



FOR IMMEDIATE RELEASE

## **High Tide Reports Second Consecutive Quarter of Record Revenue and Adjusted EBITDA; \$118 Million and \$5.5 Million, Respectively**

***The Company Also Reports Year-Over-Year Increase in Free Cash Flow<sup>1</sup> From (\$6.3 Million) to (\$2.3 Million) Representing a 64% Improvement***

*This news release constitutes a “designated news release” for the purposes of the Company’s prospectus supplement dated December 3, 2021, to its short form base shelf prospectus dated April 22, 2021.*

- ***12th Straight Quarter of Positive Adjusted EBITDA, Representing an 86% Increase Year-Over-Year and 10% Sequentially***
- ***High Tide Reaches 9% of Canadian Cannabis Retail Market Share<sup>2</sup>, Following 1% Sequential Growth in Each of the Past Five Quarters***
- ***Same-Store Sales Increased by 52% Year-Over-Year and 4% Sequentially, Representing the Sixth Consecutive Quarter of Sequential Gains***
- ***High Tide Remains the Highest Revenue Generating Cannabis Company Reporting in Canadian Dollars<sup>3</sup> and Sets Objective of Becoming Free Cash Flow Positive Within This Calendar Year***
- ***The Company Remains the Largest Non-Franchised Cannabis Retailer in Canada With 151 locations as Well as Over 975,000 Cabana Club Members, and a Global Customer Database Surpassing 4.5 Million***

CALGARY, AB, March 17, 2023 /CNW/ – High Tide Inc. (“**High Tide**” or the “**Company**”) (Nasdaq: HITI) (TSXV: HITI) (FSE: 2LYA), the high-impact, retail-forward enterprise built to deliver real-world value across every component of cannabis, released today its financial results for the first fiscal quarter of 2023 ended January 31, 2023, the highlights of which are included in this news release. The full set of consolidated financial statements for the three months

<sup>1</sup>Free cash flow defined as cash flow from operations, minus capex and lease payments

<sup>2</sup>Based on Statistics Canada and Hifyre data, for the months of November, 2022 December, 2022 and January 2023, not including the province of Quebec.

<sup>3</sup>Based on reporting by New Cannabis Ventures as of March 16, 2023. For the New Cannabis Ventures’ senior listing, segmented cannabis-only sales must generate more than US\$25 million per quarter (CAD\$31 million) – for full details, see: <https://www.newcannabisventures.com/cannabis-company-revenue-ranking/>

ended January 31, 2023, and the accompanying management's discussion and analysis can be accessed by visiting the Company's website at [www.hightideinc.com](http://www.hightideinc.com), its profile pages on SEDAR at [www.sedar.com](http://www.sedar.com), and EDGAR at [www.sec.gov](http://www.sec.gov).

*First Fiscal Quarter 2023 – Financial Highlights:*

- Revenue increased to \$118.1 million in the first fiscal quarter of 2023 compared to \$72.2 million during the same period in 2022, representing an increase of 64% year-over-year and 9% sequentially
- Gross profit increased to \$32.2 million in the first fiscal quarter of 2023 compared to \$23.0 million during the same period in 2022, representing an increase of 40% year-over-year and 9% sequentially
- Gross profit margin in the three months ended January 31, 2023, was 27%, consistent with the previous three quarters. The Company notes that gross margins earned in its bricks-and-mortar stores ticked higher sequentially
- Adjusted EBITDA increased to \$5.5 million in the first fiscal quarter of 2023 compared to \$3.0 million during the same period in 2022, representing an increase of 86% year-over-year and 10% sequentially
- Salaries, wages and benefits represented 12% of revenue in the first fiscal quarter of 2023, which improved from 14% in the first fiscal quarter of 2022 and was consistent with the prior three quarters
- Given the strong cost controls the Company has been implementing, general and administrative expenses represented 6% of revenue in the first fiscal quarter of 2023, which improved from 8% in the first fiscal quarter of 2022 and improved from 7% in the previous quarter
- Cabanalytics data sales were \$6.6 million in the first fiscal quarter of 2023 compared to \$4.7 million for the same quarter last year. Sequentially, Cabanalytics data sales increased by 3%
- For locations operational throughout the first fiscal quarter of 2023 and 2022, same-store sales increased by 52% year-over-year. Sequentially, same-store sales increased by 4%, representing the sixth consecutive quarter of same-store sales growth
- The Company continued the rollout of ELITE, the first-of-its-kind cannabis paid loyalty program in Canada, with membership reaching approximately 9,500, representing a 58% increase since January 30, 2023
- Cash on hand as of January 31, 2023, totalled \$23.7 million

"I am humbled and delighted to share our results from yet another record-setting quarter, where we have continued to execute with excellence, resulting in our second consecutive quarter of record revenue and adjusted EBITDA which includes an improvement of over 64% in our free cash flow year-over-year. These results further solidify our position as the largest revenue-generating cannabis company in Canada, reporting in Canadian dollars while continuously improving profitability. This is our twelfth consecutive quarter of positive adjusted EBITDA and fourth consecutive quarter of sequential same-store sales growth. Overall, our financials tell a truly inspiring and exciting story. While some of our peers have flatlined in revenue or struggled

with maintaining margins, our results indicate that our company has succeeded in managing our exponential growth and driving consistent margins.

“These financial metrics point to something very important and unique to High Tide, our strength in generating cash while experiencing organic growth, illustrating the apparent success of our business model. While a further deterioration of the broader cannabis capital markets has occurred, we’ve remained focused on operating a fundamentally strong organization with strategic and attainable goals for growth. While we have executed and delivered on our hypergrowth strategy in recent years, establishing our brands and becoming a household name in Canadian cannabis retail, considering the market realities today, I am announcing a shift in that strategy. While we would never overlook a compelling M&A opportunity, we are now adding to our strategic mission the goal of becoming one of the first cannabis companies in Canada to generate free cash flow from operations by the end of this calendar year. We believe this is not only something that current market conditions demand but that doing so will mitigate risks as we navigate through uncertainty and give our shareholders an advantage. Although we can leverage various financial tools at our disposal to continue to gobble up market share through acquisitions, we believe that at this time, a more measured and nuanced approach is appropriate for our company and its shareholders and will ultimately lead to maximizing shareholder value, something that we so adamantly strive for,” said Raj Grover, President and Chief Executive Officer of High Tide.

“We have proven that we know how to grow the organization consistently, increasing our top line while maintaining margins, and we plan to leverage that success to achieve this new goal. As with any strategy adjustment, some of our objectives must shift as well. Previously, we had communicated plans to add 40 to 50 new stores in 2023. Today, we are turning our attention away from meeting that goal with this newly minted strategic objective of being amongst the first Canadian cannabis companies to become free cash flow positive – while also continuing to grow in a stable and consistent way. Beyond slowing our expenditures in acquisitions, and rapid build-out of organic locations, we have taken steps to add internal systems that strengthen our operations from a financial standpoint, which includes recently launching a company-wide project, supported by outside consultants, aimed at maximizing the integration of our various business units and systems in order to optimize productivity and output. Our position as the largest non-franchised retailer in Canada allows us the unique opportunity to slow our growth without risking market share decline while focusing on fundamentals such as free cash flow generation and profitability. We can return to our model of hyper-growth at any point, whether through M&A at highly attractive valuations or new organic store openings in high-quality locations; however, we will only do so in a way that aligns with our focus on a strong financial foundation. As noted in our filings and release, we have continued to capture market share at a rate of 1% per quarter, leading us to reach 9% of the total Canadian cannabis retail market outside of Quebec. This is such an important milestone and one that I do not take lightly. It is due to the steadfast determination of our team in executing the vision of our company and industry.

“I will close by saying a massive thank you to our valued customers and shareholders, the entire team at High Tide, and all those who make High Tide what it is. While the cannabis industry continues to experience growing pains on its path to its inevitable, legitimized, and rightful place

in the global economic landscape, it is our strongly held belief, particularly given that our quarterly revenue now exceeds our market capitalization, that our share price is currently significantly undervalued. I believe that High Tide is and will continue to be a very attractive player in this challenging yet burgeoning industry, and for that, I remain extremely optimistic,” added Mr. Grover.

*First Quarter 2023 – Operational Highlights (Nov 1- Jan 31):*

- Organic retail store expansion continued with 8 new Canna Cabana locations: 1 in British Columbia, 1 in Manitoba and 6 in Ontario
- High Tide closed the acquisition of Jimmy’s, adding 2 additional retail cannabis stores in British Columbia
- The Company maintained its status as the highest revenue-generating cannabis company in Canada<sup>3</sup>
- The Company launched cannabis seed sales through its subsidiaries [GrassCity](#), [Smoke Cartel](#), [Daily High Club](#) and [Dankstop](#) e-commerce platforms
- The Company continued the rollout of its Fastendr™ technology, with 120 Canna Cabana locations having been equipped with the technology by the end of the quarter
- The Company launched “ELITE”, the first-of-its-kind cannabis paid membership loyalty program in Canada
- The Company signed an LOI with Berlin-based health and life science company Sanity Group to better position itself to take advantage of potential German adult-use cannabis legalization opportunity
- The Company continued the roll out of its higher margin Cabana Cannabis Co products in Saskatchewan, Manitoba and Ontario

*Subsequent Events (Feb 1 - present):*

- ELITE upgrades totalled approximately 9,500 members, representing a 58% increase since January 30, 2023
- The Company announced the departure of Rahim Kanji, Chief Financial Officer and the appointment of Sergio Patino as its interim Chief Financial Officer

*Selected financial information for the first quarter ended January 31, 2023:*

*(Expressed in thousands of Canadian Dollars)*

	Three months ended January 31		
	2023	2022	Change
	\$	\$	
Revenue	118,076	72,218	64%
Gross Profit	32,181	22,982	40%
Gross Profit Margin	27%	32%	(5%)
Total Operating Expenses	(36,103)	(29,129)	(24%)
Adjusted EBITDA	5,500	2,955	86%
Loss from Operations	(3,922)	(6,147)	36%
Net loss	(3,862)	(7,352)	47%
Loss per share (Basic)	(0.05)	(0.14)	60%

The following is a reconciliation of Adjusted EBITDA to Net Loss:

	Three Months Ended January 31	
	2023	2022
Net (loss) income	(3,862)	(7,352)
Income taxes (recovery)	(1,236)	(1,064)
Accretion and interest	1,813	1,551
Depreciation and amortization	7,986	7,111
<b>EBITDA <sup>(1)</sup></b>	<b>4,701</b>	<b>246</b>
Foreign exchange loss (gain)	(15)	97
Transaction and acquisition costs	665	909
(Gain) loss revaluation of derivative liability	(1,261)	(525)
Loss (gain) on extinguishment of debenture	-	18
Impairment loss	-	89
Share-based compensation	1,436	1,902
Loss (gain) on revaluation of marketable securities	(8)	219
Gain on extinguishment of financial liability	(18)	-
<b>Adjusted EBITDA <sup>(1)</sup></b>	<b>5,500</b>	<b>2,955</b>

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

## Outlook

High Tide is the market leader in Canadian bricks-and-mortar cannabis retail, with 151 locations operating across the country and a loyalty base of over 975,000 Cabana Club members. The Company had previously announced its target to add 40-50 new retail locations in calendar 2023; however, given the current macro conditions and the state of cannabis capital markets, the Company is revising its earlier guidance. The new goal for calendar 2023 is to achieve free

cash flow generation by the end of this calendar year. At the end of November, the Company launched Cabana ELITE, its premium paid membership offering and has already onboarded approximately 9,500 members. The Company expects this number to increase steadily over the coming quarters.

The Company notes that its second fiscal quarter totals three fewer calendar days than the first fiscal quarter, which also enjoys the seasonal benefits of the holiday period. Further, consistent with our new strategy, new store growth has meaningfully slowed, and the Company has added no new stores since the conclusion of the first fiscal quarter.

Throughout 2022, High Tide deployed its customized Fastendr™ technology in 120 locations across Canada. This rollout will continue through the remainder of the calendar year and includes an opportunity to start licensing the technology in the US in late 2023.

Since mid-2022, High Tide has been launching white-label products through its Cabana Cannabis Co and NuLeaf Naturals brands in Ontario, Manitoba and Saskatchewan. The Company is actively rolling out more SKUs through the course of the year and in conjunction with other higher-margin revenue streams, such as ELITE membership fees, which should result in consolidated gross margins remaining steady and ticking higher in the quarters ahead.

#### *High Tide Earnings Event Webcast*

The Company will host a webcast and conference call to discuss the Financial Statements at 11:30 AM (Eastern Time) Monday, March 20, 2023.

Webcast Link for High Tide Earnings Event: <https://events.q4inc.com/attendee/193203965>

Participants may pre-register for the webcast by clicking on the link above prior to the beginning of the live webcast. Three hours after the live webcast, a webcast replay will be available at the same link above.

Participants who wish to ask questions during the event may do so through the call-in line, the access information for which is as follows:

#### **Participant Details:**

Joining by Telephone:	
Canada dial-in number (Toll-Free):	1 833 950 0062
Canada dial-in number (Local):	1 226 828 7575
United States (Toll-Free):	1 833 470 1428
United States (Local):	1 404 975 4839
All other locations:	1 929 526 1599
Access code:	291706

*\*Participants will need to enter the participant access code before being met by a live operator\**

#### **Employee Stock Options Grant**

In addition, High Tide announces the grant of 32,500 incentive stock options (the “Options”) to various employees, consultants and management of the Company. Each Option is exercisable at the closing price of the Company’s common shares listed on the TSX Venture Exchange (the “TSXV”) based on the last trading day immediately prior to this press release, expires three years from the date of grant, and vests over a two-year period. Each Option is exercisable to purchase one common share of the Company and is being issued pursuant to the terms of the Company’s Omnibus Plan, which became effective on June 2, 2022.

## **ATM PROGRAM QUARTERLY UPDATE**

Pursuant to the Company’s at-the-market equity offering program (the “**ATM Program**”) that allows the Company to issue up to \$40 million (or the equivalent in U.S. dollars) of common shares (“**Common Shares**”) from treasury to the public from time to time, at the Company’s discretion and subject to regulatory requirements, as required pursuant to National Instrument 44-102 – *Shelf Distributions* and the policies of the TSX Venture Exchange (the “**TSXV**”), the Company announces that, during its first fiscal quarter ended January 31, 2023, the Company has issued an aggregate of 821,537 Common Shares over the TSXV and Nasdaq Capital Market (“**Nasdaq**”), for aggregate gross proceeds to the Company of \$1.8 million.

Pursuant to an equity distribution agreement dated December 3, 2021, entered into among the Company, ATB Capital Markets Inc. and ATB Capital Markets USA Inc. (the “**Agents**”), associated with the ATM Program (the “**Equity Distribution Agreement**”), a cash commission of less than \$0.1 million on the aggregate gross proceeds raised was paid to the Agents in connection with their services under the Equity Distribution Agreement during the first quarter ended January 31, 2023.

The Company intends to use the net proceeds of the ATM Program if any, and at the discretion of the Company, to fund strategic initiatives, it is currently developing, to support the growth and development of the Company’s existing operations, funding future acquisitions as well as working capital and general corporate purposes.

Common Shares issued pursuant to the ATM Program will be issued pursuant to a prospectus supplement dated December 3, 2021 (the “**Canadian Prospectus Supplement**”) to the Company’s final base shelf prospectus dated April 22, 2021, filed with the securities commissions or similar regulatory authorities in each of the provinces and territories of Canada (the “**Canadian Shelf Prospectus**”) and pursuant to a prospectus supplement dated December 3, 2021 (the “**U.S. Prospectus Supplement**”) to the Company’s U.S. base prospectus dated September 17, 2021 (the “**U.S. Base Prospectus**”) included in its registration statement on Form F-10 (the “**Registration Statement**”) and filed with the U.S. Securities and Exchange Commission (the “**SEC**”). The Canadian Prospectus Supplement and Canadian Shelf Prospectus are available for download from SEDAR at [www.sedar.com](http://www.sedar.com), and the U.S. Prospectus Supplement, the U.S. Base Prospectus and Registration Statement are accessible via EDGAR on the SEC’s website at [www.sec.gov](http://www.sec.gov).

The ATM Program is effective until the earlier of (i) the date that all Common Shares available for issue under the ATM Program have been sold, (ii) the date the Canadian Prospectus Supplement in respect of the ATM Program or Canadian Shelf Prospectus is withdrawn and (iii) the date that the ATM Program is terminated by the Company or Agents.

## **ABOUT HIGH TIDE**

High Tide, Inc. is the leading community-grown, retail-forward cannabis enterprise engineered to unleash the full value of the world's most powerful plant. High Tide (HITI) is uniquely-built around the cannabis consumer, with wholly-diversified and fully-integrated operations across all components of cannabis, including:

*Bricks & Mortar Retail:* Canna Cabana™ is the largest non-franchised cannabis retail chain in Canada, with 151 current locations spanning British Columbia, Alberta, Saskatchewan, Manitoba and Ontario and growing. In 2021, Canna Cabana became the first cannabis discount club retailer in North America.

*Retail Innovation:* Fastendr™ is a unique and fully automated technology that integrates retail kiosks and smart lockers to facilitate a better buying experience through browsing, ordering and pickup.

*E-commerce Platforms:* High Tide operates a suite of leading accessory sites across the world, including Grasscity.com, Smokecartel.com, Dailyhighclub.com, and Dankstop.com.

*CBD:* High Tide continues to cultivate the possibilities of consumer CBD through Nuleafnaturals.com, FABCBD.com and BlessedCBD.co.uk.

*Wholesale Distribution:* High Tide keeps that cannabis category stocked with wholesale solutions via Valiant™.

*Licensing:* High Tide continues to push cannabis culture forward through fresh partnerships and license agreements under the Famous Brand™ name.

High Tide consistently moves ahead of the currents, having been named one of Canada's Top Growing Companies in both 2021 and 2022 by Report on Business Magazine. To discover the full impact of High Tide, visit [www.hightideinc.com](http://www.hightideinc.com). For investment performance, don't miss High Tide profile pages on SEDAR and EDGAR.

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

## **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

*This press release contains "forward-looking information" within the meaning of applicable Canadian securities legislation. These statements relate to future events or future performance. The use of any of the words "could", "intend", "expect", "believe", "will", "projected", "estimated" and similar expressions and statements relating to matters that are not historical facts are*



*intended to identify forward-looking information and are based on the Company's current belief or assumptions as to the outcome and timing of such future events.*

*The forward-looking information and forward-looking statements contained herein include, but are not limited to, statements regarding: the Company's business objectives and milestones and the anticipated timing of, and costs in connection with, the execution or achievement of such objectives and milestones (including, without limitation, proposed acquisitions); the Company's future growth prospects and intentions to pursue one or more viable business opportunities; the development of the Company's business and future activities following the date hereof; expectations relating to market size and anticipated growth in the jurisdictions within which the Company may from time to time operate or contemplate future operations; expectations with respect to economic, business, regulatory or competitive factors related to the Company or the cannabis industry generally; the market for the Company's current and proposed product offerings, as well as the Company's ability to capture market share; the Company's strategic investments and capital expenditures, and related benefits; 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; the distribution methods expected to be used by the Company to deliver its product offerings; the competitive landscape within which the Company operates and the Company's market share or reach; the performance of the Company's business and the operations and activities of the Company; the Company adding the number of additional cannabis retail store locations the Company proposes to add to the Company's business upon the timelines indicated herein, and the Company remaining on a positive growth trajectory; same-store sales continuing to increase; the Company making meaningful increases to its revenue profile; the Company deploying Fastendr™ technology across the Company's retail stores upon the timelines disclosed herein, including licensing this technology towards the end of 2023; the Company continuing to increase its revenue; the Company building upon its existing momentum in the international hemp-derived CBD and consumption accessories e-commerce sectors; the Company continuing to integrate and expand its CBD brands; the Company completing the development of its cannabis retail stores; the Company's ability to generate consistent free cash flow from operations and from financing activities, including by amending its loan agreement, on the timelines indicated herein; the Company's ability to maximize shareholder value; the Company's ability to obtain, maintain, and renew or extend, applicable authorizations, including the timing and impact of the receipt thereof; the realization of cost savings, synergies or benefits from the Company's recent and proposed acquisitions, and the Company's ability to successfully integrate the operations of any business acquired within the Company's business; the anticipated sales from continuing operations; Cabana Club and Cabana ELITE loyalty programs membership continuing to increase; the Company launching additional Cabana Cannabis Co. and NuLeaf Naturals branded SKUs on the timelines outlined herein; the Company hitting its forecasted revenue and sales projections; the Company securing the proposed credit facilities on the terms and within the timelines set out herein; the use of proceeds from the proposed credit facilities being utilized as outlined herein; the anticipated effects of the proposed credit facilities on the business and operations of the Company; the intention of the Company to complete the ATM*

*Program and any additional offering of securities of the Company; the aggregate amount of the total proceeds that the Company will receive pursuant to the ATM Program and/or any future offering; the Company's expected use of the net proceeds from the ATM Program and/or any future offering; the listing of Common Shares offered in the ATM Program and/or any future offering; and the Company continuing to grow its online retail portfolio through further strategic and accretive acquisitions.*

*Forward-looking information in this press release are based on certain assumptions and expected future events, which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, and those assumptions and expected future events include, but are not limited to: current and future members of management will abide by the Company's business objectives and strategies from time to time established by the Company; the Company will retain and supplement its board of directors and management, or otherwise engage consultants and advisors having knowledge of the industries (or segments thereof) within which the Company may from time to time participate; the Company will have sufficient working capital and the ability to obtain the financing required in order to develop and continue its business and operations; the Company will continue to attract, develop, motivate and retain highly qualified and skilled consultants and/or employees, as the case may be; no adverse changes will be made to the regulatory framework governing cannabis, taxes and all other applicable matters in the jurisdictions in which the Company conducts business and any other jurisdiction in which the Company may conduct business in the future; the Company will be able to generate cash flow from operations, including, where applicable, the distribution and sale of cannabis and cannabis products; the Company will be able to execute on its business strategy as anticipated; the Company will be able to meet the requirements necessary to obtain and/or maintain authorizations required to conduct the business; general economic, financial, market, regulatory, and political conditions, including the impact of the COVID-19 pandemic, will not negatively affect the Company or its business; the Company will be able to successfully compete in the cannabis industry; cannabis prices will not decline materially; the Company will be able to effectively manage anticipated and unanticipated costs; the Company will be able to maintain internal controls over financial reporting and disclosure, and procedures in order to ensure compliance with applicable laws; the Company will be able to conduct its operations in a safe, efficient and effective manner; general market conditions will be favourable with respect to the Company's future plans and goals; the Company will reach its anticipated sales from continuing operations; the Company will complete its proposed acquisitions; the Company will hit its forecasted revenue and sales projections; Cabana Club and Cabana ELITE loyalty programs membership will continue to increase; the Company will deploy Fastendr™ technology across the Company's retail stores, including licensing this technology, upon the timelines disclosed herein; same-store sales will continue to increase; the Company will make meaningful increases to its revenue profile; the Company will continue to increase its revenue; the Company will build upon its existing momentum in the international hemp-derived CBD and consumption accessories e-commerce sectors; the Company will continue to integrate and expand its CBD brands; the Company will add additional cannabis retail store locations to the Company's business and remain on a positive growth trajectory; the Company will complete the development of its cannabis retail stores; the*

*Company will secure the proposed credit facilities (and will have the ability to obtain all requisite approvals) on the terms and within the timelines anticipated; the use of proceeds from the proposed credit facilities will be utilized as outlined herein; the proposed credit facilities will have the anticipated effect on the business and operations of the Company; the Company will complete the ATM Program; the Company's will use of the net proceeds from the ATM Program and/or any future offering as outlined herein; the Company will list the Common Shares offered in the ATM Program and/or any future offering; and the Company will continue to grow its online retail portfolio through further strategic and accretive acquisitions.*

*These statements involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements to differ materially from those expressed or implied by such statements, including but not limited to: the Company's inability to attract and retain qualified members of management to grow the Company's business and its operations; unanticipated changes in economic and market conditions or in applicable laws; the impact of the publications of inaccurate or unfavourable research by securities analysts or other third parties; the Company's failure to complete future acquisitions or enter into strategic business relationships; interruptions or shortages in the supply of cannabis from time to time available to support the Company's operations from time to time; unanticipated changes in the cannabis industry in the jurisdictions within which the Company may from time to time conduct its business and operations, including the Company's inability to respond or adapt to such changes; the Company's inability to secure or maintain favourable lease arrangements or the required authorizations necessary to conduct the business and operations and meet its targets; the Company's inability to secure desirable retail cannabis store locations on favourable terms; risks relating to projections of the Company's operations; the Company's inability to effectively manage unanticipated costs and expenses, including costs and expenses associated with product recalls and judicial or administrative proceedings against the Company; risk that the Company will not reach the anticipated sales from continuing operations; risk that the Company will not hit its forecasted revenue and sales projections; risk that Cabana Club or Cabana ELITE loyalty program membership will decrease or plateau; risk that the Company will be unable to deploy Fastendr™ technology across the Company's retail stores or license it on the timelines disclosed herein; risk that same-store sales will not increase, but decrease and/or plateau; risk that the Company will be unable to increase its revenue profile, but that it will decrease or plateau; risk that the Company will be unable to build upon its existing momentum in the international hemp-derived CBD and consumption accessories e-commerce sectors; risk that the Company will be unable to continue to integrate and expand its CBD brands; risk that the Company will be unable to grow its online retail portfolio through further strategic and accretive acquisitions; risk that the Company will be unable to add additional cannabis retail store locations to the Company's business and remain on a positive growth trajectory; risks that the Company will be unable to complete the development of any or all of its cannabis retail stores; risk that the Company will be unable to secure the proposed credit facilities, unable to utilize the proposed credit facilities on the terms and within the timelines anticipated and/or the proposed credit facilities will not have the anticipated effect on the business and operations of the Company; risk that the Company will not become the largest revenue-generating cannabis company reporting in Canada dollars; risk the Company will not complete the ATM Program; the Company's inability to list the Common Shares*

*offered in the ATM Program and/or any future offering; the Company's failure to utilize the use of proceeds from the ATM Program and/or any future offering as expected; risks surrounding the legality of delta-8 tetrahydrocannabinol ("**Delta-8**") derived from hemp; risks surrounding the uncertainty and legality of Delta-8 and delta-9 tetrahydrocannabinol ("**Delta-9**") state to state; risk that the United States Drug Enforcement Administration could consider the Company's Delta-8 products an illegal controlled substance under the Controlled Substances Act (the "**CSA**") or Federal Analogue Act in the United States; risk that that state or federal regulators or law enforcement could take the position that the Delta-8 and Delta-9 products and/or in-process hemp extract are/is a Schedule I controlled substance in violation of the CSA and similar state laws; risk that the Company's Delta-9 products could be considered by state law enforcement and state regulators to be marijuana illegal under state laws criminalizing the possession, distribution, trafficking and sale of marijuana; risk that should the Company become subject to enforcement action by federal or state agencies, the Company could: (i) be forced to stop offering some or all of its Delta-8 and Delta-9 products or stop all business operations, (ii) be subject to other civil or criminal sanctions, (iii) be required to defend against such enforcement and if unsuccessful could cause the Company to cease its operations; and risk that enforcement or regulatory action at the United States federal and/or state level could adversely impact the listings of the Common Shares on the TSXV and Nasdaq.*

*Additional risk factors that can cause results to differ materially from those expressed in forward-looking statements in this press release are discussed in greater detail in the "Non-Exhaustive List of Risk Factors" section in Schedule A to our current annual information form, and elsewhere in this press release, as such factors may be further updated from time to time in our periodic filings, available at [www.sedar.com](http://www.sedar.com) and [www.sec.gov](http://www.sec.gov), which risk factors are incorporated herein by reference.*

*Readers are cautioned that the foregoing list is not exhaustive. Readers are further cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are placed will occur. Such information, although considered reasonable by management at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated.*

*Forward-looking statements contained in this press release are expressly qualified by this cautionary statement and reflect the Company's expectations as of the date hereof and are subject to change thereafter. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, estimates or opinions, future events or results or otherwise or to explain any material difference between subsequent actual events and such forward-looking information, except as required by applicable law.*

#### **CAUTIONARY NOTE REGARDING FUTURE ORIENTED FINANCIAL INFORMATION**

*This press release may contain future oriented financial information ("**FOFI**") within the meaning of Canadian securities legislation, about prospective results of operations, financial position or cash flows, based on assumptions about future economic conditions and courses of action, which*

*FOFI is not presented in the format of a historical balance sheet, income statement or cash flow statement. The FOFI has been prepared by management to provide an outlook of the Company's activities and results and has been prepared based on a number of assumptions including the assumptions discussed under the heading above entitled "Cautionary Note Regarding Forward-Looking Statements" and assumptions with respect to the costs and expenditures to be incurred by the Company, capital expenditures and operating costs, taxation rates for the Company and general and administrative expenses. Management does not have, or may not have had at the relevant date, firm commitments for all of the costs, expenditures, prices or other financial assumptions which may have been used to prepare the FOFI or assurance that such operating results will be achieved and, accordingly, the complete financial effects of all of those costs, expenditures, prices and operating results are not, or may not have been at the relevant date of the FOFI, objectively determinable.*

*Importantly, the FOFI contained in this press release are, or may be, based upon certain additional assumptions that management believes to be reasonable based on the information currently available to management, including, but not limited to, assumptions about: (i) the future pricing for the Company's products, (ii) the future market demand and trends within the jurisdictions in which the Company may from time to time conduct the Company's business, (iii) the Company's ongoing inventory levels, and operating cost estimates, (iv) the Company obtaining the proposed credit facilities, (v) the Company completing the ATM Program, and (vi) the Company's unaudited financial results for the period ended January 31, 2023. The FOFI or financial outlook contained in this press release do not purport to present the Company's financial condition in accordance with IFRS as issued by the International Accounting Standards Board, and there can be no assurance that the assumptions made in preparing the FOFI will prove accurate. The actual results of operations of the Company and the resulting financial results will likely vary from the amounts set forth in the analysis presented in any such document, and such variation may be material (including due to the occurrence of unforeseen events occurring subsequent to the preparation of the FOFI). The Company and management believe that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments as at the applicable date. However, because this information is highly subjective and subject to numerous risks including the risks discussed under the heading above entitled "Cautionary Note Regarding Forward-Looking Statements" and under the heading "Non-Exhaustive List of Risk Factors" in the Company's public disclosures, FOFI or financial outlook within this press release should not be relied on as necessarily indicative of future results.*

*Readers are cautioned not to place undue reliance on the FOFI, or financial outlook contained in this press release. Except as required by Canadian securities laws, the Company does not intend, and does not assume any obligation, to update such FOFI.*

## **CONTACT INFORMATION**

*Media Inquiries  
Omar Khan  
Chief Communications and Public Affairs Officer*

*High Tide Inc.*  
*omar@hightideinc.com*

*Investor Inquiries*  
*Vahan Ajamian*  
*Capital Markets Advisor*  
*High Tide Inc.*  
*vahan@hightideinc.com*

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# **Management's Discussion & Analysis**

**For the three months ended January 31, 2023 and 2022**





## High Tide Inc.

### Management's Discussion and Analysis

For the three months ended January 31, 2023 and 2022

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

This management's discussion and analysis (this "MD&A") of High Tide Inc. ("High Tide" or the "Company") for the three months ended January 31, 2023, and 2022 is dated March 17, 2023. This MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the three months ended January 31, 2023 and 2022 together with the notes thereto and the audited consolidated financial statements of the Company for the years ended October 31, 2022 and 2021 (hereafter the "Financial Statements"). The financial information presented in this MD&A has been derived from the Financial Statements and prepared in accordance with the International Accounting Standard ("IAS") 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board. The Company's continuous disclosure materials, including interim filings, audited annual consolidated financial statements, annual information form and annual report on Form 40-F can be found on SEDAR at [www.sedar.com](http://www.sedar.com), with the Company's filings with the SEC at [www.sec.gov](http://www.sec.gov).

