FORM 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended July 29, 2017.

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from to

Commission file number 001-37404

DAVIDsTEA Inc.

(Exact name of registrant as specified in its charter)

Canada (State or other jurisdiction of incorporation or organization)	**98-1048842** (I.R.S. Employer Identification No.)

5430 Ferrier
Mount-Royal, Québec, Canada, H4P 1M2
(Address of principal executive offices) (zip code)

(888) 873-0006
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES ☒ NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12-b2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☒	Emerging growth company ☐
Non-accelerated filer ☐	Smaller reporting company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ☐ NO ☒

As of September 6, 2017, 28,816,159 common shares of the registrant were outstanding.

DAVIDsTEA Inc.

TABLE OF CONTENTS

DAVIDsTEA Inc. (the "Company"), a corporation incorporated under the *Canada Business Corporations Act*, qualifies as a foreign private issuer in the United States for purposes of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). As a foreign private issuer, the Company has chosen to file annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K with the United States Securities and Exchange Commission ("SEC") instead of filing the reporting forms available to foreign private issuers, although the Company is not required to do so.

In this quarterly report, unless otherwise specified, all monetary amounts are in Canadian dollars, all references to "$," "C$," "CAD," "CND$," "Canadian dollars" and "dollars" mean Canadian dollars and all references to "U.S. dollars," "US$" and "USD" mean U.S. dollars.

On September 1, 2017, the noon buying rate certified for customs purposes by the U.S. Federal Reserve Bank of New York was US$1.00 = $1.2372.

Part I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

DAVIDsTEA Inc.

Incorporated under the laws of Canada

INTERIM CONSOLIDATED BALANCE SHEETS

[Unaudited and in thousands of Canadian dollars]

		As at	
		July 29, 2017 $	January 28, 2017 $
ASSETS			
Current			
Cash		**56,407**	64,440
Accounts and other receivables		**2,864**	3,485
Inventories	[Note 5]	**28,629**	31,264
Income tax receivable		**3,301**	539
Prepaid expenses and deposits		**6,706**	5,659
Derivative financial instruments	[Note 15]	**—**	454
Total current assets		**97,907**	105,841
Property and equipment	[Note 6]	**48,741**	51,160
Intangible assets		**3,264**	2,958
Deferred income tax assets	[Note 10]	**14,108**	14,375
Total assets		**164,020**	174,334
LIABILITIES AND EQUITY			
Current			
Trade and other payables		**16,934**	19,681
Deferred revenue		**4,333**	4,885
Current portion of provisions	[Note 7]	**1,524**	2,562
Derivative financial instruments	[Note 15]	**2,068**	—
Total current liabilities		**24,859**	27,128
Deferred rent and lease inducements		**7,737**	7,824
Provisions	[Note 7]	**4,142**	5,932
Total liabilities		**36,738**	40,884
Equity			
Share capital	[Note 9]	**111,019**	263,828
Contributed surplus		**8,080**	8,833
Retained earnings (deficit)		**7,742**	(142,398)
Accumulated other comprehensive income		**441**	3,187
Total equity		**127,282**	133,450
		164,020	174,334

See accompanying notes

DAVIDsTEA Inc.

Incorporated under the laws of Canada

INTERIM CONSOLIDATED STATEMENTS OF INCOME (LOSS)

AND COMPREHENSIVE INCOME (LOSS)

[Unaudited and in thousands of Canadian dollars, except share and per share information]

		For the three months ended		For the six months ended	
		July 29, 2017 $	July 30, 2016 $	July 29, 2017 $	July 30, 2016 $
Sales	[Note 14]	**45,687**	41,079	**94,356**	85,548
Cost of sales		**25,482**	21,171	**49,969**	42,485
Gross profit		**20,205**	19,908	**44,387**	43,063
Selling, general and administration expenses	[Note 11]	**27,816**	22,810	**51,969**	43,929
Results from operating activities		**(7,611)**	(2,902)	**(7,582)**	(866)
Finance costs		**157**	19	**288**	36
Finance income		**(135)**	(148)	**(271)**	(269)
Loss before income taxes		**(7,633)**	(2,773)	**(7,599)**	(633)
Provision for income tax (recovery)		**(2,070)**	(506)	**(1,674)**	120
Net loss		**(5,563)**	(2,267)	**(5,925)**	(753)
Other comprehensive income (loss)					
Items to be reclassified subsequently to income:					
Unrealized net gain (loss) on forward exchange contracts	[Note 15]	**(2,977)**	1,678	**(1,777)**	(2,519)
Realized net (gain) loss on forward exchange contracts reclassified to inventory		**(292)**	598	**(745)**	(370)
Provision for income tax recovery (income tax) on comprehensive income		**867**	(604)	**668**	767
Cumulative translation adjustment		**(1,614)**	853	**(892)**	(1,469)
Other comprehensive income (loss), net of tax		**(4,016)**	2,525	**(2,746)**	(3,591)
Total comprehensive income (loss)		**(9,579)**	258	**(8,671)**	(4,344)
Net loss per share:					
Basic	[Note 12]	(0.22)	(0.09)	(0.23)	(0.03)
Fully diluted	[Note 12]	(0.22)	(0.09)	(0.23)	(0.03)
Weighted average number of shares outstanding					
— basic	[Note 12]	**25,745,221**	24,625,414	25,573,894	24,380,306
— fully diluted	[Note 12]	**25,745,221**	24,625,414	25,573,894	24,380,306

See accompanying notes

DAVIDsTEA Inc.

Incorporated under the laws of Canada

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

[Unaudited and in thousands of Canadian dollars]

	For the three months ended		For the six months ended	
	July 29, 2017 $	July 30, 2016 $	July 29, 2017 $	July 30, 2016 $
OPERATING ACTIVITIES				
Net loss	**(5,563)**	(2,267)	**(5,925)**	(753)
Items not affecting cash:				
Depreciation of property and equipment	**2,114**	1,921	**4,178**	3,708
Amortization of intangible assets	**472**	169	**754**	329
Loss on disposal of property and equipment	**24**	—	**30**	—
Impairment of property and equipment	**2,313**	—	**2,313**	—
Deferred rent	**200**	366	**203**	646
Recovery for onerous contracts	**(641)**	—	**(1,527)**	—
Stock-based compensation expense	**802**	614	**1,376**	930
Amortization of financing fees	**20**	18	**40**	36
Accretion on provisions	**139**	—	**251**	—
Deferred income taxes (recovered)	**(570)**	189	**430**	22
	(690)	1,010	**2,123**	4,918
Net change in other non-cash working capital balances related to operations	**3,509**	(2,793)	**(5,965)**	(7,489)
Cash flows related to operating activities	**2,819**	(1,783)	**(3,842)**	(2,571)
FINANCING ACTIVITIES				
Proceeds from issuance of common shares pursuant to exercise of stock options	**791**	500	**1,606**	844
Cash flows related to financing activities	**791**	500	**1,606**	844
INVESTING ACTIVITIES				
Additions to property and equipment	**(2,910)**	(6,876)	**(4,731)**	(9,722)
Additions to intangible assets	**(641)**	(305)	**(1,066)**	(461)
Cash flows related to investing activities	**(3,551)**	(7,181)	**(5,797)**	(10,183)
Increase (decrease) in cash during the period	**59**	(8,464)	**(8,033)**	(11,910)
Cash, beginning of period	**56,348**	69,068	**64,440**	72,514
Cash, end of period	**56,407**	60,604	**56,407**	60,604
Supplemental Information				
Cash paid for:				
Income taxes (classified as operating activity)	216	580	**712**	1,157
Cash received for:				
Interest	127	141	**287**	261
Income taxes (classified as operating activity)	26	81	**26**	425

See accompanying notes

DAVIDsTEA Inc.

