020: \$2,649), representing the expense associated with the interest expense related to convertible debentures, the accretion of lease liabilities, as well as transaction costs related to the Company's acquisitions and business development.

Revaluation of Derivative Liability

The Company recorded a gain from the revaluation of derivative liability of \$5,919 during the third quarter of 2021 (2020: loss of \$67). This non-cash accounting charge primarily relates to the exercise of warrants issued to Windsor Private Capital in connection with the loan agreement entered into on January 6, 2020. The cashless exercise feature in the warrants creates a derivative liability which is required to be revalued each reporting period.

Segment Operations

	Retail 2021 (\$)	Retail 2020 (\$)	Wholesale 2021 (\$)	Wholesale 2020 (\$)	Corporate 2021 (\$)	Corporate 2020 (\$)	Total 2021 (\$)	Total 2020 (\$)
For the three months ended July 31,								
Total Revenue	46,283	21,440	1,781	2,627	5	36	48,069	24,103
Gross Profit	16,216	8,595	438	909	25	35	16,679	9,539
(Loss) income from operations	(3,074)	2,431	(390)	107	(3,803)	(914)	(7,267)	1,624
Total assets	145,971	46,678	6,939	5,972	81,272	17,161	234,182	69,811
Total liabilities	56,960	22,893	2,183	1,894	28,228	33,301	87,371	58,088



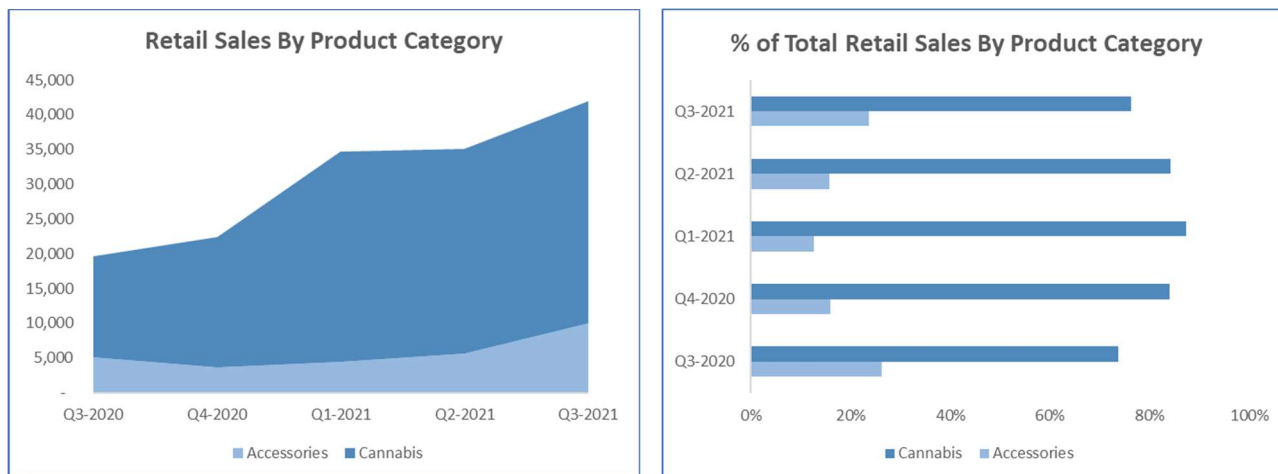
High Tide Inc.

Management's Discussion and Analysis

For the three and nine months ended July 31, 2021 and 2020

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

Retail Segment Performance



The Company's Retail Segment demonstrated significant sales growth with an increase in revenue of 116% to \$46,283 in the third quarter of 2021 compared to the same period in the prior year. Revenue growth is primarily attributable to acquired businesses and an increased number of retail locations.

Gross profit for the three-month period ending July 31, 2021, increased by \$7,621 compared to the same period in the prior year and the gross profit margin decreased to 35% (2020: 40%). The decrease in the gross margin was due to a change in pricing strategy to maintain and grow market share. The shift in pricing strategy was due to competitive landscape especially in Alberta. In Alberta, as of July 31, 2021, the province had granted 657 cannabis license vs 410 as of July 31, 2020.

For the three-month period ending July 31, 2021, the Retail Segment recorded a loss from operations of \$3,074 compared to income from operations of \$2,431 for the same period in the prior year. The loss from operations is primarily due to higher depreciation of property and equipment and higher amortization of the right-of-use assets related to leases of a larger retail store network compared to Q3 2020. Further impacting the loss from operations is increased amortization on intangibles related to licences that were part of the META acquisition and increased amortization on proprietary software from the Smoke Cartel acquisition.

Same-store retail sales

Same-store sales refers to the change in revenue generated by the Company's existing retail cannabis locations over the period and is based on the number of stores that have been fully operational during the full current and comparison quarterly period. The Company had 25 cannabis locations that were operational for the full three-month period ended July 31, 2021, and July 31, 2020. For these 25 cannabis locations, same-store sales decreased by 14% compared to the three-month period ended July 31, 2020. The decrease primarily related to lockdowns brought on by the COVID-19 pandemic in the province of Ontario. Excluding the same-store sales from the Ontario locations, the same-store sales for the remaining locations decreased by 7% compared to the three-month period ended July 31, 2020. This metric captures the Company's early stores, which were destined to have increased competition.

As at the date of this MD&A, the Company's total portfolio of retail cannabis locations experienced positive momentum on the same store sales from the second fiscal quarter of 2021 to third fiscal quarter of 2021 and from July 2021 to August 2021.



High Tide Inc.

Management's Discussion and Analysis

For the three and nine months ended July 31, 2021 and 2020

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

Grasscity.com

During the third quarter of 2021, Grasscity processed 24,631 orders. High Tide continues to invest in Grasscity to refresh its online sales platform, increasing the number of items available for sale, increase its searchability, align its supply chain with Valiant, and optimize its distribution channels. Grasscity enables the Company to leverage its vertical integration to improve order fulfillment, customer reach, product margins and its overall profitability.

Smokecartel.com

On March 24, 2021, the Company closed the acquisition of Smoke Cartel. Founded in 2013, SmokeCartel.com has grown to become one of the most searchable websites of its kind. The Company expects Smoke Cartel's proprietary and licensable drop-shipping technology to enhance existing e-commerce businesses. During the third quarter of 2021, Smoke Cartel processed 39,076 orders.

Fabcbd.com

On May 10, 2021, the Company closed the acquisition of FABCBD. Founded in 2017, Fabcbd.com has grown to become one of the leading online retailers in hemp derived CBD products. During the third quarter of 2021, for the period FABCBD was operated under the Company, FABCBD processed 20,495 orders.

Dailyhighclub.com

On July 6, 2021, the Company closed the acquisition of DHC. DHC has grown to become one of the leading online retailers in on demand consumption accessories, selling over one million consumption accessories. During the third quarter of 2021, for the period DHC operated under the Company, DHC processed 7,603 orders.

Wholesale Segment Performance

Revenues in the Company's Wholesale Segment decreased by 32% to \$1,781 for the three-month period ending July 31, 2021 (2020: \$2,627). Decrease in revenue is a result of major supply chain challenges and a shift in focus to support the core Retail segment.

Gross profit decreased by 52% to \$438 for the three-month period ending July 31, 2021 (2020: \$909).

The Wholesale Segment reported loss from operations of \$390 for the three-month period ending July 31, 2021 (2020: income \$107).

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 \$5 for the three-month period ending July 31, 2021 (2020: \$36). The revenue was made up of royalty fees and other revenues.



High Tide Inc.

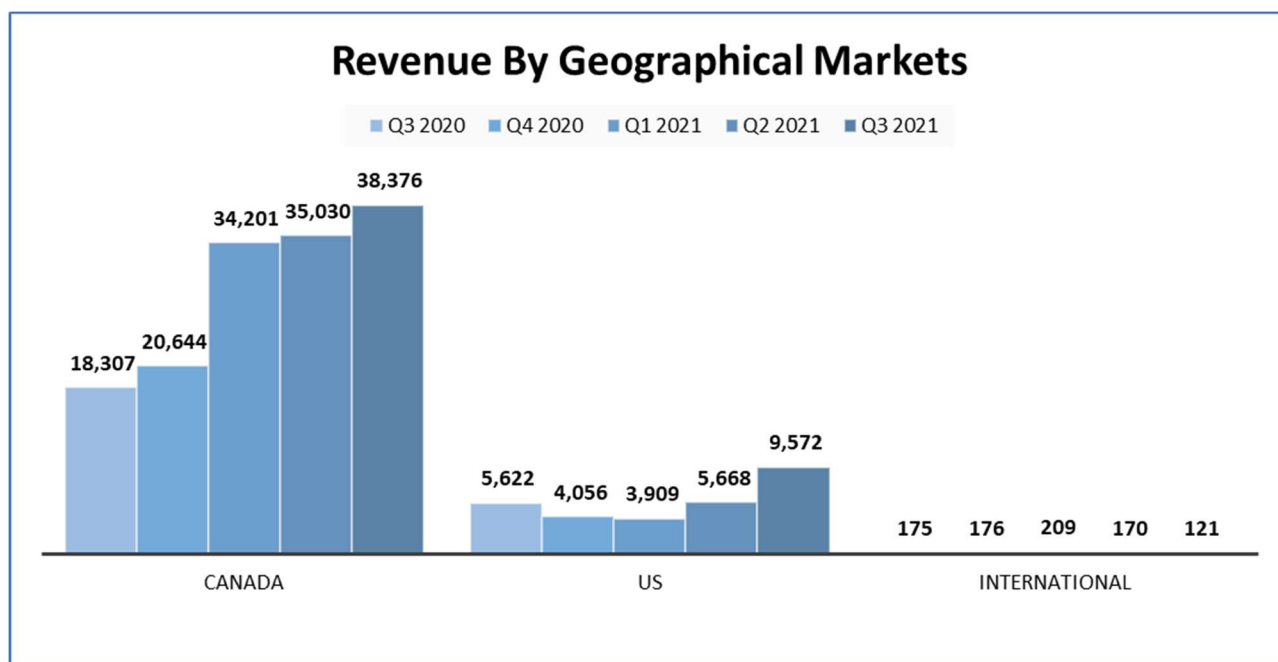
Management's Discussion and Analysis

For the three and nine months ended July 31, 2021 and 2020

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

Geographical Markets

Geographical markets represent revenue based on the geographical locations of the customers who have contributed to the revenue. The following is a representation of these geographical markets:



* USA and international revenues are related to sale of consumption accessories and CBD and not related to sale of cannabis.

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

For the three months ended July 31	2021	2020	2021	2020	2021	2020	2021	2020
	Retail	Retail	Wholesale	Wholesale	Corporate	Corporate	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Primary geographical markets ⁽ⁱ⁾								
Canada	37,695	17,088	676	1,139	5	36	38,376	18,263
USA	8,467	4,090	1,105	1,489	-	-	9,572	5,579
International	121	261	-	-	-	-	121	261
Total revenue	46,283	21,439	1,781	2,628	5	36	48,069	24,103

⁽ⁱ⁾ Represents revenue based on geographical locations of the customers who have contributed to the revenue generated in the applicable segment.

Sales performance increased significantly, on average, with Canna Cabana leading Canadian sales and Grasscity, Smoke Cartel, FABCBD, and DHC contributing to sales growth in the United States. Due to the USA market acquisitions during the second and third quarters of 2021, the Company has increased USA revenue by more than 72% for the three months ended July 31, 2021 compared to the same period in the prior year. Revenues in the international market are comprised of sales made to all countries outside of North America.



High Tide Inc.

Management's Discussion and Analysis

For the three and nine months ended July 31, 2021 and 2020

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

Summary of Quarterly Results

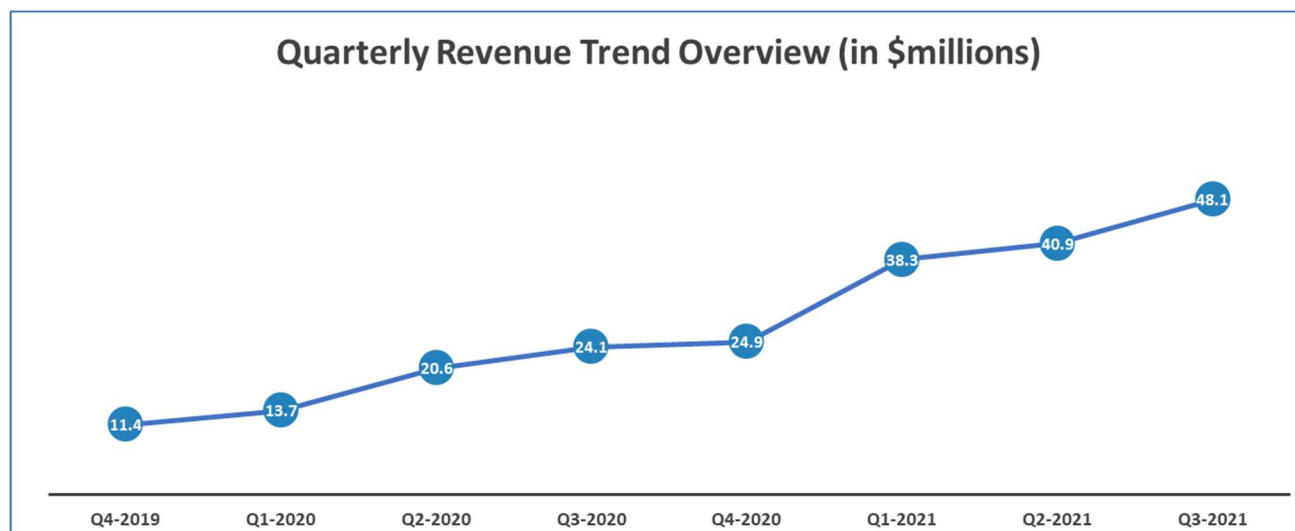
(C\$ in thousands, except per share amounts)	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Revenue	48,069	40,868	38,319	24,876	24,104	20,571	13,715	11,409
Adjusted EBITDA ⁽ⁱ⁾	1,540	4,720	4,602	3,626	3,397	1,773	(822)	(5,698)
(Loss) income from Operations	(7,267)	(4,511)	(2,045)	1,133	1,624	156	(2,117)	(6,393)
Net (loss) income	(1,750)	(12,266)	(16,845)	(1,324)	3,827	(4,912)	(3,945)	(15,427)
Net (loss) income per share (Basic and Diluted) ⁽ⁱⁱ⁾	(0.03)	(0.30)	(0.62)	(0.46)	0.25	(0.33)	(0.26)	(1.98)

⁽ⁱ⁾ 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.