In this MD&A, the terms "we", "us" and "our" refer to High Tide. This MD&A also refers to the Company's three reportable operating segments: (i) the "Retail" Segment represented by brands, including Canna Cabana, Grasscity, Smoke Cartel, FABCBD, Daily High Club, DankStop, Blessed CBD and NuLeaf Naturals, (ii) the "Wholesale" Segment represented by brands Valiant, and (iii) the "Corporate" Segment (each as defined below under the heading – *Glossary of Terms*).

High Tide is a leading 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 ticker symbol "HITI" as of June 2, 2021, the TSX Venture Exchange ("TSXV") under the symbol "HITI", and the Frankfurt Stock Exchange 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.

## Glossary of Terms

In this MD&A, unless otherwise indicated or if the context otherwise requires, "2018 Farm Bill" means the Agriculture Improvement Act of 2018, including any regulations promulgated thereunder, as amended; "Adjusted EBITDA" has the meaning ascribed thereto under the heading "EBITDA and Adjusted EBITDA"; "ECL" means expected credit loss; "Agents" means collectively ATB Capital Markets Inc. and ATB Capital Markets USA Inc.; "Applicable Securities Laws" means, as applicable, the securities legislation, securities regulation and securities rules, and the policies, notices, instruments and blanket orders of each Canadian securities regulator having the force of applicable law and in force from time to time; "ATM Program" means the at-the-market equity offering program of the Company established pursuant to the ATM Prospectus Supplement on December 6, 2021, which allows the Company to issue up to \$40,000,000 (or the equivalent in U.S. dollars) of Common Shares from its treasury to the public from time to time, at the Company's discretion and subject to regulatory requirements; "ATM Prospectus Supplement" means the prospectus supplement of the Company dated December 3, 2021 relating to the ATM Program; "Authorizations" means, collectively, all consents, licenses, registrations, permits, authorizations, permissions, orders, approvals, clearances, waivers, certificates, and declarations issued, granted, given or otherwise made available by or under the authority of any government entity or pursuant to any requirement under applicable law; "Blessed CBD" means Enigma Ltd.; "Board" means the board of directors of the Company, as constituted from time to time; "Bought Deal Offering" has the meaning ascribed thereto under the heading "July 2022 Bought Deal"; "Bud Heaven" means Livonit Foods Inc.; "Bud Room" means Bud Room Inc.; "Business" means the business carried on by High Tide and its subsidiaries as at the date of this MD&A, and where the context so requires, includes the business carried on by High Tide and its subsidiaries prior to the date of this MD&A; "Canadian Shelf Prospectus" means the Company's final base shelf prospectus dated April 22, 2021 filed with the securities commissions or similar regulatory authorities in each of the provinces and territories of Canada; "Canna Cabana" means Canna Cabana Inc.; "Cannabis Act" means the Cannabis Act (Canada), including any regulations promulgated thereunder, as amended; "Cannabis" or "cannabis" means the plant *Cannabis sativa* L; "Cannabinoid" means a group of closely related compounds which include cannabidiol and the active constituents of cannabis; "CBD" means industrial Hemp-based cannabidiol; "CBG" means industrial Hemp-based cannabigerol; "CGU" means cash-generating unit; "Choom" means Choom Holdings Inc. and its subsidiaries and their respective stores; "Common Shares" means the common shares in the capital of the Company; "connectFirst" means Connect First Credit Union Ltd.; "connectFirst Credit Facility" has the meaning ascribed thereto under the heading "connectFirst Credit Facility"; "Corporate segment" means corporate support service to assist retail and wholesale segments; "Crossroads Cannabis" means the cannabis stores operating under the brand Crossroads Cannabis; "DankStop" means DS Distribution Inc., operating as 'Dankstop.com'; "DEA" means





## High Tide Inc.

### Management's Discussion and Analysis

For the three months ended January 31, 2023 and 2022

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

the U.S. Drug Enforcement Administration; "Delta-8" means delta-8 tetrahydrocannabinol; "Delta-9" or "THC" means delta-9 tetrahydrocannabinol; "DSHEA" means *the Dietary Supplement Health and Education Act of 1994*; "Daily High Club" means DHC Supply, LLC; "EBITDA" means earnings before interest, taxes, depreciation and amortization; "Equity Distribution Agreement" means the equity distribution agreement dated December 3, 2021 entered into among the Company and Agents associated with the ATM Program; "Exchange Act" means *the Securities Exchange Act of 1934*; "FABCBD" means Fab Nutrition, LLC; "Federal Paraphernalia Law" means *U.S. Code Title 21 Section 863*; "FDA" means U.S. Food and Drug Administration; "FDCA" means *the Federal Food, Drug, and Cosmetic Act*; "FOFI" means future oriented financial information; "FTC" means the U.S. Federal Trade Commission; "FTCA" means *the Federal Trade Commission Act*; "FVLCD" means fair value less costs of disposal; "FVTPL" means fair value through profit and loss; "GBP" means British pound sterling; "Grasscity" means collectively, High Tide B.V., SJV B.V., and SJV2 B.V.; "Halo Kushbar" means the sale of three operating Kushbar retail cannabis assets to Halo Labs Inc.; "Hemp" means the plant cannabis sativa L. and any part of that plant, including the seeds thereof, and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a THC concentration of not more than 0.3% on a dry weight basis; "IAS" means International Accounting Standards; "ICFR" means internal control over financial reporting; "IFR" means Interim Final Rule; "IFRS Committee" means IFRS Interpretations Committee; "IND" means Investigational New Drug Application; "IND Preclusion" means section 201(ff)(3)(B)(ii) of the FDCA; "Kensington" means the licensed cannabis retail store location in Alberta purchased on June 4, 2022; "Key Personnel" means collectively Management and certain consultants; "Jimmy's" means 1171882 B.C. Ltd., operating as Jimmy's Cannabis Shop BC; "July 2022 Warrant" has the meaning ascribed thereto under the heading "July 2022 Bought Deal"; "Lender" means ATB Financial; "Licensed Producers" means any Person duly authorized by Health Canada pursuant to applicable laws to engage in the cultivation, production, growth and/or distribution of cannabis; "Person" includes any individual, partnership, association, body corporate, organization, trust, estate, trustee, executor, administrator, legal representative or government (including any governmental entity), syndicate or other entity, whether or not having legal status; "Management" means the management of the Company, as constituted from time to time; "Material Adverse Effect" means a material adverse effect on the Business carried on by the Company and its subsidiaries as at the date of this MD&A, the properties, assets, liabilities (including contingent liabilities), results of operations, financial performance, financial condition, or the market and trading price of the securities, of the Company and its subsidiaries, taken as a whole; "Meta Growth" means Meta Growth Corp.; "NI 52-109" means National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings; "SEC" means the U.S. Securities and Exchanges Commission; "SPPI" means solely payment of principal and interest; "NDI" means New Dietary Ingredient; "NuLeaf Naturals" means NuLeaf Naturals, LLC; "Omnibus Plan" means the 20% fixed compensation incentive plan of the Company, as amended from time to time; "Ontario Lottery Winner" means the third winner of the lottery conducted by the Alcohol and Gaming Commission of Ontario on January 11, 2019, for the allocation of one of the 25 limited opportunities to apply for a Retail Store Authorization to operate a cannabis retail store in the Province of Ontario whom the Company entered into an option agreement with and ultimately purchased stores from; "Registration Statement" means the Company's registration statement on Form F-10 in connection with the Company becoming a registrant effective June 2, 2021 with the SEC upon the Company's Form 40-F registration statement becoming effective; "Retail Store Authorization" means, collectively, the Authorizations required to engage in the retail sale and distribution of adult-use cannabis and cannabis products at licensed premises; "RSU" means restricted share units of the Company granted pursuant to the Omnibus Plan; "Sarbanes-Oxley" means *the Sarbanes-Oxley Act* (United States); "SKU" means stock keeping unit; "Smoke Cartel" means Smoke Cartel USA Inc.; "U.K." means the United Kingdom; "Unit" has the meaning ascribed thereto under the heading "July 2022 Bought Deal"; "U.S." means United States of America; "U.S. Base Prospectus" means the Company's U.S. base prospectus dated September 17, 2021 included in the Registration; "U.S. Prospectus Supplements" means the prospectus supplement dated December 3, 2021 to the U.S. Base Prospectus; "USD" United States dollars; "USDA" means the U.S. Department of Agriculture; "Valiant" means Valiant Distribution Canada Inc.; "Warrants" means the Common Share purchase warrants of the Company.



## High Tide Inc.

### Management's Discussion and Analysis

For the three months ended January 31, 2023 and 2022

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

## 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 is 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, Smoke Cartel, FABCBD, Daily High Club, DankStop, Blessed CBD and NuLeaf Naturals. 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, Daily High Club has become one of the leading online retailers of in demand consumption accessories and monthly subscription boxes. DankStop is a leading online consumption accessories retailer. With an industry leading and innovative website and a dedicated support team, DankStop has been raising the bar for online consumption supply industry since 2014. Blessed CBD is one of the leading online retailers for CBD products in the U.K. Blessed CBD provides a marketplace with a wide variety of high-quality products and formulas, affordable pricing, rapid dependable shipping, and surprisingly personable customer service. Blessed CBD has been featured as the best U.K. CBD oil in several publications including The Mirror, Reader's Digest, and Maxim Magazine, further establishing the Company's e-commerce presence. NuLeaf Naturals is one of America's leading CBD companies. Since 2014, NuLeaf Naturals has been committed to creating the world's highest quality CBD products in their most pure and potent form. NuLeaf Naturals' products are produced at a cGMP-certified facility enabling them to manufacture groundbreaking CBD formulations while exceeding the highest levels of regulatory compliance. NuLeaf Naturals is committed to creating safe, consistent, and effective products and has proudly received over 25,000 verified 5-star customer reviews through their e-commerce platform.

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



**High Tide Inc.**

**Management's Discussion and Analysis**

For the three months ended January 31, 2023 and 2022

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

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



BlessedCBD





## High Tide Inc.

### Management's Discussion and Analysis

For the three months ended January 31, 2023 and 2022

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

#### Competitive Landscape

As of the date of this MD&A, the Company operates 151 branded retail cannabis stores across Canada. The Company operates 148 corporately owned retail cannabis locations represented by 75 locations in Alberta, 48 locations in Ontario, 10 locations in Saskatchewan, 7 locations in British Columbia, and 8 locations in Manitoba. 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 a 49% interest that operates two branded retail locations in Manitoba.

The Company's retail recreational cannabis products operation operates amongst many competitors, both consolidated chains and independent operators. Notable competitors include Fire & Flower Holdings Corp. and NOVA Inc., 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 most 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 that its brick-and-mortar retail operations will continue to experience similar competition to what it has faced in prior quarters 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, loyalty program, 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, British Columbia, and Manitoba, the Company is looking to expand its presence in Ontario and other provinces which we anticipate in fiscal year 2023. 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 January 31		
	2023	2022	Change
	\$	\$	
Revenue	118,076	72,218	64%
Gross Profit	32,181	22,982	40%
Gross Profit Margin	27%	32%	(5%)
Total Operating Expenses <sup>(i)</sup>	(36,103)	(29,129)	(24%)
Adjusted EBITDA <sup>(iii)</sup>	5,499	2,955	86%
Loss from Operations	(3,922)	(6,147)	36%
Net loss	(3,862)	(7,352)	47%
Loss per share (Basic and Diluted)	(0.05)	(0.14)	60%

Note:

(i) Total operating expenses is a non-IFRS financial measure.

(ii) 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 64% to \$118,076 in the first quarter of 2023 (2022: \$72,218) and gross profit increased by 40% to \$32,181 in the first quarter of 2023 (2022: \$22,982). Loss from operations was \$3,922 in the first quarter of 2023 (2022: loss \$6,147).



## High Tide Inc.

### Management's Discussion and Analysis

For the three months ended January 31, 2023 and 2022

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

The key factors affecting the results for the three-month period ended January 31, 2023, were:

- **Merchandise Sales** – Merchandise sales increased by 64% for the three-month period ended January 31, 2023, as compared to 2022. Growth in revenue was largely driven by the addition of new stores and acquired businesses and an increase in same store sales.
- **Gross Profit Margin** – Gross Profit Margin decreased by 5% for the three-month period ended January 31, 2023, as compared to 2022. The decrease in gross profit margin was largely driven by the change in retail pricing, from a premium strategy to a discount pricing model.
- **Operating Expenses** – Operating expenses increased by 24% for the three-months ended January 31, 2023, compared to 2022, and as a percentage of revenue decreased by 9% in the first quarter of 2023 to 31% (2022: 40%). Operating expenses increased over the same period in 2022 due to the Company's continued growth of their Retail Segment through new store openings, the acquisitions of Jimmy's, Choom, NuLeaf Naturals, Bud Room, 2080791 Alberta Ltd., Crossroads Cannabis, Bud Heaven, Halo Kushbar, Ontario Lottery Winner, and Kensington.

#### Revenue

Revenue increased by 64% to \$118,076 in the first quarter of 2023 (2022: \$72,218).

The increase in revenue was driven primarily by the Company's Retail Segment through the acquisitions of NuLeaf Naturals on November 29, 2021, Bud Room on Feb 9, 2022, 2080791 Alberta Ltd. on April 21, 2022, Crossroads Cannabis on April 26, 2022, Ontario Lottery Winner on May 10, 2022, Bud Heaven on June 1, 2022, Kensington on June 4, 2022, and Halo Kushbar on July 15, 2022, Jimmy's Cannabis on December 29, 2022, Choom on August 2, 2022 and was also due to the shift in the retail pricing strategy, and launch of our discount club model and organic growth.

Canna Cabana provide a unique customer experience focused on retention and loyalty through the Cabana Club membership platform. Members of Cabana Club receive member-only pricing, short message service 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. As of the date of this MD&A, over 975,000 members have joined Cabana Club, with over 90% of our average daily transactions conducted by club members. This increase in our database from 245,000 on October 20, 2021 (approximately 206%) can be attributed to the launch of the discount club model across Canada. Additionally, approximately 9,500 members have joined Cabana ELITE, an optional paid membership upgrade for Cabana Club members, generating over \$270 in membership fees.

#### Gross Profit

For the three-month period ended January 31, 2023, gross profit increased by 40% to \$32,181 (2022: \$22,982). The increase in gross profit was driven by an increase in sales volume due to the change in retail pricing strategy as well as the acquisitions of NuLeaf Naturals, Bud Room, 2080791 Alberta Ltd., Crossroads Cannabis, Bud Heaven, Halo Kushbar, Ontario Lottery Winner, Kensington, Choom, and Jimmy's. The gross profit margin decreased to 27% for the three-month period ended January 31, 2023 (2022: 32%). The decrease in the gross profit margin percentage was due to a change in the bricks and mortar retail pricing strategy, which focused on growing High Tide's market share.



## High Tide Inc.

### Management's Discussion and Analysis

For the three months ended January 31, 2023 and 2022

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

#### *Operating Expenses*

Total operating costs increased by 24% to \$36,103 in the first quarter of 2023 (2022: \$29,129). Operating expenses increased over the same period in 2022 due to the Company's continued growth of their Retail Segment through new store openings and acquisitions.

Salaries, wages, and benefits expenses increased by 45% to \$14,302 in the first quarter of 2023 (2022: \$9,887). The increase in staffing was due primarily to acquisitions, as well as an additional corporate level personnel to facilitate the integration of acquisitions and to support the growth in the number of cannabis locations. Salaries, wages, and benefits expenses as a percentage of revenue decreased to 12% in the three-month period ended January 31, 2023, compared to 14% in 2022.

Share-based compensation decreased to \$1,436 for the three-month period ended January 31, 2023 (2022: \$1,902). The decrease in share-based compensation was primarily due to lower amount being granted for options and RSUs to employees, directors, and consultants of the Company.

General and administrative expenses increased by 28% to \$7,497 in the first quarter of 2023 (2022: \$5,861), and as a percentage of revenue decreased to 6% in the year of 2023 compared to 8% 2022 primarily because of the increase in scale of operations and organic growth.

Professional fees expense increased by 143% to \$2,428 for the first quarter of 2023 (2022: \$1,000), due to increased additional costs related to tax and accounting services for newly acquired entities, and legal fees in the normal course of Business.

Advertising and promotion expense decreased by 38% to \$1,489 for the first quarter of 2023 (2022: \$2,403). The decrease in advertising and promotion costs was primarily driven by the reduction in online traffic due to the pandemic impact lessening in late 2022 and the change in the strategy where the company is moving towards a centralize marketing approach for all CBD business.

Depreciation and amortization expense on property, equipment, intangibles, and right-of-use assets of \$7,986 (2022: 7,111) for the first quarter of 2023 increased by 12% compared to 2022 primarily due to the acquisitions of NuLeaf Naturals, Bud Room, 2080791 Alberta Ltd., Crossroads Cannabis, Bud Heaven, Halo Kushbar, Ontario Lottery Winner, Kensington, Choom, Jimmy's, and the building of 10 new stores.

Interest and bank charges increased by 10% to \$965 for the first quarter of 2023 (2022: \$876). The increase in interest and bank charges is primarily due to increased merchant charges incurred through the normal course of business through the acquired operations of NuLeaf Naturals, Bud Room, 2080791 Alberta Ltd., Crossroads Cannabis, Bud Heaven, Halo Kushbar, Ontario Lottery Winner, Kensington, Choom, Jimmy's, and the building of 10 new stores.

#### *Financing and Other Costs*

Financing and other costs were flat with \$2,478 recorded for the quarter ended January 31, 2023 (2022: \$2,460). The increase in Interest bearing loans and borrowings was partially offset by a reduction in transaction costs.

#### *Revaluation of Derivative Liability*

The Company recorded a gain from the revaluation of derivative liability of \$1,261 during the first quarter of 2023 (2022: gain of \$525). During the period the derivative liability increased as a result of acquisition of NuLeaf Naturals and revaluation of put options associated with the acquisitions of NuLeaf Naturals, Blessed CBD, and FABCBD.



## High Tide Inc.

### Management's Discussion and Analysis

For the three months ended January 31, 2023 and 2022

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

#### *ATM Program*

Pursuant to the ATM Program, during the first quarter ended January 31, 2023, the Company issued an aggregate of 821,537 Common Shares over the TSXV and Nasdaq, for aggregate gross proceeds to the Company of \$1,852 (three months ended January 31, 2022: 130,197 Common Shares; \$799).

Pursuant to the Equity Distribution Agreement, a cash commission of \$28 on the aggregate gross proceeds raised was paid to the Agents in connection with their services under the Equity Distribution Agreement during the first quarter ended January 31, 2023.

The Company intends to use the net proceeds of the ATM Program, if any, and at the discretion of the Company, to fund strategic initiatives it is currently developing, to support the growth and development of the Company's existing operations, funding future acquisitions as well as working capital and general corporate purposes.

Common Shares issued pursuant to the ATM Program will be issued pursuant to the ATM Prospectus Supplement to the Canadian Shelf Prospectus and U.S. Prospectus Supplement. The Canadian Prospectus Supplement and Canadian Shelf Prospectus are available for download from SEDAR at [www.sedar.com](http://www.sedar.com), and the U.S. Prospectus Supplement, U.S. Base Prospectus and Registration Statement are accessible via EDGAR on the SEC's website at [www.sec.gov](http://www.sec.gov).

The ATM Program is effective until the earlier of (i) the date that all Common Shares available for issue under the ATM Program have been sold, (ii) the date the Canadian Prospectus Supplement in respect of the ATM Program or Canadian Shelf Prospectus is withdrawn and (iii) the date that the ATM Program is terminated by the Company or Agents.

#### *July 2022 Bought Deal*

On July 22, 2022, the Company completed a bought deal short-form base shelf prospectus supplement offering pursuant to the Canadian Shelf Prospectus (the "Bought Deal Offering") of units (each, a "Unit"). In connection with the Bought Deal Offering, the Company issued an aggregate of 4,956,960 (including the exercise in full of the underwriters' over-allotment option) Units at a price of \$2.32 per Unit, for aggregate gross proceeds of \$11,500. Each Unit was comprised of one Common Share and one Common Share purchase warrant (each, a "July 2022 Warrant"). Each July 2022 Warrant entitles the holder thereof to purchase one additional Common Share at an exercise price of \$2.73 per July 2022 Warrant for a period of 60 months from closing of the Bought Deal Offering.



## High Tide Inc.

### Management's Discussion and Analysis

For the three months ended January 31, 2023 and 2022

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

#### *connectFirst Credit Facility*

On August 15, 2022, the Company entered into a \$19,000 demand term loan with connectfirst (the "connectFirst Credit Facility") with the first tranche, \$12,100, available in a single advance, and the second tranche, \$6,900, available in multiple draws subject to certain pre-disbursement conditions. The demand loan bears interest at connectFirst's prime lending rate plus 2.50% per annum and matures on October 7, 2027.

The first tranche is repayable on demand, but until demand is made the connectFirst Credit Facility is repaid in monthly blended payments of principal and interest of \$240. Blended payments may be adjusted from time to time, if necessary, based on connectFirst's prime lending rate, the principal outstanding, and amortization period remaining. On October 7, 2022, the Company received the inflow of funds for the first tranche. The purpose of the first tranche was to pay outstanding loans.

The second tranche is also repayable on demand, but until demand is made the connectFirst Credit Facility is repaid in monthly blended payments of principal and interest of \$137. Blended payments may be adjusted from time to time, if necessary, on the basis of connectFirst's prime lending rate, the principal outstanding and amortization period remaining. On October 25, 2022, the Company received the inflow of funds for the second tranche. Interest rate and terms (60 months) are the same as the first tranche. However, the purpose of the second tranche is to finance working capital and set up new organic stores.

In connection with the connectFirst Credit Facility, the Company provided:

- (a) A general security agreement comprising a first charge security interest over all present and after acquired personal property, registered at Personal Property Registry and provided an unlimited guarantee and postponement of claim granted by Canna Cabana (including supporting corporate documents);
- (b) A general security agreement comprising a first charge security interest over all present and after-acquired personal property, registered at Personal Property Registry and provided an unlimited guarantee and postponement of claim granted by Meta Growth (including supporting corporate documents);
- (c) A general security agreement comprising a first charge security interest over all present and after-acquired personal property, registered at Personal Property Registry and provided an unlimited guarantee and postponement of claim granted by 2680495 Ontario Inc. (including supporting corporate documents);
- (d) A general security agreement comprising a first charge security interest over all present and after-acquired personal property, registered at Personal Property Registry and provided an unlimited guarantee and postponement of claim granted by Valiant Distributions (including supporting corporate documents); and
- (e) A general security agreement comprising a first charge security interest over all present and after-acquired personal property, registered at Personal Property Registry.

#### *Covenants attached to the connectFirst Credit Facility:*

- (a) The Company's debt service coverage ratio shall be not less than 1.40:1, to be tested at the end of each fiscal quarter of the Company based on a trailing four-quarters basis using consolidated financial statements beginning January 31, 2023. As at January 31, 2023, the Company was in compliance with the debt service coverage ratio.
- (b) The Company shall at all times maintain in the Company's account with connectFirst the greater of \$7,500 and 50% of the aggregate debt of the Company to connectFirst. A five-business day cure period is permitted. Included in the Cash and cash equivalents is \$8,197 held in the Company's account with connectFirst.
- (c) The Company shall at all times maintain a current ratio of not less than 1.25:1, to be tested monthly using consolidated financial statements. As at January 31, 2023, the Company was in compliance with the current ratio.





## High Tide Inc.

### Management's Discussion and Analysis

For the three months ended January 31, 2023 and 2022

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

- (d) The Company shall at all times maintain a funded debt to EBITDA ratio of not more than 3:1, to be tested quarterly on a consolidated basis beginning January 31, 2023. As at January 31, 2023, the Company was in compliance with the funded debt to EBITDA ratio.

As at January 31, 2023, the Company has met all the requirements of the connectFirst Credit Facility.

## Segment Operations

	Retail	Retail	Wholesale	Wholesale	Corporate	Corporate	Total	Total
For the three months ended January 31,	2023	2022	2023	2022	2023	2022	2023	2022
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Total revenue	116,928	70,966	1,148	1,213	—	39	118,076	72,218
Gross profit	31,942	22,768	241	179	(2)	35	32,181	22,982
(Loss) income from operations	3,855	(567)	(944)	(318)	(6,833)	(5,262)	(3,922)	(6,147)

	Retail	Retail	Wholesale	Wholesale	Corporate	Corporate	Total	Total
As at January 31, 2023 and October 31, 2022	2023	2022	2023	2022	2023	2022	2023	2022
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Total assets	231,973	241,394	12,740	11,949	29,121	21,400	273,834	274,743
Total liabilities	72,613	71,780	3,266	3,054	34,220	37,876	110,099	112,710

	Canada	Canada	USA	USA	International	International	Total	Total
For the three months ended January 31,	2023	2022	2023	2022	2023	2022	2023	2022
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Total revenue	99,764	52,442	17,071	15,090	1,241	4,686	118,076	72,218
Gross profit	23,407	11,952	8,210	8,391	564	2,639	32,181	22,982
(Loss) income from operations	(4,931)	(8,735)	644	1,138	365	1,450	(3,922)	(6,147)

	Canada	Canada	USA	USA	International	International	Total	Total
As at January 31, 2023 and October 31, 2022	2023	2022	2023	2022	2023	2022	2023	2022
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Total assets	183,191	183,640	81,741	77,247	8,902	13,856	273,834	274,743
Total liabilities	85,781	85,925	22,733	24,897	1,585	1,888	110,099	112,710



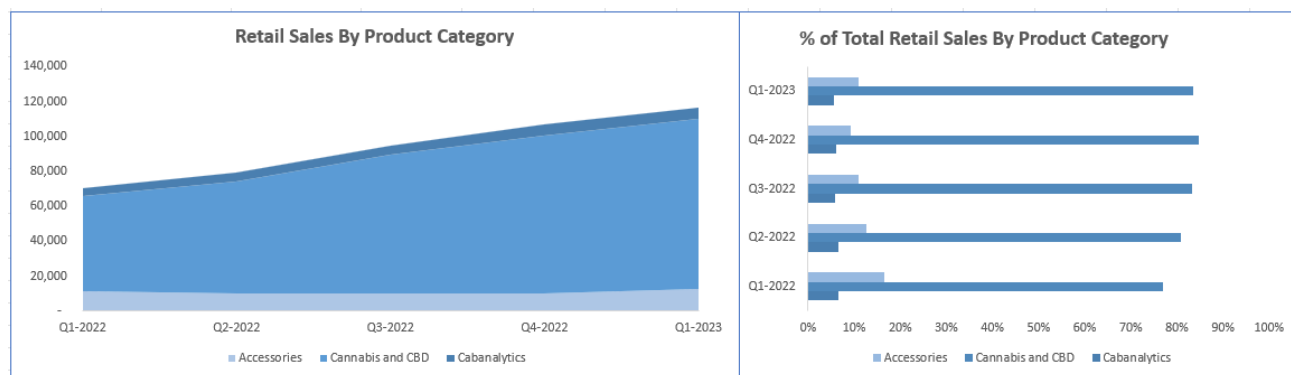
## High Tide Inc.