Incorporated under the laws of Canada

INTERIM CONSOLIDATED STATEMENTS OF EQUITY

[Unaudited and in thousands of Canadian dollars]

	Share Capital $	Contributed Surplus $	Deficit $	Accumulated Other Comprehensive Income: Accumulated Derivative Financial Instrument Adjustment $	Accumulated Other Comprehensive Income: Accumulated Foreign Currency Translation Adjustment $	Accumulated Other Comprehensive Income: Accumulated Other Comprehensive Income $	Total Equity $
Balance, January 30, 2016	259,205	7,094	(138,465)	2,529	3,674	6,203	134,037
Net loss for the six months ended July 30, 2016	—	—	(753)	—	—	—	(753)
Other comprehensive loss	—	—	—	(2,122)	(1,469)	(3,591)	(3,591)
Total comprehensive loss	—	—	(753)	(2,122)	(1,469)	(3,591)	(4,344)
Issuance of common shares	1,148	(304)	—	—	—	—	844
Common shares issued on vesting of restricted stock units	214	(417)	(241)	—	—	—	(444)
Stock-based compensation expense	—	930	—	—	—	—	930
Income tax impact associated with stock options	—	306	—	—	—	—	306
Balance, July 30, 2016	260,567	7,609	(139,459)	407	2,205	2,612	131,329
Balance, January 28, 2017	**263,828**	**8,833**	**(142,398)**	333	2,854	**3,187**	**133,450**
Net loss for the six months ended July 29, 2017	**—**	**—**	**(5,925)**	—	—	**—**	**(5,925)**
Other comprehensive loss	**—**	**—**	**—**	(1,854)	(892)	**(2,746)**	**(2,746)**
Total comprehensive loss	**—**	**—**	**(5,925)**	(1,854)	(892)	**(2,746)**	**(8,671)**
Issuance of common shares	**2,434**	**(828)**	**—**	—	—	**—**	**1,606**
Common shares issued on vesting of restricted stock units	**704**	**(1,219)**	**118**	—	—	**—**	**(397)**
Stock-based compensation expense	**—**	**1,376**	**—**	—	—	**—**	**1,376**
Income tax impact associated with stock options	**—**	**(82)**	**—**	—	—	**—**	**(82)**
Reduction of stated capital	**(155,947)**	**—**	**155,947**	—	—	**—**	**—**
Balance, July 29, 2017	**111,019**	**8,080**	**7,742**	(1,521)	1,962	**441**	**127,282**

See accompanying notes

DAVIDsTEA Inc.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six-month periods ended July 29, 2017 and July 30, 2016 [Unaudited]

[Amounts in thousands of Canadian dollars except share and per share amounts]

1. CORPORATE INFORMATION

The unaudited condensed interim consolidated financial statements of DAVIDsTEA Inc. and its subsidiary (collectively, the “Company”) for the three and six-month periods ended July 29, 2017 were authorized for issue in accordance with a resolution of the Board of Directors on September 7, 2017. The Company is incorporated and domiciled in Canada and its shares are publicly traded on the NASDAQ Global Market under the symbol “DTEA”. The registered office is located at 5430, Ferrier St., Town of Mount-Royal, Quebec, Canada, H4P 1M2.

The Company is engaged in the retail and online sale of tea, tea accessories and food and beverages in Canada and the United States. The results of operations for the interim period are not necessarily indicative of the results of operations for the full year. Sales fluctuate from quarter to quarter. Sales are traditionally higher in the fourth fiscal quarter due to the year-end holiday season, and tend to be lowest in the second and third fiscal quarter because of lower customer traffic during the summer months.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34, “Interim Financial Reporting” as issued by the International Accounting Standards Board (“IASB”). Accordingly, these financial statements do not include all of the financial statement disclosures required for annual financial statements and should be read in conjunction with the Company’s audited consolidated financial statements for the year ended January 28, 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB. In management’s opinion, the unaudited condensed interim consolidated financial statements reflect all the adjustments that are necessary for a fair presentation of the results for the interim period presented. These unaudited condensed interim consolidated financial statements have been prepared using the accounting policies and methods of computation as outlined in note 3 of the consolidated financial statements for the year ended January 28, 2017. During the six-month period ended July 29, 2017, we did not implement any new accounting standards.

Gift card breakage

During the three months ended October 29, 2016, the Company determined that it had sufficient historical redemption patterns to record breakage income associated with unredeemed gift cards, and accordingly recorded breakage income associated to gift cards issued and redeemed in prior years, when no breakage income was included. Gift card breakage is included in sales in the interim consolidated statement of income (loss). Sales for the three and six months ended July 29, 2017 include breakage income of $50 and $385, respectively [nil for the three and six months ended July 30, 2016].

3. CHANGES IN ACCOUNTING POLICIES

Information on significant new accounting standards and amendments issued but not yet adopted is described below.

IFRS 9, “Financial Instruments”. In July 2014, the IASB issued the final version of IFRS 9, “Financial Instruments” that replaces IAS 39, “Financial Instruments: Recognition and Measurement” and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Company plans to adopt the new standard on the required effective date. The Company is currently assessing the impact of the adoption of this standard on its consolidated financial statements and related note disclosures. The Company has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses. The Company will perform a detailed assessment in the coming quarters to determine the extent of the impact.

IFRS 15, “Revenue from Contracts with Customers” (“IFRS 15”) replaces IAS 11, “Construction Contracts”, and IAS 18, “Revenue”, as well as various interpretations regarding revenue. This standard introduces a single model for recognizing revenue that applies to all contracts with customers, except for contracts that are within the scope of standards on leases, insurance and financial instruments. This standard also requires enhanced disclosures. Adoption of IFRS 15 is mandatory and will be effective for annual periods beginning on or after January 1, 2018. The Company is currently in the process of evaluating the impact this standard is expected to have on the consolidated financial statements. The Company in the process of assessing whether the loyalty program we currently offer could be considered a separate performance obligation. As we continue our evaluation, we will further clarify the expected impact of the adoption of the standard, which we do not believe will be material.

IFRS 16, “Leases” (“IFRS 16”) replaces IAS 17, “Leases”. This standard provides a single model for leases abolishing the current distinction between finance and operating leases, with most leases being recognized in the statement of financial position. Certain exemptions will apply for short-term leases and leases of low value assets. The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15, has been applied, or is applied at the same date as IFRS 16. The Company has performed a preliminary assessment of the potential impact of the adoption of IFRS 16 on its consolidated financial statements. The Company expects the adoption of IFRS 16 will have a significant impact as the Company will recognize new assets and liabilities for its operating leases of retail stores. In addition, the nature and timing of expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of use assets and interest expense on lease liabilities. The Company has not yet determined which transition method it will apply or whether it will use the optional exemptions or practical expedients under the standard. The Company expects to disclose additional detailed information, including its transition method, any practical expedients elected and estimated quantitative financial effects, before the adoption of IFRS 16.

IFRIC 22, “Foreign Currency Transactions and Advance Consideration” (“IFRIC 22”). In December 2016, the IASB issued IFRIC 22, which addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) and on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is in the process of evaluating the impact of adopting the interpretation of IFRIC 22 on its consolidated financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of condensed interim consolidated financial statements requires management to make estimates and assumptions using judgment that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense during the reporting period. Estimates and other judgments are continually evaluated and are based on management’s experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Actual results may differ from those estimates.

In preparing these unaudited condensed interim consolidated financial statements, critical judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those referred to in note 5 of the consolidated financial statements for the year ended January 28, 2017, other than as those disclosed in note 6.