⁽ⁱⁱ⁾ Net (loss) income per share (Basic and Diluted) for the periods Q4 2019 to Q2 2021 have been retroactively adjusted to reflect the one-to-fifteen (1:15) reverse share split of all of the Company's issued and outstanding common shares that was completed on May 13, 2021.

Aside from the seasonal increase in consumer spending leading up to the winter holiday period, which occurs in the first quarter of the Company's fiscal year, quarter over quarter revenues are increasing as the Company aggressively expands Canna Cabana operations and integrated acquired businesses of META, Smoke Cartel, FABCBD and DHC into the Company's business.

The adjusted EBITDA decreased by 55% or \$1,857 in the third quarter of 2021 compared to same period in the prior year as a result of a decrease in gross margin percentage which is due to a change in the Bricks & Mortar retail pricing strategy which is in-line with current market, and to maintain and grow market share. Further impacting adjusted EBITDA is an increase in expenses related to the up listing of the Company's stock to Nasdaq including director and officers' liability insurance premiums, Nasdaq listing fees, one-time professional fees, and additional human resources to support the integration of newly acquired companies. As a result of the up listing to Nasdaq, the Company became a non-venture issuer resulting in higher compliance requirements.





High Tide Inc.

Management's Discussion and Analysis

For the three and nine months ended July 31, 2021 and 2020

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

EBITDA and Adjusted EBITDA

The Company defines EBITDA and Adjusted EBITDA as per the table 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:

	2021 ⁽ⁱ⁾			2020 ⁽ⁱⁱⁱ⁾				2019 ⁽ⁱⁱⁱ⁾
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Net (loss) income	(1,750)	(12,266)	(16,845)	(1,324)	3,827	(4,912)	(3,946)	(15,429)
Income taxes (recovery)	224	(124)	588	(165)	316	162	(85)	2,998
Accretion and interest	1,095	2,838	2,702	573	2,456	2,529	1,734	1,676
Depreciation and amortization	8,299	7,714	6,094	2,213	1,771	1,545	1,269	478
EBITDA	7,868	(1,838)	(7,461)	1,297	8,370	(676)	(1,028)	(10,277)
Foreign exchange (gain) loss	(28)	5	89	(64)	4	(17)	(4)	49
Transaction and acquisition costs	1,939	889	1,581	1,729	193	173	622	-
Debt restructuring gain	-	-	(1,145)	-	-	-	-	-
Inventory write-off	-	-	-	252	-	-	-	-
(Gain) loss revaluation of derivative liability	(5,919)	3,988	10,484	706	67	125	(439)	(732)
Loss on settlement of convertible debenture	-	-	-	142	-	-	-	-
Loss (gain) on extinguishment of debenture	-	-	516	(418)	(3,576)	186	-	-
Impairment loss	57	-	-	458	-	247	-	4,820
Share-based compensation	508	1,517	553	29	2	72	27	180
Revaluation of marketable securities	112	159	(15)	-	(1,663)	1,663	-	-
Gain on extinguishment of financial liability	-	-	-	(505)	-	-	-	(129)
Related party balances written off	-	-	-	-	-	-	-	34
Gain on disposal of property and equipment	(2,997)	-	-	-	-	-	-	-
Discount on accounts receivable	-	-	-	-	-	-	-	87
Adjusted EBITDA	1,540	4,720	4,602	3,626	3,397	1,773	(822)	(5,968)

(i) Cash outflow for the lease liabilities during the three-months ended July 31, 2021, were \$2,917, three months ended April 30, 2021, were \$1,265 and \$1,088 for the three months ended January 31, 2021.

(ii) Cash outflow for the lease liabilities during the three-months ended October 31, 2020, were \$987, three-months ended July 31, 2020 were \$783, three-months ended April 30, 2020 were \$728 and \$693 for three months ended January 31, 2020.

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

Financial Position, Liquidity and Capital Resources

Assets

As at July 31, 2021, the Company had a cash balance of \$26,640 (October 31, 2020: \$7,524).

Working capital including cash as of July 31, 2021, was a surplus of \$21,124 (October 31, 2020: deficit \$8,183). The change is mainly due to various acquisitions that have occurred in the nine months ended July 31, 2021, as well as the closing of two bought financing deals of \$23,000 and \$23,184 that happened in the second and third quarter of 2021 respectively. These transactions provide the Company enough liquidity for its working capital needs.



High Tide Inc.

Management's Discussion and Analysis

For the three and nine months ended July 31, 2021 and 2020

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

Total assets of the Company were \$234,182 on July 31, 2021, compared to \$69,811 on October 31, 2020. The increase in total assets is primarily due to the acquisitions of META, Smoke Cartel, FABCBD and DHC, which resulted in significant increases in intangible assets, property and equipment, and right-of-use assets. Assets also increased due to capital asset additions and prepaid lease deposits due to organic growth during the period.

Liabilities

Total liabilities increased to \$87,371 at July 31, 2021, compared to \$58,088 on October 31, 2020 primarily due to the acquisition of META, Smoke Cartel, FABCBD and DHC.

As of the date of this MD&A the Company has reduced the total principal value of debt to approximately \$28,400 compared to approximately \$71,000 as at November 17, 2020.

Summary of Outstanding Share Data

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

Securities ⁽ⁱ⁾	Units Outstanding ⁽ⁱⁱ⁾
Issued and outstanding common shares	52,686,878
Warrants ⁽ⁱⁱⁱ⁾	7,363,251
Stock options and RSUs	1,794,329
Convertible debentures	2,104,728

⁽ⁱ⁾ Refer to the Company's Consolidated Financial Statements for a detailed description of these securities.

⁽ⁱⁱ⁾ Unit's outstanding are post-consolidation of common shares on May 14, 2021 in preparation for listing on the Nasdaq.

⁽ⁱⁱⁱ⁾ As of the date of this MD&A the Company had gross warrants of 116,621,244 that can be converted on the basis of 15 warrants to 1 common share, with the exception of the warrants issued through the acquisition of META, which can be converted on the basis of 18.2 warrants to 1 common share.

Cash Flows

During the period ended July 31, 2021, the Company had an overall increase in cash of \$19,116 (2020: \$6,302).

Total cash used in operating activities was \$7,836 for the period ended July 31, 2021 (2020: \$5,809 cash generated in operating activities). The decrease in operating cash inflows is primarily driven by an increase in operating expenses as a result of new store openings. Cash used by investing activities was \$18,202 (2020: cash used \$3,290). Cash provided by financing activities was \$45,154 (2020: cash provided \$3,783) because of the bought financing deal of \$23,000 and \$23,184 that closed in the second and third quarter of 2021 respectively.

Liquidity

In addition to cash and non-cash working capital discussed above, the Company acquired META during the first quarter of 2021. The Company also closed a bought deal financing for total gross proceeds of \$23,000 and acquired Smoke Cartel in the second quarter of 2021. In May 2021, the Company closed a second bought financing deal for total gross proceeds of \$23,184. During the remainder of the third quarter, the Company also acquired FABCBD and DHC. These transactions provide the Company enough liquidity for its working capital needs.



High Tide Inc.

Management's Discussion and Analysis

For the three and nine months ended July 31, 2021 and 2020

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

Capital Management

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

- I. Explore profitable growth opportunities.
- II. Deploy capital to provide an appropriate return on investment for shareholders.
- III. Maintain financial flexibility to preserve the ability to meet financial obligations; and
- IV. 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 stated above as well to respond to changes in economic conditions and to the risks inherent in its 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. The Company's capital structure consists of equity and working capital. To maintain or alter the capital structure, the Company may adjust capital spending, take on new debt and issue share capital. The Company anticipates that 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 as required.

Off Balance Sheet Transactions

The Company does not have any financial arrangements that are excluded from the Financial Statements as of July 31, 2021, nor are any such arrangements outstanding as of the date of this MD&A.

Loss per Share

Restatement of a Prior Quarter

During the third quarter of 2021, the Company restated the second quarter 2021 earnings per share note disclosure. This adjustment is due to the 1:15 reverse share split that occurred May 13, 2021, which was included as a subsequent event in the financial statements for the second quarter of 2021. When there is a share consolidation subsequent to period end, but prior to the release of the financial statements it needs to be retrospectively adjusted in the current quarter financial statements. Comparative information for the second quarter, first quarter, 2020 and 2019 year ends have been adjusted accordingly.

	Three months ended April 30		Six months ended April 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Net (loss) income for the period	(12,266)	(4,912)	(29,111)	(8,857)
Non-controlling interest	(66)	55	(91)	52
Net loss for the period attributable to owners of the Company	(12,332)	(4,857)	(29,202)	(8,805)
	#	#	#	#
Weighted average number of common shares - basic and diluted	41,320,861	14,614,754	33,938,246	14,255,502
Basic and Diluted loss per share	(0.30)	(0.33)	(0.86)	(0.62)



High Tide Inc.

Management's Discussion and Analysis

For the three and nine months ended July 31, 2021 and 2020

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

	Three months ended		
	January 31	Year ended October 31	
	2021	2020	2019
	\$	\$	\$
Net (loss) income for the period	(16,845)	(6,354)	(26,292)
Non-controlling interest	(24)	(614)	166
Net loss for the period attributable to owners of the Company	(16,869)	(6,968)	(26,126)
	#	#	#
Weighted average number of common shares - basic and diluted	27,090,872	15,267,032	13,212,113
Basic and Diluted loss per share	(0.62)	(0.46)	(1.98)

Transactions Between Related Parties

As at July 31, 2021, 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

A Director of the Company is Chief of the Opaskwayak Cree Nation ("OCN"). On November 18, 2020, the Company acquired all of the issued and outstanding shares of META which included notes payable to Opaskwayak Cree Nation ("OCN"). As of July 31, 2021 the Company has drawn \$13,000.

On February 22, 2021, the Company issued, on a bought deal basis pre-consolidation, 47,916,665 units (3,194,445 units post-consolidation) of the Company at a price of \$0.48 per unit pre-consolidation (\$7.20 per unit post-consolidation). Two of the officers and the corporate secretary of the Company, collectively participated in the offering and acquired an aggregate of 3,112,084 units pre-consolidation (207,472 units post-consolidation) pursuant to the Offering.

On May 26, 2021, the Company issued, on a bought deal basis post-consolidation, 2,415,000 units (36,225,000 units pre-consolidation) of the Company at a price of \$9.60 per unit post-consolidation (\$0.64 per unit pre-consolidation). One of the officers and the corporate secretary of the Company, collectively participated in the offering and acquired an aggregate of 105,000 units post-consolidation (1,575,000 units pre-consolidation) pursuant to the Offering.

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.

An office and warehouse unit located in Savannah Georgia has been leased out by 2G Realty, LLC, a company that is related through the Chief Technology Officer of the company. The office and warehouse space were leased to accommodate the Company's operational needs for Smoke Cartel. The lease was established at prevailing market rates and has annual lease payments totalling \$52 per annum. The primary lease term is 1 year with one additional 1-year term extensions exercisable at the option of the Company.



High Tide Inc.

Management's Discussion and Analysis

For the three and nine months ended July 31, 2021 and 2020

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

Subsequent events

- (i) On August 6, 2021, the Company acquired all of the issued and outstanding shares of 102105699 Saskatchewan Ltd. ("102 Saskatchewan") which owns five retail cannabis locations in Regina, Saskatchewan, for \$2,700. The consideration was comprised of: (i) 254,520 common shares of High Tide, having an aggregate value of \$2,002; and (ii) \$698 in cash. Under IFRS 3, if the acquisition date of a business combination is after the end of the reporting period, but prior to the publication of the consolidated financial statements, the Company must provide the information required under IFRS 3 unless the initial accounting for the business combination is incomplete. Due to the nature of the acquisition, the allocation of the purchase price has not been provided because that information has not yet been finalized.
- (ii) On August 12, 2021, the Company acquired all of the issued and outstanding shares of DS Distribution Inc., operating as DankStop.com ("DankStop") for US\$3,850. The consideration was comprised of 612,087 common shares of High Tide on the basis of a deemed price per High Tide Share of \$7.88, being equal to the volume weighted average price per High Tide Share on the TSX Venture Exchange for the ten consecutive trading days preceding the closing of the acquisition. Pursuant to the terms of the acquisition agreement, 153,021 High Tide Shares, which represents 25% of the High Tide Shares issued to DankStop shareholders, has been placed in escrow for a period of up to 12 months from closing. Under IFRS 3, if the acquisition date of a business combination is after the end of the reporting period, but prior to the publication of the consolidated financial statements, the Company must provide the information required under IFRS 3 unless the initial accounting for the business combination is incomplete. Due to the nature of the acquisition, the allocation of the purchase price has not been provided because that information has not yet been finalized.
- (iii) Subsequent to the period ended July 31, 2021, \$800 of debt was converted into common shares, which eliminates all remaining outstanding convertible debentures originally issued by Meta Growth Corp.