### Management's Discussion and Analysis

For the three months ended January 31, 2023 and 2022

(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 65% to \$116,928 for the quarter ended January 31, 2023 compared to the prior period. Revenue growth is primarily attributable to the Company's shift in the retail pricing strategy and launch of our discount club model. Additionally, the increase in revenue was due to the acquisitions of NuLeaf Naturals, Bud Room, 2080791 Alberta Ltd., Crossroads Cannabis, Ontario Lottery Winner, Bud Heaven, Kensington, Halo Kushbar, Choom, Jimmy's, and the building of 10 new stores.

For the quarter ended January 31, 2023 the Company recognized \$6,587 in revenue generated from its proprietary data analytics service named Cabanalytics™. The Cabanalytics™ program provides subscribers with a monthly report of anonymized consumer purchase data, in order to assist them with forecasting and planning their future product decisions and implementing appropriate marketing initiatives.

Gross profit for the quarter ended January 31, 2023, increased by \$9,174 compared to prior year and the gross profit margin decreased to 27% (2022: 32%). 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 and the Company's launch of its innovative discount club model.

For the quarter ended January 31, 2023, the Retail Segment recorded an income from operations of \$3,855 compared to loss from operations of \$567 for the same period in the prior year. The increase in income from operations was primarily due to continued same store sales increases in the companies bricks and mortar stores as well as the acquisitions of NuLeaf Naturals, Bud Room, 2080791 Alberta Ltd., Crossroads Cannabis, Ontario Lottery Winner, Bud Heaven, Kensington, Halo Kushbar, Choom, and Jimmy's.

### 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 year. The Company had 102 cannabis locations that were operational for the quarter ended January 31, 2023 and 2022. For these 102 cannabis locations, same-store sales increased by 52% compared to 2022. The increase was due to the Company's shift in the retail pricing strategy and launch of our discount club model. The Company's bricks-and-mortar locations generated same store sales growth of 52% compared to last year and 4% sequentially in the first fiscal quarter of 2023.



## **High Tide Inc.**

### **Management's Discussion and Analysis**

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

#### **Grasscity.com**

During 2023, Grasscity processed 42,308 orders (2022: 31,875). 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. Grasscity began selling Cannabis seed in the United States on December 13, 2022.

#### **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 leaders in global online retailers of high-tech consumption accessories. During 2023, Smoke Cartel processed 57,598 orders (2022: 52,743). Smoke Cartel began selling cannabis seed in the United States on December 13, 2022.

#### **Fabcbd.com**

On May 10, 2021, the Company closed the acquisition of an 80% interest in FABCBD with an option to acquire the remaining 20% over the three years from the date of acquisition. Founded in 2017, Fabcbd.com has grown to become one of the leading online retailers in hemp derived CBD products. During 2023, FABCBD processed 14,804 orders (2022: 18,034). The Company also launched a CBD Subscribe-and-Save discount program. Under this program, members are able to customize their orders each month to suit their specific needs.

#### **Dailyhighclub.com**

On July 6, 2021, the Company closed the acquisition of Daily High Club. Daily High Club has grown to become one of the leading online retailers in on demand consumption accessories, selling over one million Daily High Club branded consumption accessories. During 2023, Daily High Club processed 42,361 orders (2022: 49,691).

#### **Dankstop.com**

On August 12, 2021, the Company closed the acquisition of DankStop. DankStop is a leading online consumption accessories retailer. With an industry leading and innovative website, and dedicated support team, DankStop has raised the bar for the online consumption supply industry since 2014. During 2023, DankStop processed 10,250 (2022: 10,480) orders.

#### **Blessedcbd.co.uk**

On October 19, 2021, the Company closed the acquisition of an 80% interest in Blessed CBD, with an option to acquire the remaining 20% over the three years from the date of acquisition. Blessed CBD is one of the leading online retailers of Hemp-derived CBD products in the U.K. Blessed CBD provides a marketplace with a wide variety of high-quality products and formulas, affordable pricing, rapid dependable shipping, and surprisingly personable customer service. Blessed CBD has been featured as the best UK CBD Oil in several publications including The Mirror, Reader's Digest, and Maxim Magazine. During 2023, Blessed CBD processed 8,894 orders (2022: 19,465). The Company also launched a CBD Subscribe-and-Save program called the Wellness Club. Under the Wellness Club program, members can customize their orders each month with various items across the Company's product lines. On March 9, 2022, Blessed CBD entered the German market with online sales of its full spectrum CBD oils, gummies, capsules, creams, and balms via its official website at [www.BlessedCBD.de](http://www.BlessedCBD.de). Additionally, on June 13, 2022, the Company entered into an agreement with Amazon.com, Inc. to sell its products on their ecommerce platforms.



## High Tide Inc.

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For the three months ended January 31, 2023 and 2022

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#### [NuLeafNaturals.com](https://NuLeafNaturals.com)

On November 29, 2021, the Company closed the acquisition of an 80% interest in NuLeaf Naturals with an option to acquire the remaining 20% over the three years from the date of acquisition. NuLeaf Naturals is one of America's leading Cannabinoid companies. Since 2014, NuLeaf Naturals has been committed to creating the world's highest quality CBD products in their most pure and potent form. NuLeaf Naturals manufacturing facility is a cGMP-certified facility enabling them to manufacture ground-breaking CBD formulations while exceeding the highest levels of regulatory requirement. The company is committed to creating safe, consistent, and effective products and has proudly received over 25,000 verified five-star customer reviews through their e-commerce platform. NuLeaf Naturals conducts its operations within States of the U.S. in which the sale of its Hemp-based products does not expressly violate State-controlled substance Laws. During 2023, NuLeaf Naturals processed 29,406 orders (2022: 18,257).

On May 25, 2022, NuLeaf Naturals launched a revamped Subscribe-and-Save program, based on the success of the similarly named and designed subscription program launched by fellow U.S. Subsidiary, FABCBD. Under this program, customers are able to customize their orders each month to suit their specific needs, with items from across all NuLeaf Naturals' product lines including oils, soft gels, topicals, and pet treats. Customers also have the ability to customize their delivery frequency for each individual product in their order, allowing delivery frequencies to optimally match each customer's needs for every product. In addition, by opting-in to the Subscribe-and-Save discount program, customers receive a 20% discount for life on all NuLeaf Naturals products that they purchase.

#### Wholesale Segment Performance

Revenues in the Company's Wholesale Segment decreased to \$1,149 for the three-month period ended January 31, 2023 (2022: \$1,213). Decrease in revenue is a result of a shift in focus to support the core Retail Segment and supply chain challenges.

Gross profit increased to \$241 for the three-month period ended January 31, 2023 (2022: \$179).

The Wholesale Segment reported loss from operations of \$944 for the three-month period ended January 31, 2023 (2022: \$318).

#### 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.



## High Tide Inc.

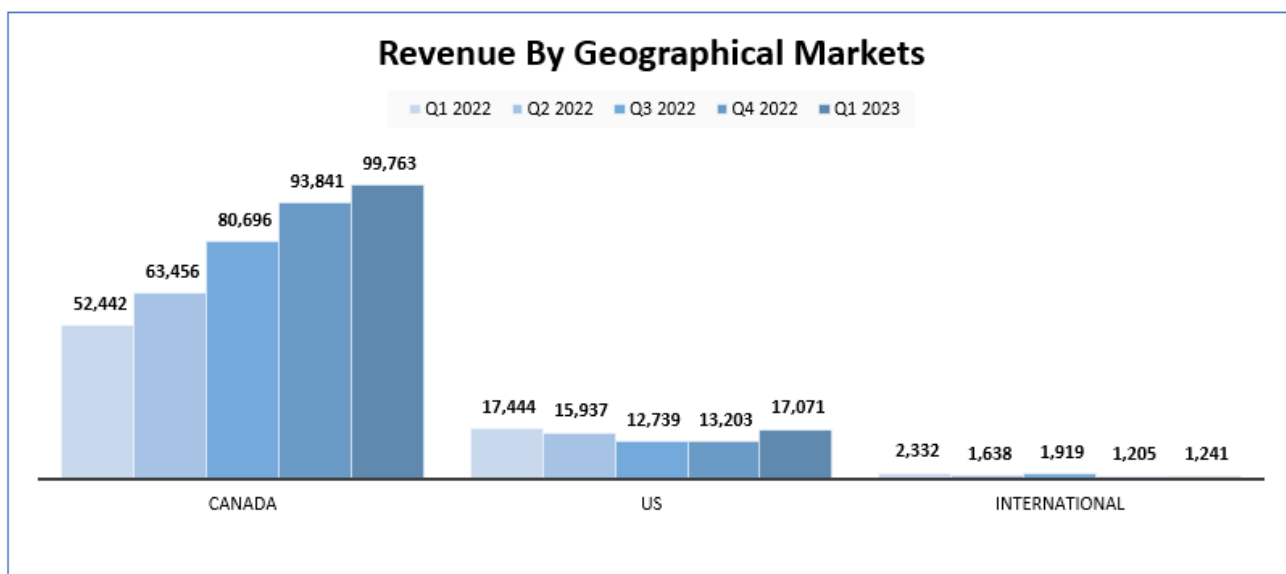
### Management's Discussion and Analysis

For the three months ended January 31, 2023 and 2022

(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:



\* United States 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 January 31	2023	2022	2023	2022	2023	2022	2023	2022
	Retail	Retail	Wholesale	Wholesale	Corporate	Corporate	Total	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Primary geographical markets <sup>(i)</sup></b>								
Canada	99,614	51,678	150	725	-	39	99,764	52,442
United States	16,073	16,956	998	488	-	-	17,071	17,444
International	1,241	2,332	-	-	-	-	1,241	2,332
<b>Total revenue</b>	<b>116,928</b>	<b>70,966</b>	<b>1,148</b>	<b>1,213</b>	<b>-</b>	<b>39</b>	<b>118,076</b>	<b>72,218</b>

Note:

<sup>(i)</sup> 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 NuLeaf Naturals contributing to sales growth in the United States. Revenue from US entities decreased to \$16,073 (2022: \$16,956)



## High Tide Inc.

### Management's Discussion and Analysis

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## Summary of Quarterly Results

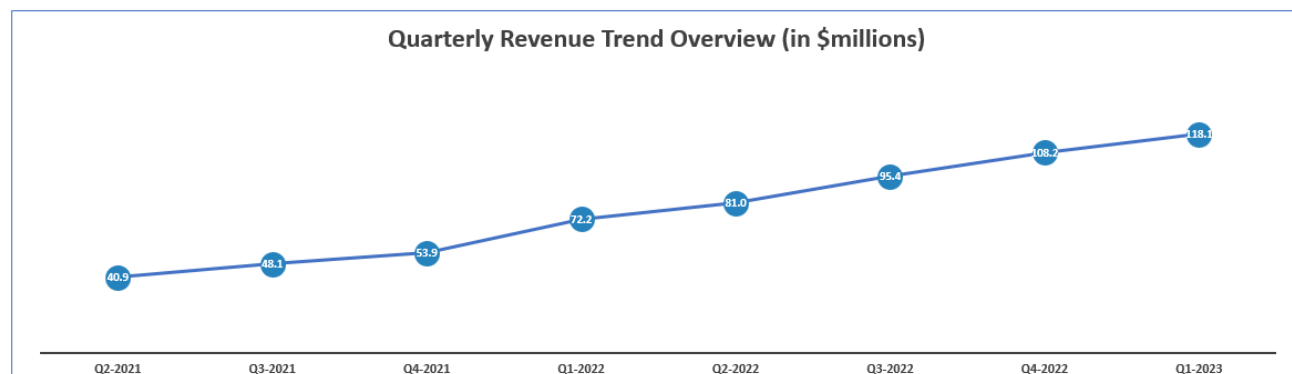
(C\$ in thousands, except per share amounts)	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Revenue	118,076	108,249	95,354	81,031	72,218	53,867	48,069	40,868
Adjusted EBITDA <sup>(i)</sup>	5,500	5,018	4,246	2,401	2,955	1,642	1,540	4,720
Loss from Operations	(3,922)	(53,908)	(4,670)	(7,578)	(6,147)	(4,851)	(7,267)	(4,511)
Net loss	(3,862)	(52,505)	(2,717)	(8,277)	(7,352)	(4,176)	(1,750)	(12,266)
Basic and Diluted net loss per share	(0.05)	(0.85)	(0.04)	(0.14)	(0.14)	(0.09)	(0.03)	(0.30)

Notes:

- (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 per share (Basic and Diluted) for the periods Q4 2020 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 increased as the Company aggressively expanded Canna Cabana operations and integrated the acquired businesses of NuLeaf Naturals, Bud Room, 2080791 Alberta Ltd., Crossroads Cannabis, Ontario Lottery Winner, Bud Heaven, Kensington, Choom, Jimmy's, and the building of 10 new stores.

Adjusted EBITDA increased by 86% or \$2,545 for the quarter ended January 31, 2023 compared to the same period in the prior year as a result of an increase in revenue due to business combinations and organic growth, which is offset by a decrease in gross margin percentage in the bricks and mortar business due to a shift in retail pricing strategy which is in-line with the current market. Further impacting adjusted EBITDA is the acquisition of NuLeaf Naturals, Bud Room, 2080791 Alberta Ltd., Crossroads Cannabis, Bud Heaven, Halo Kushbar, Ontario Lottery Winner, Kensington, Choom, Jimmy's, and the building of 10 new stores.





## High Tide Inc.

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#### 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. Management defines "Adjusted EBITDA" as the net (loss) income for the period, before income tax (recovery) expense, accretion and interest expense, depreciation and amortization, and adjusted for foreign exchange (gain) losses, transaction and acquisition costs, gain on debt restructuring, (gain) or loss on revaluation of derivative liabilities, (gain) or loss on extinguishment of debenture, impairment loss, share-based compensation, (gain) or loss on revaluation of marketable securities, (gain) or loss on extinguishment of financial liability and gain on disposal of property and equipment.

The reconciling items between net earnings, EBITDA, and Adjusted EBITDA are as follows:

	2023 <sup>(i)</sup>	2022 <sup>(ii)</sup>					2021 <sup>(iii)</sup>		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
Net loss	(3,862)	(52,502)	(2,717)	(8,277)	(7,352)	(4,176)	(1,750)	(12,266)	
Income tax expense (recovery)	(1,236)	(1,782)	731	(800)	(1,064)	(1,418)	224	(124)	
Accretion and interest	1,813	782	1,048	1,541	1,551	1,515	1,095	2,838	
Depreciation and amortization	7,986	8,249	7,182	7,627	7,111	1,458	8,299	7,714	
EBITDA	4,701	(45,253)	6,244	91	246	(2,621)	7,868	(1,838)	
Foreign exchange loss (gain)	(15)	(14)	120	107	97	473	(28)	5	
Transaction and acquisition costs	665	2,444	1,436	669	909	483	1,939	889	
(Gain) loss revaluation of derivative liability	(1,261)	(3,166)	(6,078)	(728)	(525)	(1,564)	(5,919)	3,988	
Loss (gain) on extinguishment of debenture	-	609	(140)	(133)	18	73	-	-	
Impairment loss	-	48,592	-	-	89	2,676	57	-	
Share-based compensation	1,436	2,091	1,734	2,353	1,902	2,301	508	1,517	
(Gain) loss on revaluation of marketable securities	(8)	81	146	43	219	291	112	159	
Gain (loss) on extinguishment of financial liability	(18)	(366)	784	-	-	(161)	-	-	
Gain on disposal of property and equipment	-	-	-	-	-	(309)	(2,997)	-	
Adjusted EBITDA	5,500	5,018	4,246	2,401	2,955	1,642	1,540	4,720	

#### Notes:

- (i) Cash outflow for the lease liabilities during the three-months ended January 31, 2023 were \$2,715.
- (ii) Cash outflow for the lease liabilities during the three-months ended October 31, 2022 were \$2,599, three-months ended July 31, 2022 were \$3,060, three months ended April 30, 2022, were \$1,934 and \$2,238 for the three months ended January 31, 2022.
- (iii) Cash outflow for the lease liabilities during the three-months ended October 31, 2021 were \$2,179, three months ended July 31, 2021 were \$2,917, three months ended April 30, 2021 were \$1,265.



## High Tide Inc.

### Management's Discussion and Analysis

For the three months ended January 31, 2023 and 2022

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## Financial Position, Liquidity and Capital Resources

### Assets

As of January 31, 2023, the Company had a cash balance of \$23,696 (January 31, 2022: \$10,077).

Working capital including cash as of January 31, 2023, was a surplus of \$2,984 (January 31, 2022: surplus \$4,610). Working capital is a non-IFRS measure and is calculated as the difference between total current assets and total current liabilities. The change is mainly due to various acquisitions that have occurred in 2022, as well as the closing of the Bought Deal Offering, connectFirst Credit Facility, and proceeds from the ATM Program. These transactions provide the Company enough liquidity for its working capital needs.

Total assets of the Company were \$273,834 on January 31, 2023, compared to \$290,568 on January 31, 2022. The decrease in total assets is primarily due to the impairment loss experienced in 2022.

### Liabilities

Total liabilities increased to \$110,099 as at January 31, 2023, compared to \$108,256 as at January 31, 2022, primarily due to an increase in long-term debt, accounts payable and accrued liabilities from expansion of the Business through acquisitions and organic growth.

As of the date of this MD&A the Company has increased the total principal value of debt to approximately \$38,700 compared to approximately \$30,000 as at March 1, 2023.

### Summary of Outstanding Share Data

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

Securities <sup>(i)</sup>	Units Outstanding <sup>(ii)</sup>
Common shares	74,574,569
Warrants <sup>(iii)</sup>	9,018,424
Stock options	2,468,381
RSUs	879,552
Convertible debentures	1,405,119

<sup>(i)</sup> Refer to the Financial Statements for a detailed description of these securities.

<sup>(ii)</sup> Units outstanding are post-consolidation of Common Shares on May 14, 2021.

<sup>(iii)</sup> As of the date of this MD&A the Company had gross Warrants of 85,921,218 that can be converted on the basis of 15 Warrants to 1 Common Share.

### Cash Flows

During the period ended January 31, 2023, the Company had an overall decrease in cash and cash equivalents of \$1,388 (2022: \$3,937).

Total cash provided in operating activities was \$2,115 for the period ended January 31, 2023 (2022: \$1,584). The increase in operating cash inflows is primarily driven by the increase in revenue due to the Company's Retail Segment's shift in the retail pricing strategy and launch of our discount club model. Additionally, the increase in revenue was due to the acquisitions of Jimmy's and the building of 10 new stores.





## High Tide Inc.

### Management's Discussion and Analysis

For the three months ended January 31, 2023 and 2022

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Cash used in investing activities was \$1,069 (2022: cash used \$2,060) due to the acquisition of Jimmy's and as a result of new store openings. Cash used in financing activities was \$2,434 (2022: cash used \$293). On Nov 1, 2022 principal payment has been extended after negotiations have been completed. As of the data of this MD&A, the company is working with the "investor" to amend the loan agreement. This is important because in theory Cash Flow should have been down by approximately \$450 if the payment would have been made.

#### Liquidity

On August 15, 2022, the Company entered into the connectFirst Credit Facility with the first tranche, \$12,100, available in a single advance, and the second tranche, \$6,900, available in multiple draws subject to certain pre-disbursement conditions. The demand loan bears interest at connectFirst's prime lending rate plus 2.50% per annum and matures on September 7, 2027.

The first tranche is repayable on demand, but until demand is made the connectFirst Credit Facility is repaid in monthly blended payments of principal and interest of \$240. Blended payments may be adjusted from time to time, if necessary, based on connectFirst's prime lending rate, the principal outstanding, and amortization period remaining. On October 7, 2022, the Company received the inflow of funds for the first tranche.

The second tranche is repayable on demand, but until demand is made the connectFirst Credit Facility is repaid in monthly blended payments of principal and interest of \$137. Blended payments may be adjusted from time to time, if necessary, on the basis of connectFirst's prime lending rate, the principal outstanding and amortization period remaining. On October 25, 2022, the Company received the inflow of funds for the second tranche.

#### 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 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 January 31, 2023, nor are any such arrangements outstanding as of the date of this MD&A.



## High Tide Inc.

### Management's Discussion and Analysis

For the three months ended January 31, 2023 and 2022

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

## Transactions Between Related Parties

As at January 31, 2023, 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.

### Operational transactions

An office and warehouse unit which is approximately 27,000 square feet has been developed by Grover Properties Inc., a company that is related through a common controlling shareholder and the President and Chief Executive Officer of the Company. The office and warehouse space were leased to High Tide to accommodate the Company's operational expansion and serves as the national distribution facility to service Canna Cabana stores and other third party wholesale accounts. 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 extension 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 former 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.

### Financing transactions

On July 22, 2022, the Company issued, on a bought deal basis, 4,956,960 Units at a price of \$2.32 per Unit. The corporate secretary of the Company participated in the Bought Deal Offering and acquired an aggregate of 130,800 Units pursuant to the Bought Deal Offering.

On August 15, 2022, the Company entered into the connectFirst Credit Facility with the first tranche, \$12,100, available in a single advance, and the second tranche, \$6,900, available in multiple draws subject to certain pre-disbursement conditions. To facilitate the connectFirst Credit Facility, the President and Chief Executive Officer of the Company provided a limited recourse guarantee against \$5,000 worth of Common Shares held by the Chief Executive Officer, and his affiliates, to be pledged in favor of the connectFirst until the earlier of:

- (i) 12 months following initial funding, provided all covenants of High Tide are in good standing; and
- (ii) The Chief Executive Officer no longer being an officer of High Tide.

The parties agree that the limited recourse guarantee will only be available after all collection efforts against High Tide have been exhausted, including the sale of High Tide.



## High Tide Inc.

### Management's Discussion and Analysis

For the three months ended January 31, 2023 and 2022

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

## Subsequent events

- i. Effective February 28, 2023, Rahim Kanji departed as Chief Financial Officer of the Company. To fill the vacancy following Mr. Kanji's departure, the Company has appointed Sergio Patino as interim Chief Financial Officer. Mr. Patino is a Chartered Professional Accountant (CPA, CMA), and has a Master's in business from University of Alberta. He joined High Tide as a Financial Consultant in November of 2022 bringing more than 20 years of global experience across multiple industries.

## Financial Instruments

The Company's activities expose it to a variety of financial risks. The Company is exposed to credit, liquidity, interest 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.

### Fair value

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Company assessed that the fair values of cash and cash equivalents, accounts receivable, loans receivable, accounts payable and accrued liabilities, and other current liabilities approximate their carrying amounts largely due to the short-term nature of these instruments.

The following methods and assumptions were used to estimate the fair value:

- Marketable securities are determined based on level 1 inputs, as the prices for the marketable securities are quoted in public exchanges.
- Long-term fixed-rate notes receivables and loans payable are initially recorded at fair value and are evaluated by the Company based on level 2 inputs such as discounted future interest and principal payments using current market interest rates of instruments using similar terms. These instruments are subsequently measured through amortized cost, with accretion and interest income recognized through the statement of loss and comprehensive loss.
- Derivative Warrant liabilities are designated as FVTPL and are measured using level 2 inputs. The fair value of the derivative Warrant liabilities is measured each reporting period with changes in the fair value recognized in the consolidated statement of loss and comprehensive loss. Assumptions used to calculate the fair value include stock price, volatility, and risk-free interest rate.



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- Derivative liabilities associated with the put options included in the acquisitions of Nuleaf Naturals, FABCBD and Blessed CBD have 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 for both Nuleaf Naturals and FABCBD and forecasted twelve-month revenue for Blessed CBD, and a risk-adjusted discount rate for all the put obligations. 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). On September 20, 2022, the Company received a notice to exercise put option related to FABCBD. As at the date of the MD&A, the Company is in the process of finalizing the settlement of the put option.
- The contingent consideration related to the Smoke Cartel business combination is designated as FVTPL and is measured using level 3 inputs. The fair value of the contingent consideration is measured at each reporting period. The fair value calculation requires inputs such as the forecasted future cash flows of Smoke Cartel. During the fourth quarter of 2021, the Company finalized the revenue targets related to the contingent consideration and measured the fair value based on the finalized revenue targets, recognizing the change in fair value through the statement of loss and comprehensive loss. During the year 2022, the Company settled the contingent consideration obligation by issuing 500,000 shares valued at \$940.
- The convertible debentures are evaluated by the Company based on level 2 inputs such as the effective interest rate and the market rates of comparable securities. The convertible debentures are initially measured at amortized cost and at each reporting period accretion incurred in the period is recorded to transaction costs on the consolidated statement of loss and comprehensive loss.
- The Halo Kushbar 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 on the consolidated statement of loss and comprehensive loss. On July 15, 2022, the Company took control of the shares of Halo Kushbar, which owns three operating cannabis retail stores in Alberta. The consideration received was a settlement of this convertible promissory note which was revalued to a principal amount of \$810 and \$216 was recorded as a loss on revaluation.

As at	January 31, 2023	October 31, 2022
	\$	\$
FABCBD Put Option derivative liability <sup>(i)</sup>	818	763
Blessed Put Option derivative liability <sup>(ii)</sup>	2,558	2,899
NuLeaf Put Option derivative liability <sup>(iii)</sup>	1,699	2,674
<b>Total</b>	<b>5,075</b>	<b>6,336</b>

- (i) On May 10, 2021, the Company acquired 80% of the outstanding shares of FABCBD. The acquisition agreement also included a call and put option that could result in the Company acquiring the remaining 20% of common shares of FABCBD not acquired upon initial acquisition. The initial obligation under the put option was valued at \$3,722. On October 31, 2022, the Company revalued the fair value of the put option and recognized an unrealized gain of \$1,874 on the Consolidated statements of net loss and comprehensive loss with a closing balance of \$818 (2022: \$763). On September 20, 2022, the Company received a notice to exercise the put option related to FABCBD, as at period end, January 31, 2023, the Company is in the process of finalizing the settlement of the put option.
- (ii) On October 19, 2021, the Company acquired 80% of the outstanding shares of Blessed CBD. The acquisition agreement also included a call and put option that could result in the Company acquiring the remaining 20% of common shares of Blessed CBD not acquired upon initial acquisition. The initial obligation under the put option was valued at \$4,323. At January 31, 2023, the



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Company revalued the fair value of the put option and recognized an unrealized gain of \$341 (2022: \$108) in the statements of loss and comprehensive loss with a closing balance of \$2,558 (2022: \$2,899).

- (iii) On November 29, 2021, the Company acquired 80% of the outstanding shares of NuLeaf. The acquisition agreement also included a call and put option that could result in the Company acquiring the remaining 20% of common shares of NuLeaf not acquired upon initial acquisition. The initial obligation under the put option was valued at \$8,326. At January 31, 2023, the Company revalued the fair value of the put option and recognized an unrealized gain of \$974 (2022: \$74) in the statements of loss and comprehensive loss with a closing balance of \$1,699 (2022: \$2,674).

#### 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, 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	January 31, 2023	October 31, 2022
	\$	\$
Current (for less than 30 days)	6,462	5,435
31 – 60 days	1,881	420
61 – 90 days	1,088	568
Greater than 90 days	1,937	2,148
Less allowance	(1,035)	(655)
	10,333	7,916

For the period ended January 31, 2023, \$380 in trade receivables were written off against the loss allowance due to bad debts (January 2022: \$0). 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 considered 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 January 31, 2023, Management reviewed the estimates and have not created any additional loss allowances on trade receivable.



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#### 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	1-3 years	3-5 years	Greater than 5 years
	\$	\$	\$	\$	\$
<b>October 31, 2022</b>					
Accounts payable and accrued liabilities	26,887	26,887	-	-	-
Notes payable	12,257	-	-	12,257	-
Interest bearing loans and borrowings	16,393	16,393	-	-	-
Derivative liability	6,336	6,336	-	-	-
Convertible debentures	7,466	2,696	4,770	-	-
Undiscounted lease obligations	37,116	9,683	12,604	7,437	7,392
<b>Total</b>	<b>106,455</b>	<b>61,995</b>	<b>17,374</b>	<b>19,694</b>	<b>7,392</b>
<b>January 31, 2023</b>					
Accounts payable and accrued liabilities	28,765	28,765	-	-	-
Notes payable	12,367	-	-	12,181	186
Interest bearing loans and borrowings	15,692	15,692	-	-	-
Derivative liability	5,075	5,075	-	-	-
Convertible debentures	7,887	4,420	3,467	-	-
Undiscounted lease obligations	32,457	7,059	10,569	7,437	7,392
<b>Total</b>	<b>102,243</b>	<b>61,011</b>	<b>14,036</b>	<b>19,618</b>	<b>7,578</b>

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in the market interest rate related primarily to the Company's current credit facility with variable interest rates.