5. INVENTORIES

	July 29, 2017 $	January 28, 2017 $
Finished goods	**22,032**	24,504
Goods in transit	**4,673**	5,463
Packaging	**1,924**	1,297
	28,629	31,264

6. PROPERTY AND EQUIPMENT

For the three and six months ended July 29, 2017, an assessment of indicators was performed which caused the company to review the recoverable amount of the property and equipment for certain CGUs with an indication of impairment. CGUs reviewed included stores performing below the Company's expectations.

As a result, for the three and six months ended July 29, 2017 an impairment loss of $3,179 [July 30, 2016 – nil] related to store leasehold improvements, furniture and equipment, and computer hardware was recognized in the U.S segment. The impairment loss was determined by comparing the carrying amount of the CGU's net assets with their respective recoverable amounts based on value in use, and is included in selling, general and administration expenses in the consolidated statements of net income (loss) and comprehensive income (loss). Value in use of nil for the CGU's in question was determined based on management's best estimate of expected future cash flows from use over the remaining lease terms, considering historical experience as well as current economic conditions, and was then discounted using a pre-tax weighted average cost of capital of 13.4%. For the three and six months ended July 29, 2017, $866 of impairment losses were reversed following a change in the expected future cash flows of certain CGUs in the U.S. segment [July 30, 2016 – nil]. Value in use for $848 for these CGU's was determined in the same manner as described above. Impairment losses were reversed only to the extent that the carrying amounts of the CGU's net assets do not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

For the purpose of determining value in use as at July 29, 2017, management's best estimate of future cash flows from use over the remaining lease terms incorporate an assumption of sales capture for CGU's located in the same mall as one the Company`s main competitors. The Company performed a sensitivity analysis on its value in use calculations to determine how a change in its assumptions would impact its results from operations. As at July 29, 2017, a 20% decrease or increase in the expected future sales capture from the Company`s competitor, assuming that all other variables had remained the same, would have resulted in an increase of $163 or a decrease of $113 in the net impairment loss for the three and six months ended July 29, 2017, respectively.

7. PROVISIONS

	For the six months ended July 29, 2017 $
Opening balance	**8,494**
Utilization	**(1,248)**
Additions	**458**
Reversals	**(1,985)**
Accretion expense	**251**
Cumulative translation adjustment	**(304)**
Ending balance	**5,666**
Less: Current portion	**(1,524)**
Long-term portion of provisions	**4,142**

Provisions for onerous contracts have been recognized in respect of store leases where the unavoidable costs of meeting the obligations under the lease agreements exceed the economic benefits expected to be received from the contract. The unavoidable costs reflect the present value of the lower of the expected cost of terminating the contract and the expected net cost of operating under the contract. During the six-month period ended July 29, 2017, due to changes in assumptions, additions to the onerous provisions were recorded in the amount of $458, while the provisions for other stores were partially or fully reversed by an amount of $1,985.

8. REVOLVING FACILITY

The Company has a credit agreement (the “Credit Agreement”) with the Bank of Montreal (“BMO”). The Credit Agreement provides for a three-year revolving term facility, maturing October 31, 2019, in the principal amount of $20,000 (which the Company refers to as the “Revolving Facility”) or the equivalent amount in U.S. dollars, repayable at any time. The Credit Agreement also provides for an accordion feature whereby the Company may, at any time prior to maturity and with permission from BMO, request an increase to the Revolving Facility by an amount not greater than $10,000.

The credit facility contains a number of financial and non-financial covenants that, among other things and subject to certain exceptions, restrict the Company’s ability to become guarantor or endorser or otherwise become liable upon any note or other obligation other than in the normal course of business. The Company also cannot make any dividend payments. As at July 29, 2017, the Company is in compliance with these covenants.

As at July 29, 2017 and January 28, 2017, the Company did not have any borrowings on the Revolving Facility.

9. SHARE CAPITAL

Authorized

An unlimited number of Common shares.

Issued and outstanding

	July 29, 2017 $	January 28, 2017 $
25,799,725 Common shares [January 28, 2017 - 25,330,951 shares]	**111,019**	263,828
	111,019	263,828

During the three-month period ended July 29, 2017, the shareholders of the Company approved a resolution to reduce the stated capital maintained in respect of the common shares by an amount of $155,947, which resulted in a corresponding reduction of the deficit.

During the three and six-month period ended July 29, 2017, 195,773 and 412,773 stock options, respectively, were exercised for common shares for cash proceeds of $791 and $1,606 [July 30, 2016 — 282,056 and 676,571 stock options for cash proceeds of $500 and $844]. The carrying value of common shares during the three and six-month periods ended July 29, 2017 includes $175 and $828, respectively [July 30, 2016 — $178 and $304], which corresponds to a reduction in contributed surplus associated to options exercised during the period.

In addition, during the three and six-month periods ended July 29, 2017, 27,896 and 56,001 common shares, respectively, [July 30, 2016 – nil and 30,398 common shares] were issued in relation to the vesting of restricted stock units ("RSU"), resulting in an increase in share capital of $436 and $704, net of tax, respectively [July 30, 2016 – nil and $214] and a reduction in contributed surplus of $665 and $1,219 [July 30, 2016 — nil and $417].

Stock-based compensation

As at July 29, 2017, 654,236 common shares remain available for issuance under the 2015 Omnibus Plan.

The weighted average fair value of options granted of $2.39 for the six-month period ended July 29, 2017 [for the six-month period ended July 30, 2016 — $3.71] was estimated using the Black Scholes option pricing model, using the following assumptions:

	For the six months ended	
	July 29, 2017	**July 30, 2016**
Risk-free interest rate	**1.79 %**	1.23 %
Expected volatility	**27.4 %**	29.8 %
Expected option life	**4.0 years**	4.0 years
Expected dividend yield	**0 %**	0 %
Exercise price	**$ 9.76**	$ 14.39

Expected volatility was estimated using historical volatility of similar companies whose share prices were publicly available.

A summary of the status of the Company's stock option plan and changes during the six-month period is presented below.

	For the six months ended			
	July 29, 2017		**July 30, 2016**	
	Options outstanding #	**Weighted average exercise price $**	**Options outstanding #**	**Weighted average exercise price $**
Outstanding, beginning of period	**933,195**	**5.63**	2,146,880	3.04
Issued	**161,980**	**9.76**	172,011	14.63
Exercised	**(412,773)**	**3.89**	(676,571)	1.25
Forfeitures	**(78,500)**	**11.81**	(86,321)	5.03
Outstanding, end of period	**603,902**	**7.12**	1,555,999	5.00
Exercisable, end of period	**270,906**	**4.46**	780,234	3.42

The weighted average share price at the date of exercise for stock options exercised during the six-month period ended July 29, 2017 was $8.84 [for the six-month period ended July 30, 2016 — $15.02].

A summary of the status of the Company's RSU plan and changes during the six-month period is presented below.

	For the six months ended			
	July 29, 2017		July 30, 2016	
	RSUs outstanding #	Weighted average fair value per unit (1) $	RSUs outstanding #	Weighted average fair value per unit (1) $
Outstanding, beginning of period	**252,233**	**12.42**	252,720	7.39
Granted	**279,437**	**8.79**	181,970	14.82
Forfeitures	**(26,369)**	**9.70**	(29,910)	7.60
Vested	**(56,001)**	**12.83**	(30,398)	7.07
Vested, withheld for tax	**(44,133)**	**11.82**	(28,652)	7.07
Outstanding, end of period	**405,167**	**10.10**	345,730	11.42

(1)Weighted average fair value per unit as at date of grant.

During the three and six-month periods ended July 29, 2017, the Company recognized a stock-based compensation expense of $802 and $1,376, respectively [July 30, 2016 — $614 and $930].