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.

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, marketable securities, loans receivable, accounts payable and accrued liabilities, notes payable, convertible debentures, contingent consideration and derivative liabilities.

IFRS 13 establishes a three-level hierarchy that prioritizes the inputs relative to the valuation techniques used to measure fair value. Fair values of assets and liabilities included in Level 1 of the hierarchy are determined by reference to quoted prices in active markets for identical assets and liabilities. Fair value of assets and liabilities in Level 2 are determined using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Fair value of assets and liabilities in Level 3 are determined based on inputs that are unobservable and significant to the overall fair value measurement. Accordingly, the Company has categorized its financial instruments carried at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. The Company's cash and cash equivalents are subject to Level 1 valuation.

The marketable securities have been recorded at fair value based on level 1 inputs and derivative liability associated with warrants and contingent consideration have been recorded at fair value based on level 2 inputs. The carrying values of accounts receivable, accounts payable and accrued liabilities approximate their fair values due to the short-term maturities of these financial instruments. The carrying value of the notes payable and convertible debentures approximate their fair value as they are discounted using a market rate of interest.



High Tide Inc.

Management's Discussion and Analysis

For the three and nine months ended July 31, 2021 and 2020

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

The Halo convertible promissory note receivable is a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market and is recorded at fair value based on level 2 inputs. The fair value of these assets were estimated on discounted future interest and principal payments using current market interest rates of instruments using similar terms. The promissory note failed the SPPI test due to the conversion feature of the note, therefore this note will be subsequently recognized at fair value through profit or loss.

Other loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market that have been recorded at fair value. The fair value of these assets were estimated on discounted future interest and principal payments using current market interest rates of instruments using similar terms.

The derivative liability associated with the put option included in the acquisition of FABCBD has been recorded at fair value based on level 3 inputs. The value of the put is calculated using discounted cash flows. The valuation model considers the present value of the future obligation using a multiple of forecasted trailing twelve month EBITDA and a risk-adjusted discount rate. Significant unobservable inputs include expected cash flows and the risk adjusted interest rate. The estimated fair value would increase (decrease) if the expected cash flows were higher (lower) or the risk adjusted interest rate were lower (higher).

Derivative Liability associated with Put Option	
	\$
Balance at April 30, 2021	-
Assumed through acquisition of FABCBD	4,535
Loss included in 'Revaluation of derivative liability'	145
Balance at July 31, 2021	4,680
Sensitivity Analysis	
	\$
Expected cash flows (10% movement)	397
Risk Adjusted discount rate (1% movement)	58

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 balance is limited because the counterparties are large commercial banks. The amount reported for trade 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. Trade 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 Company performs a regular assessment of collectability of accounts receivables. In determining the expected credit loss amount, the Company considers the customer's financial position, payment history and economic conditions.

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 as well as debt 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.



High Tide Inc.

Management's Discussion and Analysis

For the three and nine months ended July 31, 2021 and 2020

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

Outlook

High Tide continues to have a leading position in the Canadian bricks and mortar cannabis market with 93 locations across the country. Given the number of locations currently being built out, most notably in Ontario and Saskatchewan, the Company expects to be at approximately 110 stores by the end of calendar 2021, despite some delays experienced in securing building permits. The Company has made good progress on its application to enter the British Columbia market, and now expects that to occur by end of our 2021 fiscal year.

While competition has increased given material growth in store counts in Ontario and Alberta and the concurrent rise of value players, the Company is focused on maintaining and growing its market share. We have begun leveraging our unique positioning within accessories to attract and retain more customers, and this approach has already yielded meaningful increases to our top line over the past few months. Just this week we announced two initiatives to expand our revenue streams.

First, we entered into private label partnerships for our upcoming house branded shatter and THC gummies. These will be our first white label products, which we expect will provide margin enhancing opportunities. We are also in negotiations with Canadian licensed producers to bring select products from the FABCBD catalogue into our store network and look forward to expanding into other categories in due course as market dynamics evolve.

Second, we announced the launch of our new retail value concept, "Cannabis Chop Club", which will offer exclusive deals and wholesale prices to specifically address value sensitive markets. The Company's goal is to convert at least five existing stores by the end of the calendar year, with the first new builds expected to be completed in early calendar 2022.

E-Commerce remains a key focus for High Tide. The Company's recent acquisitions in this area are performing well, and we expect to gain more momentum on this front. We are currently in discussions with multiple parties across a variety of end markets, with a particular focus on e-commerce within the growing ancillary and hemp derived CBD markets. With a current annual run rate of revenues in the U.S. exceeding \$50 million, we believe we are excellently positioned to lever our U.S. customer base to also sell cannabis once permissible by federal regulations and/or exchange policies – and the Company intends to continue growing its U.S. presence in the meantime.

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 Company is subject to a variety of applicable laws, including those relating to the marketing, acquisition, manufacturing, management, transportation, storage, sale, packaging and labeling, and disposal of cannabis and cannabis products. The Company is also subject to applicable laws relating to health and safety, the conduct of operations, taxation of products and the protection of the environment. As applicable laws pertaining to the cannabis industry are relatively new, it is possible that significant legislative amendments may still be enacted – either provincially or federally – that address current or future regulatory issues or perceived inadequacies in the regulatory framework. Changes to applicable laws could have a Material Adverse Effect.

The legislative framework pertaining to the Canadian adult-use cannabis market is subject to significant provincial and territorial regulation. The legal framework varies across provinces and territories and results in asymmetric regulatory and market environments.



High Tide Inc.

Management's Discussion and Analysis

For the three and nine months ended July 31, 2021 and 2020

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

Different competitive pressures, additional compliance requirements, and other costs may also limit the Company's ability to participate in such market.

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 operations and financial systems as well as 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 several factors, including but not limited to the Company's ability to:

- issue further equity and/or take on further debt 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 manage additional employees to provide agreed upon services.
- execute on and successfully integrate acquisitions; and
- 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.

Ancillary Business in the United States Cannabis Industry

The Company derives a portion of its revenues from the cannabis industry in certain States. The Company is not directly or indirectly engaged in the manufacture, importation, possession, use, sale, or distribution of cannabis in the recreational or medical cannabis industry in the U.S., however, the Company may be considered to have ancillary involvement in the U.S. cannabis industry. Due to the current business and any future opportunities, the Company may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the Company may be subject to significant direct or indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to invest in the United States or any other jurisdiction, in addition to those described in this MD&A.

Competition

The Company faces, and will continue to face, intense competition from other companies, some of which can be expected to have longer operating histories and greater financial resources (including technical, marketing, and other resources compared to the Company). Such companies may be able to devote greater resources to the development, promotion, sale and support of their respective products and services. Such companies may also have more extensive customer bases and broader customer relationships and may make it increasingly difficult for the Company to, among other things, enter into favorable business agreements, negotiate favourable prices, recruit, or retain qualified employees, and acquire the capital necessary to fund capital investments by the Company.



High Tide Inc.

Management's Discussion and Analysis

For the three and nine months ended July 31, 2021 and 2020

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

In addition, Management estimates that, as of the date of this MD&A, there may be currently hundreds of applications for Retail Store Authorizations being processed by applicable cannabis regulatory authorities. The number of Authorizations granted, and the number of retail cannabis store operators ultimately authorized by applicable cannabis regulatory authorities, could have an adverse impact on the ability of the Company to compete for market share in the cannabis market within various jurisdictions in Canada. The Company also faces competition from illegal cannabis dispensaries, engaged in the sale and distribution of cannabis to individuals without valid Authorizations.

Lastly, as the cannabis market continues to mature, both domestically and internationally, the overall demand for products and the number of competitors may be expected to increase significantly. Such increases may also be accompanied by shifts in market demand, and other factors that Management cannot currently anticipate, and which could potentially reduce the market for the products of the Company, and ultimately have a Material Adverse Effect.

To remain competitive in the evolving cannabis market, the Company will need to invest significantly in, among other things, operational efficiencies, marketing, growing distribution channels, and investing in additional human resources to support growth initiatives. If the Company is not successful in obtaining sufficient resources to invest in these areas, the ability of the Company to compete in the cannabis market may be adversely affected, which could have a Material Adverse Effect.

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 several 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 operations and financial condition.

Risk of Enforcement of U.S. Federal Laws

There can be no assurance that the U.S. federal government will not seek to prosecute cases involving cannabis businesses, including those of the Company, notwithstanding compliance with the securities laws of the applicable state of the United States. Such proceedings could have a Material Adverse Effect.

Further, violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions, or settlements arising from civil proceedings conducted by either the U.S. federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a Material Adverse Effect, including on its reputation and ability to conduct business, its ability to list its securities on stock exchanges, its financial position, its operating results, its profitability or liquidity or the value of its securities. In addition, the time of Management and advisors of the Company and resources that would be needed for the investigation of any such matters, or their final resolution could be substantial.



High Tide Inc.

Management's Discussion and Analysis

For the three and nine months ended July 31, 2021 and 2020

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

Epidemics and Pandemics (including COVID-19)

The Company faces risks related to health epidemics, pandemics, and other outbreaks of communicable diseases, which could significantly disrupt its operations and could have a Material Adverse Effect. In particular, the Company could be adversely impacted by the effects of COVID-19, an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). Since December 31, 2019, the outbreak of COVID-19 has led governments worldwide to enact emergency measures to combat the spread of the virus. These measures, which include, among other things, the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally, resulting in an economic slowdown. Such events may result in a period of business disruption, and in reduced operations, any of which could have a Material Adverse Effect.

As of the date of this MD&A, the duration and the immediate and eventual impact of COVID-19 remains unknown. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its industry partners. To date, several businesses have suspended or scaled back their operations and development as cases of COVID-19 have been confirmed, for precautionary purposes or as governments have declared a state of emergency or taken other actions. However, the exact extent to which COVID-19 impacts, or will impact the Business will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of the pandemic and the actions taken to contain or treat COVID-19 (including recommendations from public health officials). In particular, the continued spread of COVID-19 globally could materially and adversely impact the Business, including without limitation, store closures or reduced operational hours or service methods, employee health, workforce productivity, reduced access to supply, increased insurance premiums, limitations on travel, the availability of experts and personnel and other factors that will depend on future developments beyond the Company's control, which could have a Material Adverse Effect. There can be no assurance that the personnel of the Company will not be impacted by these pandemic diseases and ultimately see its workforce productivity reduced or incur increased costs because of these health risks. In addition, COVID-19 represents a widespread global health crisis that could adversely affect global economies and financial markets resulting in an economic downturn that could have a Material Adverse Effect.

Licenses and Permits

The ability of the Company to continue the Business is dependent on the good standing of various Authorizations from time to time possessed by the Company and adherence to all regulatory requirements related to such activities. The Company will incur ongoing costs and obligations related to regulatory compliance, and any failure to comply with the terms of such Authorizations, or to renew the Authorizations after their expiry dates, could have a Material Adverse Effect.

Although Management believes that the Company will meet the requirements of applicable laws for future extensions or renewals of the applicable Authorizations, there can be no assurance that applicable governmental entities will extend or renew the applicable Authorizations, or if extended or renewed, that they will be extended or renewed on the same or similar terms. If the applicable governmental entities do not extend or renew the applicable Authorizations, or should they renew the applicable Authorizations on different terms, any such event or occurrence could have a Material Adverse Effect.

The Company remains committed to regulatory compliance. However, any failure to comply with applicable laws may result in additional costs for corrective measures, penalties, or restrictions on the operations of the Company. In addition, changes in applicable laws or other unanticipated events could require changes to the operations of the Company, increased compliance costs or give rise to material liabilities, which could have a Material Adverse Effect.



High Tide Inc.

Management's Discussion and Analysis

For the three and nine months ended July 31, 2021 and 2020

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

Cannabis Prices

A major part of the Company's revenue is derived from the sale and distribution of cannabis in Canada, as such, the profitability of the Company may be regarded as being directly related to the price of cannabis. The cost of production, sale, and distribution of cannabis is dependent on several key inputs and their related costs, including equipment and supplies, labour and raw materials related to the growing operations of cannabis suppliers, as well other overhead costs such as electricity, water, and utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could have a Material Adverse Effect. Further, any inability to secure required supplies and services or to do so on favourable terms could have a Material Adverse Effect. This includes, among other things, changes in the selling price of cannabis and cannabis products set by the applicable province or territory. There is currently no established market price for cannabis and the price of cannabis is affected by numerous factors beyond the Company's control. Any price decline could have a Material Adverse Effect.

The operations of the Company may be sensitive to changes in the price of cannabis and the overall condition of the cannabis industry.

Difficulty to Forecast

The Company relies, and will need to rely, largely on its own market research to forecast industry statistics as detailed forecasts are not generally obtainable, if obtainable at all, from other sources at this early stage of the adult-use cannabis industry. Failure in the demand for the adult-use cannabis products because of competition, technological change, change in the regulatory or legal landscape or other factors could have a Material Adverse Effect.

Political and Other Risks Operating in Foreign Jurisdictions

The Company has operations in various foreign markets and may have operations in additional foreign and emerging markets in the future. Such operations expose the Company to the socioeconomic conditions as well as the laws governing the controlled substances industry in such foreign jurisdictions. Inherent risks with conducting foreign operations include, but are not limited to, high rates of inflation; fluctuations in currency exchange rates, military repression, war or civil unrest, social and labour unrest, organized crime, terrorism, violent crime, expropriation and nationalization, renegotiation or nullification of existing Authorizations, changes in taxation policies, restrictions on foreign exchange and repatriation, and changes political norms, currency controls and governmental regulations that favour or require the Company to award contracts in, employ citizens of, or purchase supplies from, the jurisdiction.