As at January 31, 2023, approximately 58% of the Company's borrowings are at a fixed rate of interest (2022: 84%)

#### 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.



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The Canadian dollar equivalent carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities as at January 31, 2023 were as follows:

(Canadian dollar equivalent amounts of GBP, EUR and USD balances)					
	January 31, 2023	January 31, 2023	January 31, 2023	January 31, 2023	October 31, 2022
	(GBP)	(EUR)	(USD)	Total	
	\$	\$	\$	\$	\$
Cash	519	652	2,594	3,765	4,391
Accounts receivable	410	411	2,563	3,384	1,754
Accounts payable and accrued liabilities	(132)	(1,912)	(7,936)	(9,980)	(11,542)
Net monetary assets	797	(849)	(2,779)	(2,831)	(5,397)

Assuming all other variables remain constant, a fluctuation of +/- 5.0 percent in the exchange rate between USD and the Canadian dollar would impact the carrying value of the net monetary assets by approximately +/- \$98 (January 31, 2022 - \$36). Maintaining constant variables, a fluctuation of +/- 5.0 percent in the exchange rate between the EUR and the Canadian dollar would impact the carrying value of the net monetary assets by approximately +/- \$29 (January 31, 2022 - \$41), and a fluctuation of +/- 5.0 percent in the exchange rate between GBP and the Canadian dollar would impact the carrying value of the net monetary assets by approximately +/- \$30 (January 31, 2022 - \$38). To date, the Company has not entered into financial derivative contracts to manage exposure to fluctuations in foreign exchange rates.

### Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

The Chief Executive Officer and Chief Financial Officer of the Company have designed or caused to be designed under their supervision, disclosure controls and procedures which provide reasonable assurance that material information regarding the Company is accumulated and communicated to Management, including its Chief Executive Officer and Chief Financial Officer, in a timely manner. Under the supervision and with the participation of Management, including our Chief Executive Officer and Chief Financial Officer, we carried out an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Canada by NI 52-109 and in the United States by the rules adopted by the SEC). In addition, the Chief Executive Officer and Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or causing them to be designed under their supervision in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the design and operation of our disclosure controls and procedures were ineffective due to the material weakness identified in our internal control over financial reporting, as further described below.

In accordance with the provisions under NI 52-109, and consistent with SEC-related guidance, the Company has limited the scope of the evaluation to exclude controls, policies and procedures over entities acquired by the Company not more than 365 days before the end of financial period. Bud Room, 2080791 Alberta Ltd., Crossroads Cannabis, Bud Heaven, Halo Kushbar, Ontario Lottery Winner, Kensington, and Choom acquisitions during the period ended January 31, 2023, on a combined basis represented approximately 21% of the Company's total assets and 8% of the Company's total revenues as of and for the period ended January 31, 2023.

Due to its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis. Also, projections of any evaluation of the effectiveness of internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



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Management assessed the effectiveness of the Company's internal control over financial reporting as of January 31, 2023, based on the criteria set forth in Internal Control – Integrated Framework (2013 Framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that assessment, Management has concluded that our internal control over financial reporting was not effective as of January 31, 2023, due to material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. Management identified the following internal control deficiencies that constitute material weaknesses in the Company's ICFR as of January 31, 2023.

The Company experienced significant and rapid growth during the fiscal quarter ended January 31, 2023, and the fiscal year October 31, 2022 because of our Business plan and business combinations. The Company did not effectively design, implement, and operate effective process-level control activities related to various processes or engage an adequate number of accounting personnel with the appropriate technical training in, and experience with IFRS to allow for a detailed review of significant and non-routine accounting transactions that would identify errors in a timely manner, including business combinations, impairment testing and financing arrangements.

In addition, as previously disclosed in our management's discussion and analysis, the internal control over the accounting for income taxes, including the income tax provision, deferred tax assets and liabilities and related disclosures were not effective for the year ended October 31, 2022 and for the three months ended January 31, 2023. The Company identified a material weakness in the accounting for income taxes, including the income tax provision, deferred tax liabilities and related disclosures. Specifically, the Company did not design effective internal controls over income taxes which resulted in adjustments to the income tax provision and deferred tax assets and liabilities in the Financial Statements. These deficiencies were due to insufficient knowledge and technical expertise in the income tax function to review with a level of precision that would have identified a material misstatement in the income tax provision, including the allocation of tax between the calculation of deferred tax assets and liabilities and related disclosures. Management believes that the complexity introduced to the Financial Statements because of the acquisitions of the U.S. and U.K. subsidiaries were a contributing factor to the identified deficiencies.

In response to the identification, the Company has taken action to remediate the material weakness. Progress to date includes engagement of a third-party experienced tax accounting resource with the skills, training, and knowledge to assist in the review of more technical a tax matters and to assist in preparing the income tax provision, deferred tax liabilities and related disclosures for each period. Management has made progress in accordance with the remediation plan and the goal is to fully remediate this material weakness in fiscal year 2023. However, the material weakness will not be considered fully remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

## Outlook

High Tide is the market leader in Canadian bricks-and-mortar cannabis retail, with 151 locations operating across the country and a loyalty base of over 975,000 Cabana Club members. The Company had previously announced its target to add 40-50 new retail locations in calendar 2023; however, given the current macro conditions and the state of cannabis capital markets, the Company is revising its earlier guidance. The new goal for calendar 2023 is to achieve free cash flow generation by the end of this calendar year. At the end of November, the Company launched Cabana ELITE, its premium paid membership offering and has already onboarded approximately 9,500 members. The Company expects this number to increase steadily over the coming quarters.

The Company notes that its second fiscal quarter totals three fewer calendar days than the first fiscal quarter, which also enjoys the seasonal benefits of the holiday period. Further, consistent with our new strategy, new store growth has meaningfully slowed, and the Company has added no new stores since the conclusion of the first fiscal quarter.





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Throughout 2022, High Tide deployed its customized Fastendr™ technology in 120 locations across Canada. This rollout will continue through the remainder of the calendar year and includes an opportunity to start licensing the technology in the US in late 2023.

Since mid-2022, High Tide has been launching white-label products through its Cabana Cannabis Co and NuLeaf Naturals brands in Ontario, Manitoba and Saskatchewan. The Company is actively rolling out more SKUs through the course of the year and in conjunction with other higher-margin revenue streams, such as ELITE membership fees, which should result in consolidated gross margins remaining steady and ticking higher in the quarters ahead.

### Cautionary Note Regarding Forward-Looking Information

Certain statements contained in this MD&A, and in the documents incorporated by reference in this MD&A, constitute "forward-looking information" and "forward-looking statements" (together "forward-looking statements") within the meaning of Applicable Securities Laws and are based on assumptions, expectations, estimates and projections as at the date of this MD&A. Forward-looking statements relate to future events or future performance and reflect Management's expectations or beliefs regarding future events. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology.

Forward-looking statements in this MD&A herein include, but are not limited to, statements with respect to:

- the Business objectives and milestones and the anticipated timing of, and costs in connection with, the execution or achievement of such objectives and milestones (including, without limitation proposed acquisitions);
- the Company's future growth prospects and intentions to pursue one or more viable Business opportunities;
- the development of the Business and future activities following the date of this MD&A;
- expectations relating to market size and anticipated growth in the jurisdictions within which the Company may from time to time operate or contemplate future operations;
- expectations with respect to economic, Business, regulatory and/or competitive factors related to the Company or the cannabis industry generally;
- the market for the Company's current and proposed product offerings, as well as the Company's ability to capture market share;
- the Company's strategic investments and capital expenditures, and related benefits;
- 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;



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- the future liquidity and financial capacity of the Company and its ability to fund its working capital requirements and forecasted capital expenditures;
- the distribution methods expected to be used by the Company to deliver its product offerings;
- same-store sales and consolidated gross margins continuing to increase;
- the competitive landscape within which the Company operates and the Company's market share or reach;
- the performance of Business operations and activities of the Company;
- the number of additional cannabis retail store locations the Company proposes to add to its Business;
- the Company's ability to obtain, maintain, and renew or extend, applicable Authorizations, including the timing and impact of the receipt thereof;
- the realization of cost savings, synergies or benefits from the Company's recent and proposed acquisitions, and the Company's ability to successfully integrate the operations of any business acquired within the Business;
- the Company's intention to devote resources to the protection of its intellectual property rights, including by seeking and obtaining registered protections and developing and implementing standard operating procedures;
- the anticipated sales from continuing operations;
- the intention of the Company to complete the ATM Program and any additional offering of securities of the Company and the aggregate amount of the total proceeds that the Company will receive pursuant to the ATM Program, connectFirst Credit Facility and/or any future offering;
- the Company's expected use of the net proceeds from the ATM Program, connectFirst Credit Facility and/or any future offering, and the anticipated effects on the Business and operations of the Company;
- the listing of Common Shares offered in the ATM Program and/or any future offering;
- the Company deploying Fastendr™ technology across the Company's retail stores upon the timelines disclosed herein, including licensing this technology towards the end of 2023;
- the Company's ability to generate consistent free cash flow from operations and from financing activities, including by amending its loan agreement, on the timelines disclosed herein;
- the Company continuing to increase its revenue;
- the Company continuing to integrate and expand its CBD brands;
- Cabana Club and Cabana ELITE loyalty programs membership continuing to increase;
- the Company hitting its forecasted revenue and sales projections; and
- the Company launching additional Cabana Cannabis Co. and NuLeaf Naturals branded SKUs on the timelines outlined herein.



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By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Although Management believes that the expectations reflected in, and assumptions underlying, such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. Forward-looking statements contained in this MD&A and in documents incorporated by reference are based on certain assumptions that Management believes to be reasonable based on information currently available, including, but not limited to, assumptions that:

- current and future members of Management will abide by the Business objectives and strategies from time to time established by the Company;
- the Company will retain and supplement its Board and Management, or otherwise engage consultants and advisors having knowledge of the industries (or segments thereof) within which the Company may from time to time participate;
- the Company will have sufficient working capital and the ability to obtain the financing required in order to develop and continue its Business and operations;
- the Company will continue to attract, develop, motivate and retain highly qualified and skilled consultants and/or employees, as the case may be;
- no adverse changes will be made to the regulatory framework governing cannabis, taxes and all other applicable matters in the jurisdictions in which the Company conducts Business or may conduct Business in the future;
- the Company will be able to generate cash flow from operations, including, where applicable, distribution and sale of cannabis and cannabis products;
- the Company will be able to execute on its Business strategy as anticipated;
- the Company will be able to meet the requirements necessary to obtain and/or maintain Authorizations required to conduct the Business;
- general economic, financial, market, regulatory, and political conditions, including the impact of COVID-19, will not negatively affect the Company or its Business;
- the Company will be able to successfully compete in the cannabis industry;
- cannabis prices will not decline materially;
- the Company will be able to effectively manage anticipated and unanticipated costs;
- the Company will be able to maintain internal controls over financial reporting and disclosure, and procedures in order to ensure compliance with applicable laws;
- the Company will be able to conduct its operations in a safe, efficient and effective manner;
- general market conditions will be favourable with respect to the Company's future plans and goals;
- the Company will complete the ATM Program;



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- the Company's will use of the net proceeds from the ATM Program, connectFirst Credit Facility and/or any future offering as outlined;
- the Company will list the Common Shares offered in the ATM Program and/or any future offering;
- the ATM Program and connectFirst Credit Facility and/or any future offering will have the anticipated effects on the Business and operations of the Company;
- the Company will reach the anticipated sales from continuing operations;
- the Company will complete its proposed acquisitions;
- same-store sales and consolidated gross margins will continue to increase;
- the Company will make meaningful increases to its revenue profile;
- the Company will continue to increase its revenue;
- the Company will hit its forecasted revenue and sales projections;
- the Company will deploy Fastendr™ technology across the Company's retail stores upon the timelines disclosed herein and license this technology;
- the Company will launch additional Cabana Cannabis Co. and NuLeaf Naturals branded SKUs on the timelines disclosed herein;
- the Company will remain on a positive growth trajectory;
- the Company will complete the development of its cannabis retail stores;
- the Company will continue to integrate and expand its CBD brands;
- Cabana Club and Cabana ELITE loyalty programs membership will continue to increase; and
- the Company will continue to grow its online retail portfolio through further strategic and accretive acquisitions.

New factors emerge from time to time, and it is not possible for Management to predict all of those factors or to assess in advance the impact of each such factor on the Business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. Some of the risks that could cause results to differ materially from those expressed in forward-looking statements in this MD&A include, but are not limited to:

- the Company's inability to attract and retain qualified members of Management to grow the Business and its operations;
- unanticipated changes in the cannabis industry in the jurisdictions within which the Company may from time to time conduct its Business and operations, including the Company's inability to respond or adapt to such changes;
- the impact of the publications of inaccurate or unfavourable research by securities analysts or other first parties;



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- the Company's failure to complete future acquisitions or enter into strategic Business relationships;
- interruptions or shortages in the supply of cannabis from time to time available to support the Company's operations from time to time;
- unanticipated changes in the cannabis industry in the jurisdictions within which the Company may from time to time conduct its Business and operations, including the Company's inability to respond or adapt to such changes;
- the Company's inability to secure or maintain favourable lease arrangements or the required Authorizations necessary to conduct the Business and operations and meet its targets;
- the Company's inability to secure desirable retail cannabis store locations on favourable terms;
- the Company will be unable to add any additional cannabis retail store locations to its Business;
- risks relating to projections of the Company's operations;
- the Company's inability to effectively manage unanticipated costs and expenses, including costs and expenses associated with product recalls and judicial or administrative proceedings against the Company;
- the Company will not reach the anticipated sales from continuing operations for the financial year ending October 31, 2023;
- the Company will not complete the ATM Program;
- the Company's inability to list the Common Shares offered in the ATM Program and/or any future offering;
- the Company's failure to utilize the use of proceeds from the ATM Program, connectFirst Credit Facility and/or any future offering as expected;
- the ATM Program and connectFirst Credit Facility and/or any future offering will not have the anticipated effects on the Business and operations of the Company;
- the Company inability to complete its proposed acquisitions;
- same-store sales and/or consolidated gross margins will not increase, but decrease and/or plateau;
- the Company will not hit its forecasted revenue and sales projections for the first fiscal quarter of 2023;
- Cabana Club and/or Cabana ELITE loyalty programs membership will decrease and/or plateau;
- the Company will be unable to deploy Fastendr™ technology across the Company's retail stores or upon on the timelines anticipated and will not be able to license this technology;
- the Company will be unable to increase its revenue through the first fiscal quarter of 2023, and the remainder of the year, but that it will decrease and/or plateau;
- risk that the Company will be unable to launch additional Cabana Cannabis Co. and/or Nuleaf Naturals branded SKUs on the timelines disclosed herein or at all;



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- the Company will be unable to continue to integrate and expand its CBD brands;
- the Company will be unable to grow its online retail portfolio through further strategic and accretive acquisitions;
- the Company will be unable to complete the development of any or all of its cannabis retail stores;
- risks surrounding the legality of Delta-8 derived from hemp;
- risks surrounding the uncertainty and legality of Delta-8 and Delta-9 state to state;
- risk that the DEA could consider the Company's Delta-8 products an illegal controlled substance under the CSA or Federal Analogue Act in the United States;
- risk that that state or federal regulators or law enforcement could take the position that the Delta-8 and Delta-9 products and/or this in-process hemp extract are/is a Schedule I controlled substance in violation of the CSA and similar state laws;
- risk that the Company's Delta-9 products could be considered by state law enforcement and state regulators to be marijuana illegal under state laws criminalizing the possession, distribution, trafficking and sale of marijuana;
- risks surrounding the sale of Hemp seeds;
- risk that should the Company become subject to enforcement action by federal or state agencies, the Company could: (i) be forced to stop offering some or all of its Delta-8 and Delta-9 products or stop all Business operations, (ii) be subject to other civil or criminal sanctions and/or (iii) be required to defend against such enforcement and if unsuccessful could cause the Company to cease its operations; and
- risk that enforcement or regulatory action at the United States federal and/or state level could adversely impact the listings of the Common Shares on the TSXV and Nasdaq.

Additional risk factors that can cause results to differ materially from those expressed in forward-looking statements in this MD&A are discussed in greater detail in the "Non-Exhaustive List of Risk Factors" section in Schedule A to our current annual information form, and elsewhere in this MD&A, as such factors may be further updated from time to time in our periodic filings, available at [www.sedar.com](http://www.sedar.com) and [www.sec.gov](http://www.sec.gov), which risk factors are incorporated herein by reference.

Readers are cautioned that the foregoing is 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 that 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.

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 Assessment*" in this MD&A.



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## Cautionary Note Regarding FOFI

This MD&A, and documents incorporated by reference herein, may contain FOFI within the meaning of Applicable Securities Laws and analogous U.S. securities Laws, about prospective results of operations, financial position or cash flows, based on assumptions about future economic conditions and courses of action, which FOFI is not presented in the format of a historical balance sheet, income statement or cash flow statement. The FOFI has been prepared by Management to provide an outlook of the Company's activities and results and has been prepared based on a number of assumptions including the assumptions discussed under the heading "*Cautionary Note Regarding Forward-Looking Information*" and assumptions with respect to the costs and expenditures to be incurred by the Company, capital expenditures and operating costs, taxation rates for the Company and general and administrative expenses. Management does not have, or may not have had at the relevant date, firm commitments for all of the costs, expenditures, prices or other financial assumptions which may have been used to prepare the FOFI or assurance that such operating results will be achieved and, accordingly, the complete financial effects of all of those costs, expenditures, prices and operating results are not, or may not have been at the relevant date of the FOFI, objectively determinable.

Importantly, the FOFI contained in this MD&A, and in documents incorporated by reference herein are, or may be, based upon certain additional assumptions that Management believes to be reasonable based on the information currently available to Management, including, but not limited to, assumptions about: (i) the future pricing for the Company's products, (ii) the future market demand and trends within the jurisdictions in which the Company may from time to time conduct the Business, (iii) the Company's ongoing inventory levels, and operating cost estimates, and (iv) the Company's net proceeds from the ATM Program and connectFirst Credit Facility. The FOFI or financial outlook contained in MD&A, and in documents incorporated by reference herein do not purport to present the Company's financial condition in accordance with IFRS as issued by the International Accounting Standards Board, and there can be no assurance that the assumptions made in preparing the FOFI will prove accurate. The actual results of operations of the Company and the resulting financial results will likely vary from the amounts set forth in the analysis presented in any such document, and such variation may be material (including due to the occurrence of unforeseen events occurring subsequent to the preparation of the FOFI). The Company and Management believe that the FOFI has been prepared on a reasonable basis, reflecting Management's best estimates and judgments as at the applicable date. However, because this information is highly subjective and subject to numerous risks including the risks discussed under the heading "*Risk Assessment*", FOFI or financial outlook within this MD&A, and in documents incorporated by reference herein, should not be relied on as necessarily indicative of future results.

Readers are cautioned not to place undue reliance on the FOFI, or financial outlook contained in this MD&A, and in documents incorporated by reference herein. Except as required by Applicable Securities Laws, the Company does not intend, and does not assume any obligation, to update such FOFI.

## Accounting Policies and Critical Accounting Estimates

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements and have been applied consistently by the Company and its subsidiaries.

The significant accounting policies applied in the preparation of the unaudited condensed interim consolidated financial statements for the three months ended January 31, 2023, and 2022 are consistent with those applied and disclosed in Note 3 and 4 of the Company's Consolidated Financial Statements for the years ended October 31, 2022 and 2021.

## New and amended standards and interpretations

### Classification of Liabilities as Current or Non-current - Amendments to IAS 1

In January 2020 and October 2022, the Board issued amendments to IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current, effective for periods beginning on or after January 1, 2024. The amendments clarify:

- What is meant by a right to defer settlement;



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- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The Board decided that if an entity's right to defer settlement of a liability is subject to the entity complying with the required covenants at a date subsequent to the reporting period ("future covenants"), the entity has a right to defer settlement of the liability even if it does not comply with those covenants at the end of the reporting period.

The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date.

#### Non-IFRS Financial Measures

Throughout this MD&A, references are made to non-IFRS financial measures, including operating expenses, 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.

## Risk Assessment

Management 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.

#### Cash Flow from Operations

As at January 31, 2023, the Company's cash and net working capital balances were approximately \$23,695 and \$2,983. Although the Company anticipates it will have positive cash flow from operating activities in future periods, to the extent that the Company has negative cash flow in any future period, certain of the net proceeds from future offerings may be used to fund such negative cash flow from operating activities. If the Company experiences future negative cash flow, the Company may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that the Company will be able to generate positive cash flow from its operations, that additional capital or other types of financing will be available when needed, or that these financings will be on terms favorable to the Company. In addition, the Company expects to achieve positive cash flow from operating activities in future periods. However, this is based on certain assumptions and subject to significant risks.

#### Regulatory Compliance Risks

Achievement of the Company's business objectives is subject to compliance with regulatory requirements enacted and enforced by governmental entities and obtaining and maintaining all required regulatory approvals. The Company may incur costs and obligations related to regulatory compliance. Failure to comply with applicable laws, regulations and permitting, license or approval requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.





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The Company cannot predict the timeline required to secure all appropriate regulatory approvals or licenses for its businesses or the extent of testing and documentation that may be required by governmental entities. Any delays in obtaining, or failing to obtain, required regulatory approvals or licenses may significantly delay or impact the research and development activities and could have a Material Adverse Effect. In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a Material Adverse Effect.

The impact of the various legislative regimes, on the Company's business plans and operations is uncertain. There is no guarantee that the applicable legislation regulating its business activities will create or allow for the growth opportunities the Company currently anticipates.

Due to the nature of the Company's operations, various legal and tax matters may be outstanding from time to time. If the Company is unable to resolve any of these matters favorably, there may be a Material Adverse Effect.

#### Changes in Laws and Regulations

The Company is subject to a variety of applicable laws, including but not limited to 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. Different competitive pressures, additional compliance requirements, and other costs may also limit the Company's ability to participate in such market.

#### Environmental, Health and Safety Laws

The Company is subject to environmental, health and safety laws and regulations in each jurisdiction in which the Company operates. Such regulations govern, among other things, emissions of pollutants into the air, wastewater discharges, waste disposal, the investigation and remediation of soil and groundwater contamination, and the health and safety of the Company's employees. For example, the Company's products and the raw materials used in its production processes are subject to numerous environmental laws and regulations. The Company may be required to obtain environmental permits from governmental entities for certain of its current or proposed operations. The Company may not have been, nor may it be able to be at all times, in full compliance with such laws, regulations and permits. If the Company violates or fails to comply with these laws, regulations or permits, the Company could be fined or otherwise sanctioned by regulators.

As with other companies engaged in similar activities or that own or operate real property, the Company faces inherent risks of environmental liability at its current and historical production sites. Certain environmental laws impose strict and, in certain circumstances, joint and several liability on current or previous owners or operators of real property for the cost of the investigation, removal or remediation of hazardous substances as well as liability for related damages to natural resources. In addition, the Company may discover new facts or conditions that may change its expectations or be faced with changes in environmental laws or their enforcement that would increase its liabilities.

The Company's costs of complying with current and future environmental and health and safety laws, liabilities arising from past or future releases of, or exposure to, regulated materials, or more vigorous enforcement of environmental and employee health and safety laws, may have a Material Adverse Effect.



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#### Risks Associated with Numerous Laws and Regulations

The production, labeling and distribution of the products that the Company distributes are regulated by various federal, state and local agencies. These governmental entities may commence regulatory or legal proceedings, which could restrict the permissible scope of the Company's product claims or the ability to sell its products in the future. The FDA regulates the Company's products to ensure that the products are not adulterated or misbranded.

The Company is subject to regulation by various agencies as a result of the manufacture and sale of its CBD wellness products. The shifting compliance environment and the need to build and maintain robust systems to comply with different regulations in multiple jurisdictions increases the possibility that the Company may violate one or more of the requirements. If the Company's operations are found to be in violation of any of such laws or any other governmental regulations, or perceived to be in violation, the Company may be subject to penalties or other negative effects, including, without limitation, civil and criminal penalties, damages, fines, the curtailment or restructuring of the Company's operations or asset seizures and the denial of regulatory applications (including those regulatory regimes outside of the scope of FDA jurisdiction, but which may rely on the positions of the FDA in the application of its regulatory regime), any of which could adversely affect the business and financial results. In addition, the FDA is expected to make determinations as to how certain CBD products will be regulated and is expected to, in the long term, consider modernization in its regulation of dietary supplements generally.

Failure to comply with FDA requirements may result in, among other things, injunctions, product withdrawals, recalls, product seizures, fines and criminal prosecutions. The Company's advertising is subject to regulation by the FTC under the FTCA as well as subject to regulation by the FDA under the DSHEA. In recent years, the FTC has initiated numerous investigations of dietary and nutritional supplement products and companies based on allegedly deceptive or misleading claims. On December 17, 2020, the FTC announced the first law enforcement proceedings against companies making deceptive claims related to CBD products. The six companies targeted entered into settlement agreements with the FTC and five of the companies paid a fine to the FTC. At any point, enforcement strategies of a given agency can change as a result of other litigation in the space or changes in political landscapes, and could result in increased enforcement efforts, which would materially impact the Company. Additionally, some states also permit advertising and labeling laws to be enforced by state attorney generals, who may seek relief for consumers, class action certifications, class wide damages and product recalls of products sold by the Company. Private litigants may also seek relief for consumers, class action certifications, class wide damages and product recalls of products sold by the Company. Any actions against the Company by governmental entities or private litigants could have a Material Adverse Effect.

#### Compliance with Changes in Legal, Regulatory and Industry Standards May Adversely Affect the Company

The formulation, manufacturing, packaging, labelling, handling, distribution, importation, exportation, licensing, sale and storage of the Company's products and data are affected by extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints. Such laws, regulations and other constraints may exist at the federal, state or local levels. There is currently no uniform regulation applicable to natural health products worldwide. There can be no assurance that the Company is in compliance with all of these laws, regulations and other constraints, and changes to such laws, regulations and other constraints may have a Material Adverse Effect.

#### Incorrect Interpretation of the 2018 Farm Bill

The Company's position is that the 2018 Farm Bill permanently removed Hemp from the USDA and is now deemed an agricultural commodity, and accordingly the DEA no longer has any claim to interfere with the interstate commerce of Hemp products, so long as the THC level is at or below 0.3% on a dry weight basis and the Hemp and its derivatives were grown and processed by a person holding a license issued by either (i) USDA or a (ii) in a state with a USDA-approved Hemp plan, the applicable state agency. There is a risk that the Company's interpretation of the legislation is inaccurate or that it will be successfully challenged by federal or state authorities. A successful challenge to such position by a state or federal authority could have a Material Adverse Effect, including civil and criminal penalties, damages, fines, the curtailment or restructuring of the Company's operations or asset seizures and the denial of regulatory applications.



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#### The Market for Hemp-derived Products is Tightly Regulated

Hemp-derived product businesses operate in a tight, and fast-moving, regulatory environment. As such, the Company relies on Management's continuing assessment of the regulatory requirements of the products and jurisdictions in which the Company operates and its ability to comply with these regulatory requirements. Should there be unexpected changes to the regulations in a specific existing or targeted jurisdiction, or even delays to anticipated changes to the current regulations, this could have a material impact on the Company's future growth prospects. The Board is aware of this risk and seeks to mitigate it by keeping well informed of the regulatory environment in the relevant jurisdictions, will seek to diversify the current business in terms of product and jurisdiction and will ensure that they continue to meet the regulatory requirements in the jurisdictions in which they operate.

#### The Market for Hemp-derived Products is Relatively New Market

The Hemp-derived product industry is in its infancy. Companies will compete with established competitors who may have more resources and/or a more recognizable brand presence in the market. The Company's success will depend upon the Board's ability to manage the Company's business and to identify and take advantage of further opportunities which may arise. While the Board believes that they have the experience and connections to ensure that the Company's business is able to compete with established rivals and take advantage of market opportunities they have identified, there is no guarantee that they will be able to do so.

#### FDA Interpretation of IND Preclusion

The FDA has taken the position that CBD cannot be added to food or marketed as a dietary supplement because it has been the subject of investigation as a new drug (i.e., IND Preclusion). According to the FDA, the submission of the IND application for Epidiolex by Greenwich Biosciences, the U.S. subsidiary of London-based GW Pharmaceuticals, preceded the sales and marketing of CBD as a dietary supplement. It is the FDA's interpretation of the IND Preclusion that the preclusion date is the date in which it authorized the drug for investigation. If the FDA were to enforce the IND Preclusion based on its interpretation of the legislation, this would have a Material Adverse Effect.