10. INCOME TAXES

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full fiscal year.

A reconciliation of the statutory income tax rate to the effective tax rate is as follows:

	For the three months ended				For the six months ended			
	July 29, 2017		July 30, 2016		July 29, 2017		July 30, 2016	
	%	$	%	$	%	$	%	$
Income tax recovery — statutory rate	**26.5**	**(2,027)**	26.5	(736)	**26.5**	**(2,018)**	26.5	(168)
Non-deductible items	**(2.9)**	**223**	(10.3)	286	**(4.5)**	**347**	(57.0)	360
Other	**3.5**	**(266)**	2.0	(56)	**0.0**	**(3)**	11.5	(72)
Income tax provision (recovery) — effective tax rate	**27.1**	**(2,070)**	18.2	(506)	**22.0**	**(1,674)**	(19.0)	120

A breakdown of the income tax provision (recovery) on the interim consolidated statement of income (loss) is as follows:

	For the three months ended		For the six months ended	
	July 29, 2017 $	July 30, 2016 $	July 29, 2017 $	July 30, 2016 $
Income tax provision (recovery)				
Current	**(1,500)**	(695)	**(2,104)**	98
Deferred	**(570)**	189	**430**	22
	(2,070)	(506)	**(1,674)**	120

11. SELLING, GENERAL AND ADMINISTRATION EXPENSES

	For the three months ended		For the six months ended	
	July 29, 2017 $	July 30, 2016 $	July 29, 2017 $	July 30, 2016 $
Wages, salaries and employee benefits	**15,880**	13,882	**32,101**	27,534
Depreciation of property and equipment	**2,114**	1,921	**4,178**	3,708
Amortization of intangible assets	**472**	169	**754**	329
Loss on disposal of property and equipment	**24**	—	**30**	—
Impairment of property and equipment	**2,313**	—	**2,313**	—
Recovery for onerous contracts	**(641)**	—	**(1,527)**	—
Stock-based compensation	**802**	614	**1,376**	930
Other selling, general and administration	**6,852**	6,224	**12,744**	11,428
	27,816	22,810	**51,969**	43,929

12. EARNINGS PER SHARE

Basic earnings per share (“EPS”) amounts are calculated by dividing the net income (loss) for the period attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period. Diluted EPS amounts are calculated by dividing the net income (loss) attributable to ordinary equity holders (after adjusting for dividends) by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares, unless these would be anti-dilutive.

The following reflects the income and share data used in the basic and diluted EPS computations:

	For the three months ended		For the six months ended	
	July 29, 2017 $	July 30, 2016 $	July 29, 2017 $	July 30, 2016 $
Net loss for basic EPS	**(5,563)**	(2,267)	**(5,925)**	(753)
Weighted average number of shares outstanding — basic and diluted	**25,745,221**	24,625,414	**25,573,894**	24,380,306

As a result of the net loss during the three and six-month periods ended July 29, 2017, the stock options and restricted stock units disclosed in Note 9 are anti-dilutive.

13. RELATED PARTY DISCLOSURES

There have been no significant changes in related party transactions from those disclosed in the Company’s audited annual consolidated financial statements for the year ended January 28, 2017.

14. SEGMENT INFORMATION

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Company has reviewed its operations and determined that each of its retail stores represents an operating segment. However, because its retail stores have similar economic characteristics, sell similar products, have similar types of customers, and use similar distribution channels, the Company has determined that these operating segments can be aggregated at a geographic level. As a result, the Company has concluded that it has two reportable segments, Canada and the U.S., that derive their revenues from the retail and online sale of tea, tea accessories and food and beverages. The Company’s Chief Executive Officer (the chief operating decision maker) makes decisions about resources allocation and assesses performance at the country level, and for which discrete financial information is available.

The Company derives revenue from the following products:

	For the three months ended		For the six months ended	
	July 29, 2017 $	July 30, 2016 $	July 29, 2017 $	July 30, 2016 $
Tea	**29,987**	25,882	**63,860**	56,029
Tea accessories	**11,170**	10,811	**21,679**	20,704
Food and beverages	**4,530**	4,386	**8,817**	8,815
	45,687	41,079	**94,356**	85,548

Property and equipment and intangible assets by country are as follows:

	July 29, 2017 $	January 28, 2017 $
Canada	**41,635**	41,432
US	**10,370**	12,686
Total	**52,005**	54,118

Gross profit per country, excluding intercompany profit, is used to measure performance because management believes this information is the most relevant in evaluating results. Gross profit per country is as follows:

	For the three months ended July 29, 2017			For the six months ended July 29, 2017		
	Canada $	US $	Consolidated $	Canada $	US $	Consolidated $
Sales	**37,356**	**8,331**	**45,687**	**77,308**	**17,048**	**94,356**
Cost of sales	**20,254**	**5,228**	**25,482**	**39,571**	**10,398**	**49,969**
Gross profit	**17,102**	**3,103**	**20,205**	**37,737**	**6,650**	**44,387**
Selling, general and administration expenses			**27,816**			**51,969**
Results from operating activities			**(7,611)**			**(7,582)**
Finance costs			**157**			**288**
Finance income			**(135)**			**(271)**
Loss before income taxes			**(7,633)**			**(7,599)**

	For the three months ended July 30, 2016			For the six months ended July 30, 2016		
	Canada $	US $	Consolidated $	Canada $	US $	Consolidated $
Sales	33,895	7,184	41,079	70,854	14,694	85,548
Cost of sales	16,810	4,361	21,171	33,884	8,601	42,485
Gross profit	17,085	2,823	19,908	36,970	6,093	43,063
Selling, general and administration expenses			22,810			43,929
Results from operating activities			(2,902)			(866)
Finance costs			19			36
Finance income			(148)			(269)
Loss before income taxes			(2,773)			(633)

15. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks, including risks related to foreign exchange, interest rate, liquidity and credit.

Currency risk — foreign exchange risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Given that some of its purchases are denominated in U.S. dollars, the Company is exposed to foreign exchange risk. The Company's foreign exchange risk is largely limited to currency fluctuations between the Canadian and U.S. dollars. The Company is exposed to currency risk through its cash, accounts receivable and accounts payable denominated in U.S. dollars.

Assuming that all other variables remain constant, a revaluation of these monetary assets and liabilities due to a 5% rise or fall in the Canadian dollar against the U.S. dollar would have resulted in an increase or decrease to net income (loss) in the amount of $11.

The Company's foreign exchange exposure is as follows:

	July 29, 2017 US$	January 28, 2017 US$
Cash	**1,913**	690
Accounts receivable	**1,697**	1,188
Accounts payable	**3,839**	2,461

The Company's U.S. subsidiary's transactions are denominated in U.S. dollars.

In order to protect itself from the risk of losses should the value of the Canadian dollar decline in relation to the U.S. dollar, the Company has entered into forward contracts to fix the exchange rate of 80% to 90% of its expected U.S. dollar inventory purchasing requirements, through April 2018. A forward foreign exchange contract is a contractual agreement to buy a specific currency at a specific price and date in the future. The Company designated the forward contracts as cash flow hedging instruments under IAS 39. This has resulted in mark-to-market foreign exchange adjustments, for qualifying hedged instruments, being recorded as a component of other comprehensive income (loss) for the three and six-month periods ended July 29, 2017. As at July 29, 2017, the designated portion of these hedges was considered effective.