HIGHTIDE

Condensed Interim Consolidated Financial Statements

For the three and nine months ended July 31, 2021 and 2020

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

(Unaudited)



High Tide Inc.
Condensed Interim Consolidated Financial Statement
For the three and nine months ended July 31, 2021 and 2020

Condensed Interim Consolidated Financial Statements for the three and nine months ended July 31, 2021 and 2020.

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.

Approved on behalf of the Board:

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

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



High Tide Inc.

Condensed Interim Consolidated Statements of Financial Position

As at July 31, 2021 and October 31, 2020

(Unaudited – In thousands of Canadian dollars)

	Notes	2021	2020
		\$	\$
Assets			
Current assets			
Cash		26,640	7,524
Marketable securities	17	1,251	50
Trade and other receivables	8	5,689	2,861
Inventory		15,049	5,702
Prepaid expenses and deposits	7	5,161	3,070
Current portion of loans receivable	9	1,432	74
Total current assets		55,222	19,281
Non-current assets			
Loans receivable	9	1,623	230
Property and equipment	6	22,389	13,085
Net Investment - Lease	20	875	1,716
Right-of-use assets, net	20	26,197	16,413
Long term prepaid expenses and deposits	7	1,606	809
Deferred tax asset		250	250
Intangible assets and goodwill	3, 5	126,020	18,027
Total non-current assets		178,960	50,530
Total assets		234,182	69,811
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		13,107	6,421
Notes payable current	12	3,939	1,939
Deferred liability		-	1,700
Current portion of convertible debentures	11	946	14,446
Current portion of lease liabilities	20	5,729	2,194
Derivative liability	3, 15	10,377	764
Total current liabilities		34,098	27,464
Non-current liabilities			
Notes payable	12	12,034	2,589
Convertible debentures	11	9,008	11,376
Lease liabilities	20	21,091	14,474
Deferred tax liability		11,140	2,185
Total non-current liabilities		53,273	30,624
Total liabilities		87,371	58,088
Shareholders' equity			
Share capital	13	188,180	32,552
Warrants	15	11,487	5,796
Contributed surplus		12,362	4,704
Convertible debentures – equity		1,469	1,965
Accumulated other comprehensive income		(401)	(487)
Accumulated deficit		(69,777)	(34,359)
Equity attributable to owners of the Company		143,320	10,171
Non-controlling interest	22	3,491	1,552
Total shareholders' equity		146,811	11,723
Total liabilities and shareholders' equity		234,182	69,811



High Tide Inc.

Condensed Interim Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income

For the three and nine months ended July 31, 2021 and 2020

(Unaudited – In thousands of Canadian dollars)

		Three months ended		Nine months ended	
	Notes	2021	2020	2021	2020
		\$	\$	\$	\$
Revenue					
Merchandise sales		43,761	23,173	117,667	55,909
Other revenue		4,308	930	9,589	2,480
Total Revenue	4	48,069	24,103	127,256	58,389
Cost of sales		(31,390)	(14,564)	(80,811)	(36,302)
Gross profit		16,679	9,539	46,445	22,087
Expenses					
Salaries, wages and benefits		(7,318)	(3,642)	(19,373)	(10,173)
Share-based compensation	14	(508)	(2)	(2,578)	(101)
General and administration		(5,316)	(1,539)	(11,259)	(4,522)
Professional fees		(721)	(712)	(2,391)	(2,329)
Advertising and promotion		(1,364)	(99)	(1,679)	(346)
Depreciation and amortization	5,6,20	(8,299)	(1,771)	(22,107)	(4,585)
Interest and bank charges		(420)	(150)	(881)	(368)
Total expenses		(23,946)	(7,915)	(60,268)	(22,424)
(Loss) income from operations		(7,267)	1,624	(13,823)	(337)
Other income (expenses)					
Gain on disposal of assets	5,6	2,997	-	2,997	-
Loss on extinguishment of debenture	11	-	-	(516)	(186)
Debt restructuring gain	12	-	-	1,145	-
Gain on sale of marketable securities		-	4,762	-	3,576
Revaluation of marketable securities		(112)	477	(256)	-
Impairment loss		(57)	-	(57)	(247)
Finance and other costs	10	(3,034)	(2,649)	(11,044)	(7,707)
Revaluation of derivative liability	3,11,15	5,919	(67)	(8,553)	247
Foreign exchange (loss) gain		28	(4)	(66)	17
Total other income (expenses)		5,741	2,519	(16,350)	(4,300)
(Loss) income before taxes		(1,526)	4,143	(30,173)	(4,637)
Current income tax expense		(224)	(317)	(688)	(394)
Net (loss) income		(1,750)	3,826	(30,861)	(5,031)
Other comprehensive income (loss)					
Translation difference on foreign subsidiary		4	(36)	86	135
Total comprehensive (loss) income		(1,746)	3,790	(30,775)	(4,896)
Comprehensive (loss) income attributable to:					
Owners of the Company		(1,677)	3,836	(30,797)	(4,798)
Non-controlling interest		(69)	(46)	22	(98)
		(1,746)	3,790	(30,775)	(4,896)
(Loss) income per share					
Basic and diluted	16	(0.03)	0.25	(0.79)	(0.33)

Subsequent Events (Note 23)



High Tide Inc.

Condensed Interim Consolidated Statements of Changes in Equity

For the nine months ended July 31, 2021 and 2020

(Unaudited – In thousands of Canadian dollars)

	Note	Share capital	Warrants	Contributed surplus	Equity portion of convertible debt	Accumulated other comprehensive income (loss)	Accumulated deficit	Attributable to owners of the Company	NCI	Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance, November 1, 2019		26,283	6,609	2,119	1,637	(366)	(26,696)	9,586	(179)	9,407
Fee paid in shares		860	-	-	-	-	-	860	-	860
Warrants		-	856	401	-	-	-	1,257	-	1,257
Share-based compensation		-	-	100	-	-	-	100	-	100
Equity portion of convertible debentures		-	-	-	1,755	-	-	1,755	-	1,755
Cumulative translation adjustment		-	-	-	-	135	-	135	-	135
Prepaid Interest paid in shares		1,168	-	-	-	-	-	1,168	-	1,168
Purchase of minority interest - KushBar Inc.		500	-	-	-	-	(695)	(195)	187	(8)
Acquisition - 2680495 Ontario Inc.		1,100	-	-	-	-	-	1,100	-	1,100
Acquisition - Saturninus Partners		1,218	210	-	-	-	-	1,428	930	2,358
Acquisition - 102088460 Saskatchewan Ltd.		975	-	-	-	-	-	975	-	975
Asset acquisition		104	-	-	-	-	-	104	-	104
Comprehensive loss for the period		-	-	-	-	-	(4,933)	(4,933)	(55)	(4,988)
Balance, July 31, 2020		32,208	7,675	2,620	3,392	(231)	(32,324)	13,340	883	14,223
Opening balance, November 1, 2020		32,552	5,796	4,704	1,965	(487)	(34,359)	10,171	1,552	11,723
Acquisition - Meta Growth	3	35,290	2,739	240	9,008	-	-	47,277	1,821	49,098
Acquisition - Smoke Cartel, Inc.	3	8,396	-	-	-	-	-	8,396	-	8,396
Acquisition - Fab Nutrition, LLC.	3	9,243	-	-	-	-	(4,535)	4,708	988	5,696
Acquisition - DHC Supply LLC	3	7,751	-	-	-	-	-	7,751	-	7,751
Sale of controlling interest	5	-	-	-	-	-	-	-	(892)	(892)
Prepaid Interest paid in shares		1,458	-	-	-	-	-	1,458	-	1,458
Share-based compensation	14	-	-	2,578	-	-	-	2,578	-	2,578
Equity portion of convertible debentures		-	-	-	157	-	-	157	-	157
Exercise options	14	1,005	-	(179)	-	-	-	826	-	826
Warrants expired	15	-	(5,394)	5,394	-	-	-	-	-	-
Issued to pay fees in shares		468	-	-	-	-	-	468	-	468
Extension of convertible debenture		-	-	340	-	-	-	340	-	340
Conversion of convertible debentures		43,317	-	-	(9,661)	-	-	33,656	-	33,656
Warrants exercised	15	15,045	(1,676)	28	-	-	-	13,397	-	13,397
Cumulative translation adjustment		-	-	-	-	86	-	86	-	86
Shares and warrants issued through equity financing		38,447	10,022	-	-	-	-	48,469	-	48,469
Share issuance costs		(5,535)	-	-	-	-	-	(5,535)	-	(5,535)
Vesting of RSUs	14	743	-	(743)	-	-	-	-	-	-
Comprehensive loss for the period		-	-	-	-	-	(30,883)	(30,883)	22	(30,861)
Balance, July 31, 2021		188,180	11,487	12,362	1,469	(401)	(69,777)	143,320	3,491	146,811



High Tide Inc.

Condensed Interim Consolidated Statements of Cash Flows

For the three and nine months ended July 31, 2021 and 2020

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

	Notes	2021	2020
		\$	\$
Operating activities			
Net loss		(30,861)	(5,031)
Adjustments for items not effecting cash and cash equivalents			
Income tax expense		688	394
Accretion expense	10	4,575	4,263
Fee for services and interest paid in shares and warrants	13	1,926	1,424
Acquisition costs paid in shares		-	624
Depreciation and amortization	5,6,20	22,107	4,585
Revaluation of derivative liability	3,11,15	8,553	(247)
Loss on extinguishment of debenture	11	516	186
Debt restructuring gain	12	(1,145)	-
Impairment loss		57	247
Foreign exchange gain (loss)		66	(17)
Share-based compensation	14	2,578	101
Gain on disposal of assets	5,6	(2,997)	-
Loss on sale of marketable securities		-	(3,576)
Revaluation of marketable securities		256	-
		6,319	2,953
Changes in non-cash working capital			
Trade and other receivables		(944)	(1,774)
Inventory		(3,973)	1,117
Loans receivables		(161)	817
Prepaid expenses and deposits		(390)	453
Accounts payable and accrued liabilities		(8,687)	2,243
Net cash (used in) provided by operating activities		(7,836)	5,809
Investing activities			
Net additions of property and equipment	6	(6,206)	(1,837)
Net additions of intangible assets	5	(124)	(427)
Proceeds from sale of marketable securities		-	1,458
Proceeds from sale of assets		2,300	-
Cash paid for business combination, net of cash acquired	3	(14,172)	(2,484)
Net cash used in investing activities		(18,202)	(3,290)
Financing activities			
Repayment of finance lease obligations		(11)	(5)
Proceeds from convertible debentures net of issue costs	11	1,273	8,855
Proceeds from equity financing		43,250	-
Proceeds from notes payable		-	200
Repayment of convertible debentures		(3,813)	(1,867)
Interest paid on debentures and loans		(985)	-
Lease liability payments	20	(5,270)	(3,400)
Warrants exercised		9,885	-
Options exercised		825	-
Net cash provided by financing activities		45,154	3,783
Net increase in cash		19,116	6,302
Cash, beginning of period		7,524	806
Cash, end of period		26,640	7,108



High Tide Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended July 31, 2021 and 2020

(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 retail-focused cannabis company enhanced by the manufacturing and distribution of consumption accessories. The Company’s shares are listed on the Nasdaq Capital Market (“Nasdaq”) under the symbol “HITI” (listed as of June 2, 2021), the TSX Venture Exchange (“TSXV”) under the symbol “HITI”, and on the Frankfurt Stock Exchange (“FSE”) under the securities identification code ‘WKN: A2PBPS’ and the ticker symbol “2LYA”. 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.

COVID-19

The Company’s business could be adversely affected by the effects of the recent outbreak of novel coronavirus (“COVID-19”). Several significant measures have been implemented in Canada and the rest of the world in response to the increased impact from COVID-19. The Company cannot accurately predict the impact COVID-19 will have on third parties’ ability to meet their obligations with the Company, including due to uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In particular, the continued spread of COVID-19 globally could materially and adversely impact the Company’s business including without limitation, employee health, workplace productivity, and other factors that will depend on future developments beyond the Company’s control. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries resulting in an economic downturn that could negatively impact the Company’s financial position, financial performance, cash flows, and its ability to raise capital. Since the initial outset of the pandemic, the Company did not experience a significant decline in sales for most of the operating businesses.

2. Accounting Policies

A. Basis of Preparation

These 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, 2020 which are available on SEDAR at www.sedar.com.

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

On May 13, 2021, the Company completed a one-for-fifteen (1:15) reverse share split of all of its issued and outstanding common shares (“Share Consolidation”), resulting in a reduction in the issued and outstanding shares from 690,834,719 to 46,055,653. Shares reserved under the Company’s equity and incentive plans were adjusted to reflect the Share Consolidation.

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on September 14, 2021.

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, 2020.



High Tide Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended July 31, 2021 and 2020

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

2. Accounting Policies (continued)

C. New Accounting Pronouncements not yet adopted

Costs Necessary to Sell Inventories (IAS 2) Agenda Decision

At its June 2021 meeting, the IFRS Interpretations Committee finalized an agenda decision about the costs an entity includes as the 'estimated costs necessary to make the sale' when calculating net realizable value of inventories, which is used in determining if inventory balances are impaired. The Committee concluded that when determining the net realizable value of inventories, an entity estimates the costs necessary to make the sale in the ordinary course of business, which requires the exercise of judgement. The Company is assessing the impact of this agenda decision on its results of operations, financial position and disclosures

**High Tide Inc.****Notes to the Condensed Interim Consolidated Financial Statements**

For the three and nine months ended July 31, 2021 and 2020

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

3. Business Combinations

In accordance with IFRS 3, Business Combinations, these transactions meet the definition of a business combination and, accordingly, the assets acquired, and the liabilities assumed have been recorded at their respective estimated fair values as of the acquisition date.