#### FDA Enforcement Letters

The FDA continues to enforce against violations of the FDCA by issuing warning letters to companies marketing and selling Hemp-derived products, including CBD products and Delta-8 products. Over the past several years, the FDA has issued warning letters to companies marketing and selling unapproved Hemp-derived product, primarily to companies selling CBD products. The letters reiterate the agency's position that CBD cannot be added to food and dietary supplements and targeted companies whose products violated the FDCA's prohibition against: i) marketing CBD as or in a dietary supplement, human and animal food, or food additives; ii) marketing a dietary supplement, human and animal food, or cosmetic with disease or drug claims (i.e., claims suggesting that a product is intended to treat, cure, or prevent disease); iii) including a substance in human or animal food when that substance is not generally recognized as safe; and iv) selling products that are misbranded due to their failure to include "adequate directions for use by a layperson". The FDA also issued a consumer update reaffirming its position that CBD cannot lawfully be added to a food or marketed as a dietary supplement due to existing provisions of the FDCA and outlines the data and potential safety issues it is considering as part of its ongoing evaluation of potential regulatory frameworks for CBD. Notably, the FDA states that it could not conclude based on available data that CBD is "generally recognized as safe" for use in human or animal food. While this is broad and may not be applicable in all instances, it nevertheless could materially and adversely impact the Business. Further, the FDA has recently stated that it will continue to police the market and enforce against CBD products, and on March 22, 2021, the agency issued warning letters to two companies for selling over-the-counter products labeled as containing CBD, alleging the products are illegally marketed unapproved drugs and misbranded due to prominent featuring of CBD on the labeling. The FDA's enforcement against the unlawful sale and marketing of CBD products has to date been limited to the issuance of warning letters, but they have a number of other enforcements means available to them, including civil and criminal penalties. The FDA's current prohibition on certain Hemp-derived products and the unknowns and associated risks of potential future regulations governing CBD Hemp-derived products create risk for the Business.



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Of note, on May 4, 2022, the FDA for the first time sent similar warning letters to five companies selling Delta-8 products. In those letters, the FDA asserted that Delta-8 products claiming to diagnose, cure, mitigate, treat, or prevent diseases are considered unapproved new drugs. Among other statements, these warning letters, as well as their accompanying press release, noted Delta-8's "psychoactive and intoxicating effects" and that FDA is "very concerned about the growing popularity of delta-8 THC products."

#### FTC Enforcement

FTC and FDA often coordinate enforcement efforts where the agencies have overlapping jurisdiction, including with respect to the advertising, labeling, and promotion of food, cosmetics, medical devices, and over-the-counter drugs. In the CBD product marketplace, FTC has joined FDA in the issuance of a number of warning letters to companies warning that the company's advertisements were not supported by competent and reliable scientific evidence and thus violate the Federal Trade Commission Act, 15 U.S.C. § 41 et. Seq. FTC has also issued independent warning letters to companies selling CBD products. These warning letters allege the companies make exaggerate or false and misleading claims about their CBD products without rigorous scientific evidence to substantiate the claims. While historically, FTC enforcement actions related to CBD have been limited to warning letters, the FTC recently (December 2020) initiated its first law enforcement administrative action against six companies selling CBD products. These companies were considered in violation of the FTC for allegedly making unsupported health claims. FTC entered into settlement agreements with these companies, which required, among other things, that the companies stop making such unsupported health claims and pay a monetary judgment to the FTC. The FTC's enforcement was publicized by the agency as part of its ongoing effort to protect consumers from false, deceptive, and misleading health claims made in advertisements on websites and through social media companies such as Twitter. The unknowns and associated risks of potential future FTC enforcement actions create risk for the Business.

#### DEA Interpretation of Synthetically Derived Cannabinoid Products, Delta-8, and Delta-9 Products That May Elicit Psychoactive Effects

Through the DEA IFR, the DEA takes the position that material that exceeds 0.3% THC remains controlled in Schedule I of the U.S. CSA. It also takes the position that the 2018 Farm Bill does not impact the control status of synthetically derived THC's, for which the DEA claims that the amount of THC is not a determining factor in whether the material is a controlled substance. The DEA IFR may create risk for the Business. Enforcement of the DEA IFR, or any Final Rule that carries forward the rulemaking in the DEA Rule, may result in, among other things, injunctions, product withdrawals, recalls, product seizures, fines, and criminal prosecutions. Additionally, enforcement of the DEA IFR could jeopardize the legality of the Company's synthetically derived cannabinoid products. As synthetically is not a clearly defined term, any cannabinoid, such as Hemp-based cannabigerol or Delta-8, could be interpreted by the DEA to be an unlawful controlled substance.

In addition, DEA could consider the Company's Delta-8 products illegal controlled substance under U.S. federal law.

Finally, the Company sells in certain states products containing more than 5 mg of Delta-9 THC per serving and as much as 450 mg of Delta-9 THC per container, but less than 0.3% THC on a "dry weight basis," and which may elicit psychoactive effects in consumers in the same manner as Delta-9 THC derived from cannabis. The DEA may also consider such products illegal controlled substances under U.S. federal law.

The unknowns of DEA's interpretation of "synthetically derived," and position with respect to Delta-8 products and Delta-9 products that may elicit psychoactive effects, create risk for the Business.

#### DEA Interpretation and Enforcement of the DEA IFR

Through the DEA's IFR, the DEA takes the position that material that exceeds 0.3% THC remains controlled in Schedule I of the U.S. CSA. It also takes the position that the 2018 Farm Bill does not impact the control status of synthetically derived THC's, for which the DEA claims that the amount of THC is not a determining factor in whether the material is a controlled substance. The DEA IFR may create risk for the Company's business. Enforcement of the DEA IFR, or any Final Rule that carries forward the rulemaking in the DEA Rule, may result in, among other things, injunctions, product withdrawals, recalls, product seizures, fines, and criminal prosecutions.



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Additionally, enforcement of the DEA IFR could jeopardize the legality of the Company's synthetically derived CBD products. As synthetically is not a clearly defined term, any CBD, such as CBG or Delta-8, could be interpreted by the DEA to be an unlawful controlled substance. The unknowns of DEA's interpretation of "synthetically derived" create risk for the Business.

#### Regulatory Uncertainty Regarding the Sale of Cannabis Seeds

The Company sells cannabis seeds to customers throughout the United States. On January 6, 2022, DEA stated in a letter that "marijuana seed that has as delta-9-tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis meet the definition of "hemp" and thus is not controlled under the CSA." Because this letter is non-binding guidance, there is risk that federal regulators or law enforcement could take the position that this letter is not authoritative and that these seeds are Schedule I controlled substances in violation of the U.S. CSA. There is also a risk that state regulators or law enforcement may view these seeds as controlled substances under State-controlled substance laws. In addition, there is risk that the seeds may contain more than 0.3% Delta-9 THC. The sale of seeds in the U.S. is governed by a number of federal and state laws and the failure to comply with these laws, including obtaining any necessary regulations, licenses, or permits may have a Material Adverse Effect. Possession, distribution, sale, or trafficking of any Schedule I controlled substance is subject to substantial criminal penalties.

#### Risks Relating to Suppliers

Cannabis retailers are dependent on the supply of cannabis products from Licensed Producers. There can be no assurance that there will be a sufficient supply of cannabis available to the Company to purchase and to operate its business or satisfy demand. Licensed Producers' growing operations are dependent on a number of key inputs and their related costs, including raw materials and supplies. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact Licensed Producers and, in turn, could have a Material Adverse Effect. Any inability of Licensed Producers to secure required supplies and services or to do so on appropriate terms could also have a Material Adverse Effect. The facilities of the Licensed Producers could be subject to adverse changes or developments, including but not limited to a breach of security, which could have a Material Adverse Effect. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by Health Canada or other legal or regulatory requirements could also have an impact on the ability of Licensed Producers supplying the Company to continue operating under their Authorizations or the prospect of renewing their Authorizations or on the ability or willingness of the Company to sell product sourced from one or more Licensed Producers, which could have a Material Adverse Effect.

In addition to the foregoing, one or more of the risk factors contemplated in this MD&A may also directly apply to, and impact, the Company's business, operations and financial condition of the Licensed Producers supplying the Company, resulting in such Licensed Producers to experience operational slowdowns or other barriers to operations (including as a result of protective measures associated with COVID-19) which may affect the ability of the Company to obtain and sell product sourced from such Licensed Producers. In turn, such events could have an indirect Material Adverse Effect.

#### Third Party Relationships

From time to time, the Company may enter into strategic alliances with third parties that the Company believes will complement or augment its business or will have a beneficial impact on the Company. Strategic alliances with third parties could present unforeseen integration obstacles or costs, may not enhance the Company's business, and may involve risks that could adversely affect the Company, including the risk that significant amounts of Management's time may be diverted from operations in order to pursue and complete such transactions or maintain such strategic alliances. Future strategic alliances could result in the Company incurring additional debt, costs and contingent liabilities, and there can be no assurance that future strategic alliances will achieve, or that the Company's existing strategic alliances will continue to achieve, the expected benefits to its business or that the Company will be able to consummate future strategic alliances on satisfactory terms, or at all. Any of the foregoing could have a Material Adverse Effect.



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#### Reliance on Established Cannabis Retail Stores

The Retail Store Authorizations held by the Company are specific to individual cannabis retail stores. Any adverse changes or disruptions to the functionality, security and operation of the Company's sites or any other form of non-compliance may place the Retail Store Authorizations held by the Company at risk, and have a Material Adverse Effect. As the business continues to grow, any expansion to or update of the current operating cannabis retail stores of the Company, or the introduction of new cannabis retail stores, will require the approval of the applicable cannabis regulatory authority. There can be no guarantee that the applicable cannabis regulatory authority will approve any such expansions and/or renovations, which could have a Material Adverse Effect.

#### Failure or Significant Delays in Obtaining Regulatory Approvals

The ability of the Company to achieve its business objectives are contingent, in part, upon compliance with the regulatory requirements enacted by applicable governmental entities, including those imposed by applicable cannabis and Hemp regulatory authorities, and obtaining and maintaining all Authorizations, where necessary. The Company cannot predict the time required to secure all appropriate Authorizations for the product offerings of the Company in place from time to time, or the extent of testing and documentation that may be required by governmental entities. The impact of regulatory compliance regimes and any delays in obtaining, or failure to obtain, the required Authorizations may significantly delay or impact the development of the Company and its businesses. Non-compliance could also have a Material Adverse Effect.

The impact of the various legislative regimes, on the Company's business plans and operations is uncertain. There is no guarantee that the applicable legislation regulating its business activities will create or allow for the growth opportunities the Company currently anticipates.

Due to the nature of the Company's operations, various legal and tax matters may be outstanding from time to time. If the Company is unable to resolve any of these matters favorably, there may be a Material Adverse Effect.

#### United States Public Company Compliance Efforts

As a public company in the United States, the Company will incur additional legal, accounting, reporting and other expenses that it did not incur as a public company in Canada. The additional demands associated with being a U.S. public company may disrupt regular operations of the Company's business by diverting the attention of some of its senior Management team away from revenue-producing activities to additional Management and administrative oversight, adversely affecting its ability to attract and complete business opportunities and increasing the difficulty in both retaining professionals and managing and growing its business. Any of these effects could harm the Company's business, results of operations and financial condition.

If its efforts to comply with new United States laws, regulations and standards differ from the activities intended by regulatory or governing bodies, such regulatory bodies or third parties may initiate legal proceedings against the Company and its business may be adversely affected. As a public company in the United States, it is more expensive for the Company to obtain director and officer liability insurance, and it will be required to accept reduced coverage or incur substantially higher costs to continue our coverage. These factors could also make it more difficult for the Company to attract and retain qualified directors.

The Sarbanes-Oxley requires that the Company maintain effective disclosure controls and procedures and internal control over financial reporting. In the event that the Company is not able to demonstrate compliance with Sarbanes-Oxley, that its internal control over financial reporting is perceived as inadequate, or that it is unable to produce timely or accurate financial statements, investors may lose confidence in its operating results and the price of the Common Shares may decline. In addition, if the Company is unable to continue to meet these requirements, it may not be able to remain listed on Nasdaq.

Following a transition period permitted for a newly public company in the United States, the Company's independent registered public accounting firm will be required to attest to the effectiveness of our internal control over financial reporting. Even if Management concludes that our internal controls over financial reporting are effective, its independent registered public accounting firm may issue





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a report that is qualified if it is not satisfied with the Company's controls or the level at which its controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently than the Company does.

#### Federal Paraphernalia Law

Under U.S. Code Title 21 Section 863, the term "drug paraphernalia" means "any equipment, product or material of any kind which is primarily intended or designed for use in manufacturing, compounding, converting, concealing, producing, processing, preparing, injecting, ingesting, inhaling, or otherwise introducing into the human body a controlled substance." That law exempts "(1) any person authorized by local, State, or Federal law to manufacture, possess, or distribute such items" and "(2) any item that, in the normal lawful course of business, is imported, exported, transported, or sold through the mail or by any other means, and traditionally intended for use with tobacco products, including any pipe, paper, or accessory." Any non-exempt drug paraphernalia offered or sold by any person in violation of the Federal Paraphernalia Law can be subject to seizure and forfeiture upon the conviction of such person for such violation, and a convicted person can be subject to fines under the Federal Paraphernalia Law and even imprisonment. Any actions against the Company by governmental entities related to the Federal Paraphernalia Laws could have a Material Adverse Effect.

#### U.S. "Foreign Private Issuer" Status

The Company is a "foreign private issuer", as such term is defined in Rule 405 under the U.S. Securities Act, and is permitted, under a multijurisdictional disclosure system adopted by the United States and Canada, to prepare its disclosure documents filed under the Exchange Act in accordance with Canadian disclosure requirements. Under the Exchange Act, the Company is subject to reporting obligations that, in certain respects, are less detailed and less frequent than those of U.S. domestic reporting companies. As a result, the Company will not file the same reports that a U.S. domestic issuer would file with the SEC, although it will be required to file or furnish to the SEC the continuous disclosure documents that it is required to file in Canada under Applicable Securities Laws. In addition, the Company's officers, directors, and principal shareholders are exempt from the reporting and "short swing" profit recovery provisions of Section 16 of the Exchange Act. Therefore, its shareholders may not know on as timely a basis when the Company's officers, directors and principal shareholders purchase or sell shares, as the reporting deadlines under the corresponding Canadian insider reporting requirements are longer.

As a foreign private issuer, the Company is exempt from the rules and regulations under the Exchange Act related to the furnishing a content of proxy statements. The Company is also exempt from Regulation FD, which prohibits issuers from making selective disclosures of material non-public information. While the Company expects to comply with the corresponding requirements relating to proxy statements and disclosure of material non-public information under Applicable Securities Laws, these requirements differ from those under the Exchange Act and Regulation FD and shareholders should not expect to receive in every case the same information at the same time as such information is provided by U.S. domestic companies.

In addition, as a foreign private issuer, the Company has the option to follow certain Canadian corporate governance practices, except to the extent that such laws would be contrary to U.S. securities laws, and provided that it discloses the requirements it is not following and describe the Canadian practices it follows instead. The Company plans to rely on this exemption. As a result, the Company's shareholders may not have the same protections afforded to shareholders of U.S. domestic companies that are subject to all U.S. corporate governance requirements.

#### Regulatory or Agency Proceedings, Investigations and Audits

The Company's business requires compliance with many laws. Failure to comply with these laws could subject the Company to regulatory or agency proceedings or investigations and could also lead to damage awards, fines and penalties. The Company may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits and other contingencies could harm the Company's reputation, require the Company to take, or refrain from taking, actions that could harm its operations or require the Company to pay substantial amounts of money, harming its financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations



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and audits will not result in substantial costs or a diversion of Management's attention and resources or have a Material Adverse Effect.

#### Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the Company's products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant number of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant Management attention. Recall of products could lead to adverse publicity, decreased demand for the Company's products and could have significant reputational and brand damage. Although the Company has detailed procedures in place for testing its products, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. A recall for any of the foregoing reasons could lead to decreased demand for the Company's products and could have a Material Adverse Effect. Additionally, product recalls may lead to increased scrutiny of the Company's operations by regulatory agencies, requiring further Management attention and potential legal fees and other expenses.

#### Product Liability

The Company's Hemp products are sold directly to end consumers, and therefore there is an inherent risk of exposure to product liability claims, regulatory action and litigation if the products are alleged to have caused loss or injury. In addition, the manufacture and sale of cannabis and cannabis products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis and cannabis products alone or in combination with other medications or substances could also occur. The Company may be subject to various product liability claims, including that the products they sell caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances.

A product liability claim or regulatory action against the Company could result in increased costs to the Company, could adversely affect the reputation of the Company with its clients and consumers generally and could have a Material Adverse Effect. There can be no assurance that the Company or its suppliers will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of the products of the Company. The Company holds directors' & officers' insurance and general liability insurance.

#### Sales of Products Containing Delta-8 Could have a Material Adverse Effect

The Company sells in certain states in the United States of products containing cannabinoids, including Delta-8 and Delta-9, extracted from cannabis plants that meet the definition of "hemp" under the Agriculture Improvement Act of 2018. The legality of Delta-8 derived from Hemp is uncertain and varies from state to state, with some states banning the sale of products containing Delta-8.

The Company does not sell into any states where the sale of Delta-8 is prohibited at the state level. At the federal level in the United States, the legality of Delta-8 remains unclear. The DEA has issued a statement that some have interpreted as making Hemp-derived Delta-8 illegal, while it has issued other statements that some interpret to the contrary. As a result, there is a risk that the DEA could consider the Company's Delta-8 products an illegal controlled substance under the CSA or Federal Analogue Act in the United States.

The 2018 Farm Bill was signed into law on December 20, 2018. The 2018 Farm Bill removed Hemp from the CSA and established a federal regulatory framework for Hemp production in the United States. Among other provisions, the 2018 Farm Bill explicitly amends the CSA to exclude all parts of the cannabis plant (including its cannabinoids, derivatives, and extracts) containing a Delta-9 THC





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concentration of not more than 0.3% on a dry weight basis from the CSA's definition of "marijuana," and defines such parts of the cannabis plant as "hemp." Marijuana, Delta-9 derived from marijuana, and any Hemp-derived products containing more than 0.3% Delta-9 THC concentration on a dry weight basis continue to be classified as a Schedule I substance under the CSA. Possession, distribution, sale, or trafficking of any Schedule I controlled substance is subject to substantial criminal penalties.

Should the Company become subject to enforcement action by federal or state agencies, the Company could: (i) be forced to stop offering some or all of its Delta-8 products or stop all business operations, (ii) be subject to other civil or criminal sanctions, (iii) be required to defend against such enforcement and if unsuccessful could cause the Company to cease its operations, which could have a Material Adverse Effect. Further enforcement or regulatory action at the United States federal and/or state level could adversely impact the listings of the Common Shares on the TSXV and Nasdaq.

#### **The Sale of Hemp-Derived High THC Products is Not Lawful in All 50 States, and Such Products Could have a Material Adverse Effect and May Elicit Psychoactive Effects**

The Company sells certain Hemp-derived Delta-9 THC products which contain more than five (5) milligrams of THC but less than 0.3% Delta-9 THC on a "dry weight basis" ("**High THC Products**"). The Company does not sell into any states where the sale of High THC Products is prohibited at the state level. The High THC Products may elicit psychoactive effects in consumers in the same manner as Delta-9 THC derived from cannabis. The Company believes these products meet the definition of "hemp" under the CSA, as amended by the 2018 Farm Bill, but federal agencies may disagree with that interpretation. Some states have limited the amount of Delta-9 THC per serving or per container that may be lawfully sold in state. In addition, the processing of Delta-9 products also may temporarily create in-process Hemp extracts with Delta-9 concentrations that exceed 0.3% by dry weight volume during the interim processing phases. There is risk that state or federal regulators or law enforcement could take the position that these products and/or this in-process Hemp extract are/is a Schedule I controlled substance in violation of the CSA and similar state laws. There also is risk that the Company's Delta-9 products could be considered by state law enforcement and state regulators to be marijuana illegal under state laws criminalizing the possession, distribution, trafficking and sale of marijuana.

Although the Company's High THC Products are derived from cannabis plants that meet the definition of "hemp" under the *Agriculture Improvement Act of 2018* – i.e., such plants contain less than 0.3% THC on a "dry weight basis" – the legality of the Company's High THC Products is uncertain at the federal level in the United States, and unlawful or uncertain at the state level in many states in the United States. For example, many states have banned the sale of High THC Products, or only allow these products to be sold through regulated adult-use dispensaries. Other states expressly permit High THC Products. At the federal level, the legality of High THC Products remains unclear, including, without limitation, under the CSA, Federal Analogue Act, and FDCA. As a result, there is a risk that state agencies and federal agencies (including, without limitation, the DEA and FDA) could consider the Company's High THC Products illegal. Possession, distribution, sale, or trafficking of any Schedule I controlled substance is subject to substantial criminal penalties and could have a Material Adverse Effect.

In addition, the Company's High THC Products may elicit psychoactive effects in consumers in the same manner as Delta-9 THC derived from "marijuana." Should the Company become subject to any enforcement action by any federal or state agencies, the Company could be: (i) forced to stop offering some or all of its High THC Products, and/or (ii) subject to civil or criminal sanctions or other enforcement actions. Any of the foregoing could have a Material Adverse Effect. In addition, any enforcement action at the federal and/or state level could adversely impact the Company's listings on the TSXV and Nasdaq.

#### **NDI Objection by FDA**

There is substantial uncertainty and different interpretations among state and federal regulatory agencies, legislators, academics and businesses as to whether CBDs were present in the food supply and marketed prior to October 15, 1994, or whether such inclusion of CBDs is otherwise approved by the FDA as dietary ingredients. Under DSHEA dietary ingredients marketed in the U.S. prior to October 15, 1994 may be used in dietary supplements without notifying the FDA. "New" dietary ingredients (i.e., dietary ingredients "not marketed in the United States before October 15, 1994") must be the subject of a new dietary ingredient notification submitted to the FDA unless the ingredient has been "present in the food supply as an article used for food" and is not "chemically altered." Any



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new dietary ingredient notification must provide the FDA with evidence of a "history of use or other evidence of safety" establishing that use of the dietary ingredient "will reasonably be expected to be safe." There is substantial uncertainty and different interpretations as to whether CBDs are by definition an impermissible adulterant due to cannabis being a controlled substance under the CSA. The uncertainties cannot be resolved without further federal legislation, regulation or a definitive judicial interpretation of existing legislation and rules. A determination that Hemp products containing CBDs were not present in the food supply, marketed prior to October 15, 1994, are not otherwise permissible for use as a dietary ingredient or are adulterants would have a Material Adverse Effect. The Company could be required to submit an NDI notification to the FDA with respect to Hemp extracts. If FDA objects to the Company's NDI notification, this would have a Material Adverse Effect.

#### Public Company Consequences

The Company's status as a reporting issuer may increase price volatility due to various factors, including the ability to buy or sell its Common Shares, different market conditions in different capital markets and different trading volumes. In addition, low trading volume may increase the price volatility of the Common Shares. The increased price volatility could have a Material Adverse Effect.

In addition, as a reporting issuer, the Company and its business activities will be subject to the reporting requirements of Applicable Securities Laws, and the listing requirements of the TSXV, Nasdaq and such other stock exchanges on which its Common Shares may from time to time be listed. Compliance with such rules and regulations will increase the Company's legal and financial costs making some activities more difficult, time consuming or costly and increase demand on its systems and resources.

#### Market for Securities

There is currently no market through which the securities of the Company (other than the Common Shares and a limited number of Warrants) may be sold. This may affect the pricing of the securities of the Company in the secondary market, the transparency and availability of trading prices, the liquidity of such securities and the extent of issuer regulation. There can be no assurance that an active trading market of securities of the Company, other than the Common Shares, will develop or, if developed, that any such market will be sustained. There is no guarantee that an active trading market for the Common Shares will be maintained on the TSXV and Nasdaq. Investors may not be able to sell their Common Shares quickly, at all, or at the latest market price if trading in the securities is not active.

#### Market Price of Securities

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies have experienced substantial volatility in the past, and recently, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors included macroeconomic developments in North America and globally, and market perceptions of the attractiveness of particular industries. The price of the Company's securities (including the Common Shares) is also likely to be affected by the Company's financial condition or results of operations as reflected in its financial statements. Other factors unrelated to the performance of the Company that may have an effect on the price of the Company's securities include, but are not limited to, the following: the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow the Company's securities, lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of the Company's securities, and a substantial decline in the price of the Company's securities that persists for a significant period of time could cause the Company's securities, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity. As a result of any of these factors, the market price of the Company's securities at any given point in time may not accurately reflect the long-term value of the Company. Class action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert Management's attention and resources.



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#### The Company is Dependent Upon a Limited Number of Key Suppliers

In the event that their suppliers are unable or unwilling to manufacture the Company's products then this may cause disruption to the Company's operations. To mitigate this risk the Company has established relationships with a number of additional suppliers, however, switching production to these suppliers may cause delays which will impact the Company's revenues and therefore its financial position may be negatively affected.

#### Conflicts of Interest

The Company may, from time to time, be subject to various potential conflicts of interest due to the fact that some of its officers, directors and consultants may be engaged in a range of outside business activities. The executive officers, directors and consultants of the Company may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the executive officers, directors and consultants of the Company may have fiduciary obligations associated with these outside business interests that interfere with their ability to devote time to its business and that could have a Material Adverse Effect. These outside business interests could also require significant time and attention of the Company's executive officers, directors and consultants.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors, officers and consultants who may from time to time deal with persons, firms, institutions or companies with which the Company may be dealing, or which may be seeking investments similar to those desired by the Company. The interests of these persons could conflict with those of the Company. Further, from time to time, these persons may also be competing with the Company for available investment opportunities.

Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of the Board, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

#### Product Viability

If the Hemp products the Company sells are not perceived to have the effects intended by the end user, its business may suffer. Many of the Company's products contain innovative ingredients or combinations of ingredients. There is little long-term data with respect to efficacy, unknown side effects and/or interaction with individual human biochemistry. Moreover, there is little long-term data with respect to efficacy, unknown side effects and/or its interaction with individual animal biochemistry. As a result, the Company's products could have certain side effects if not taken as directed or if taken by an end user that has certain known or unknown medical conditions.

#### Fraudulent or Illegal Activity

The Company is exposed to the risk that its employees, independent contractors, consultants, service providers and licensors may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional undertakings of unauthorized activities, or reckless or negligent undertakings of authorized activities, in each case on the Company's behalf or in their services that violate (a) various applicable laws, including healthcare laws, (b) applicable laws that require the true, complete and accurate reporting of financial information or data, or (c) the terms of the Company's agreements with third parties. Such misconduct could expose the Company to, among other things, class actions and other litigation, increased regulatory inspections and related sanctions, and lost sales and revenue or reputational damage.

The Company cannot always identify and prevent misconduct by its employees and other third parties, including third party service providers, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown, unanticipated or unmanaged risks or losses or in protecting it from governmental investigations or other actions or lawsuits stemming



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from such misconduct. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on its business, including the imposition of civil, criminal or administrative penalties, damages, monetary fines and contractual damages, reputational harm, diminished profits and future earnings or curtailment of its operations.

#### Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company has, and will continue to develop and implement, a number of procedures and safeguards in order to help ensure the reliability of its financial reports, including those imposed on the Company under applicable laws, in each case the Company cannot be certain that such measures will ensure that the Company maintains adequate control over financial processes and reporting. Any failure to implement required, new, or improved controls, or difficulties encountered in their implementation, could have a Material Adverse Effect or cause the Company to fail to meet its reporting obligations under applicable laws. Further, in the event that the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and could have a Material Adverse Effect.

Please see *"Disclosure Controls and Procedures and Internal Controls Over Financial Reporting"* for a discussion on the weaknesses identified by Management in connection with the Company's internal controls. These weaknesses could have a Material Adverse Effect.

#### Success of Quality Control Systems

The quality and safety of the Company's products are critical to the success of its business and operations. As such, it is imperative that the Company's (and its service provider's) quality control systems operate effectively and successfully. Quality control systems can be negatively impacted by the design of the quality control systems, the quality training program, and adherence by employees to quality control guidelines. Any significant failure or deterioration of such quality control systems could have a Material Adverse Effect.

#### Banking

Since the production and possession of cannabis is currently illegal under U.S. federal law and the Company relies on exemptions promulgated pursuant to the 2014 and the 2018 Farm Bills, it is possible that banks may refuse to open bank accounts for the deposit of funds from businesses involved with the cannabis industry. The inability to open bank accounts with certain institutions could have a Material Adverse Effect.

On December 3, 2019, the Federal Reserve Board, Federal Deposit Insurance Corporation, Financial Crimes Enforcement Network, and Office of the Comptroller of the Currency in consultation with the Conference of State Bank Supervisors, issued a statement to provide clarity regarding the legal status of commercial growth and production of Hemp and relevant requirements for banks under the Bank Secrecy Act. The statement emphasized that banks were no longer required to file suspicious activity reports for customers solely because they are engaged in the growth or cultivation of Hemp in accordance with applicable laws and regulations. Regulatory uncertainty in respect of the laws, rules, regulations and directives facing banks which provide services to CBD and cannabis industry participants, if revised or resolved unfavorably to the Company's interest, may have a Material Adverse Effect.

#### General Economic Risks

The operations of the Company could be affected by the economic context should interest rates, inflation or the unemployment level reach levels that influence consumer trends and spending and, consequently, impact the sales and profitability of the Company. Investors should further consider, among other factors, the prospects for success, of the Company, in light of the risks and uncertainties encountered by companies that, like the Company, are in their early stages. The Company may not be able to effectively or successfully address such risks and uncertainties or successfully implement operating strategies to mitigate the impact of such risks



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and uncertainties. In the event that the Company fails to do so, such failure could materially harm its business and could result in a Material Adverse Effect.