The nominal and contract values of foreign exchange contracts outstanding as at July 29, 2017 are as follows:

	Contractual exchange rate	Nominal value US$	Nominal value C$	Term	Unrealized gain/(loss) C$
Purchase contracts					
U.S. dollar	1.3098	16,900	22,136	July 2017 to October 2017	(1,136)
U.S. dollar	1.3050	14,700	19,183	November 2017 to April 2018	(932)
		31,600	41,319		(2,068)

The nominal and contract values of foreign exchange contracts outstanding as at July 30, 2016 are as follows:

	Range of contractual exchange rate	Nominal value US$	Nominal value C$	Term	Unrealized gain/(loss) C$
Purchase contracts					
U.S. dollar	1.3060	14,800	19,329	August 2016 to October 2016	(27)
U.S. dollar	1.2696 - 1.2772	19,100	24,314	November 2016 to April 2017	581
		33,900	43,643		554

Market risk — 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. Financial instruments that potentially subject the Company to cash flow interest rate risk include financial assets with variable interest rates and consists of cash. The Company is exposed to cash flow risk on its Revolving Facility which bears interest at variable interest rates (Note 8). As at July 29, 2017, the Company did not have any borrowings on the Revolving Facility.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure, to the extent possible, that it will always have sufficient liquidity to meet liabilities when due. The Company's liquidity follows a seasonal pattern based on the timing of inventory purchases and capital expenditures. The Company is exposed to this risk mainly in respect of its trade and other payables.

As at July 29, 2017, the Company had $56,407 in cash. In addition, as outlined in Note 8, the Company has a Revolving Facility of $20,000, of which nil was drawn as at July 29, 2017. The Revolving Facility also provides for an accordion feature whereby the Company may, at any time prior to maturity, and with the permission of BMO, request an increase to the Revolving Facility by an amount not greater than $10,000.

The Company expects to finance its growth in store base and its store renovations through cash flows from operations, the Revolving Facility (Note 8) and cash on hand. The Company expects that its trade and other payables will be discharged within 90 days.

Credit risk

The Company is exposed to credit risk resulting from the possibility that counterparties may default on their financial obligations to the Company. The Company's maximum exposure to credit risk at the reporting date is equal to the carrying value of accounts receivable and derivative financial instruments. Accounts receivable primarily consists of receivables from retail customers who pay by credit card, recoveries of credits from suppliers for returned or damaged products, and receivables from other companies for sales of products, gift cards and other services. Credit card payments have minimal credit risk and the limited number of corporate receivables is closely monitored.

Fair values

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the "Financial instruments" section of Note 3 of the consolidated financial statements for the year ended January 28, 2017 describe how the categories of financial instruments are measured and how income and expenses, including fair value remeasurement gains and losses, are recognized. The fair values of derivative financial instruments have been determined by reference to forward exchange rates at the end of the reporting period and classified in Level 2 of the fair value hierarchy. There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the six months ended July 29, 2017 or the six months ended July 30, 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Certain statements contained herein include statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and there are, or may be deemed to be,"forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Act"). The following cautionary statements are being made pursuant to the provisions of the Act and with the intention of obtaining the benefits of the "safe harbor" provisions of the Act. These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms "believes," "expects," "may," "will," "should," "could," "seeks," "projects," "approximately," "intends," "plans," "estimates" or "anticipates," or, in each case, their negatives or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Quarterly Report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, new store opening projections, use of cash and operating and capital expenditures, impact of new accounting pronouncements, impact of improvements to internal control and financial reporting. These risks and uncertainties include, but are not limited to the risks described under the section entitled "Risk Factors" in our Annual Report on Form 10-K dated April 12, 2017 and filed on April 13, 2017. Forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required under federal securities laws and the rules and regulations of the SEC, we do not have any intention to update any forward-looking statements to reflect events or circumstances arising after the date of this Form 10-Q, whether as a result of new information, future events or otherwise. As a result of these risks and uncertainties, readers are cautioned not to place undue reliance on the forward-looking statements included in this Form 10-Q or that may be made elsewhere from time to time by, or on behalf of, us. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

Accounting Periods

All references to "Fiscal 2017" are to the Company's fiscal year ending February 3, 2018. All references to "Fiscal 2016" are to the Company's fiscal year ending January 28, 2017. All references to "Fiscal 2015" are to the Company's fiscal year ended January 30, 2016.

The Company's fiscal year ends on the Saturday closest to the end of January, typically resulting in a 52-week year, but occasionally giving rise to an additional week, resulting in a 53-week year. The year ending February 3, 2018 covers a 53-week fiscal period. The years ending January 28, 2017 and January 30, 2016 cover a 52-week period.

Overview

We are a growing retailer of specialty tea, offering a differentiated selection of proprietary loose-leaf teas, pre-packaged teas, tea sachets and tea-related gifts, accessories and food and beverages, primarily through 236 company-operated DAVIDsTEA stores as of July 29, 2017, and our website, davidstea.com. We are building a brand that seeks to expand the definition of tea with innovative products that consumers can explore in an open and inviting retail environment. We strive to make tea a multi-sensory experience by facilitating interaction with our products through education and sampling so that our customers appreciate the compelling attributes of tea as well as the ease of preparation.

Second Quarter 2017 Highlights

Compared to the second quarter of Fiscal 2016, we grew our sales from $41.1 million to $45.7 million, representing growth of 11.2% over the prior year.

We added 4 net new stores, increasing our store base from 232 stores as of April 29, 2017 to 236 stores as of July 29, 2017.

How we assess our performance

The key measures we use to evaluate the performance of our business and the execution of our strategy are set forth below:

Sales. Sales consist primarily of sales from our retail stores and e-commerce site. Our business is seasonal and, as a result, our sales fluctuate from quarter to quarter. Sales are traditionally highest in the fourth fiscal quarter, which includes the holiday sales period, and tend to be lowest in the second and third fiscal quarter because of lower customer traffic in our locations in the summer months.

The specialty retail industry is cyclical, and our sales are affected by general economic conditions. Purchases of our products can be impacted by a number of factors that influence the level of consumer spending, including economic conditions and the level of disposable consumer income, consumer debt, interest rates and consumer confidence.

Comparable Sales. Comparable sales refer to period-over-period comparison information for comparable stores and e-commerce. Our stores are added to the comparable sales calculation in the beginning of their thirteenth month of operation. As a result, data regarding comparable sales may not be comparable to similarly titled data from other retailers.

Measuring the change in period-over-period comparable sales allows us to evaluate how our business is performing. Various factors affect comparable sales, including:

- our ability to anticipate and respond effectively to consumer preference, buying and economic trends;
- our ability to provide a product offering that generates new and repeat visits to our stores and online;
- the customer experience we provide in our stores and online;
- the level of customer traffic near our locations in which we operate;
- the number of customer transactions and average ticket in our stores and online;
- the pricing of our tea, tea accessories, and food and beverages;
- our ability to obtain and distribute product efficiently;
- our opening of new stores in the vicinity of our existing stores; and
- the opening or closing of competitor stores in the vicinity of our stores.

Non-Comparable Sales. Non-comparable sales include sales from stores prior to the beginning of their thirteenth fiscal month of operation and wholesale sales, which includes sales to hotels, restaurants and institutions, office and workplace locations and food services, as well as corporate gifting. As we pursue our growth strategy, we expect that a significant percentage of our sales will continue to come from non-comparable sales.

Gross Profit. Gross profit is equal to our sales less our cost of sales. Cost of sales includes product costs, freight costs, store occupancy costs and distribution costs.

Selling, General and Administration Expenses. Selling, general and administration expenses consist of store operating expenses and other general and administration expenses, including store impairments and provision (recovery) for onerous contracts. Store operating expenses consist of all store expenses excluding occupancy related costs (which are included in costs of sales). General and administration costs consist of salaries and other payroll costs, travel, professional fees, stock compensation, marketing expenses, information technology and other operating costs.