A. Meta Growth Corp. Acquisition

Total consideration	\$
Common shares	35,290
Conversion feature of convertible debt	9,008
Warrants	2,739
Options	86
Restricted stock units	154
	47,277
Purchase price allocation	
Cash and cash equivalents	10,209
Trade and other receivables	2,015
Inventory	3,547
Prepaid expenses	2,479
Marketable securities	635
Notes receivable	312
Property and equipment	6,849
Loan receivable	756
Intangible assets - license	37,700
Right of use asset	12,490
Goodwill	25,913
Non-controlling interest	(1,821)
Accounts payable and accrued liabilities	(6,336)
Deferred tax liability	(2,449)
Lease liability	(12,887)
Convertible debenture	(18,809)
Notes payable	(13,326)
	47,277

On November 18, 2020, the Company closed the acquisition of 100% of the outstanding common shares of Meta Growth Corp (“Meta Growth” or “META”). Pursuant to the terms of the Arrangement, holders of common shares of META (“META Shares”) received 0.824 (the “Exchange Ratio”) High Tide Shares for each META Share held. In total, High Tide acquired 237,941,274 META Shares in exchange for 196,063,610 High Tide Shares pre-consolidation (13,070,907 post-consolidation shares), resulting in former META shareholders holding approximately 45.0% of the total number of issued and outstanding High Tide Shares.

In accordance with IFRS 3, Business Combinations (“IFRS 3”), the substance of this transaction constituted a business combination. 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, right of use asset, non-controlling interest, income taxes and the allocation of goodwill. The goodwill is primarily related to the opportunities to grow the retail cannabis business, expanded access to capital and greater financial flexibility. For the nine months ended July 31, 2021, Meta Growth accounted for \$45,670 in revenues and \$12,669 in net loss. If the acquisition had been completed on November 1, 2020, the Company estimates it would have recorded an increase of \$3,422 in revenues and an increase of \$401 in net loss for the nine months ended July 31, 2021. The Company also incurred \$1,359 in transaction costs, which have been expensed to finance and other costs during the period.

**High Tide Inc.****Notes to the Condensed Interim Consolidated Financial Statements**

For the three and nine months ended July 31, 2021 and 2020

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

B. Smoke Cartel, Inc. Acquisition

Total consideration	\$
Cash	2,600
Common shares	8,396
Contingent consideration	1,366
	12,362
Purchase price allocation	
Cash and cash equivalents	1,738
Intangible assets - Brand	3,997
Intangible assets - Software	7,325
Goodwill	2,017
Deferred tax liability	(1,194)
Accounts payable and accrued liabilities	(1,521)
	12,362

On March 24, 2021, the Company closed the acquisition of 100% of the outstanding common shares of Smoke Cartel Inc. ("Smoke Cartel"). Pursuant to the terms of the Arrangement, the consideration was comprised of: (i) 9,540,754 common shares of High Tide pre-consolidation (636,050 post-consolidation shares), having an aggregate value of \$8,396; (ii) \$2,600 in cash; and (iii) a contingent consideration depending on certain revenue targets being achieved by December 31, 2021. Contingent consideration of \$1,366 was calculated using Monte Carlo simulation due to the uncertain nature of the potential future revenues of the Company.

In accordance with IFRS 3, Business Combinations ("IFRS 3"), the substance of this transaction constituted a business combination. 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, income taxes and the allocation of goodwill. The goodwill is primarily related to the opportunities to grow the business, expanded access to capital and greater financial flexibility. For the nine months ended July 31, 2021, Smoke Cartel accounted for \$4,790 in revenues and \$316 in net loss. If the acquisition had been completed on November 1, 2020, the Company estimates it would have recorded an increase of \$4,526 in revenues and an increase of \$541 in net income for the nine months ended July 31, 2021. The Company also incurred \$97 in transaction costs, which have been expensed to finance and other costs during the period.

**High Tide Inc.****Notes to the Condensed Interim Consolidated Financial Statements**

For the three and nine months ended July 31, 2021 and 2020

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

C. 2686068 Ontario Inc. Acquisition

Total consideration	\$
Cash	5,980
	5,980
Purchase price allocation	
Cash and cash equivalents	3
Inventory	120
Property and equipment	274
Intangible assets - license	4,187
Right of use asset	1,148
Goodwill	2,570
Lease liability	(1,148)
Accounts payable and accrued liabilities	(65)
Deferred tax liability	(1,109)
	5,980

On April 28, 2021, the Company closed the acquisition of 100% of the outstanding common shares of 2686068 Ontario Inc. ("2686068"). Pursuant to the terms of the Arrangement, the consideration was comprised of \$5,980 in cash.

In accordance with IFRS 3, Business Combinations ("IFRS 3"), the substance of this transaction constituted a business combination. 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, income taxes and the allocation of goodwill. The goodwill is primarily related to the opportunities to grow the retail cannabis business. For the nine months ended July 31, 2021, 2686068 accounted for \$473 in revenues and \$128 in net loss. If the acquisition had been completed on November 1, 2020, the Company estimates it would have recorded an increase of \$1,107 in revenues and an increase of \$123 in net loss for the nine months ended July 31, 2021.

**High Tide Inc.****Notes to the Condensed Interim Consolidated Financial Statements**

For the three and nine months ended July 31, 2021 and 2020

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

D. Fab Nutrition, LLC. Acquisition

Total consideration	\$
Cash	15,193
Common Shares	9,243
	24,436
Purchase price allocation	
Cash and cash equivalents	642
Accounts receivable	334
Inventory	404
Property and equipment	22
Intangible assets - brand	7,765
Goodwill	20,486
Accounts payable and accrued liabilities	(260)
Deferred tax liability	(3,969)
Non-controlling interest	(988)
	24,436

On May 10, 2021, the Company closed the acquisition of 80% of the outstanding common shares of Fab Nutrition, LLC. ("FABCBD"). Pursuant to the terms of the Arrangement, the consideration was comprised of: (i) \$15,193 in cash; and (ii) 15,154,109 pre-consolidation common shares of High Tide (1,010,274 post-consolidation), having an aggregate value of \$9,243.

The acquisition agreement also includes a call and put option that could result in the Company acquiring the remaining 20% of common shares in FABCBD not acquired upon initial acquisition. The Company analyzed the value in the call option and considers it to be at fair value, and therefore has no value related to the acquisition. As the put option is a contractual obligation, it gives rise to a financial liability calculated with reference to the agreement and is discounted to its present value at each reporting date using the discounted cash flow model. The initial obligation under the put option was recorded as a current liability with the offset recorded as equity on the Condensed Interim Consolidated Statements of Financial Position, at its fair value at acquisition of \$4,535 assuming a risk-free rate of 15% and an exercise date of May 2, 2023. For the period ended July 31, 2021, the Company recognized \$145 as a loss on revaluation of derivative liability in the statement of net loss and comprehensive loss.

In accordance with IFRS 3, Business Combinations ("IFRS 3"), the substance of this transaction constituted a business combination. 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, income taxes, the allocation of goodwill and the non-controlling interest. The goodwill is primarily related to the opportunities to grow the business, expanded access to capital and greater financial flexibility. For the nine months ended July 31, 2021, FABCBD accounted for \$2,294 in revenues and \$563 in net income. If the acquisition had been completed on November 1, 2020, the Company estimates it would have recorded an increase of \$7,790 in revenues and an increase of \$205 in net income for the nine months ended July 31, 2021. The Company also incurred \$872 in transaction costs, which have been expensed to finance and other costs during the period.

**High Tide Inc.****Notes to the Condensed Interim Consolidated Financial Statements**

For the three and nine months ended July 31, 2021 and 2020

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

E. DHC Supply LLC. Acquisition

Total consideration	\$
Cash	4,045
Common Shares	7,751
	11,796
Purchase price allocation	
Cash and cash equivalents	1,054
Trade and other receivables	69
Inventory	1,303
Prepaid expenses	18
Property and equipment	10
Intangible assets - brand	10,927
Right of use asset	592
Lease liability	(592)
Accounts payable and accrued liabilities	(1,585)
	11,796

On July 6, 2021, the Company closed the acquisition of 100% of the outstanding common shares of DHC Supply LLC. ("DHC"). Pursuant to the terms of the Arrangement, the consideration was comprised of: (i) 839,820 post-consolidation common shares of High Tide (12,597,300 pre-consolidation), having an aggregate value of \$7,751; (ii) \$4,045 in cash.

In accordance with IFRS 3, Business Combinations ("IFRS 3"), the substance of this transaction constituted a business combination. 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, income taxes and the allocation of goodwill. For the nine months ended July 31, 2021, DHC accounted for \$1,180 in revenues and \$171 in net income. If the acquisition had been completed on November 1, 2020, the Company estimates it would have recorded an increase of \$7,666 in revenues and an increase of \$226 in net loss for the nine months ended July 31, 2021.



High Tide Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended July 31, 2021 and 2020

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

4. Revenue from Contracts with Customers

For the three months ended July 31	2021 Retail	2020 Retail	2021 Wholesale	2020 Wholesale	2021 Corporate	2020 Corporate	2021 Total	2020 Total
	\$	\$	\$	\$	\$	\$	\$	\$
Primary geographical markets ⁽ⁱ⁾								
Canada	37,695	17,088	676	1,139	5	36	38,376	18,263
USA	8,467	4,090	1,105	1,489	-	-	9,572	5,579
International	121	261	-	-	-	-	121	261
Total revenue	46,283	21,439	1,781	2,628	5	36	48,069	24,103
Major products and services								
Cannabis	32,031	16,151	-	-	-	-	32,031	16,151
Consumption accessories	9,962	4,523	1,773	2,497	-	-	11,735	7,020
Data analytics services	3,839	641	-	-	-	-	3,839	641
Other revenue	451	124	8	131	5	36	464	291
Total revenue	46,283	21,439	1,781	2,628	5	36	48,069	24,103
Timing of revenue recognition								
Transferred at a point in time	46,283	21,439	1,781	2,628	5	36	48,069	24,103
Total revenue	46,283	21,439	1,781	2,628	5	36	48,069	24,103
For the nine months ended July 31	2021 Retail	2020 Retail	2021 Wholesale	2020 Wholesale	2021 Corporate	2020 Corporate	2021 Total	2020 Total
	\$	\$	\$	\$	\$	\$	\$	\$
Primary geographical markets ⁽ⁱ⁾								
Canada	104,804	44,562	2,768	2,782	35	343	107,607	47,687
USA	16,098	7,171	3,051	2,884	-	-	19,149	10,055
International	500	647	-	-	-	-	500	647
Total revenue	121,402	52,380	5,819	5,666	35	343	127,256	58,389
Major products and services								
Cannabis	91,978	40,514	-	-	-	-	91,978	40,514
Consumption accessories	19,915	10,001	5,779	5,392	-	-	25,694	15,393
Data analytics services	8,201	1,089	-	-	-	-	8,201	1,089
Other revenue	1,308	776	40	274	35	343	1,383	1,393
Total revenue	121,402	52,380	5,819	5,666	35	343	127,256	58,389
Timing of revenue recognition								
Transferred at a point in time	121,402	52,380	5,819	5,666	35	343	127,256	58,389
Total revenue	121,402	52,380	5,819	5,666	35	343	127,256	58,389

- (i) Represents revenue based on geographical locations of the customers who have contributed to the revenue generated in the applicable segment.



High Tide Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended July 31, 2021 and 2020

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

5. Intangible Assets and Goodwill

	Software	Licenses	Lease Buyout	Brand Name	Goodwill	Total
Cost	\$	\$	\$	\$	\$	\$
Balance, October 31, 2019	1,848	2,594	2,557	1,539	4,466	13,004
Transition adjustment - IFRS 16	-	-	(2,557)	-	-	(2,557)
Additions	474	-	-	-	-	474
Additions from business combinations	-	7,382	-	-	1,896	9,278
Balance, October 31, 2020	2,322	9,976	-	1,539	6,362	20,199
Additions	124	-	-	-	-	124
Additions from business combinations	7,325	41,887	-	22,689	50,986	122,887
Disposals ⁽ⁱ⁾	-	(1,200)	-	-	-	(1,200)
Balance, July 31, 2021	9,771	50,663	-	24,228	57,348	142,010
Accumulated depreciation						
Balance, October 31, 2019	111	75	191	-	-	377
Transition adjustment - IFRS 16	-	-	(191)	-	-	(191)
Amortization	495	1,113	-	-	-	1,608
Balance, October 31, 2020	606	1,188	-	-	-	1,794
Amortization	1,042	12,908	-	-	-	13,950
Disposals ⁽ⁱ⁾	-	(160)	-	-	-	(160)
Balance, July 31, 2021	1,648	13,936	-	-	-	15,584
Foreign currency translation						
Balance, October 31, 2019	60	-	-	57	336	453
Recorded in profit and loss	(20)	-	-	(20)	(35)	(75)
Balance, October 31, 2020	40	-	-	37	301	378
Recorded in profit and loss	3	-	-	3	22	28
Balance, July 31, 2021	43	-	-	40	323	406
Balance, October 31, 2020	1,676	8,788	-	1,502	6,061	18,027
Balance, July 31, 2021	8,080	36,727	-	24,188	57,025	126,020

- (i) During the nine months ended July 31, 2021, the Company sold its 49% interest in one of the joint ventures under META that operates as a retail cannabis store in Manitoba, resulting in a loss of control. As a result of the loss in control, the Company has deconsolidated all net assets related to the joint venture and derecognized related non-controlling interest of \$892 for the period ending July 31, 2021 and recognized \$343 as a gain on the sale.