#### Management of Growth

To manage growth effectively and continue the sale and distribution of cannabis and cannabis products at the same pace as currently undertaken, or at all, the Company will need to continue to implement and improve its operational and financial systems and to expand, train and manage its larger employee base. The ability of the Company to manage growth effectively may be affected by a number of factors, including, among other things, non-performance by third party contractors and suppliers, increases in materials or labour costs, and labour disputes. The inability of the Company to manage or deal with growth could have a Material Adverse Effect.

#### Additional Capital

The continued development of its business may require additional financing, and any failure to raise such capital could result in the delay or indefinite postponement of the current and future business strategy of the Company, or result in the Company ceasing to carry on business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be available on favorable terms. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders of the Company could suffer significant dilution, and any new equity securities issued could have rights, preferences, and privileges superior to those of the Common Shares. The failure to raise or procure such additional funds or the failure to achieve positive cash flow could result in the delay or indefinite postponement of current business objectives.

In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other companies. These transactions may be financed wholly or partially with debt, which may increase the debt levels of the Company above industry standards and impact the ability of the Company to service such debt. Any debt financing obtained in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which could make it more difficult for the Company to obtain additional capital and pursue business opportunities, including potential acquisitions. Debt financings may contain provisions, which, if breached, entitle lenders to accelerate repayment of debt and there is no assurance that the Company would be able to repay such debt in such an event or prevent the enforcement of security, if any, granted pursuant to such debt financing.

#### Sales of a Significant Number of Securities

The Company cannot predict the size of future issuances of debt or equity securities or the effect, if any, that such future issuances will have on the market price of the Company's securities. Sales of a substantial number of securities in the public markets by the Company or its significant securityholders, or the perception that such sales could occur, could depress the market price of the Company's securities and impair its ability to raise capital through the sale of additional securities. The Company cannot predict the effect that future sales of securities would have on the market price of the securities. The price of the securities could be affected by possible sales of the securities by hedging or arbitrage trading activity which the Company expects to occur involving its securities. With any additional sale or issuance of equity securities, investors will suffer dilution of their voting power and may experience dilution in our earnings per security.

#### Inability to Develop New Products or Find Market

The cannabis industry is in its early stages of development and it is likely that the Company, and existing and future competitors, will seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Company may need to expend significant amounts of capital in order to successfully develop and generate revenues from new products introduced by the Company. In addition, the Company may be required to obtain additional regulatory approvals from applicable cannabis and Hemp regulatory authorities and any other applicable regulatory authorities, which may take significant amounts of time and entail significant costs. On October 17, 2019, new regulations under the Cannabis Act came into force, permitting the production and sale



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of cannabis edibles, extracts, and topicals. The impact of these regulatory changes on the business is unknown. The Company may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which, together with any capital expenditures made in the course of such product development and regulatory approval processes, could have a Material Adverse Effect.

#### Product Obsolescence

The cannabis market and associated products and technology are rapidly evolving, both domestically and internationally. As a result, the Company may be unable to anticipate and/or respond to developments in a timely and cost-efficient manner. The process of developing new products is complex and requires significant costs, development efforts, and third-party commitments. Any failure on the part of the Company to develop new products and technologies and/or the potential disuse of the existing products of the Company and technologies could have a Material Adverse Effect. The success of the Company will depend, in part, on the ability of the Company to continually invest in research and development and enhance existing technologies and products in a competitive manner. However, there can be no guarantee that the Company will be able to invest in research and development and enhance existing technologies and products in a competitive and timely manner, and any failure to do so could have a Material Adverse Effect.

#### Restrictions on Branding and Advertising

The success of the Company depends on the ability of the Company to attract and retain customers. applicable laws strictly regulate the way cannabis is packaged, labelled, and displayed. The associated provisions are quite broad and are subject to change. As at the date of this MD&A, applicable laws prohibit the use of testimonials and endorsements, depiction of people, characters and animals and the use of packaging that may be appealing to young people. Existing and future restrictions on the packaging, labelling, and the display of cannabis and cannabis products may adversely impact the ability of the Company to establish brand presence, acquire new customers, retain existing customers and maintain a loyal customer base. This could ultimately have a Material Adverse Effect.

#### Unfavorable Publicity or Consumer Perception

The success of the cannabis industry may be significantly influenced by the public's perception of cannabis. In general, cannabis continues to be a controversial topic, and there is no guarantee that future scientific research, publicity, regulations, medical opinion, and public opinion relating to cannabis will be favorable. Consumer perception of the products of the Company may, from time to time, be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis and cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis market or any particular product, or consistent with earlier publicity. Future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity that are perceived as less favorable than, or that question, earlier research reports, findings or publicity could have a Material Adverse Effect, including by affecting the demand for the Company's products and its business. In particular, adverse scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity, whether or not accurate or with merit, could have a Material Adverse Effect, and could affect the demand for the products of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or the products of the Company specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have a Material Adverse Effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately, or as directed.

Lastly, the parties with which the Company does business from time to time may perceive that they are exposed to reputational risk as a result of its business, which could make it difficult for the Company to establish or maintain banks and other business relationships. Any failure to establish or maintain such business relationships could have a Material Adverse Effect.



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#### Acquisitions or Dispositions

Since its inception, the Company has completed a number of significant acquisitions. Material acquisitions, dispositions, and other strategic transactions involve a number of risks, including (a) the risk that there could be a potential disruption of its business, (b) the risk that the anticipated benefits and cost savings of those transactions may not be realized fully, or at all, or may take longer to realize than expected (including the risk that perceived synergies associated with such transactions may not eventuate or are less pronounced than originally expected), (c) the risk that the transactions will result in an increase in the scope and complexity of the operations of the Company which the Company may not be able to managed effectively, and (d) the risk of a loss or reduction of control over certain assets of the Company.

The presence of one or more material liabilities and/or commitments of an acquired company that are unknown to the Company at the time of acquisition could have a Material Adverse Effect. A strategic transaction may also result in a significant change in the nature of its business, operations and strategy of the Company. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the existing operations of the Company.

Further, the Company intends to continue to seek viable market opportunities to grow its business both organically and through acquisitions, dispositions, and other strategic transactions. Any inability, on the Company's part, to successfully identify and/or execute on such transactions in a timely manner could have a Material Adverse Effect. In particular, the Company may, in pursuing such transactions, devote considerable resources and incur significant expenses (including on, among other things, conducting due diligence and negotiating the relevant agreements and instruments). In the event that a proposed acquisition or disposition is not completed on the terms and within the timelines anticipated, such expenses may reduce the profitability of the Company and could have a Material Adverse Effect.

#### Holding Company Risk

The Company is a holding company. Essentially, all of the Company's operating assets are the capital stock of its subsidiaries, and substantially all of its business is conducted through its subsidiaries which are separate legal entities. Consequently, the Company's cash flows and ability to pursue future business and expansion opportunities are dependent on the earnings of the Company's subsidiaries and the distribution of those earnings to the Company. The ability of the Company to pay dividends and other distributions will depend on the operating results of its subsidiaries and will be subject to applicable laws (which require that certain solvency and capital standards be maintained by the Company) and applicable contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of its subsidiaries, holders of indebtedness and trade creditors will generally be entitled to payment of their claims from the assets of such subsidiaries before any assets are made available for distribution to the Company.

#### Challenging Global Financial Conditions

Global financial conditions have been characterized by increased volatility, with numerous financial institutions having either gone into bankruptcy or having to be rescued by governmental entities. Global financial conditions could suddenly and rapidly destabilize in response to future events as governmental entities may have limited resources to respond to future crises. Global capital markets have continued to display increased volatility in response to global events. Future crises may be precipitated by any number of causes including natural disasters, the outbreak of communicable disease, geopolitical instability, and changes to energy prices or sovereign defaults. Any sudden or rapid destabilization of global economic conditions could negatively impact the ability of the Company, or the ability of the operators of the companies in which the Company may, from time to time, hold interests, to obtain equity or debt financing or make other suitable arrangements to finance their projects. In the event that increased levels of volatility continue or in the event of a rapid destabilization of global economic conditions, such events could result in a Material Adverse Effect.





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#### Litigation

The Company may, from time to time, become party to regulatory proceedings, litigation, mediation, and/or arbitration from time to time in the ordinary course of business, which could have a Material Adverse Effect. Monitoring and defending against legal actions, whether or not meritorious, can be time-consuming, can divert Management's attention and resources and can cause the Company to incur significant expenses. In addition, legal fees and costs incurred in connection with such activities may be significant and the Company could, in the future, be subject to judgments or enter into settlements of claims for significant monetary damages. While the Company may have insurance that may cover the costs and awards of certain types of litigation, the amount of insurance may not be sufficient to cover any costs or awards. Substantial litigation costs or an adverse result in any litigation could have a Material Adverse Effect. Litigation may also create a negative perception of the Company. Any decision resulting from any such litigation could have a Material Adverse Effect.

#### Dividend Policy

The declaration, timing, amount and payment of dividends are at the discretion of the Board and will depend upon the Company's future earnings, cash flows, acquisition capital requirements and financial condition, and other relevant factors. There can be no assurance that the Company will declare a dividend on a quarterly, annual or other basis.

#### Customer Acquisitions

The success of the Company depends, in part, on the ability of the Company to attract and retain customers. There are many factors which could impact the Company's ability to attract and retain customers, including but not limited to the ability to continually source desirable and effective product, the successful implementation of customer-acquisition plans and the continued growth in the aggregate number of customers. Any failure to acquire and retain customers would have a Material Adverse Effect.

#### Risks Inherent in an Agricultural Business

The business of certain suppliers of the Company involves the growth and cultivation of cannabis. Cannabis is an agricultural product, and as such, the business of growing and cultivating cannabis is subject to the customary risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Weather conditions, which can vary substantially from year to year, may from time to time also have a significant impact on the size and quality of the harvest of the crops processed and sold by certain suppliers of the Company. Significant fluctuations in the total harvest could impact the ability of the Company to operate. Further, high degrees of quality variance can also affect the ability of the Company to obtain and retain customers. There can be no assurance that natural elements will not have a material adverse effect on the cannabis and cannabis products produced by suppliers of the Company, which could have a Material Adverse Effect.

#### Uninsured or Uninsurable Risks

While the Company may have insurance to protect its assets, operations, and employees, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which the Company is exposed. No assurance can be given that such insurance will be adequate to cover the liabilities of the Company or that it will be available in the future or at all, and that it will be commercially justifiable. The Company may be subject to liability for risks against which the Company cannot insure or against which the Company may elect not to insure due to the high cost of insurance premiums or other factors. The payment of any such liabilities would reduce the funds available to the Company for normal business activities. Payment of liabilities for which the Company does not carry insurance could have a Material Adverse Effect.

#### Wholesale Price Volatility

The cannabis industry is a margin-based business in which gross profits depend, among other things, on the excess of sales prices over costs. Consequently, profitability is sensitive to fluctuations in wholesale and retail prices caused by changes in supply (which itself





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depends on other factors such as weather, fuel, equipment and labour costs, shipping costs, economic situation and demand), taxes, government programs and policies for the cannabis industry (including price controls and wholesale price restrictions that may be imposed by provincial agencies responsible for the sale of cannabis) and other market conditions, all of which are factors beyond the control of the Company, and which could have a Material Adverse Effect.

#### Intellectual Property

The success of the Company depends, in part, on the ability to protect the Company's ideas and technologies. As such, the ownership and protection of current and future trademarks, patents, trade secrets and intellectual property rights of the Company, as applicable, are currently, and are expected to be, key aspects of the future success of the Company. However, registration of trademarks, patents and other intellectual property could potentially be rejected by the governing authorities of the regions in which the Company is currently pursuing, or will from time to time pursue, business opportunities and the validity of any registrations granted may subsequently be challenged by third-parties. The outcome of these registration and validity challenge processes is unpredictable.

In addition, unauthorized parties may attempt to replicate or otherwise obtain and use the current and future products and technologies of the Company. Policing the unauthorized use of the current or future trademarks, patents, trade secrets or intellectual property rights of the Company could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying unauthorized use of intellectual property rights is difficult as the Company may be unable to effectively monitor and evaluate the products being distributed by its competitors, including parties such as unlicensed dispensaries, and the processes used to produce such products. In addition, in any infringement proceeding, some or all of the trademarks, patents or other intellectual property rights or other proprietary know-how, or arrangements or agreements seeking to protect the same may be found invalid, unenforceable, anti-competitive or not infringed. An adverse result in any litigation or defense proceedings could put one or more of the trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly and could put existing intellectual property applications at risk of not being issued. Any or all of such events, to the extent involving the Company, could have a Material Adverse Effect.

Finally, other parties may claim that the products of the Company infringe on their proprietary and perhaps patent-protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, injunctions, temporary restraining orders and/or require the payment of damages. As well, the Company may need to obtain licenses from third parties who allege that the Company may have infringed on their lawful rights. However, such licenses may not be available on terms acceptable to the Company or at all. In addition, the Company may not be able to obtain or utilize on terms that are favorable, or at all, licenses or other rights with respect to intellectual property that the Company does not own.

#### Vulnerability to Rising Energy Costs

The Company's extraction and manufacturing operations consume considerable energy, making the Company vulnerable to rising energy costs. Rising or volatile energy costs may have a Material Adverse Effect and impact the ability of the Company to operate profitably.

#### Transportation Risks

In order for customers of the Company to receive their product, the Company relies on third party transportation services. The Company faces risks related to the transportation of Hemp and Hemp-derived products and its reliance on third party transportation services. This can cause logistical problems with, and delays in, end users obtaining their orders which the Company cannot control. Any delay by third party transportation services may adversely affect the Company's financial performance. Due to the nature of the Business, security of product during transport is of the utmost concern. A breach of security during transport or delivery could have a Material Adverse Effect. Any breach of the security measures during transport or delivery, including any failure to comply with recommendations or requirements of applicable cannabis and Hemp regulatory authorities or other regulatory agencies, could also have an impact on the ability of the Company, as well as its suppliers' ability to continue operating. Other risks related to the



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transportation of the Company's products include but are not limited to, risks resulting from the continually evolving federal and state regulatory environment governing Hemp production, THC testing, and transportation.

#### Leases

The Company may, from time to time, enter into lease agreements for locations in respect of which at the time of entering such agreement, the Company does not have a license or permit to sell cannabis and cannabis products. In the event the Company is unable to obtain Authorizations to sell cannabis and cannabis products at such locations in compliance with applicable laws, such leases may become a liability of the Company without a corresponding revenue stream. In the event that the Company is unable to obtain permits and/or licenses at numerous locations for which the Company has or will have a lease obligation, this could have a Material Adverse Effect.

#### International Sales and Operations

The Company conducts a portion of its business in foreign jurisdictions such as the United States, U.K. and Netherlands, and is subject to regulatory compliance in the jurisdictions in which it operates from time to time. The sales operations of the Company in foreign jurisdictions are subject to various risks, including, but not limited to, exposure to currency fluctuations, political and economic instability, increased difficulty of administering business, and the need to comply with a wide variety of international and domestic laws and regulatory requirements. Further, there are a number of risks inherent in the Company's international activities, including, but not limited to, unexpected changes in the governmental policies of Canada, the United States, U.K., Netherlands, or other foreign jurisdictions concerning the import and export of goods, services and technology and other regulatory requirements, tariffs and other trade barriers, costs and risks of localizing products for foreign languages, longer accounts receivable payment cycles, limits on repatriation of earnings, the burdens of complying with a wide variety of foreign laws, and difficulties supervising and managing local personnel. The financial stability of foreign markets could also affect the Company's international sales. Such factors may have a Material Adverse Effect. In addition, international income may be subject to taxation by multiple jurisdictions, which could also have a Material Adverse Effect.

#### Regulatory Intervention Impacting on the Marketability of CBD Products in the U.K.

All of Blessed CBD's products that are ingestible and that contain CBD are regarded by the U.K. and European food standards regulators as novel foods. On February 13, 2019, the FSA issued a statement confirming that in order for CBD products to be sold in the U.K. after March 31, 2021, that a novel foods application must be submitted to it prior to March 31, 2021. Blessed CBD has submitted a number of Novel Foods applications in respect of its products prior to the March 31, 2021 deadline but which have not yet been validated by the FSA. When that process is complete, the FSA will spend up to nine months (on a start/stop the clock basis if further information is needed) to carry out a risk assessment of the products and then up to a further seven months for any subsequent risk management considerations and an authorization decision. The Board expects the FSA to validate the products by the end of 2021 and to formally approve the applications by the end of 2022. The Board is therefore confident that Blessed CBD's applications will be successful although there are no guarantees. While the Board believes this is unlikely, if the application for any product is not successful then Blessed CBD will have to cease marketing such product in the U.K. This will inevitably decrease the Company's revenues from the U.K. market and have a negative financial impact on the Company.

#### Corruption and Anti-Bribery Law Violations

The Company is subject to applicable laws which generally prohibit companies and employees from engaging in bribery or other prohibited payments to foreign officials for the purpose of obtaining or retaining business. In addition, the Company is subject to the anti-bribery and anti-money laundering laws of foreign jurisdictions in which it may from time to time conduct its business. The Company's employees or other agents may, without its knowledge and despite its efforts, engage in prohibited conduct, whether prohibited under the Company's policies and procedures or under anti-bribery laws, for which the Company may be directly or indirectly held responsible. There can be no assurance that the Company's internal control policies and procedures from time to time in effect will protect it from recklessness, fraudulent behaviour, dishonesty or other inappropriate acts committed by its affiliates,



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employees, contractors or agents. If the Company's employees or other agents are found to have engaged in such practices, the Company could suffer severe penalties and other consequences that may have a Material Adverse Effect.

#### Applicable Privacy Laws

The Company may from time to time collect and store personal information about its customers and will be responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly client lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach could have a Material Adverse Effect.

#### 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 its 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 the Company is dependent upon the ability, expertise, judgment, discretion and good faith of Key Personnel. The future success of the Company depends on their continuing ability to attract, develop, motivate, and retain the Key Personnel. Qualified individuals for Key Personnel positions are in high demand, and the Company may incur significant costs to attract and retain them. The loss of the services of Key Personnel, or an inability to attract other suitably qualified persons when needed, could have a Material Adverse Effect, and the Company may be unable to find adequate replacements on a timely basis, or at all. While employment and consulting agreements are customarily used as a primary method of retaining the services of Key Personnel, these agreements cannot assure the continued services of such individuals and consultants.

#### 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.



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#### Competition

The market for businesses in the CBD and Hemp oil industries are competitive and evolving. In particular, the Company faces strong competition from both existing and emerging companies, that offer similar products. Some of the Company's current and potential competitors may 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.

In addition, Management estimates that, as at 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.

Given the rapid changes affecting the global, national, and regional economies generally and the CBD industry, in particular, the Company may not be able to create and maintain a competitive advantage in the marketplace. The Company's success will depend on its ability to keep pace with any changes in such markets, especially in light of legal and regulatory changes. Its success will depend on the Company's ability to respond to, among other things, changes in the economy, market conditions, and competitive pressures. Any failure by the Company to anticipate or respond adequately to such changes could have a Material Adverse Effect.

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.

In order to remain competitive in the evolving cannabis market, the Company will need to invest significantly in, among other things, research and development, market development, marketing, production expansion, new client identification, distribution channels, and client support. In the event that 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.



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#### 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. Such proceedings could have a Material Adverse Effect.

Further, violations of any U.S. federal laws 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.

#### 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 Company's 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 Company and its 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 its 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



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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.

#### Cannabis Prices

A major part of the Company's revenue is derived from the sale and distribution of cannabis, 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.

#### Loss of entire investment

An investment in the Common Shares is speculative and may result in the loss of an investor's entire investment. Only potential investors who are experienced in high-risk investments and who can afford to lose their entire investment should consider an investment in the Company.

There can be no assurance regarding the amount of income to be generated by the Company. Common Shares are equity securities of the Company and are not fixed income securities. Unlike fixed income securities, there is no obligation of the Company to distribute to shareholders a fixed amount or any amount at all, or to return the initial purchase price of the Common Shares on any date in the future. The market value of the Common Shares may deteriorate if the Company is unable to generate sufficient positive returns, and that deterioration may be significant.



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#### Forward-looking information may prove to be inaccurate

Investors should not place undue reliance on forward-looking information. By their nature, forward-looking information involve numerous assumptions, known and unknown risks and uncertainties, of both general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Additional information on the risks, assumptions and uncertainties can be found in this under the heading "*Cautionary Note Regarding Forward-Looking Information*".

#### Future issuances or actual or potential sales of securities

The issuance by the Company of the Common Shares could result in significant dilution in the equity interest of existing shareholders and adversely affect the market price of the Common Shares. In addition, in the future, the Company may issue additional Common Shares or securities convertible into Common Shares, which may dilute existing shareholders. The Company's articles permit the issuance of an unlimited number of Common Shares, and shareholders will have no pre-emptive rights in connection with such further issuances. Further, additional Common Shares may be issued by the Company upon the exercise of stock options and upon the exercise or conversion of other securities convertible into Common Shares. The issuance of these additional equity securities may have a similar dilutive effect on then existing holders of Common Shares.

The market price of the Common Shares could decline as a result of future issuances by the Company, including issuance of shares issued in connection with strategic alliances, or sales by its existing holders of Common Shares, or the perception that these sales could occur. Sales by shareholders might also make it more difficult for the Company to sell equity securities at a time and price that it deems appropriate, which could reduce its ability to raise capital and have an adverse effect on its business.

#### Discretion over the Use of Proceeds

The Company intends to use the net proceeds from the ATM Program as set forth under the section entitled "Use of Proceeds" in the ATM Prospectus Supplement; however, the Company maintains broad discretion concerning the use of the net proceeds of the ATM Program as well as the timing of their expenditure. The Company may re-allocate the net proceeds of the ATM Program if Management believes it would be in the Company's best interest to do so and in ways that a purchaser may not consider desirable. Until utilized, the net proceeds of the ATM Program will be held in cash balances in the Company's bank account or invested at the discretion of the Board. As a result, a purchaser will be relying on the judgment of Management for the application of the net proceeds of the ATM Program. The results and the effectiveness of the application of the net proceeds are uncertain. If the net proceeds are not applied effectively, the Company's results of operations may suffer, which could adversely affect the price of the Common Shares on the open market.

#### Sales of a Significant Number of Securities

The Company cannot predict the size of future issuances of debt or equity securities or the effect, if any, that such future issuances will have on the market price of the Company's securities. Sales of a substantial number of securities in the public markets by the Company or its significant securityholders, or the perception that such sales could occur, could depress the market price of the Company's securities and impair its ability to raise capital through the sale of additional securities. The Company cannot predict the effect that future sales of securities would have on the market price of the securities. The price of the securities could be affected by possible sales of the securities by hedging or arbitrage trading activity which the Company expects to occur involving its securities. With any additional sale or issuance of equity securities, investors will suffer dilution of their voting power and may experience dilution in our earnings per security.

#### Additional Financing

The continued development of the Company will require additional financing. There is no guarantee that the Company will be able to achieve its business objectives. The Company intends to fund its future business activities by way of additional offerings of equity





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and/or debt financing as well as through anticipated positive cash flow from operations in the future. The failure to raise or procure such additional funds or the failure to achieve positive cash flow could result in the delay or indefinite postponement of current business objectives. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, will be on terms acceptable to the Company. If additional funds are raised by offering equity securities, existing shareholders could suffer significant dilution. Any debt financing secured in the future could involve the granting of security against assets of the Company and also contain restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company will require additional financing to fund its operations until positive cash flow is achieved. See *"Cash Flow from Operations"*.

#### The Market Price of the Common Shares is Volatile and May Not Accurately Reflect the Long-Term Value of the Company

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies has experienced substantial volatility in the past. This volatility may affect the ability of holders of Common Shares to sell their securities at an advantageous price. Market price fluctuations in the Common Shares may be due to the Company's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the Common Shares.

Financial markets historically at times experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Common Shares may decline even if the Company's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted and the trading price of the Common Shares may be materially adversely affected.

#### No Guarantee of an Active Liquid Market for Securities

There is no guarantee that an active trading market for the Common Shares will be maintained on the TSXV and Nasdaq. Investors may not be able to sell their Common Shares quickly, at all, or at the latest market price if trading in the securities is not active.

Trading of the Common Shares May Be Restricted by the SEC's "Penny Stock" Regulations Which May Limit a Stockholder's Ability to Buy and Sell the Common Shares.

The SEC has adopted regulations which generally define "penny stock" to be any equity security that has a market price (as defined) less than US\$5.00 per share or an exercise price of less than US\$5.00 per share, subject to certain exceptions. The Common Shares are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and "accredited investors" (as defined in the U.S. Securities Act). The penny stock rules require a broker-dealer to provide very specific disclosure to a customer who wishes to purchase a penny stock, prior to the purchase. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade the Company's securities.

#### Other Risks

Other risks facing our business, and that could cause actual results to differ materially from current expectations may include, but are not limited to, risks and uncertainties that are discussed in greater detail in the "Non-Exhaustive List of Risk Factors" section in





## **High Tide Inc.**

### **Management's Discussion and Analysis**

For the three months ended January 31, 2023 and 2022

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

Schedule A to our current annual information form, and elsewhere in this MD&A, as such factors may be further updated from time to time in our periodic filings, available at [www.sedar.com](http://www.sedar.com) and [www.sec.gov](http://www.sec.gov), which risk factors are incorporated herein by reference.