General and administration costs, which are generally fixed in nature, do not vary proportionally with sales to the same degree as our cost of sales. We believe that these costs will decrease as a percentage of sales over time. Accordingly, this expense as a percentage of sales is usually higher in lower volume quarters and lower in higher volume quarters.

We present Adjusted selling, general and administration expenses as a supplemental measure because we believe it facilitates a comparative assessment of our selling, general and administration expenses under IFRS, while isolating the effects of some items that vary from period to period. It is reconciled to its nearest IFRS measure on page 21 of this Quarterly Report on Form 10-Q.

Results from Operating Activities. Results from operating activities consist of our gross profit less our selling, general and administration expenses.

We present Adjusted results from operating activities as a supplemental performance measure because we believe it facilitates a comparative assessment of our operating performance relative to our performance based on our results under IFRS, while isolating the effects of some items that vary from period to period. It is reconciled to its nearest IFRS measure on page 21 of this Quarterly Report on Form 10-Q.

Finance Costs. Finance costs consist of cash and imputed non-cash charges related to our credit facility, as well as the accretion expense on the provisions for onerous contracts.

Provision for Income Tax. Provision for income tax consists of federal, provincial, state and local current and deferred income taxes.

Adjusted EBITDA. We present Adjusted EBITDA as a supplemental performance measure because we believe it facilitates a comparative assessment of our operating performance relative to our performance based on our results under IFRS, while isolating the effects of some items that vary from period to period. Specifically, Adjusted EBITDA allows for an assessment of our operating performance and our ability to service or incur indebtedness without the effect of non-cash charges, such as depreciation, amortization, finance costs, deferred rent, non-cash compensation expense, costs (recovery) related to onerous contracts or contracts where we expect the costs of the obligations to exceed the economic benefit, loss on disposal of property and equipment, impairment of property and equipment, and certain non-recurring expenses. This measure also functions as a benchmark to evaluate our operating performance. It is reconciled to its nearest IFRS measure on page 22 of this Quarterly Report on Form 10-Q.

Selected Operating and Financial Highlights

Results of Operations

The following table summarizes key components of our results of operations for the period indicated:

	For the three months ended		For the six months ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Consolidated statement of income (loss) data:				
Sales	**$ 45,687**	$ 41,079	**$ 94,356**	$ 85,548
Cost of sales	**25,482**	21,171	**49,969**	42,485
Gross profit	**20,205**	19,908	**44,387**	43,063
Selling, general and administration expenses	**27,816**	22,810	**51,969**	43,929
Results from operating activities	**(7,611)**	(2,902)	**(7,582)**	(866)
Finance costs	**157**	19	**288**	36
Finance income	**(135)**	(148)	**(271)**	(269)
Loss before income taxes	**(7,633)**	(2,773)	**(7,599)**	(633)
Provision for income tax (recovery)	**(2,070)**	(506)	**(1,674)**	120
Net loss	**$ (5,563)**	$ (2,267)	**$ (5,925)**	$ (753)
Percentage of sales:				
Sales	**100.0%**	100.0%	**100.0%**	100.0%
Cost of sales	**55.8%**	51.5%	**53.0%**	49.7%
Gross profit	**44.2%**	48.5%	**47.0%**	50.3%
Selling, general and administration expenses	**60.9%**	55.5%	**55.1%**	51.4%
Results from operating activities	**(16.7%)**	(7.1%)	**(8.1%)**	(1.0%)
Finance costs	**0.3%**	0.0%	**0.3%**	0.0%
Finance income	**(0.3%)**	(0.4%)	**(0.3%)**	(0.3%)
Loss before income taxes	**(16.7%)**	(6.8%)	**(8.1%)**	(0.7%)
Provision for income tax (recovery)	**(4.5%)**	(1.2%)	**(1.8%)**	0.1%
Net loss	**(12.2%)**	(5.5%)	**(6.3%)**	(0.9%)
Other financial and operations data:				
Adjusted EBITDA (1)	$ **(2,234)**	$ 168	**$ (691)**	$ 4,747
Adjusted EBITDA as a percentage of sales	**(4.9%)**	0.4%	**(0.7%)**	5.5%
Number of stores at end of period	**236**	208	**236**	208
Comparable sales growth (decline) for period (2)	**(0.9%)**	5.1%	**(3.4%)**	5.0%

(1) For a reconciliation of Adjusted EBITDA to net income see "—Non-IFRS Metrics" below.
(2) Comparable sales refer to period-over-period comparison information for comparable stores and e-commerce. Our stores are added to the comparable sales calculation in the beginning of their thirteenth month of operation.

Non-IFRS Metrics

Adjusted selling, general and administration expenses, Adjusted results from operating activities and Adjusted EBITDA are not a presentation made in accordance with IFRS, and the use of the terms Adjusted selling, general and administration expenses, Adjusted results from operating activities and Adjusted EBITDA may differ from similar measures reported by other companies. We believe that Adjusted selling, general and administration expenses, Adjusted results from operating activities and Adjusted EBITDA provides investors with useful information with respect to our historical operations. Adjusted selling, general and administration expenses, Adjusted results from operating activities and Adjusted EBITDA are not measurements of our financial performance under IFRS and should not be considered in isolation or as an alternative to net income, net cash provided by operating, investing or financing activities or any other financial statement data presented as indicators of financial performance or liquidity, each as presented in accordance with IFRS. We understand that although Adjusted selling, general and administration expenses, Adjusted results from operating activities and Adjusted EBITDA are frequently used by securities analysts, lenders and others in their evaluation of companies, they have limitations as an analytical tool, and should not be considered in isolation, or as a substitute for analysis of our results as reported under IFRS. Some of these limitations are:

- Adjusted selling, general and administration expenses, Adjusted results from operating activities and Adjusted EBITDA do not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted selling, general and administration expenses, Adjusted results from operating activities and Adjusted EBITDA do not reflect the cash requirements necessary to service interest or principal payments on our debt; and
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements.

Because of these limitations, Adjusted selling, general and administration expenses, Adjusted results from operating activities and Adjusted EBITDA should not be considered as discretionary cash available to us to reinvest in the growth of our business or as a measure of cash that will be available to us to meet our obligations.

The following tables present reconciliations of Adjusted selling, general and administration expenses, Adjusted results from operating activities and Adjusted EBITDA to our net income (loss) determined in accordance with IFRS:

Reconciliation of Adjusted selling, general and administration expenses

(in thousands)	For the three months ended		For the six months ended	
	July 29, 2017	**July 30, 2016**	**July 29, 2017**	**July 30, 2016**
Selling, general and administration expenses	27,816	22,810	51,969	43,929
Executive separation costs (a)	(962)	—	(962)	—
Impairment of property and equipment (b)	(2,313)	—	(2,313)	—
Impact of onerous contracts (c)	1,360	—	2,775	—
Adjusted selling, general and administration expenses	**$25,901**	$22,810	**$51,469**	$43,929

(a) Executive separation costs represent salary owed to the former Chief Financial Officer of $812 for the three and six months ended July 29, 2017 as part of his separation agreement and stock-based compensation of $150 for the three and six months ended July 29, 2017 relating to the vesting of equity awards pursuant to the separation agreement.
(b) Represents costs related to impairment of property and equipment for stores.
(c) Represents provision, non-cash reversals, and utilization related to certain stores where the unavoidable costs of meeting the obligations under the lease agreements are expected to exceed the economic benefits expected to be received from the contract.