High Tide Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended July 31, 2021 and 2020

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

6. Property and Equipment

	Office equipment and computers	Leasehold improvements	Vehicles	Buildings	Total
Cost	\$	\$	\$	\$	\$
Balance, October 31, 2019	452	10,505	167	2,800	13,924
Additions	306	1,989	-	-	2,295
Additions from business combinations	31	1,180	-	-	1,211
Impairment loss	(11)	(694)	-	-	(705)
Balance, October 31, 2020	778	12,980	167	2,800	16,725
Additions	378	5,828	-	-	6,206
Additions from business combinations	1,723	5,432	-	-	7,155
Disposal ^{(i) (iii)}	(146)	(1,061)	-	-	(1,207)
Balance, July 31, 2021	2,733	23,179	167	2,800	28,879
Accumulated depreciation					
Balance, October 31, 2019	127	1,265	148	2	1,542
Depreciation	125	1,953	10	10	2,098
Balance, October 31, 2020	252	3,218	158	12	3,640
Depreciation	779	2,439	5	7	3,230
Disposal ^{(i) (iii)}	(89)	(291)	-	-	(380)
Balance, July 31, 2021	942	5,366	163	19	6,490
Balance, October 31, 2020	526	9,762	9	2,788	13,085
Balance, July 31, 2021	1,791	17,813	4	2,781	22,389

- (i) During the nine months ended July 31, 2021, the Company sold its 49% interest in one of the joint ventures under META that operates as a retail cannabis store in Manitoba. The Company has recognized \$343 as a gain on the sale.
- (ii) On July 15, 2021, the Company completed the sale of three of its KushBar retail cannabis stores to Halo Labs Inc. ("Halo") for total gross proceeds of \$5,700. In the prior year, the Company was paid a deposit of \$3,500 by way of issuance of 13,461,538 common shares of Halo at a deemed price of \$0.26 per common share. During the fiscal year 2020, the Company had sold those shares and received a net amount of \$1,700. On the date of close, July 15, 2021, the Company received a convertible promissory note (Note 9) issued by Halo Labs Inc. in the principal amount of \$1,800 with a conversion rate of \$0.16 per Halo common share. The promissory note is recorded at a fair value through profit and loss of \$1,522 based on risk adjusted discount rate of 15%. For the nine months ended July 31, 2021, the Company recognized \$2,654 as a gain on the sale of assets.

7. Prepaid expenses and deposits

As at	July 31, 2021	October 31, 2020
	\$	\$
Deposits on cannabis retail outlets	677	809
Prepaid insurance and other	3,054	311
Prepayment on inventory	3,036	2,759
Total	6,767	3,879
Less current portion	(5,161)	(3,070)
Long-term	1,606	809



High Tide Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended July 31, 2021 and 2020

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

8. Trade and other receivables

As at	July 31, 2021	October 31, 2020
	\$	\$
Trade accounts receivable	5,163	2,673
Sales tax receivable	526	188
Total	5,689	2,861

9. Note receivable

As at	July 31, 2021	October 31, 2020
	\$	\$
Term loans ⁽ⁱ⁾	251	304
Loans receivable ⁽ⁱⁱ⁾	1,282	-
Halo - Note receivable ⁽ⁱⁱⁱ⁾	1,522	-
Total	3,055	304
Less current portion	(1,432)	(74)
Long-term	1,623	230

- (i) Term loans are due from franchisees and relate to acquisitions of the sub-lease location from the Company and initial inventory. Term loans are secured by promissory notes, bear interest between 6.95% and 8.00% per annum and required blended payments of principal and interest between \$4 and \$10 monthly. The Company maintains the head lease of a franchisee location.
- (ii) As part of the acquisition of META, the Company acquired a loan receivable of \$1,282 that was advanced to one of the winners of the Ontario cannabis lottery for new cannabis retail locations in Guelph, Scarborough and Toronto to fund the build out and start-up operations of the retail locations. Pursuant to the terms of the agreement, the loan has an interest rate of 3% per annum. The principal balance is due and payable on the fifth anniversary date of the loan.
- (iii) As part of total consideration received for the sale of the KushBar assets, a note receivable was issued to the Company in the amount of \$1,800. The note has a two year term and bears an interest rate of 6% per annum payable monthly with a maturity date of July 23, 2023. The Company has the option to convert this note into common shares of Halo for \$0.16 per share. The note fails the solely payment of principal and interest test ("SPPI") due to the conversion feature of the promissory note, therefore this note will be subsequently recognized at fair value through profit or loss. The note has been recorded at its fair value of \$1,522 using a discount rate of 15% over 2 years.

10. Finance and other costs

Finance and other costs are comprised of the following:

	Three months ended July 31		Nine months ended July 31	
	2021	2020	2021	2020
	\$	\$	\$	\$
Accretion convertible debt	412	1,272	2,232	3,408
Interest on convertible debenture	79	797	1,229	2,223
Interest on notes payable	38	69	831	233
Accretion notes payable	29	52	765	108
Accretion of lease liability	537	266	1,578	747
Transaction cost	1,939	193	4,409	988
Total	3,034	2,649	11,044	7,707



High Tide Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended July 31, 2021 and 2020

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

11. Convertible Debentures

As at	July 31, 2021	October 31, 2020
	\$	\$
Convertible debentures, beginning of year	25,822	19,664
Debt assumed ⁽ⁱ⁾	18,809	-
Revaluation on amendment of debenture ⁽ⁱⁱ⁾	515	(3,808)
Cash advances from debt ⁽ⁱⁱⁱ⁾	980	9,115
Debt issuance to settle liabilities	-	2,700
Debt issuance costs paid in cash	-	(260)
Conversion of debenture into equity ^(iv)	(33,564)	(550)
Transfer of warrants component to equity	-	(420)
Transfer of conversion component to equity ^(v)	(717)	(523)
Transfer of conversion component to derivative liability	-	(921)
Repayment of debt ^(vi)	(4,123)	(1,637)
Accretion on convertible debentures ^(vii)	2,232	2,462
Total	9,954	25,822
Less current portion	(946)	(14,446)
Long-term	9,008	11,376

- (i) During the nine-months ended, July 31, 2021, the Company assumed convertible debt through the acquisition of Meta, refer to note 3.
- (ii) During the nine-months ended, July 31, 2021, the Company amended convertible debentures resulting in a revaluation of \$515.
- (iii) During the nine months ended, the Company drew \$980 from the Windsor convertible debt.
- (iv) During the nine months ended, the Company converted \$33,564 of convertible debentures into 10,877,083 shares post-consolidation (163,156,245 shares pre-consolidation).
- (v) As of July 31, 2021, \$717 was recorded as the equity component related to the extensions of the convertible debenture throughout the period.
- (vi) During the nine months ended, July 31, 2021, the Company made payments on the principal balances of \$3,733 on unsecured convertible debentures and \$390 on secured convertible debentures.
- (vii) For the nine months ended July 31, 2021 the Company recorded accretion of \$2,232 related to convertible debentures.

During the nine months ended July 31, 2021, the Company entered into restructuring agreements for two of the unsecured convertible debenture agreements and the Windsor loan agreement that resulted in a total loss on the extinguishment of debentures of \$516 (July 31, 2020 - loss of \$186). Due to the amendment of the Windsor loan the embedded derivative liability component was removed which resulted in a gain of \$498.

On April 18, 2021, the Company entered into a debt restructuring agreement of \$2,000 of the Company's outstanding debt under a 10% senior unsecured convertible debenture issued in April 2019. As part of the debt restructuring, the parties have also (i) extended the maturity date of the amended debenture to April 18, 2023, (ii) amended the conversion price such that the deferred amount is convertible into common shares of High Tide ("HITI shares") at a conversion price of \$0.75 per HITI share pre-consolidation (\$11.25 per HITI share post-consolidation), (iii) lowered the interest rate from 10% to 7%. Management calculated the fair value of the liability component as \$1,774 using a discount rate of 15% along with forecasted scheduled payments, with the residual amount of \$225 net of deferred tax of \$52 being allocated to equity.

**High Tide Inc.****Notes to the Condensed Interim Consolidated Financial Statements**

For the three and nine months ended July 31, 2021 and 2020

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

12. Notes Payable

As at	July 31, 2021	October 31, 2020
	\$	\$
Term loans	3,594	3,539
OCN – notes payable ⁽ⁱ⁾	11,887	-
Loan from partners ⁽ⁱⁱ⁾	345	-
Dreamweavers – notes payable	68	162
Saturninus Partners – notes payable ⁽ⁱⁱⁱ⁾	-	690
Long term contract liability	39	53
Government loan ^(iv)	40	84
Total	15,973	4,528
Less current portion	(3,939)	(1,939)
Long-term	12,034	2,589

- (i) On November 18, 2020, the Company acquired all of the issued and outstanding shares of Meta which included notes payable to Opaskwayak Cree Nation (“OCN”). Notes payable were valued at \$12,783 at the date of acquisition by discounting it over two years at market interest rate of 15%. On January 6, 2021, the Company entered into another amended loan agreement with OCN to remove the annual administration fee and extend the maturity date of the loan until December 31, 2024. As a result of the debt restructuring, the Company recognized a \$1,145 debt restructuring gain in the statement of net loss and comprehensive loss for the period ended July 31, 2021. The carrying value of the loan balance as at July 31, 2021 amounts to \$11,887.
- (ii) During the nine months ended July 31, 2021, the Company sold its 49% interest in one of the joint ventures under META that operates as a retail cannabis store in Manitoba, resulting in a loss of control. As a result, the Company deconsolidated all net assets of the joint venture as of the date of disposal. Included in total net assets was a Loan from Partners of \$149. The Remaining balance of Loans from Partners represents funds received in relation to the other joint ventures under META that operate as retail cannabis stores.
- (iii) During the nine months ended July 31, 2021, the Company fully repaid \$690 on the note payable to Saturninus Partners.
- (iv) During the second quarter of 2020, the Company obtained a government loan under the Canada Emergency Response Benefit, part of Canada’s COVID-19 economic response plan. The loan bears no interest and has a maturity date of December 31, 2025. During the nine-months ended July 31, 2021, the Company repaid \$40 towards the principal amount. Due to early payment, \$20 was forgiven and was recognized in the statement of net loss and comprehensive loss for the period ended July 31, 2021 as other income.

During the nine months ended, July 31, 2021, the Company incurred accretion of \$765 (July 31, 2020 - \$108) and paid interest in the amount of \$831 (July 31, 2020 - \$233) in relation to the outstanding notes payable.



High Tide Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended July 31, 2021 and 2020

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

13. Share Capital

(a) Issued:

Common shares:

	Number of shares	Amount
	#	\$
Balance, October 31, 2019	207,406,629	26,283
Issued to pay fees in shares	3,852,319	860
Issued to pay interest via shares	6,782,011	1,168
Acquisition - KushBar	2,645,503	500
Acquisition - 2680495	4,761,905	1,048
Acquisition - Saturninus	5,319,149	1,064
Acquisition - 102088460	5,000,000	975
Lease acquisition - Canmore	612,764	104
Exercise - Convertible Debt	3,709,916	550
Balance, October 31, 2020	240,090,196	32,552
Acquisition - Meta Growth (Note 3)	196,063,610	35,290
Acquisition - Smoke Cartel, Inc. (Note 3)	9,540,754	8,396
Acquisition - FAB Nutrition (Note 3)	15,154,109	9,243
Issued to pay fees via shares ⁽ⁱ⁾	1,480,099	468
Issued to pay interest via shares	7,646,923	1,458
Shares issued through equity financing ⁽ⁱⁱ⁾	47,916,665	18,237
Conversion of convertible debentures (Note 11)	147,391,521	40,532
Share issuance costs ^(iv)	-	(3,225)
Exercise options (Note 14)	2,498,160	865
Exercise warrants (Note 15)	22,208,027	10,644
Vested restricted share units (Note 14)	844,655	743
Balance, May 13, 2021 - pre-consolidation	690,834,719	155,203
Balance, May 13, 2021 - post-consolidation	46,055,653	155,203
Acquisition - Daily High Club (Note 3)	839,820	7,751
Shares issued through equity financing ⁽ⁱⁱⁱ⁾	2,415,000	20,210
Conversion of convertible debentures (Note 11)	1,050,980	2,785
Share issuance costs ^(iv)	-	(2,310)
Exercise options (Note 14)	33,825	140
Exercise warrants (Note 15)	815,903	4,401
Balance, July 31, 2021	51,211,181	188,180

(i) During the nine months period ended July 31, 2021, Company settled payables of \$174 through issuance of 1,025,477 pre-consolidation (68,365 shares post-consolidation) common shares of the Company. The fair value of \$174 was based on the closing price of \$0.175 on the date of issuance.