HIGHTIDE

# **Condensed Interim Consolidated Financial Statements**

**For the three months ended January 31, 2023 and 2022**

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

(Unaudited)





**Condensed Interim Consolidated Financial Statements for the three months ended January 31, 2023 and 2022.**

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 January 31, 2023 and October 31, 2022

(Unaudited – In thousands of Canadian dollars)

	Notes	2023	2022
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		23,696	25,084
Marketable securities		-	195
Trade and other receivables	11	10,740	8,200
Inventory	10	24,867	23,414
Prepaid expenses and deposits	9	4,692	7,167
Total current assets		63,995	64,060
<b>Non-current assets</b>			
Property and equipment	7	30,618	31,483
Net investment - lease	25	179	203
Right-of-use assets, net	25	29,118	30,519
Long term prepaid expenses and deposits	9	3,649	2,988
Intangible assets and goodwill	5,8	146,275	145,490
Total non-current assets		209,839	210,683
<b>Total assets</b>		<b>273,834</b>	<b>274,743</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	13	28,765	26,887
Interest bearing loans and borrowings	15	15,692	16,393
Current portion of convertible debentures	16	4,420	2,696
Current portion of lease liabilities	25	7,059	7,629
Derivative liability	12	5,075	6,336
Total current liabilities		61,011	59,941
<b>Non-current liabilities</b>			
Notes payable	14	12,367	12,257
Convertible debentures	16	3,467	4,770
Lease liabilities	25	25,398	26,139
Deferred tax liability		7,856	9,603
Total non-current liabilities		49,088	52,769
<b>Total liabilities</b>		<b>110,099</b>	<b>112,710</b>
<b>Shareholders' equity</b>			
Share capital	18	286,547	279,513
Warrants	20	15,497	15,497
Contributed surplus		24,487	23,051
Convertible debentures – equity		717	717
Accumulated other comprehensive loss		2,959	5,665
Accumulated deficit		(171,648)	(168,093)
<b>Equity attributable to owners of the Company</b>		<b>158,559</b>	<b>156,350</b>
Non-controlling interest	28	5,176	5,683
<b>Total shareholders' equity</b>		<b>163,735</b>	<b>162,033</b>
<b>Total liabilities and shareholders' equity</b>		<b>273,834</b>	<b>274,743</b>



# High Tide Inc.

## Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three months ended January 31, 2023 and 2022

(Unaudited – In thousands of Canadian dollars)

		Three months ended	
	Notes	2023	2022
		\$	\$
<b>Revenue</b>	6	<b>118,076</b>	72,218
<b>Cost of sales</b>		<b>(85,895)</b>	(49,236)
<b>Gross profit</b>		<b>32,181</b>	22,982
<b>Expenses</b>			
Salaries, wages and benefits		(14,302)	(9,887)
Share-based compensation	19	(1,436)	(1,902)
General and administration		(7,497)	(5,861)
Professional fees		(2,428)	(1,000)
Advertising and promotion		(1,489)	(2,403)
Depreciation and amortization	7,8,25	(7,986)	(7,111)
Impairment loss		-	(89)
Interest and bank charges		(965)	(876)
<b>Total expenses</b>		<b>(36,103)</b>	(29,129)
<b>Loss from operations</b>		<b>(3,922)</b>	(6,147)
<b>Other income (expenses)</b>			
Gain on extinguishment of financial liability		18	-
Loss on extinguishment of debenture		-	(18)
Gain (Loss) on revaluation of marketable securities		8	(219)
Finance and other costs	17	(2,478)	(2,460)
Gain on revaluation of derivative liability	12	1,261	525
Foreign exchange gain (loss)		15	(97)
<b>Total other expenses</b>		<b>(1,176)</b>	(2,269)
<b>Loss before taxes</b>		<b>(5,098)</b>	(8,416)
Income tax expense		(342)	1,064
Deferred income tax recovery		1,578	-
<b>Net loss</b>		<b>(3,862)</b>	(7,352)
<b>Other comprehensive loss</b>			
Translation difference on foreign subsidiary		(2,706)	1,602
<b>Total comprehensive loss</b>		<b>(6,568)</b>	(5,750)
<b>Net (loss) income attributable to:</b>			
Owners of the Company		(3,944)	(7,830)
Non-controlling interest		82	478
		<b>(3,862)</b>	(7,352)
<b>Comprehensive (loss) income attributable to:</b>			
Owners of the Company		(6,877)	(6,228)
Non-controlling interest	28	309	478
		<b>(6,568)</b>	(5,750)
<b>Loss per share</b>			
Basic and Diluted	21	(0.05)	(0.14)



**High Tide Inc.**  
**Condensed Interim Consolidated Statements of Changes in Equity**  
For the three months ended January 31, 2023 and 2022  
(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
		\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Opening balance, November 1, 2021</b>		<b>208,904</b>	<b>10,724</b>	<b>15,162</b>	<b>859</b>	<b>(648)</b>	<b>(87,792)</b>	<b>147,209</b>	<b>4,795</b>	<b>152,004</b>
Acquisition - FABCBD	5	313	-	-	-	-	-	313	-	313
Acquisition - NuLeaf	5	35,527	-	-	-	-	(8,326)	27,201	1,726	28,927
Acquisition - Budroom	5	3,738	-	-	-	-	-	3,738	-	3,738
Acquisition - Boreal Cannabis	5	2,203	-	-	-	-	-	2,203	-	2,203
Acquisition - Crossroads Cannabis	5	2,189	-	-	-	-	-	2,189	-	2,189
Acquisition - Choom	5	3,940	-	-	-	-	-	3,940	-	3,940
Issuance of shares through ATM	18	8,807	-	-	-	-	-	8,807	-	8,807
Issued to pay fees in shares	18	100	-	-	-	-	-	100	-	100
Share-based compensation	19	-	-	8,080	-	-	-	8,080	-	8,080
Equity portion of convertible debentures		-	-	-	(142)	-	-	(142)	-	(142)
Exercise options	19	526	-	(217)	-	-	-	309	-	309
Warrants expired	20	-	(273)	273	-	-	-	-	-	-
Warrants exercised	20	4,352	(6)	-	-	-	-	4,346	-	4,346
Share issuance costs	18	(974)	-	-	-	-	-	(974)	-	(974)
Vesting of RSUs	19	247	-	(247)	-	-	-	-	-	-
Issued warrants		-	5,052	-	-	-	-	5,052	-	5,052
Acquisition - Budheaven	5	1,986	-	-	-	-	-	1,986	-	1,986
Shares issued through equity financing	18	6,768	-	-	-	-	-	6,768	-	6,768
Daily High Club Escrow cancellation	18	(53)	-	-	-	-	-	(53)	-	(53)
Smoke Cartel Earnout	18	940	-	-	-	-	-	940	-	940
Partner distributions	28	-	-	-	-	-	-	-	(1,961)	(1,961)
Cumulative translation adjustment		-	-	-	-	6,313	-	6,313	-	6,313
Comprehensive (loss) gain for the period		-	-	-	-	-	(71,975)	(71,975)	1,123	(70,848)
<b>Closing balance, October 31, 2022</b>		<b>279,513</b>	<b>15,497</b>	<b>23,051</b>	<b>717</b>	<b>5,665</b>	<b>(168,093)</b>	<b>156,350</b>	<b>5,683</b>	<b>162,033</b>
<b>Opening balance, November 1, 2022</b>		<b>279,513</b>	<b>15,497</b>	<b>23,051</b>	<b>717</b>	<b>5,665</b>	<b>(168,093)</b>	<b>156,350</b>	<b>5,683</b>	<b>162,033</b>
Issuance of shares through ATM	18	1,852	-	-	-	-	-	1,852	-	1,852
Issued to pay fees in shares	18	278	-	-	-	-	-	278	-	278
Share-based compensation	19	-	-	1,436	-	-	-	1,436	-	1,436
Acquisition - Jimmy's Cannabis	5	4,932	-	-	-	-	-	4,932	-	4,932
Share issuance costs	18	(28)	-	-	-	-	-	(28)	-	(28)
Partner distributions	28	-	-	-	-	-	-	-	(198)	(198)
Cumulative translation adjustment		-	-	-	-	(2,706)	-	(2,706)	-	(2,706)
Comprehensive (loss) for the period		-	-	-	-	-	(3,555)	(3,555)	(309)	(3,864)
<b>Balance, January 31, 2023</b>		<b>286,547</b>	<b>15,497</b>	<b>24,487</b>	<b>717</b>	<b>2,959</b>	<b>(171,648)</b>	<b>158,559</b>	<b>5,176</b>	<b>163,735</b>



## High Tide Inc.

### Condensed Interim Consolidated Statements of Cash Flows

For the three months ended January 31, 2023 and 2022

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

	Notes	2023	2022
		\$	\$
<b>Operating activities</b>			
Net loss		(3,862)	(7,352)
Adjustments for items not effecting cash and cash equivalents			
Income tax recovery		(1,236)	(1,064)
Accretion expense	17	1,130	1,165
Fee for services and interest paid in shares and warrants	18	278	-
Depreciation and amortization	7,8,25	7,986	7,111
Revaluation of derivative liability	12	(1,261)	(525)
Loss on extinguishment of debenture		-	18
Impairment loss		-	89
Foreign exchange gain (loss)		(15)	97
Share-based compensation	19	1,436	1,902
Gain on extinguishment of financial liability		(18)	-
Gain (Loss) on revaluation of marketable securities		(8)	219
		4,430	1,660
Changes in non-cash working capital			
Trade and other receivables		(2,539)	(1,179)
Inventory		(1,759)	(2,174)
Prepaid expenses and deposits		1,830	(1,527)
Accounts payable and accrued liabilities		153	1,636
<b>Net cash provided by (used in) operating activities</b>		<b>2,115</b>	<b>(1,584)</b>
<b>Investing activities</b>			
Additions of property and equipment	7	(1,439)	(2,338)
Additions of intangible assets	8	(252)	(147)
Loans receivable		-	(140)
Business Combinations, net of cash acquired	5	622	565
<b>Net cash provided by investing activities</b>		<b>(1,069)</b>	<b>(2,060)</b>
<b>Financing activities</b>			
Repayment of interest bearing loans and borrowings	15	(661)	-
Repayment of convertible debentures		-	(890)
Interest paid on debentures and loans	17	(684)	(386)
Lease liability payments	25	(2,715)	(2,238)
Share issuance costs	18	(28)	(13)
Partner distributions		(198)	-
Proceeds from equity financing through ATM	18	1,852	811
Warrants exercised		-	2,141
Options exercised		-	282
<b>Net cash used in financing activities</b>		<b>(2,434)</b>	<b>(293)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,388)</b>	<b>(3,937)</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>25,084</b>	<b>14,014</b>
<b>Cash and cash equivalents, end of period</b>		<b>23,696</b>	<b>10,077</b>



## High Tide Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended January 31, 2023 and 2022

(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.

## 2. Basis of Preparation

### A. Statement of compliance

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, 2022 which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

These condensed interim consolidated financial statements were approved and authorized for issue by the Board of Directors on March 17, 2023.

### B. Basis of measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis, except for liability warrants and certain financial instruments which are measured at fair value. The accounting policies set out below have been applied consistently by the Company and its wholly owned subsidiaries for the periods presented.

### C. Currencies and Foreign Exchange

The Company’s condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Company and its Canadian subsidiaries. The functional currency of the Company’s United States (“U.S.”) subsidiaries is the U.S. dollar (“USD”), of the Company’s European subsidiaries is the Euro (“EUR”), and of the Company’s United Kingdom subsidiaries is the British Pound Sterling (“GBP”). Transactions denominated in currencies other than the functional currency are translated at the rate prevailing at the date of transaction. Monetary assets and liabilities that are denominated in foreign currencies are translated at the rate prevailing at each reporting date. Income and expense amounts are translated at the dates of the transactions.

In preparing the Company’s condensed interim consolidated financial statements, the financial statements of the foreign subsidiaries are translated into Canadian dollars. The assets and liabilities of foreign subsidiaries are translated into Canadian dollars using exchange rates at the reporting date. Revenues and expenses of foreign operations are translated into Canadian dollars using average foreign exchange rates. Translation gains and losses resulting from the consolidation of operations into the Company’s functional currency, are recognized in other comprehensive income in the statement of loss and other comprehensive loss and as a separate component of shareholders’ equity on the consolidated statement of changes in equity.





## High Tide Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended January 31, 2023 and 2022

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

#### D. Basis of Consolidation Subsidiaries

Subsidiaries are entities controlled by High Tide Inc. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of loss and other comprehensive loss from the effective date of acquisition and up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with those used by the Company. Intra-group balances and transactions, and any unrealized gains or losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Subsidiaries	Percentage Ownership	Functional Currency
Canna Cabana Inc.	100%	Canadian Dollar
2680495 Ontario Inc.	100%	Canadian Dollar
Saturninus Partners GP	50%	Canadian Dollar
Valiant Distribution Canada Inc.	100%	Canadian Dollar
META Growth Corp.	100%	Canadian Dollar
NAC Thompson North Ltd. Partnership	49%	Canadian Dollar
NAC OCN Ltd. Partnership	49%	Canadian Dollar
HT Global Imports Inc.	100%	Canadian Dollar
2049213 Ontario Inc.	100%	Canadian Dollar
1171882 B.C. Ltd.	100%	Canadian Dollar
High Tide BV (Grasscity)	100%	European Euro
Valiant Distribution Inc.	100%	U.S. Dollar
Smoke Cartel USA, Inc.	100%	U.S. Dollar
Fab Nutrition, LLC	80%	U.S. Dollar
Halo Kushbar Retail LLC	100%	Canadian Dollar
Nuleaf Naturals LLC	80%	U.S. Dollar
DHC Supply, LLC	100%	U.S. Dollar
DS Distribution Inc.	100%	U.S. Dollar
Enigmaa Ltd.	80%	British Pound Sterling

### 3. Accounting Policies

The significant accounting policies applied in the preparation of the unaudited condensed interim consolidated financial statements for the three months ended January 31, 2023, and 2022 are consistent with those applied and disclosed in Note 3 and 4 of the Company's Consolidated Financial Statements for the years ended October 31, 2022 and 2021.

### 4. Significant accounting judgement, estimates and assumptions

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, 2022.



## High Tide Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended January 31, 2023 and 2022

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

## 5. 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. Jimmy's Cannabis Acquisition

<b>Total consideration</b>		<b>\$</b>
Common shares	4,932	
	<b>4,932</b>	
<b>Purchase price allocation</b>		
Cash	622	
Inventory	306	
Prepaid expenses	11	
Property, plant and equipment	111	
Right of use asset	129	
Intangible assets - business license rights	1,547	
Goodwill	2,764	
Accounts payable and accrued liabilities	(319)	
Lease liabilities	(129)	
Income tax payable	(110)	
	<b>4,932</b>	

On December 29, 2022, the Company closed the acquisition of 100% of the equity interest of 1171882 B.C. Ltd., operating as Jimmy's Cannabis Shop BC ("Jimmy's") which operates two retail cannabis stores in British Columbia. Pursuant to the terms of the Arrangement, the consideration was comprised of 2,595,533 common shares of the Company having an aggregate value of \$4,932.

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 working capital, right of use asset, lease liability, identifiable intangible assets, 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. Goodwill is not deductible for tax purposes. For the period ended January 31, 2023, Jimmy's accounted for \$255 in revenues and \$108 in net loss. If the acquisition had been completed on November 1, 2022, the Company estimates it would have recorded an increase of \$862 in revenues and a decrease of \$99 in net loss for the period ended January 31, 2023.

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

For the three months ended January 31, 2023 and 2022

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

**B. Choom Acquisition (Prior year)**

<b>Total consideration</b>	<b>\$</b>
Cash	100
Common Shares	3,940
	<b>4,040</b>
<b>Purchase price allocation</b>	
Inventory	190
Property and equipment	962
Right-of-use assets	2,520
Goodwill	2,861
Intangible Asset - Business Licenses Rights	27
Lease liabilities	(2,520)
	<b>4,040</b>

On August 2, 2022, the Company closed the acquisition of assets of Choom stores located in Alberta and British Columbia. On August 25, 2022, the Company closed the acquisition of assets of a Choom store located in Ontario. The consideration was comprised of 2,147,023 common shares of the Company having an aggregate value of \$3,940 and \$100 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 working capital, identifiable intangible assets, 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 year ended October 31, 2022, Choom accounted for \$2,443 in revenues and \$132 in net loss. If the acquisition had been completed on November 1, 2021, the Company estimates it would have recorded an increase of \$5,429 in revenues and a decrease of \$659 in net loss for the year ended October 31, 2022. The Company also incurred \$40 in transaction costs for the year ended October 31, 2022, 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 months ended January 31, 2023 and 2022

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

**C. Halo Kushbar Acquisition (Prior year)**

<b>Total consideration</b>	<b>\$</b>
Note Receivable - Settled	810
Working Capital Adjustment	109
	<b>919</b>
<b>Purchase price allocation</b>	
Cash	160
Trade and other receivables	37
Inventory	205
Prepaid Expenses	14
Property and equipment	530
Right-of-use assets	718
Accounts payable and accrued liabilities	(27)
Lease liabilities	(718)
	<b>919</b>

On July 15, 2022, The Company took control of the shares of Halo Kushbar Retail Inc (“Halo Kushbar”), which owns three operating cannabis retail stores in Alberta. The consideration received was the settlement of a convertible promissory note that was revalued to a principal amount of \$810 (the “Note”) and working capital adjustment of \$109.

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. Management finalized its purchase price allocation. For the year ended October 31, 2022, Halo Kushbar accounted for \$1,164 in revenues and \$42 in net income. If the acquisition had been completed on November 1, 2021, the Company estimates it would have recorded an increase of \$2,213 in revenues and an increase of \$10 in net loss for the year ended October 31, 2022. The Company also incurred \$16 in transaction costs for the year ended October 31, 2022, 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 months ended January 31, 2023 and 2022

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

**D. Kensington Acquisition (Prior year)**

<b>Total consideration</b>	<b>\$</b>
Cash	160
Loan Receivable - Settlement	523
	<b>683</b>
<b>Purchase price allocation</b>	
Cash	3
Inventory	21
Property and equipment	185
Goodwill	474
	<b>683</b>

On June 4, 2022, the Company purchased a retail cannabis store location in Alberta (previously a franchisee). The consideration was comprised of \$160 in cash and settlement of a \$523 Notes Receivable.

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. Management finalized its purchase price allocation. The goodwill is primarily related to the opportunities to grow the business, expanded access to capital and greater financial flexibility. For the year ended October 31, 2022, Kensington accounted for \$436 in revenues and \$23 in net loss. If the acquisition had been completed on November 1, 2021, the Company estimates it would have recorded an increase of \$447 in revenues and an increase of \$156 in net loss for the year ended October 31, 2022. The Company also incurred \$7 in transaction costs for the year ended October 31, 2022, 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 months ended January 31, 2023 and 2022

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

**E. Bud Heaven Acquisition (Prior year)**

<b>Total consideration</b>	<b>\$</b>
Cash True-up Payable	992
Common Shares	1,986
	<b>2,978</b>
<b>Purchase price allocation</b>	
Cash	41
Inventory	102
Trade and other receivables	13
Prepaid Expenses	37
Property and equipment	240
Right-of-use-assets	250
Goodwill	2,657
Accounts payable and accrued liabilities	(112)
Lease Liabilities	(250)
	<b>2,978</b>

On June 1, 2022, the Company acquired all the issued and outstanding shares of Livonit Foods Inc. operating as Bud Heaven ("Bud Heaven") which operates two retail cannabis stores in Ontario. The consideration was comprised of 564,092 Common Shares, having an aggregate value of \$1,986 and cash of \$992.

In accordance with IFRS 3, Business Combinations ("IFRS 3"), the substance of this transaction constituted a business combination. Management gathered the relevant information that existed at the acquisition date to determine the fair value of the net identifiable assets acquired and liabilities assumed. As such, the initial purchase price was allocated based on the Company's estimated fair value of the identifiable assets acquired on the acquisition date. Management finalized its purchase price allocation. The goodwill is primarily related to the opportunities to grow the business, expanded access to capital and greater financial flexibility. For the year ended October 31, 2022, Bud Heaven accounted for \$1,977 in revenues and \$258 in net income. If the acquisition had been completed on November 1, 2021, the Company estimates it would have recorded an increase of \$2,170 in revenues and a decrease of \$419 in net loss for the year ended October 31, 2022. The Company also incurred \$9 in transaction costs for the year ended October 31, 2022, which have been expensed to finance and other costs during the period.

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

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**F. Ontario Lottery Winner Acquisition (Prior year)**

<b>Total consideration</b>	<b>\$</b>
Cash	176
Loan Receivable - Settlement	3,463
	<b>3,639</b>
<b>Purchase price allocation</b>	
Cash and cash equivalents	12
Inventory	426
Prepaid Expenses	2
Property and equipment	512
Goodwill	2,687
	<b>3,639</b>

On May 10, 2022, the Company closed the acquisition of two Ontario Lottery Winner retail cannabis locations. On August 2, 2022, the Company completed its asset acquisition of the third store of the Ontario Lottery Winner retail cannabis location. Pursuant to the terms of the Arrangement, the consideration was comprised of \$176 in cash and settlement of a \$3,463 Notes Receivable.

In accordance with IFRS 3, Business Combinations ("IFRS 3"), the substance of this transaction constituted a business combination. Management gathered the relevant information that existed at the acquisition date to determine the fair value of the net identifiable assets acquired and liabilities assumed. As such, the initial purchase price was allocated based on the Company's estimated fair value of the identifiable assets acquired on the acquisition date. Management finalized its purchase price allocation. The goodwill is primarily related to the opportunities to grow the business, expanded access to capital and greater financial flexibility. For the year ended October 31, 2022, Ontario Lottery Winner accounted for \$4,254 in revenues and \$55 in net income. If the acquisition had been completed on November 1, 2021, the Company estimates it would have recorded an increase of \$6,427 in revenues and an increase of \$152 in net loss for the year ended October 31, 2022. The Company also incurred \$62 in transaction costs for the year ended October 31, 2022, which have been expensed to finance and other costs during the period.

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**G. Crossroads Cannabis Acquisition (Prior year)**

<b>Total consideration</b>	<b>\$</b>
Common shares	2,189
	<b>2,189</b>
<b>Purchase price allocation</b>	
Cash	3
Inventory	284
Property and equipment	606
Right of use assets	751
Goodwill	1,296
Lease liabilities	(751)
	<b>2,189</b>

On April 26, 2022, the Company closed the acquisition of three retail cannabis stores in Ontario operating as Crossroads Cannabis ("Crossroads"). Pursuant to the terms of the Arrangement, the consideration was comprised of 378,079 common shares of High Tide, having an aggregate value of \$1,777. On May 17, the Company closed the acquisition of an additional retail cannabis store operating as Crossroads Cannabis, the consideration was comprised of 138,656 common shares of High Tide having an aggregate value of \$412.

In accordance with IFRS 3, Business Combinations ("IFRS 3"), the substance of this transaction constituted a business combination. Management gathered the relevant information that existed at the acquisition date to determine the fair value of the net identifiable assets acquired and liabilities assumed. As such, the initial purchase price was allocated based on the Company's estimated fair value of the identifiable assets acquired on the acquisition date. Management continues to refine its working capital. The goodwill is primarily related to the opportunities to grow the business, expanded access to capital and greater financial flexibility. For the year ended October 31, 2022, Crossroads accounted for \$3,505 in revenues and \$87 in net income. If the acquisition had been completed on November 1, 2021, the Company estimates it would have recorded an increase of \$3,076 in revenues and a decrease of \$132 in net loss for the year ended October 31, 2022. The Company also incurred \$44 in transaction costs for the year ended October 31, 2022, which have been expensed to finance and other costs during the period.





## High Tide Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

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#### H. 2080791 Alberta Ltd. Acquisition (Prior year)

<b>Total consideration</b>	<b>\$</b>
Cash	200
Common shares	2,203
	<b>2,403</b>
<b>Purchase price allocation</b>	
Cash	250
Inventory	182
Prepaid expenses	8
Property and equipment	161
Right of use asset	160
Goodwill	1,830
Accounts payable and accrued liabilities	(28)
Lease liability	(160)
	<b>2,403</b>

On April 21, 2022, the Company closed the acquisition of 100% of the outstanding common shares of 2080791 Alberta Ltd. Operating as Boreal Cannabis Company ("Boreal") which operates two retail cannabis stores in Alberta. Pursuant to the terms of the Arrangement, the consideration was comprised of \$200 in cash and 443,301 common shares of High Tide, having an aggregate value of \$2,203.

In accordance with IFRS 3, Business Combinations ("IFRS 3"), the substance of this transaction constituted a business combination. Management gathered the relevant information that existed at the acquisition date to determine the fair value of the net identifiable assets acquired and liabilities assumed. As such, the initial purchase price was allocated based on the Company's estimated fair value of the identifiable assets acquired on the acquisition date. Management continues to refine its working capital. The goodwill is primarily related to the opportunities to grow the business, expanded access to capital and greater financial flexibility. For the year ended October 31, 2022, Boreal accounted for \$1,873 in revenues and \$162 in net income. If the acquisition had been completed on November 1, 2021, the Company estimates it would have recorded an increase of \$1,861 in revenues and a decrease of \$132 in net loss for the year ended October 31, 2022. The Company also incurred \$9 in transaction costs for the year ended October 31, 2022, which have been expensed to finance and other costs during the period.

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

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**I. Bud Room Inc. Acquisition (Prior year)**

<b>Total consideration</b>	<b>\$</b>
Common shares	3,738
Working Capital Adjustment	12
	<b>3,750</b>
<b>Purchase price allocation</b>	
Cash	63
Inventory	40
Prepaid expenses	31
Property and equipment	120
Right of use asset	200
Goodwill	3,707
Lease liability	(365)
Accounts payable and accrued liabilities	(46)
	<b>3,750</b>

On February 9, 2022, the Company closed the acquisition of 100% of the outstanding common shares of Bud Room Inc. (“Bud Room”). Pursuant to the terms of the Arrangement, the consideration was comprised of 674,650 common shares of High Tide, having an aggregate value of \$3,738 and working capital adjustment of \$12, and acquired all rights to the customized Fastendr™ retail kiosk and smart locker technology and Bud Room’s retail cannabis store located at 1910 St. Laurent Blvd in Ottawa, Ontario.

In accordance with IFRS 3, Business Combinations (“IFRS 3”), the substance of this transaction constituted a business combination. Management gathered the relevant information that existed at the acquisition date to determine the fair value of the net identifiable assets acquired and liabilities assumed. As such, the initial purchase was allocated based on the Company’s estimated fair value of the identifiable assets acquired on the acquisition date. Management finalized its purchase price allocation. The goodwill is primarily related to the opportunities to grow the business, expanded access to capital and greater financial flexibility. For the year ended October 31, 2022, Bud Room accounted for \$2,305 in revenues and \$186 in net income. If the acquisition had been completed on November 1, 2021, the Company estimates it would have recorded an increase of \$611 in revenues and a decrease of \$23 in net loss for the year ended October 31, 2022. The Company also incurred \$30 in transaction costs for the year ended October 31, 2022, which have been expensed to finance and other costs during the period.

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

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**J. NuLeaf Naturals, LLC Acquisition (Prior year)**

<b>Total consideration</b>	<b>\$</b>
Common shares	35,527
	<b>35,527</b>
<b>Purchase price allocation</b>	
Cash	564
Accounts receivable	216
Other receivables	21
Inventory	2,058
Prepaid expenses	305
Property, plant and equipment	4,190
Right of use asset	3,144
Intangible assets - software	211
Intangible assets - brand	10,168
Goodwill	28,622
Accounts payable and accrued liabilities	(6,140)
Lease liabilities	(2,984)
Deferred tax liability	(3,122)
Non-controlling interest	(1,726)
	<b>35,527</b>

On November 29, 2021, the Company closed the acquisition of 80% of the outstanding common shares of NuLeaf Naturals LLC. ("NuLeaf"). Pursuant to the terms of the Arrangement, the consideration was comprised of 4,429,809 common shares of High Tide, having an aggregate value of \$35,527.

The acquisition agreement also includes a call and put option that could result in the Company acquiring the remaining 20% of common shares in NuLeaf 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 liability with the offset recorded as equity at its fair value at acquisition of \$8,326 with an exercise date of May 29, 2023. For the year ended October 31, 2022, the Company recognized \$5,652 as a gain on revaluation of derivative liability in the statement of net loss and comprehensive loss. During the three months ended January 31, 2023, the Company recognized \$974 as a gain 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 gathered the relevant information that existed at the acquisition date to determine the fair value of the net identifiable assets acquired and liabilities assumed. As such, the initial purchase price was allocated based on the Company's estimated fair value of the identifiable assets acquired on the acquisition date. Management finalized its purchase price allocation. The goodwill is primarily related to the opportunities to grow the business, expanded access to capital and greater financial flexibility. For the year ended October 31, 2022, NuLeaf accounted for \$15,657 in revenues and \$518 in net income. If the acquisition had been completed on November 1, 2021, the Company estimates it would have recorded an increase of \$1,474 in revenues and a decrease of \$797 in net loss for the year ended October 31, 2022. The Company also incurred \$89 in transaction costs for the year ended October 31, 2022, 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 months ended January 31, 2023 and 2022

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

## 6. Revenue from Contracts with Customers

For the three months ended January 31								
	2023 Retail	2022 Retail	2023 Wholesale	2022 Wholesale	2023 Corporate	2022 Corporate	2023 Total	2022 Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Primary geographical markets <sup>(i)</sup></b>								
Canada	99,614	51,678	150	725	-	39	99,764	52,442
USA	16,073	16,956	998	488	-	-	17,071	17,444
International	1,241	2,332	-	-	-	-	1,241	2,332
<b>Total revenue</b>	<b>116,928</b>	<b>70,966</b>	<b>1,148</b>	<b>1,213</b>	<b>-</b>	<b>39</b>	<b>118,076</b>	<b>72,218</b>
<b>Major products and services</b>								
Cannabis	97,542	54,199	-	-	-	-	97,542	54,199
Consumption accessories	12,699	11,574	1,129	1,205	-	-	13,828	12,779
Data analytics services	6,587	4,676	-	-	-	-	6,587	4,676
Other revenue	100	517	19	8	-	39	119	564
<b>Total revenue</b>	<b>116,928</b>	<b>70,966</b>	<b>1,148</b>	<b>1,213</b>	<b>-</b>	<b>39</b>	<b>118,076</b>	<b>72,218</b>
<b>Timing of revenue recognition</b>								
Transferred at a point in time	116,928	70,966	1,148	1,213	-	39	118,076	72,218
<b>Total revenue</b>	<b>116,928</b>	<b>70,966</b>	<b>1,148</b>	<b>1,213</b>	<b>-</b>	<b>39</b>	<b>118,076</b>	<b>72,218</b>

- (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

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## 7. Property and Equipment

	Office equipment and computers	Production equipment	Leasehold improvements	Vehicles	Buildings	Total
<b>Cost</b>	\$	\$	\$	\$	\$	\$
Opening balance, November 1, 2021	3,100	-	27,224	16	2,800	33,140
Additions	541	34	7,163	21	-	7,759
Additions from business combinations	854	2,692	3,960	-	-	7,506
Foreign currency translation	19	189	4	-	-	212
<b>Balance, October 31, 2022</b>	<b>4,514</b>	<b>2,915</b>	<b>38,351</b>	<b>37</b>	<b>2,800</b>	<b>48,617</b>
Additions and reclasses	46	-	1,393	-	-	1,439
Additions from business combinations	-	-	111	-	-	111
Foreign currency translation	511	707	(28)	1	-	1,191
<b>Balance, January 31, 2023</b>	<b>5,071</b>	<b>3,622</b>	<b>39,827</b>	<b>38</b>	<b>2,800</b>	<b>51,358</b>
<b>Accumulated depreciation</b>						
Opening balance, November 1, 2021	1,206	-	7,113	9	56	8,384
Depreciation	925	486	7,117	5	217	8,750
Foreign currency translation	-	-	-	-	-	-
<b>Balance, October 31, 2022</b>	<b>2,131</b>	<b>486</b>	<b>14,230</b>	<b>14</b>	<b>273</b>	<b>17,134</b>
Depreciation	173	130	2,005	2	54	2,364
Foreign currency translation	435	628	179	-	-	1,242
<b>Balance, January 31, 2023</b>	<b>2,739</b>	<b>1,244</b>	<b>16,414</b>	<b>16</b>	<b>327</b>	<b>20,740</b>
Balance, October 31, 2022	2,383	2,429	24,121	23	2,527	31,483
<b>Balance, January 31, 2023</b>	<b>2,332</b>	<b>2,378</b>	<b>23,413</b>	<b>22</b>	<b>2,473</b>	<b>30,618</b>

- (i) During the three months ended January 31, 2023, the Company had a balance of \$359 (2022: \$178) in assets under construction, largely related to cannabis retail locations not yet in operation.