Reconciliation of Adjusted results from operating activities

(in thousands)	For the three months ended		For the six months ended	
	July 29, 2017	**July 30, 2016**	**July 29, 2017**	**July 30, 2016**
Results from operating activities	(7,611)	(2,902)	(7,582)	(866)
Executive separation costs (a)	962	—	962	—
Impairment of property and equipment (b)	2,313	—	2,313	—
Impact of onerous contracts (c)	(1,360)	—	(2,775)	—
Adjusted results from operating activities	**$(5,696)**	$(2,902)	**$(7,082)**	$ (866)

(a) Executive separation costs represent salary owed to the former Chief Financial Officer of $812 for the three and six months ended July 29, 2017 as part of his separation agreement and stock-based compensation of $150 for the three and six months ended July 29, 2017 relating to the vesting of equity awards pursuant to the separation agreement.

(b) Represents costs related to impairment of property and equipment for stores.
(c) Represents provision, non-cash reversals, and utilization related to certain stores where the unavoidable costs of meeting the obligations under the lease agreements are expected to exceed the economic benefits expected to be received from the contract.

Reconciliation of Adjusted EBITDA to our net income (loss)

(in thousands)	For the three months ended July 29, 2017	For the three months ended July 30, 2016	For the six months ended July 29, 2017	For the six months ended July 30, 2016
Net loss	$ (5,563)	$ (2,267)	$ (5,925)	$ (753)
Finance costs	157	19	288	36
Finance income	(135)	(148)	(271)	(269)
Depreciation and amortization	2,586	2,090	4,932	4,037
Loss on disposal of property and equipment	24	—	30	—
Provision for income tax (recovery)	(2,070)	(506)	(1,674)	120
EBITDA	**$ (5,001)**	$ (812)	**$ (2,620)**	$ 3,171
Additional adjustments:				
Stock-based compensation expense (a)	802	614	1,376	930
Executive separation costs related to salary (b)	812	—	812	—
Impairment of property and equipment (c)	2,313	—	2,313	—
Impact of onerous contracts (d)	(1,360)	—	(2,775)	—
Deferred rent (e)	200	366	203	646
Adjusted EBITDA	**$ (2,234)**	$ 168	**$ (691)**	$ 4,747

(a) Represents non-cash stock-based compensation expense.
(b) Executive separation costs related to salary represent salary owed to the former Chief Financial Officer as part of his separation agreement.
(c) Represents costs related to impairment of property and equipment for stores.
(d) Represents provision, non-cash reversals, and utilization related to certain stores where the unavoidable costs of meeting the obligations under the lease agreements are expected to exceed the economic benefits expected to be received from the contract.
(e) Represents the extent to which our annual rent expense has been above or below our cash rent payments.

Three Months Ended July 29, 2017 Compared to Three Months Ended July 30, 2016

Sales. Sales for the three months ended July 29, 2017 increased 11.2%, or $4.6 million, to $45.7 million from $41.1 million for the three months ended July 30, 2016, comprising a $0.3 million decrease in comparable sales and a $4.9 million increase in non-comparable sales. Comparable sales decreased by 0.9% and non-comparable sales increased primarily due to an additional 28 net new stores opened as at July 29, 2017 as compared to July 30, 2016. Comparable sales decreased as we faced more a challenging overall consumer retail backdrop.

Gross Profit. Gross profit increased by 1.5%, or $0.3 million, to $20.2 million for the three months ended July 29, 2017 from $19.9 million for the three months ended July 30, 2016. Gross profit as a percentage of sales decreased to 44.2% for the three months ended July 29, 2017, from 48.5% for the three months ended July 30, 2016 primarily due to the planned clearance of seasonal products and deleveraging of fixed costs due to the negative 0.9% comparable sales this quarter.

Selling, General and Administration Expenses. Selling, general and administration expenses increased by 21.9%, or $5.0 million, to $27.8 million in the three months ended July 29, 2017 from $22.8 million for the three months ended July 30, 2016. As a percentage of sales, selling, general and administration expenses increased to 60.9% for the three months ended July 29, 2017, as compared to 55.5% for the three months ended July 30, 2016. Excluding the impact of executive separation costs, impairment of property and equipment, and onerous contracts for the three months ended July 29, 2017, selling, general and administration expenses increased to $25.9 million in the three months ended July 29, 2017 from $22.8 million for the three months ended July 30, 2016 due primarily to the hiring of additional staff to support the growth of the Company, including new stores, and higher store operating expenses to support the operations of 236 stores as of July 29, 2017 as compared to 208 stores as of July 30, 2016. As a percentage of sales, selling, general and administration expenses excluding the impact of executive separation costs, impairment of property and equipment, and onerous contracts increased to 56.6% from 55.5%.

Results from Operating Activities. Results from operating activities decreased by $4.7 million, to $(7.6) million in the three months ended July 29, 2017 from $(2.9) million in the three months ended July 30, 2016. Excluding the impact of executive separation costs, impairment of property and equipment, and onerous contracts for the three months ended July 29, 2017, results from operating activities decreased by $2.8 million, to $(5.7) million from $(2.9) million for the three months ended July 30, 2016.

Provision for Income Taxes (Recovery). Recovery for income taxes increased by $1.6 million, to $2.1 million for the three months ended July 29, 2017 from a recovery for income taxes of $0.5 million for the three months ended July 30, 2016. The increase in the recovery for income taxes was due primarily to lower results from operating activities. Our effective tax rates were 27.1% and 18.2% for the three months ended July 29, 2017 and July 30, 2016, respectively. This increase in the effective tax rate is due to a decrease in non-deductible expenses, differences in foreign tax rates vs. statutory income tax rates and other items that result in an increase in income tax recovery for the three months ended July 29, 2017.

Six Months Ended July 29, 2017 Compared to Six Months Ended July 30, 2016

Sales. Sales for the six months ended July 29, 2017 increased 10.4%, or $8.9 million, to $94.4 million from $85.5 million for the six months ended July 30, 2016, comprising a $2.8 million decrease in comparable sales and a $11.7 million increase in non-comparable sales. Comparable sales decreased by 3.4% and non-comparable sales increased primarily due to an additional 28 net new stores opened as at July 29, 2017 as compared to July 30, 2016. Comparable sales decreased as we faced more a challenging overall consumer retail backdrop.

Gross Profit. Gross profit increased by 3.0%, or $1.3 million, to $44.4 million for the six months ended July 29, 2017 from $43.1 million for the six months ended July 30, 2016. Gross profit as a percentage of sales decreased to 47.0% for the six months ended July 29, 2017, from 50.3% for the six months ended July 30, 2016 primarily due to the planned clearance of seasonal products and deleveraging of fixed costs due to the negative 3.9% comparable sales for the year-to-date.

Selling, General and Administration Expenses. Selling, general and administration expenses increased by 18.5%, or $8.1 million, to $52.0 million in the six months ended July 29, 2017 from $43.9 million for the six months ended July 30, 2016. As a percentage of sales, selling, general and administration expenses increased to 55.1% for the six months ended July 29, 2017, as compared to 51.4% for the six months ended July 30, 2016. Excluding the impact of executive separation costs, impairment of property and equipment, and onerous contracts for the six months ended July 29, 2017, selling, general and administration expenses increased to $51.5 million in the six months ended July 29, 2017 from $43.9 million for the six months ended July 30, 2016 due primarily to the hiring of additional staff to support the growth of the Company, including new stores, and higher store operating expenses to support the operations of 236 stores as of July 29, 2017 as compared to 208 stores as of July 30, 2016. As a percentage of sales, selling, general and administration expenses excluding the impact of executive separation costs, impairment of property and equipment, and onerous contracts increased to 54.6% from 51.4%.

Results from Operating Activities. Results from operating activities decreased by $6.7 million, to $(7.6) million in the six months ended July 29, 2017 from $(0.9) million in the six months ended July 30, 2016. Excluding the impact of executive separation costs, impairment of property and equipment, and onerous contracts for the six months ended July 29, 2017, results from operating activities decreased by $6.2 million, to $(7.1) million from $(0.9) million for the six months ended July 30, 2016.