(ii) On February 22, 2021, the Company issued, on a bought deal basis, pre-consolidation, 47,916,665 units (3,194,445 units post-consolidation) of the Company at a price of \$0.48 per unit pre-consolidation (\$7.20 per unit post-consolidation). The Company closed the offering for total gross proceeds of \$23,000. Each unit consists of one common share of the Company and one common share purchase warrant. Each warrant will entitle the holder to acquire one common share at a price of \$0.58 for a period of 36 months from the closing date of the offering. The warrants were attributed a relative fair value of \$4,968 using the Black-Scholes option pricing model with the following assumptions: fair value of common shares of \$0.70; exercise price of options of \$0.58; expected life of three years; 71% volatility; and a risk-free interest rate of 1.30%. The underwriters received a cash commission fee of 6% of gross proceeds and 3% of gross proceeds for the presidents list in cash and respectively same percentage of broker warrants for the number of units issued because of conducting the bought deal financing. The broker units issued included one and a half warrants, totaling 3,920,587 warrants. The 2,613,725 broker warrants were attributed a fair value of \$1,046 using the Black-Scholes option pricing model with the following assumptions: fair value of common shares of \$0.70; exercise price of options of \$0.48; expected life of three years; 71% volatility; and a risk-free interest rate of 1.30% and the remaining 1,306,862 broker warrants were attributed a fair value of \$478 using the Black-Scholes option pricing model with the following assumptions: fair value of common shares of \$0.70; exercise price of options of \$0.58; expected life of three years; 71% volatility; and a risk-free interest rate of 1.30%

**High Tide Inc.****Notes to the Condensed Interim Consolidated Financial Statements**

For the three and nine months ended July 31, 2021 and 2020

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

13. Share Capital (continued)

- (iii) On May 25, 2021, the Company issued, on a bought deal basis, 2,415,000 post-consolidation units (36,225,000 units pre-consolidation) of the Company at a price of \$9.60 per unit post-consolidation (\$0.64 per unit pre-consolidation). The Company closed the offering for total gross proceeds of \$23,184. Each unit consist of one common share of the Company and one common share purchase warrant. Each warrant will entitle the holder to acquire one common share at a price of \$12.25 for a period of 36 months from the closing date of the offering. The warrants were attributed a relative fair value of \$2,973 using Black-Scholes option pricing model with the following assumptions: fair value of common shares of \$9.16; exercise price of options of \$12.25; expected life of three years; 56% volatility; and a risk-free interest rate of 1.30%. The underwriters received a cash commission fee of 6% of gross proceeds and 3% of gross proceeds for the presidents list in cash and respectively same percentage of broker warrants for the number of units issued because of conducting the bought deal financing. The broker units issued include one and a half warrants, totaling 206,348 warrants. The 137,565 broker warrants were attributed a fair value of \$371 using the Black-Scholes option pricing model with the following assumptions: fair value of common shares of \$9.16; exercise price of options of \$12.25; expected life of three years; 56% volatility; and a risk-free interest rate of 1.30% and the remaining 68,783 broker warrants were attributed a fair value of \$185 using the Black-Scholes option pricing model with the following assumptions: fair value of common shares of \$9.16; exercise price of \$12.25; expected life of three years; 56% volatility; and a risk-free interest rate of 1.30%.
- (iv) During the nine months ended July 31, 2021, the Company incurred a total of \$5,535 of share issuance costs, of which \$4,979 related to the shares issued through equity financing on February 22, 2021 and May 25, 2021. These costs incurred a deferred tax asset of \$1,145, which has been offset against the Company's prior year tax loss carry-forwards.

14. Share – Based Compensation**(a) 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. The maximum exercise period of an option shall not exceed 10 years from the grant date. Changes in the number of stock options, with their weighted average exercise prices, are summarized below:

	July 31, 2021		October 31, 2020	
	Number of options	Weighted Average Exercise Price (\$)	Number of options	Weighted Average Exercise Price (\$)
Balance, beginning of year	620,666	7.50	707,333	7.50
Granted ⁽ⁱ⁾	2,058,885	5.54	13,333	7.50
Forfeited	(657,768)	9.55	(100,000)	7.50
Exercised	(277,276)	4.18	-	-
Balance, end of period	1,744,507	5.69	620,666	7.50
Exercisable, end of period	679,165	6.95	491,375	7.50

For the three month period ended July 31, 2021, the Company recorded share-based compensation of \$459 (2020 - \$2) related to stock options, and \$2,249 (2020 - \$101) for the nine month period ended July 31, 2021.

- (i) On November 18, 2020, the Company acquired all the issued and outstanding shares of Meta which resulted in acquiring 245,552 post-consolidation options outstanding on the date of closing. The fair value of the options acquired were calculated using the Black-Scholes option pricing model valued using the Black-Scholes model and the following assumptions were used: stock price of \$0.18 pre-consolidation (\$2.70 post-consolidation); expected life of 1 years; \$nil dividends; expected volatility of 100%; exercise price as per the plan times the exchange ratio of 0.824; and a risk-free interest rate of 0.52%. During the nine months ended July 31, 2021 the Company granted 1,813,333 post-consolidation options to directors, officers, employees and consultants of the Company and its subsidiaries. The 1,330,000 options issued on November 20, 2020 were valued using the Black-Scholes model and the following assumptions were used: stock price of \$2.85; expected life of 3 years; \$nil dividends; expected volatility of 140%; exercise price of \$3.00; and a risk-free interest rate of 0.52%. The 406,667 options issued on March 19, 2021 were valued using the Black-Scholes model and the following assumptions were used: stock price of \$12.15; expected life of 3 years; \$nil dividends; expected volatility of



High Tide Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended July 31, 2021 and 2020

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

14. Share – Based Compensation (continued)

140%; exercise price of \$12.15; and a risk-free interest rate of 0.52%. The 63,333 options issued on May 10, 2021 were valued using the Black-Scholes model and the following assumption were used: stock price \$9.15; expected life of 3 years; \$nil dividends; expected volatility of 140%; exercise price of \$9.00; and a risk-free interest rate of 0.52%. The 13,333 options issued on July 6, 2021 were valued using the Black-Scholes model and the following assumptions were used: stock price \$9.27; expected life of 3 years; \$nil dividends; expected volatility of 140%; exercise price of \$9.45; and a risk-free interest rate of 0.52%.

- (ii) Number of stock options and share award disclosures have been retrospectively restated for all periods to reflect the Share Consolidation effected on May 13, 2021 (Note 2(a)).

(b) Restricted Share Units (“RSUs”) plan

On November 18, 2020, the Company acquired all the issued and outstanding shares of Meta which resulted in acquiring 943,579 RSUs pre-consolidation outstanding on the date of closing based on the exchange ratio of 0.824 agreed upon in the arrangement agreement. The RSUs are equity-settled and each RSU can be settled for one common share for no consideration. These RSUs were recorded in contributed surplus using the Black-Scholes model and the following assumptions were used: stock price of \$0.18; expected life of 0.35 years; \$nil dividends; expected volatility of 70%; exercise price of \$0.18; and a risk-free interest rate of 0.52%.

On March 12, 2021, the Company granted 66,667 post-consolidation RSUs to directors of the Company and were valued at \$780. On July 29, 2021, the Company granted 35,000 RSUs to consultants of the Company and were valued at \$287. For the three month period ended July 31, 2021, the Company recorded share-based compensation of \$49 (2020 – nil) related to RSUs, and \$329 (2020 – nil) for the nine month period ended July 31, 2021. The number of RSUs outstanding at July 31, 2021 amounts to 101,667.



High Tide Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended July 31, 2021 and 2020

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

15. Warrants

	Number of warrants	Warrants amount	Derivative liability amount	Weighted average exercise price	Weighted average number of years to expiry	Expiry dates
	#	\$	\$	\$		
Opening balance, November 1, 2019	43,677,333	6,609	-	0.6083	0.43	
Re-class warrants on convertible debt to equity	-	(660)	-	-	-	
Issued warrants for services ⁽ⁱ⁾	300,000	64	-	0.3800	-	September 3, 2021
Issued warrants for services ⁽ⁱⁱ⁾	3,500,000	204	-	0.3000	0.01	November 12, 2021
Issued warrants for services ⁽ⁱⁱⁱ⁾	1,000,000	111	-	0.3000	-	November 12, 2021
Issued warrants on convertible debt November 14, 2019	7,936,507	80	-	0.5000	0.03	November 14, 2021
Issued warrants on convertible debt December 4, 2019	8,392,857	109	-	0.5000	0.04	December 4, 2021
Issued warrants on convertible debt December 14, 2019	7,936,508	135	-	0.5000	0.04	December 12, 2021
Issued warrants for acquisition - Saturninus	3,750,000	100	-	0.4000	0.02	January 26, 2022
Issued warrants on convertible debt January 6, 2020	58,823,529	-	266	0.2550	0.30	December 31, 2021
Issued warrants on debt September 14, 2020	1,600,000	55	-	0.3000	0.01	September 30, 2021
Warrants terminated	(1,600,000)	(105)	-	-	-	
Warrants expired	(4,252,620)	(906)	-	-	-	
Balance October 31, 2020	131,064,114	5,796	266	0.4043	0.88	
Issued warrants for acquisition - Meta	741,600	3	-	1.3110	-	December 14, 2021
Issued warrants for acquisition - Meta	40,076,411	2,616	-	0.3520	0.49	February 6, 2023
Issued warrants for acquisition - Meta	4,120,000	120	-	1.1040	0.06	April 11, 2023
Issued warrants on convertible debt January 6, 2020	-	-	11,697	-	-	December 31, 2022
Warrants issued - equity financing	27,878,919	6,492	-	0.5800	0.55	February 22, 2024
Warrants issued - equity financing	1,413,848	3,530	-	12.2500	0.03	May 26, 2024
Warrants cancelled	(59,278,382)	(5,394)	-	-	-	
Warrants exercised	(42,885,013)	(1,676)	(6,266)	-	-	
Balance July 31, 2021	103,131,497	11,487	5,697	2.5995	2.01	

As at July 31, 2021, 103,131,497 warrants were exercisable, on a basis of 15 warrants for 1 common share, with the exception of warrants issued through the acquisition of META, which were exercisable on a basis of 18.2 warrants for 1 common share.

- The Company issued 300,000 warrants for business development consultancy. Fifteen warrants will allow the holder to acquire one common share at \$0.38 per warrant. The warrants were valued at \$64 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%.
- The Company issued 3,500,000 warrants for business development consultancy. Fifteen warrants will allow the holder to acquire one common share at \$0.30 per warrant. The warrants were valued at \$204 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 70% based on comparable companies; exercise price of \$0.30; and a risk-free interest rate of 1.6%.
- The Company issued 1,000,000 warrants for business development consultancy. Fifteen warrants will allow the holder to acquire one common share at \$0.30 per warrant. 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%.
- The Company measured the derivative liability to be \$5,697 and recognized \$8,409 as a loss on revaluation of derivative liability in the statement of net loss and comprehensive loss for the period ended July 31, 2021.



High Tide Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended July 31, 2021 and 2020

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

16. Loss Per Share

(a) Current Period Earnings Per Share

	Three months ended July 31,		Nine months ended July 31,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Net (loss) income for the period	(1,750)	3,826	(30,861)	(5,031)
Non-controlling interest	69	46	(22)	98
Net (loss) income for the period attributable to owners of the Company	(1,681)	3,872	(30,883)	(4,933)
	#	#	#	#
Weighted average number of common shares - basic and diluted	48,366,031	15,633,929	38,965,149	15,124,342
Basic and Diluted (loss) income per share	(0.03)	0.25	(0.79)	(0.33)

(b) Restatement of a Prior Quarter

During the third quarter of 2021, the Company restated the second quarter 2021 earnings per share note disclosure. This adjustment is due to the 1:15 reverse share split that occurred May 13, 2021, which was included as a subsequent event in the financial statements for the second quarter of 2021. When there is a share consolidation subsequent to period end, but prior to the release of the financial statements it needs to be retrospectively adjusted in the current quarter financial statements. Comparative information for the second quarter, first quarter, 2020 and 2019 year ends have been adjusted accordingly.

	Three months ended April 30		Six months ended April 30	
	2021	2020	2021	2020
	\$	\$	\$	\$
Net (loss) income for the period	(12,266)	(4,912)	(29,111)	(8,857)
Non-controlling interest	(66)	55	(91)	52
Net loss for the period attributable to owners of the Company	(12,332)	(4,857)	(29,202)	(8,805)
	#	#	#	#
Weighted average number of common shares - basic and diluted	41,320,861	14,614,754	33,938,246	14,255,502
Basic and Diluted loss per share	(0.30)	(0.33)	(0.86)	(0.62)

	Three months ended January 31	Year ended October 31	
	2021	2020	2019
	\$	\$	\$
Net (loss) income for the period	(16,845)	(6,354)	(26,292)
Non-controlling interest	(24)	(614)	166
Net loss for the period attributable to owners of the Company	(16,869)	(6,968)	(26,126)
	#	#	#
Weighted average number of common shares - basic and diluted	27,090,872	15,267,032	13,212,113
Basic and Diluted loss per share	(0.62)	(0.46)	(1.98)

**High Tide Inc.****Notes to the Condensed Interim Consolidated Financial Statements**

For the three and nine months ended July 31, 2021 and 2020

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

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.

Fair value

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, marketable securities, loans receivable, accounts payable and accrued liabilities, notes payable, convertible debentures, contingent consideration and derivative liabilities.

IFRS 13 establishes a three-level hierarchy that prioritizes the inputs relative to the valuation techniques used to measure fair value. Fair values of assets and liabilities included in Level 1 of the hierarchy are determined by reference to quoted prices in active markets for identical assets and liabilities. Fair value of assets and liabilities in Level 2 are determined using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Fair value of assets and liabilities in Level 3 are determined based on inputs that are unobservable and significant to the overall fair value measurement. Accordingly, the Company has categorized its financial instruments carried at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. The Company's cash and cash equivalents are subject to Level 1 valuation.

The marketable securities have been recorded at fair value based on level 1 inputs and derivative liability associated with warrants and contingent consideration have been recorded at fair value based on level 2 inputs. The carrying values of accounts receivable, accounts payable and accrued liabilities approximate their fair values due to the short-term maturities of these financial instruments. The carrying value of the notes payable and convertible debentures approximate their fair value as they are discounted using a market rate of interest.