## High Tide Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

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## 8. Intangible Assets and Goodwill

	Software	Licenses	Brand Name	Goodwill	Total
<b>Cost</b>	\$	\$	\$	\$	\$
Opening balance, November 1, 2021	9,463	44,762	21,075	79,946	155,246
Additions	905	-	308	83	1,296
Additions from business combinations	338	20	10,047	43,967	54,372
Impairment loss	(89)	-	(1,365)	(45,077)	(46,531)
Foreign currency translation	42	-	2,508	4,500	7,050
<b>Balance, October 31, 2022</b>	<b>10,659</b>	<b>44,782</b>	<b>32,573</b>	<b>83,419</b>	<b>171,433</b>
Additions and Reclasses	252	-	-	-	252
Additions from business combinations (Note 5)	-	1,547	-	2,764	4,311
Impairment loss	-	-	-	-	-
Foreign currency translation	(251)	-	(377)	145	(483)
<b>Balance, January 31, 2023</b>	<b>10,660</b>	<b>46,329</b>	<b>32,196</b>	<b>86,328</b>	<b>175,513</b>
<b>Accumulated depreciation</b>					
Opening balance, November 1, 2021	1,776	11,189	-	-	12,965
Amortization	2,412	10,672	-	-	13,084
Foreign currency translation	(106)	-	-	-	(106)
<b>Balance, October 31, 2022</b>	<b>4,082</b>	<b>21,861</b>	<b>-</b>	<b>-</b>	<b>25,943</b>
Amortization	566	2,799	-	-	3,365
Foreign currency translation	(70)	-	-	-	(70)
<b>Balance, January 31, 2023</b>	<b>4,578</b>	<b>24,660</b>	<b>-</b>	<b>-</b>	<b>29,238</b>
Balance, October 31, 2022	6,577	22,921	32,573	83,419	145,490
<b>Balance, January 31, 2023</b>	<b>6,082</b>	<b>21,669</b>	<b>32,196</b>	<b>86,328</b>	<b>146,275</b>



## High Tide Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

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## 9. Prepaid expenses and deposits

	January 31, 2023	October 31, 2022
	\$	\$
Deposits on cannabis retail outlets	1,501	1,417
Prepaid insurance and other	3,569	5,160
Prepayment on inventory	3,271	3,578
<b>Total</b>	<b>8,341</b>	<b>10,155</b>
Less current portion	(4,692)	(7,167)
Long-term	3,649	2,988

## 10. Inventory

As at	January 31, 2023	October 31, 2022
	\$	\$
Finished goods	24,787	23,393
Work-in-process	84	56
Raw-materials	523	492
Provision for obsolescence	(527)	(527)
<b>Total</b>	<b>24,867</b>	<b>23,414</b>

## 11. Trade and other receivables

As at	January 31, 2023	October 31, 2022
	\$	\$
Trade accounts receivable	10,333	7,916
Sales tax receivable	407	284
<b>Total</b>	<b>10,740</b>	<b>8,200</b>

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

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**12. Derivative Liability**

As at	January 31, 2023	October 31, 2022
	\$	\$
FABCBBD Put Option derivative liability <sup>(i)</sup>	818	763
Blessed Put Option derivative liability <sup>(ii)</sup>	2,558	2,899
NuLeaf Put Option derivative liability <sup>(iii)</sup>	1,699	2,674
<b>Total</b>	<b>5,075</b>	<b>6,336</b>

- (i) On May 10, 2021, the Company acquired 80% of the outstanding shares of FABCBBD. The acquisition agreement also included a call and put option that could result in the Company acquiring the remaining 20% of common shares of FABCBBD not acquired upon initial acquisition. The initial obligation under the put option was valued at \$3,722. At January 31, 2023, the Company revalued the fair value of the put option and recognized an unrealized loss of \$(55) (2022: \$225) on the Consolidated statements of net loss and comprehensive loss with a closing balance of \$818 (2022: \$763). On September 20, 2022, the Company received a notice to exercise the put option related to FABCBBD, as at period end, January 31, 2023, the Company is in the process of finalizing the settlement of the put option.
- (ii) On October 19, 2021, the Company acquired 80% of the outstanding shares of Blessed CBD. The acquisition agreement also included a call and put option that could result in the Company acquiring the remaining 20% of common shares of Blessed CBD not acquired upon initial acquisition. The initial obligation under the put option was valued at \$4,323. At January 31, 2023, the Company revalued the fair value of the put option and recognized an unrealized gain of \$341 (2022: \$(108)) in the statements of loss and comprehensive loss with a closing balance of \$2,558 (2022: \$2,899).
- (iii) On November 29, 2021, the Company acquired 80% of the outstanding shares of NuLeaf. The acquisition agreement also included a call and put option that could result in the Company acquiring the remaining 20% of common shares of NuLeaf not acquired upon initial acquisition. The initial obligation under the put option was valued at \$8,326. At January 31, 2023, the Company revalued the fair value of the put option and recognized an unrealized gain of \$975 (2022: \$(74)) in the statements of loss and comprehensive loss with a closing balance of \$1,699 (2022: \$2,674).





## High Tide Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

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## 13. Accounts Payable and Accrued Liabilities

As at	January 31, 2023	October 31, 2022
	\$	\$
Accounts Payable	11,326	7,670
Accrued liabilities	5,208	7,021
Deferred Revenue	23	641
Income tax payable	4,391	3,212
Sales Tax Payable	7,817	8,343
<b>Total</b>	<b>28,765</b>	<b>26,887</b>

## 14. Notes Payable

As at	January 31, 2023	October 31, 2022
	\$	\$
Dreamweavers <sup>(i)</sup>	68	57
Government loan <sup>(ii)(iii)</sup>	186	188
Notes payable <sup>(iv)</sup>	12,113	12,012
<b>Total</b>	<b>12,367</b>	<b>12,257</b>
Less current portion	-	-
Long-term	12,367	12,257

- (i) On May 23, 2019, the Company acquired all of the issued and outstanding shares of Dreamweavers for aggregate consideration of \$3,094 which included 3,100,000 common shares with a fair value of \$1,147, and 1,550,000 (pre-consolidation) purchase warrants exercisable at \$0.75 per common share of High Tide and notes payables of \$300 repayable over five years with zero interest rate due at each anniversary date. Notes payable was valued at \$102 by discounting it over five years at market interest rate of 22%. During the period ended January 31, 2023, the Company incurred accretion of \$9.9 (2022 - \$9.9).
- (ii) During the second quarter of 2021, the Company obtained a government loan under the Canada Emergency Response Benefit, part of Canada's COVID-19 economic response plan. The government loan bears no interest and has a maturity date of December 31, 2025. The government loan was recorded at its fair value of \$69 by discounting it over six months at a market interest rate of 22%. During the period ended January 31, 2023, the Company incurred accretion of \$5.5 (2022 - \$5.5).
- (iii) On August 12, 2021, the Company acquired all of the issued and outstanding shares of DankStop which included a loan from the U.S. Small Business Administration under the Secured Disaster Loans for Covid-19 relief. The loan bears an interest rate of 3.75% per annum and has a maturity date of May 21, 2050. During the period ended January 31, 2023, the Company incurred accretion of \$3 (2022 - \$3).
- (iv) 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. During the period ended January 31, 2023, the Company incurred accretion of \$101 (2022 - \$89). During the three months ended, January 31, 2023, the Company incurred interest in the amount of \$325 (2022: \$325) in relation to the outstanding loan.



## High Tide Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

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## 15. Interest bearing loans and borrowings

As at	January 31, 2023	October 31, 2022
	\$	\$
ConnectFirst loan	15,692	16,393
<b>Total</b>	<b>15,692</b>	<b>16,393</b>

On August 15, 2022, the Company entered into a \$19,000 demand term loan with Connect First credit union (the "Credit Facility") with Tranche 1 - \$12,100 available in a single advance, and Tranche 2 - \$6,900 available in multiple draws subject to pre-disbursement conditions set. The demand loan bears interest at the Credit Union's prime lending rate plus 2.50% per annum and is set to mature on September 5, 2027.

Tranche 1, is repayable on demand, but until demand is made this Credit Facility shall be repaid in monthly blended payments of principal and interest of \$240. Blended payments may be adjusted from time to time, if necessary, on the basis of the Credit Union's Prime Lending Rate and the principal outstanding. The Company received the inflow on October 7, 2022.

Tranche 2, is repayable on demand, but until demand is made this Credit Facility shall be repaid in monthly blended payments of principal and interest of \$137. Blended payments may be adjusted from time to time, if necessary, on the basis of Prime, the principal outstanding and the amortization period remaining, the Company received the inflow on October 25, 2022.

Attached to the loan is a general security agreement comprising a first charge security interest over all present and after acquired personal property, registered at Personal Property Registry for the assets of Canna Cabana Inc., Meta Growth Corp., 2680495 Ontario Inc., Valiant Distribution Canada Inc., High Tide USA Inc., Smoke Cartel USA Inc., DHC Supply LLC., DS Distribution Inc., Enigmaa Ltd., High Tide Inc. BV., SJV2 BV., SJV BV o/a Grasscity., and a limited recourse guarantee against \$5,000 worth of High Tide Inc. shares held by Harkirat Singh Grover, and affiliates, to be pledged in favor of the Connectfirst.

During the three months ended, January 31, 2023, the Company incurred interest in the amount of \$322 (2022: nil) and paid \$661 (2022: nil) as principal in relation to the outstanding interest bearing loans and borrowings.

#### Covenants attached to the loan:

As of January 31, 2023, the Company has met all the covenants attached to the loan.



## High Tide Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended January 31, 2023 and 2022

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## 16. Convertible Debentures

As at	January 31, 2023	October 31, 2022
	\$	\$
Convertible debentures, beginning of period	7,466	8,163
Loss on extinguishment and modifications	-	354
Conversion of debenture into equity	-	108
Repayment of debt	-	(2,794)
Accretion on convertible debentures	421	1,635
<b>Total</b>	<b>7,887</b>	<b>7,466</b>
Less current portion	(4,420)	(2,696)
Long-term	3,467	4,770

## 17. Finance and other costs

	Three months ended January 31	
	2023	2022
	\$	\$
Accretion on convertible debt	421	404
Accretion on notes payable	110	105
Interest on notes payable and interest bearing loans and borrowings	684	386
Accretion of lease liability	599	656
Transaction costs	664	909
<b>Total</b>	<b>2,478</b>	<b>2,460</b>



## High Tide Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended January 31, 2023 and 2022

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## 18. Share Capital

### (a) Issued:

#### Common shares:

	Number of shares	Amount
	#	\$
<b>Balance, November 1, 2021</b>	<b>54,360,028</b>	<b>208,904</b>
Acquisition - FABCBD	-	313
Acquisition - NuLeaf (Note 5)	4,429,809	35,527
Issuance of shares through ATM <sup>(i)</sup>	1,758,167	8,807
Share issuance costs <sup>(iv)</sup>	-	(974)
Exercise options (Note 20)	70,500	526
Exercise warrants (Note 21)	530,423	4,352
Vested restricted share units (Note 19)	82,976	247
Acquisition - Budroom (Note 5)	674,650	3,738
Acquisition - Boreal Cannabis (Note 5)	443,301	2,203
Acquisition - Crossroads Cannabis (Note 5)	516,735	2,189
Acquisition - Choom (Note 5)	2,147,023	3,940
Issued to pay fees via shares	15,122	100
Shares issued through equity financing <sup>(iii)</sup>	4,956,960	6,768
Acquisition - Budheaven (Note 5)	564,092	1,986
Daily High Club Escrow cancellation	(28,553)	(53)
Smoke Cartel Earnout <sup>(iii)</sup>	500,000	940
<b>Balance, October 31, 2022</b>	<b>71,021,233</b>	<b>279,513</b>
Issuance of shares through ATM <sup>(i)</sup>	821,537	1,852
Acquisition - Jimmy's (Note 5)	2,595,533	4,932
Share issuance costs <sup>(iv)</sup>	-	(28)
Issued to pay fees in shares	136,266	278
<b>Balance, January 31, 2023</b>	<b>74,574,569</b>	<b>286,547</b>

- (i) On December 6, 2021 the Company announced that it established an at-the-market equity offering ("the ATM Program") that allows the Company to issue up to \$40,000 (or the equivalent in U.S. dollars) of common shares from treasury to the public from time to time at the Company's discretion and subject to regulatory requirements. During the year ended October 31, 2022, a total of \$8,807 has been raised through the program. During the period ended a total of \$1,852 have been raised through the ATM program.
- (ii) On July 22, 2022, the Company issued, on a bought-deal basis, 4,956,960 units at a price of \$2.32 per unit. The Company closed the offering for total gross proceeds of \$11,500. 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 \$2.73 for a period of 60 months from the closing date of the offering. The shares were attributed a relative fair value of \$6,768 and warrants were attributed a relative fair value of \$4,732 using the Black-Scholes option pricing model with the following assumptions: fair value of common shares of \$2.05; exercise price of options of \$2.73; expected life of 5 years; 97% volatility; and a risk-free interest rate of 2.9%. The underwriters received a cash commission fee of 6% of gross proceeds and 3% of gross proceeds for the president's list in cash because of conducting the bought deal financing.
- (iii) As part of the acquisition of a subsidiary (Smoke Cartel) in 2021, the Company agreed to pay \$1,319 if a certain revenue target is achieved. The contingent consideration was calculated using Monte Carlo simulation due to the uncertain nature of the future potential revenue of the Company. During the year ended October 31, 2022, the Company settled the contingent consideration to the previous shareholders of Smoke Cartel through the issuance of 500,000 common shares of the Company valued at \$940. The Company recorded \$2,211 as a gain on settlement.
- (iv) During the year ended October 31, 2022, the Company incurred a total of \$974 of share issuance costs, which related to the shares issued through equity financing and shares issued through ATM throughout the year. These costs incurred a deferred tax asset of \$487, which has been offset against the Company's prior year tax loss carry-forwards.

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

For the three months ended January 31, 2023 and 2022

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**19. Share – Based Compensation****(a) Stock Option Plan:**

On April 19, 2022, the directors of the Company approved the 2022 equity incentive plan of the Company (the “Omnibus Plan”), which was effective upon the Company receiving disinterested shareholder approval at the annual general meeting and special meetings of shareholders of the Company on June 2, 2022.

The options that were granted during the period were valued using the Black-Scholes option pricing model with the following assumptions: fair value of common shares of \$2.36; exercise price of options of \$2.28; expected life of 3.48 years; 86% volatility; dividend yield of 0; and a risk-free interest rate of 3.6%.

The maximum number of common shares available and reserved for issuance, at anytime, under the Omnibus Plan, together with any other security-based compensation arrangements adopted by the Company, including the Predecessor Plans, has been fixed at 20% of the issued and outstanding common shares June 2, 2022. The maximum share options that can be issued is 12,617,734 Common Shares.

The Company’s previous stock option plan limited 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. The maximum exercise period of an option shall not exceed 10 years from the grant date. Changes in the number of stock options, with their weighted average exercise prices, are summarized below:

	January 31, 2023		October 31, 2022	
	Number of options	Weighted Average Exercise Price (\$)	Number of options	Weighted Average Exercise Price (\$)
Balance, beginning of year	2,250,082	6.16	1,906,129	6.51
Granted	65,000	2.28	554,122	4.99
Forfeited or expired	(19,529)	9.24	(154,669)	5.25
Exercised	—	—	(55,500)	5.93
Balance, end of year	2,295,553	6.03	2,250,082	6.16
Exercisable, end of year	1,707,984	5.68	1,349,450	6.19

For the three month period ended January 31, 2023, the Company recorded share-based compensation related to options of \$243 (2022: \$628).

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

For the three months ended January 31, 2023, the Company recorded share-based compensation related to RSUs of \$98 (2022: \$171). The number of outstanding RSUs outstanding at January 31, 2023 amounts to 173,302 (2022: \$132,143).

**(c) Escrow Shares**

For the three months ended January 31, 2023, the Company recorded share-based compensation related to Escrow Shares of \$1,095 (2022: \$1,103). These shares were granted as part of compensation plan and are released based on the employment agreement.



## High Tide Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended January 31, 2023 and 2022

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## 20. Warrants

	Number of warrants	Warrants amount	Derivative liability amount	Weighted average exercise price	Weighted average number of years to expiry	Expiry dates
	#	\$	\$	\$		
<b>Opening balance, November 1, 2020</b>	<b>131,064,114</b>	<b>5,796</b>	<b>266</b>	<b>0.4159</b>	<b>2.07</b>	
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
Revaluation of derivative liability on convertible debentures	—	—	11,697	-	-	December 31, 2022
Warrants issued - equity financing	27,762,313	6,210	-	0.5800	0.55	February 22, 2024
Warrants issued - equity financing	21,207,720	3,546	-	12.2500	0.03	May 26, 2024
Warrants cancelled or expired	(59,578,382)	(5,457)	-	-	-	
Warrants exercised	(54,268,198)	(2,110)	(10,270)	-	-	
<b>Balance October 31, 2021</b>	<b>111,125,578</b>	<b>10,724</b>	<b>1,693</b>	<b>2.5995</b>	<b>2.01</b>	
Revaluation of derivative liability	-	-	220	-	-	
Warrants cancelled or expired	(17,248,015)	(273)	-	-	-	
Warrants exercised	(7,956,345)	(6)	(1,913)	4.9800	-	
Issued warrants - Promissory note <sup>(i)</sup>	700,000	321	-	2.7300	0.33	June 21, 2023
Issued warrants - Bought deal <sup>(ii)</sup>	4,956,960	4,731	-	—	0.05	July 22, 2027
<b>Balance October 31, 2022 and January 31, 2023</b>	<b>91,578,178</b>	<b>15,497</b>	<b>—</b>	<b>2.5774</b>	<b>2.39</b>	

As at January 31, 2023, 85,921,218 warrants were exercisable, on a basis of 15 warrants for 1 common share,

- (i) The Company issued 700,000 warrants which have been fair valued at \$321 using the Black-Scholes models. The following assumptions were used: stock price of \$2.43, expected life of one year, \$nil dividends, volatility 100%, risk-free interest rate of 3.31%, and exercise price of \$4.98. The warrants would expire by June 21, 2023.
- (ii) The Company issued 4,956,960 warrants which have been fair valued at \$5,735 using the Black-Scholes. Each warrant entitles the holder to acquire one common share of the Company. Management has calculated the fair value of the warrants issued using the following assumptions: fair value of common shares \$2.05; exercise price of options \$2.73; expected life of five years, volatility 253% and a risk-free interest rate of 2.9%, and the fair value of shares issued using the active share price on the date of issuance.

## 21. Loss Per Share

### (a) Current period loss per share:

	Three months ended January 31,	
	2023	2022
	\$	\$
Net loss for the period	(3,862)	(7,352)
Non-controlling interest portion of net loss	82	(478)
Net loss for the period attributable to owners of the Company	(3,944)	(7,830)
	#	#
Weighted average number of common shares - basic	72,409,330	57,390,661
Basic & Dilutive loss per share	(0.05)	(0.14)

The existing stock options and RSUs have not been considered as part of the calculation of dilutive loss per share as these were anti-dilutive for the period.



## High Tide Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended January 31, 2023 and 2022

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## 22. 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 classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The Company assessed that the fair values of cash, trade accounts receivable, loans receivable, accounts payable and accrued liabilities, and current liabilities approximate their carrying amounts largely due to the short-term nature of these instruments.

The following methods and assumptions were used to estimate the fair value:

- Marketable securities are determined based on level 1 inputs, as the prices for the marketable securities are quoted in public exchanges.
- Derivative warrant liabilities are designated as FVTPL and are measured using level 2 inputs. The fair value of the derivative warrant liabilities are measured each reporting period with changes in the fair value recognized in the consolidated statement of loss and comprehensive loss. Assumptions used to calculate the fair value include stock price, volatility, and risk-free interest rate.
- Long-term fixed-rate notes receivables and loans payable are initially recorded at fair value and are evaluated by the Company based on level 2 inputs such as discounted future interest and principal payments using current market interest rates of instruments using similar terms. These instruments are subsequently measured through amortized cost, through accretion and interest income recognized through the statement of loss and comprehensive loss.
- The Convertible debentures are evaluated by the Company based on level 2 inputs such as the effective interest rate and the market rates of comparable securities. The convertible debentures are initially measured at amortized cost and at each reporting period accretion incurred in the period is recorded to transaction costs in the consolidated statement of loss and comprehensive loss.
- The liabilities associated with the put options included in the acquisitions of FABCBD, Blessed and NuLeaf have been recorded at fair value based on level 3 inputs. The valuation model considers the present value of the future obligation using a multiple of forecasted trailing twelve month EBITDA for FABCBD and NuLeaf, and forecasted twelve month revenue for Blessed CBD, and a risk-adjusted discount rate for FABCBD, Blessed and NuLeaf. 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).

### 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



## High Tide Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

For the three months ended January 31, 2023 and 2022

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receivable credit exposure is minimized by entering into transactions with creditworthy counterparties and monitoring the age and balances outstanding on an ongoing basis. Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk.

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

As at	January 31, 2023	October 31, 2022
	\$	\$
Current (for less than 30 days)	6,462	5,435
31 – 60 days	1,881	420
61 – 90 days	1,088	568
Greater than 90 days	1,937	2,148
Less allowance	(1,035)	(655)
	10,333	7,916

For the three months ended January 31, 2023, \$380 (2022: \$0) in trade receivables were written off against the loss allowance due to bad debts. Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The remaining accounts receivable are 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.

#### 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	1-3 years	3-5 years	Greater than 5 years
	\$	\$	\$	\$	\$
<b>October 31, 2022</b>					
Accounts payable and accrued liabilities	26,887	26,887	-	-	-
Notes payable	12,257	-	-	12,257	-
Interest bearing loans and borrowings	16,393	16,393	-	-	-
Derivative liability	6,336	6,336	-	-	-
Convertible debentures	7,466	2,696	4,770	-	-
Undiscounted lease obligations	37,116	9,683	12,604	7,437	7,392
<b>Total</b>	<b>106,455</b>	<b>61,995</b>	<b>17,374</b>	<b>19,694</b>	<b>7,392</b>
<b>January 31, 2023</b>					
Accounts payable and accrued liabilities	28,765	28,765	-	-	-
Notes payable	12,367	-	-	12,181	186
Interest bearing loans and borrowings	15,692	15,692	-	-	-
Derivative liability	5,075	5,075	-	-	-
Convertible debentures	7,887	4,420	3,467	-	-
Undiscounted lease obligations	32,457	7,059	10,569	7,437	7,392
<b>Total</b>	<b>102,243</b>	<b>61,011</b>	<b>14,036</b>	<b>19,618</b>	<b>7,578</b>





## High Tide Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

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#### Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in the market interest rate related primarily to the Company's current credit facility with variable interest rates.

At January 31, 2023, approximately 58% of the Company's borrowings are at a fixed rate of interest (2022: 84%).

#### Foreign currency risk

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

The Canadian dollar equivalent carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities as at January 31, 2023 was as follows:

(Canadian dollar equivalent amounts of GBP, EUR and USD balances)	January 31, 2023 (GBP)	January 31, 2023 (EUR)	January 31, 2023 (USD)	January 31, 2023 Total	October 31, 2022
	\$	\$	\$	\$	\$
Cash	519	652	2,594	3,765	4,391
Accounts receivable	410	411	2,563	3,384	1,754
Accounts payable and accrued liabilities	(132)	(1,912)	(7,936)	(9,980)	(11,542)
Net monetary assets	797	(849)	(2,779)	(2,831)	(5,397)

Assuming all other variables remain constant, a fluctuation of +/- 5.0 percent in the exchange rate between USD and the Canadian dollar would impact the carrying value of the net monetary assets by approximately +/- \$98 (January 31, 2022 - \$36). Maintaining constant variables, a fluctuation of +/- 5.0 percent in the exchange rate between the EUR and the Canadian dollar would impact the carrying value of the net monetary assets by approximately +/- \$29 (January 31, 2022 - \$41), and a fluctuation of +/- 5.0 percent in the exchange rate between GBP and the Canadian dollar would impact the carrying value of the net monetary assets by approximately +/- \$30 (January 31, 2022 - \$38). 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 months ended January 31, 2023 and 2022

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## 23. 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.

	Retail	Retail	Wholesale	Wholesale	Corporate	Corporate	Total	Total
For the three months ended								
January 31,	2023	2022	2023	2022	2023	2022	2023	2022
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Total revenue	116,928	70,966	1,148	1,213	—	39	118,076	72,218
Gross profit	31,942	22,768	241	179	(2)	35	32,181	22,982
(Loss) income from operations	3,855	(567)	(944)	(318)	(6,833)	(5,262)	(3,922)	(6,147)

	Retail	Retail	Wholesale	Wholesale	Corporate	Corporate	Total	Total
As at January 31, 2023 and								
October 31, 2022	2023	2022	2023	2022	2023	2022	2023	2022
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Total assets	231,973	241,394	12,740	11,949	29,121	21,400	273,834	274,743
Total liabilities	72,613	71,780	3,266	3,054	34,220	37,876	110,099	112,710

	Canada	Canada	USA	USA	International	International	Total	Total
For the three months ended								
January 31,	2023	2022	2023	2022	2023	2022	2023	2022
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Total revenue	99,764	52,442	17,071	15,090	1,241	4,686	118,076	72,218
Gross profit	23,407	11,952	8,210	8,391	564	2,639	32,181	22,982
(Loss) income from operations	(4,931)	(8,735)	644	1,138	365	1,450	(3,922)	(6,147)

	Canada	Canada	USA	USA	International	International	Total	Total
As at January 31, 2023 and								
October 31, 2022	2023	2022	2023	2022	2023	2022	2023	2022
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Total assets	183,191	183,640	81,741	77,247	8,902	13,856	273,834	274,743
Total liabilities	85,781	85,925	22,733	24,897	1,585	1,888	110,099	112,710



## High Tide Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

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## 24. Related Party Transactions

As at January 31, 2023, 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.

### 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 totaling \$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 former 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 totaling \$52 per annum. The primary lease term is 1 year with one additional 1-year term extension exercisable at the option of the Company.

### Financing transactions:

On July 22, 2022, the Company issued, on a bought deal basis post-consolidation, 4,956,960 units of the Company at a price of \$2.32 per unit post-consolidation. The corporate secretary of the Company, collectively participated in the offering and acquired an aggregate of 130,800 units post-consolidation.

On August 15, 2022, the Company entered into a \$19,000 demand term loan with Connect First credit union (the "Credit Facility") with Tranche 1 - \$12,100 available in a single advance, and Tranche 2 - \$6,900 available in multiple draws subject to pre-disbursement conditions set. To facilitate the credit facility, the president and CEO of the company provided limited Recourse Guarantee against \$5,000 worth of High Tide Inc. shares held by the CEO, and affiliates, to be pledged in favor of the Credit Union until the earlier of:

- (i) 12 months following initial funding, provided all covenants of High Tide Inc. are in good standing; and
- (ii) The CEO no longer being an officer of High Tide Inc.

The parties agree that this personal guarantee will only be available after all collection efforts against High Tide Inc. have been exhausted, including the sale of High Tide Inc.



## High Tide Inc.

### Notes to the Condensed Interim Consolidated Financial Statements

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## 25. Right of Use Assets and Lease Obligations

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

<b>Right of use assets</b>	
	\$
Balance at October 31, 2022	30,519
Net additions	856
Depreciation expense for the period	(2,257)
<b>Balance at January 31, 2023</b>	<b>29,118</b>
<b>Lease Liabilities</b>	
	\$
Balance at October 31, 2022	33,768
Net additions	798
Cash outflows in the year	(2,715)
Interest expense for the period ended	606
<b>Balance at January 31, 2023</b>	<b>32,457</b>
Current	(7,059)
Non-current	25,398

As at January 31, 2023, \$179 (2022: \$202) is due to the Company in respect of sublease arrangements. For the period ended January 31, 2023, \$273 (2022: \$99) was received in respect of sublease arrangements, which was recognized as other revenue. During the three months period ended January 31, 2023, the Company also paid \$963 (2022: \$659) in variable operating costs associated to the leases which are expensed under general and administrative expenses.

## 26. 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 executed 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'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.

## 27. 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 months ended January 31, 2023 and 2022

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

## 28. 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 and with the exclusion of Goodwill.

	January 31, 2023	October 31, 2022
	\$	\$
Total current assets	8,876	12,471
Total non-current assets	29,704	30,147
Total current liabilities	(13,389)	(10,130)
Total non-current liabilities	(3,254)	(3,366)

	Three months ended January 31	
	2023	2022
	\$	\$
Revenues for the period ended	11,118	4,110
Net income for the period ended	623	542

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

As at	January 31, 2023	October 31, 2022
	\$	\$
Balance, beginning of year	5,683	4,795
Share of (gain) for the period - Saturninus Partners	(26)	(110)
Share of loss (gain) for the period - Meta	59	(136)
Share of (gain) loss for the period - FABCBD	(152)	500
Share of loss for the period - Blessed	234	305
Share of (gain) loss for the period - NuLeaf	(424)	563
Purchase of NuLeaf	-	1,726
Distribution - Saturninus Partners	-	(749)
Distribution - FABCBD	-	(372)
Distribution - Blessed	(198)	(569)
Distribution - NuLeaf	-	(270)
	5,176	5,683