The Halo convertible promissory note receivable is a non-derivative financial asset with fixed or determinable payments that are not quoted in an active market and is recorded at fair value based on level 2 inputs. The fair value of these assets were estimated on discounted future interest and principal payments using current market interest rates of instruments using similar terms. The promissory note failed the SPPI test due to the conversion feature of the note, therefore this note will be subsequently recognized at fair value through profit or loss.

Other loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market that have been recorded at fair value. The fair value of these assets were estimated on discounted future interest and principal payments using current market interest rates of instruments using similar terms.

The derivative liability associated with the put option included in the acquisition of FABCBD has been recorded at fair value based on level 3 inputs. The value of the put is calculated using discounted cash flows. The valuation model considers the present value of the future obligation using a multiple of forecasted trailing twelve month EBITDA and a risk-adjusted discount rate. Significant unobservable inputs include expected cash flows and the risk adjusted interest rate. The estimated fair value would increase (decrease) if the expected cash flows were higher (lower) or the risk adjusted interest rate were lower (higher).

Derivative Liability associated with Put Option	
	\$
Balance at April 30, 2021	-
Assumed through acquisition of FABCBD	4,535
Loss included in 'Revaluation of derivative liability'	145
Balance at July 31, 2021	4,680
Sensitivity Analysis	
	\$
Expected cash flows (10% movement)	397
Risk Adjusted discount rate (1% movement)	58



High Tide Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended July 31, 2021 and 2020

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

17. Financial Instruments and Risk Management (continued)

Marketable securities

In connection with the Company's acquisition of META on November 18, 2020, the Company acquired 1,350,000 shares of THC Global Group Limited ("THC"). The fair value of the THC shares amounting to \$582 has been recognized as a marketable security, based on the trading price of THC's shares. In addition, to this the Company has also acquired 400,000 shares of Pathway Health Corp. ("Pathway") which were granted as part of consideration for an asset sale agreement with Meta prior to acquisition amounting to \$200, as well as recorded \$200 in GICs as a marketable security.

Credit risk

Credit risk arises when a party to a financial instrument will cause a financial loss for the counter party by failing to fulfill its obligation. Financial instruments that subject the Company to credit risk consist primarily of cash, accounts receivable, marketable securities and loans receivable. The credit risk relating to cash and cash equivalents and restricted marketable securities balances is limited because the counterparties are large commercial banks. The amounts reported for accounts receivable in the statement of consolidated 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	July 31, 2021	October 31, 2020
	\$	\$
Current (for less than 30 days)	4,067	1,822
31 – 60 days	507	246
61 – 90 days	78	202
Greater than 90 days	657	762
Less allowance	(146)	(359)
	5,163	2,673

For the nine months ended July 31, 2021, \$190 in trade receivables were written off against the loss allowance due to bad debts (year ended October 31, 2020 – \$1,280). Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The remaining accounts receivable are evaluated by the Company based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer. Based on this evaluation, allowances are taken into account for the estimated losses of these receivables.

The Company performs a regular assessment of collectability of accounts receivables. In determining the expected credit loss amount, the Company considers the customer's financial position, payment history and economic conditions. For the period ended July 31, 2021, management reviewed the estimates and have not created any additional loss allowances on trade receivable.



High Tide Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended July 31, 2021 and 2020

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

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
	\$	\$	\$	\$
October 31, 2020				
Accounts payable and accrued liabilities	6,421	6,421	-	-
Notes payable	4,528	1,939	2,589	-
Convertible debentures	25,822	14,446	11,376	-
Total	36,771	22,806	13,965	-
July 31, 2021				
Accounts payable and accrued liabilities	13,107	13,107	-	-
Notes payable	15,973	3,939	12,034	-
Convertible debentures	9,954	946	9,008	-
Total	39,034	17,992	21,042	-

Interest rate risk

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

Foreign currency risk

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

The Canadian dollar equivalent carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities as at July 31, 2021 was as follows:

(Canadian dollar equivalent amounts of US dollar and Euro balances)	July 31, 2021 (Euro)	July 31, 2021 (USD)	July 31, 2021 Total	October 31, 2020
	\$	\$	\$	\$
Cash	501	22,722	23,223	975
Accounts receivable	-	669	669	653
Accounts payable and accrued liabilities	(947)	(2,326)	(3,273)	(1,728)
Net monetary assets	(446)	21,065	20,619	(100)

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 +/- \$836 (October 31, 2020 - \$34). 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 +/- \$15 (October 31, 2020 - \$39). To date, the Company has not entered into financial derivative contracts to manage exposure to fluctuations in foreign exchange rates.



High Tide Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended July 31, 2021 and 2020

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

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 July 31,	Retail 2021 (\$)	Retail 2020 (\$)	Wholesale 2021 (\$)	Wholesale 2020 (\$)	Corporate 2021 (\$)	Corporate 2020 (\$)	Total 2021 (\$)	Total 2020 (\$)
Total revenue	46,283	21,440	1,781	2,627	5	36	48,069	24,103
Gross profit	16,216	8,595	438	909	25	35	16,679	9,539
(Loss) income from operations	(3,074)	2,431	(390)	107	(3,803)	(914)	(7,267)	1,624
Total assets	145,971	46,678	6,939	5,972	81,272	17,161	234,182	69,811
Total liabilities	56,960	22,893	2,183	1,894	28,228	33,301	87,371	58,088

For the three months ended July 31,	Canada 2021 (\$)	Canada 2020 (\$)	USA 2021 (\$)	USA 2020 (\$)	Europe 2021 (\$)	Europe 2020 (\$)	Total 2021 (\$)	Total 2020 (\$)
Total revenue	34,738	19,751	11,315	-	2,016	4,352	48,069	24,103
Gross profit	10,805	7,453	5,116	-	758	2,086	16,679	9,539
(Loss) income from operations	(7,896)	585	601	(301)	28	1,340	(7,267)	1,624
Total assets	164,823	46,678	60,961	5,972	8,398	17,161	234,182	69,811
Total liabilities	76,603	22,893	9,201	1,894	1,567	33,301	87,371	58,088

For the nine months ended July 31,	Retail 2021 (\$)	Retail 2020 (\$)	Wholesale 2021 (\$)	Wholesale 2020 (\$)	Corporate 2021 (\$)	Corporate 2020 (\$)	Total 2021 (\$)	Total 2020 (\$)
Total revenue	121,402	52,381	5,819	5,665	35	343	127,256	58,389
Gross profit	44,599	19,794	1,790	1,952	56	341	46,445	22,087
(Loss) income from operations	(2,894)	3,550	(587)	(625)	(10,342)	(3,262)	(13,823)	(337)

For the nine months ended July 31,	Canada 2021 (\$)	Canada 2020 (\$)	USA 2021 (\$)	USA 2020 (\$)	Europe 2021 (\$)	Europe 2020 (\$)	Total 2021 (\$)	Total 2020 (\$)
Total revenue	103,326	50,536	15,596	-	8,334	7,853	127,256	58,389
Gross profit	36,178	18,074	6,660	-	3,607	4,013	46,445	22,087
(Loss) income from operations	(15,584)	(1,106)	612	(686)	1,149	1,455	(13,823)	(337)



High Tide Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended July 31, 2021 and 2020

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

19. Related Party Transactions

As at July 31, 2021, 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

A Director of the Company is Chief of the Opaskwayak Cree Nation ("OCN"). On November 18, 2020, the Company acquired all of the issued and outstanding shares of Meta which included notes payable to Opaskwayak Cree Nation ("OCN"). As at July 31, 2021, the Company has drawn \$13,000.

On February 22, 2021, the Company issued, on a bought deal basis pre-consolidation, 47,916,665 units (3,194,445 units post-consolidation) of the Company at a price of \$0.48 per unit pre-consolidation (\$7.20 per unit post-consolidation). Two of the officers and the corporate secretary of the Company, collectively participated in the offering and acquired an aggregate of 3,112,084 units pre-consolidation (207,472 units post-consolidation) pursuant to the Offering.

On May 26, 2021, the Company issued, on a bought deal basis post-consolidation, 2,415,000 units (36,225,000 units pre-consolidation) of the Company at a price of \$9.60 per unit post-consolidation (\$0.64 per unit pre-consolidation). One of the officers and the corporate secretary of the Company, collectively participated in the offering and acquired an aggregate of 105,000 units post-consolidation (1,575,000 pre-consolidation) pursuant to the Offering.

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.

An office and warehouse unit located in Savannah, Georgia has been leased out by 2G Realty, LLC, a company that is related through the Chief Technology Officer of the company. The office and warehouse space were leased to accommodate the Company's operational needs for Smoke Cartel. The lease was established at prevailing market rates and has annual lease payments totalling \$52 per annum. The primary lease term is 1 year with one additional 1-year term extension exercisable at the option of the Company.



High Tide Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended July 31, 2021 and 2020

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

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.

Right of use assets	
	\$
Balance at November 1, 2020	16,413
Net additions	14,711
Depreciation expense for the period	(4,927)
Balance at July 31, 2021	26,197

Lease Liabilities	
	\$
Balance at November 1, 2020	16,668
Net additions	13,844
Cash outflows in the period	(5,270)
Accretion (Interest) expense for the period ended	1,578
Balance at July 31, 2021	26,820
Current	(5,729)
Non-current	21,091

As at July 31, 2021, \$875 (October 31, 2020 - \$1,716) is due to the Company in respect of sublease arrangements for franchise cannabis retail locations. For the period ended July 31, 2021, \$451 was received in respect of sublease arrangements, which was recognized as other revenue. During the period ended July 31, 2021, the Company also paid \$2,174 in variable operating costs associated to the leases which are expensed under general and administrative expenses.

The following is a summary of the contractual undiscounted cash outflows for lease obligations as of July 31, 2021:

	\$
Less than one year	7,766
Between one and five years	18,034
Greater than five years	7,454
	33,254

21. Contingent liability

In the normal course of business, the Company and its subsidiaries may become defendants in certain employment claims and other litigation. The Company records a liability when it is probable that a loss has been incurred and the amount can be reasonably estimated. The Company is not involved in any legal proceedings other than routine litigation arising in the normal course of business, none of which the Company believes will have a material adverse effect on the Company's business, financial condition or results of the operations.

**High Tide Inc.****Notes to the Condensed Interim Consolidated Financial Statements**

For the three and nine months ended July 31, 2021 and 2020

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

22. Non-controlling interest

The following table presents the summarized financial information for the Company's subsidiaries which have non-controlling interests. This information represents amounts before intercompany eliminations.

	2021	2020
	\$	\$
Total current assets	3,946	2,540
Total non-current assets	3,724	3,696
Total current liabilities	(4,073)	(942)
Total non-current liabilities	(475)	(1,080)
Revenues for the year ended	11,844	6,011
Net income for the year ended	1,507	1,320

The net change in non-controlling interests is as follows:

As at	July 31, 2021	October 31, 2020
	\$	\$
Balance, beginning of the year	1,552	(179)
Share of income for the period	22	614
Purchase of minority interest - KushBar Inc.	-	187
Purchase of - Saturninus Partners	-	930
Purchase of - Meta (Note 3)	1,821	-
Purchase of - FABCBD (Note 3)	988	-
Loss of Control (Note 5)	(892)	-
	3,491	1,552

As of October 31, 2019, the Company held a 50.1% ownership interest in KushBar, with \$179 NCI. As well, the Company owed the non-controlling interest shareholder \$701 (2018 - \$36). The loan carries no interest and is due on demand. 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").

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 arrangement as a joint venture with controlling interest.

On November 18, 2020, the Company acquired all of the issued and outstanding shares of Meta which included four joint ventures with controlling interest. These joint ventures operate as a licensed cannabis retail store in Manitoba. During the nine months ended July 31, 2021, the Company sold its 49% interest in one joint venture, which resulted in a loss of control. As a result, the Company has deconsolidated the net assets of the joint venture no longer under the Company's control.



High Tide Inc.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended July 31, 2021 and 2020

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

23. Subsequent events

- (i) On August 6, 2021, the Company acquired all of the issued and outstanding shares of 102105699 Saskatchewan Ltd. (“102 Saskatchewan”) which owns five retail cannabis locations in Regina, Saskatchewan, for \$2,700. The consideration was comprised of:
 - (i) 254,520 common shares of High Tide, having an aggregate value of \$2,002; and
 - (ii) \$698 in cash. Under IFRS 3, if the acquisition date of a business combination is after the end of the reporting period, but prior to the publication of the consolidated financial statements, the Company must provide the information required under IFRS 3 unless the initial accounting for the business combination is incomplete. Due to the nature of the acquisition, the allocation of the purchase price has not been provided because that information has not yet been finalized.
- (ii) On August 12, 2021, the Company acquired all of the issued and outstanding shares of DS Distribution Inc., operating as DankStop.com (“DankStop”) for US\$3,850. The consideration was comprised of 612,087 common shares of High Tide on the basis of a deemed price per High Tide Share of \$7.88, being equal to the volume weighted average price per High Tide Share on the TSX Venture Exchange for the ten consecutive trading days preceding the closing of the acquisition. Pursuant to the terms of the acquisition agreement, 153,021 High Tide Shares, which represents 25% of the High Tide Shares issued to DankStop shareholders, has been placed in escrow for a period of up to 12 months from closing. Under IFRS 3, if the acquisition date of a business combination is after the end of the reporting period, but prior to the publication of the consolidated financial statements, the Company must provide the information required under IFRS 3 unless the initial accounting for the business combination is incomplete. Due to the nature of the acquisition, the allocation of the purchase price has not been provided because that information has not yet been finalized.
- (iii) Subsequent to the period ended July 31, 2021, \$800 of debt was converted into common shares, which eliminates all remaining outstanding convertible debentures originally issued by Meta Growth Corp.