Provision for Income Taxes. Provision for income taxes decreased by $1.8 million, to a recovery of $1.7 million for the six months ended July 29, 2017 from a provision of $0.1 million for the six months ended July 30,

2016. The decrease in the provision for income taxes was due primarily to lower results from operating activities. Our effective tax rates were 22.0% and (19.0)% for the six months ended July 29, 2017 and July 30, 2016, respectively. This increase in the effective tax rate is due to non-deductible expenses, differences in foreign tax rates vs. statutory income tax rates and other items that resulted in an income tax recovery for the six months ended July 29, 2017.

Liquidity and Capital Resources

As at July 29, 2017 we had $56.4 million of cash primarily held with major Canadian financial institutions. Our working capital was $73.0 million as of July 29, 2017, compared to $78.7 million as at January 28, 2017.

Our primary sources of liquidity are cash on hand, cash flows from operations and borrowings under our revolving credit facility. Our primary cash needs are to support the increase in inventories as we expand the number of our stores, and for capital expenditures related to new stores and store renovations.

Capital expenditures typically vary depending on the timing of new stores openings and infrastructure-related investments. During fiscal 2017, we plan to spend approximately $15.0-$18.0 million on capital expenditures. We expect to construct, lease and open 10-12 new stores in Canada and up to 5 new stores in the United States, and renovate a number of existing stores. The remainder of the capital budget will be used to make continued investment in our infrastructure.

Our primary working capital requirements are for the purchase of store inventory and payment of payroll, rent and other store operating costs. Our working capital requirements fluctuate during the year, rising in the second and third fiscal quarters as we take title to increasing quantities of inventory in anticipation of our peak selling season in the fourth fiscal quarter. We funded our capital expenditures and working capital requirements from cash on hand and net cash provided by our operating activities.

We believe that our cash position, net cash provided by our operating activities and available borrowings under our revolving credit facility will be adequate to finance our planned capital expenditures and working capital requirements for the foreseeable future.

Cash Flow

A summary of our cash flows from operating, investing and financing activities is presented in the following table:

	For the three months ended		For the six months ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
Cash flows provided by (used in):				
Operating activities	$ **2,819**	$(1,783)	$ **(3,842)**	$ (2,571)
Investing activities	**(3,551)**	(7,181)	**(5,797)**	(10,183)
Financing activities	**791**	500	**1,606**	844
Increase (decrease) in cash	$ **59**	$(8,464)	$ **(8,033)**	$(11,910)

Cash Flows Provided by Operating Activities

Net cash flows provided by (used in) operating activities increased to $2.8 million for the three months ended July 29, 2017 from $(1.8) million for the three months ended July 30, 2016. The increase in the cash flows provided by operating activities was due primarily to a reduction in excess inventory levels from year-end, compared to the three months ended July 30, 2016, during which time inventory grew at normal levels to support sales for the third and fourth quarters of fiscal 2016.

Net cash used in operating activities increased to $(3.8) million for the six months ended July 29, 2017 from $(2.6) million for the six months ended July 30, 2016. The increase in the cash flows used in operating activities was due primarily to lower results from operating activities, partially offset by a reduction in inventory levels from year-end, as described above.

Cash Flows Provided by Investing Activities

Capital expenditures decreased by $3.6 million, to $3.6 million for the three months ended July 29, 2017, from $7.2 million for the three months ended July 30, 2016. This decrease was primarily due to the number of new store build-outs and the timing of investments in infrastructure. We opened 5 new stores for the three months ended July 29, 2017 compared to 10 new stores for the three months ended July 30, 2016.

Capital expenditures decreased by $4.4 million, to $5.8 million for the six months ended July 29, 2017, from $10.2 million for the six months ended July 30, 2016. This decrease was primarily due to the number of new store build-outs anf the timing of investments in infrastructure. We opened 9 new stores for the six months ended July 29, 2017 compared to 15 new stores for the six months ended July 30, 2016.

Cash Flows Provided By Financing Activities

Net cash flows provided by financing activities amounted to $0.8 million for the three months ended July 29, 2017 due to proceeds from share issuances, compared to $0.5 million for the three months ended July 30, 2016.

Net cash flows provided by financing activities amounted to $1.6 million for the six months ended July 29, 2017 due to proceeds from share issuances, compared to $0.8 million for the six months ended July 30, 2016.

Credit Facility with Bank of Montreal

The Company has a credit arrangement (hereinafter referred to as “Credit Agreement”) with the Bank of Montreal (“BMO”). The Credit agreement provides for a three-year revolving term facility, maturing October 31, 2019, in the principal amount of $20.0 million (which we refers to as the “Revolving Facility”) or the equivalent amount in U.S. dollars, repayable at any time. The Credit Agreement also provides for an accordion feature whereby we may, at any time prior to the end of the term and with the permission of BMO, request an increase to the Revolving Facility by an amount not greater than $10.0 million. As at July 29, 2017, we did not have any borrowings on the Revolving Facility.

The credit facility contains a number of financial and non-financial covenants that, among other things and subject to certain exceptions, restrict our ability to become guarantor or endorser or otherwise become liable upon any note or other obligation other than in the normal course of business. We also cannot make any dividend payments. As at July 29, 2017, we are in compliance with these covenants.

Off-Balance Sheet Arrangements

Other than operating lease obligations, we have no off-balance sheet obligations.

Contractual Obligations and Commitments

There have been no significant changes to our contractual obligations as disclosed in our consolidated financial statements for the fiscal year ended January 28, 2017, other than those which occur in the normal course of business.

Critical Accounting Policies and Estimates

Our discussion and analysis of operating results and financial condition are based upon our financial statements. The preparation of financial statements requires us to estimate the effect of various matters that are inherently uncertain as of the date of the financial statements. Each of these required estimates varies in regard to the level of judgement involved and its potential impact on our reported financial results. Estimates are deemed critical when a different estimate could have reasonably been used or where changes in the estimates are reasonably likely to occur from period to period, and would materially impact our financial position, changes in financial position or results of operations. Our significant accounting policies are discussed under note 3 to our consolidated financial statements for the year ended January 28, 2017 included in our Annual Report on Form 10-K dated April 12, 2017 and filed on April 13, 2017. There have been no material changes to the critical accounting policies and estimates since January 28, 2017, other than as described below.

Recently Issued Accounting Standards

Information on significant new accounting standards and amendments issued but not yet adopted is described below.

IFRS 9, "Financial Instruments". In July 2014, the IASB issued the final version of IFRS 9, "Financial Instruments" that replaces IAS 39, "Financial Instruments: Recognition and Measurement" and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Company plans to adopt the new standard on the required effective date. The Company is currently assessing the impact of the adoption of this standard on its consolidated financial statements and related note disclosures. The Company has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses. The Company will perform a detailed assessment in the coming quarters to determine the extent of the impact.

IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") replaces IAS 11, "Construction Contracts", and IAS 18, "Revenue", as well as various interpretations regarding revenue. This standard introduces a single model for recognizing revenue that applies to all contracts with customers, except for contracts that are within the scope of standards on leases, insurance and financial instruments. This standard also requires enhanced disclosures. Adoption of IFRS 15 is mandatory and will be effective for annual periods beginning on or after January 1, 2018. The Company is currently in the process of evaluating the impact this standard is expected to have on the consolidated financial statements. The Company in the process of assessing whether the loyalty program we currently offer could be considered a separate performance obligation. As we continue our evaluation, we will further clarify the expected impact of the adoption of the standard, which we do not believe will be material.

IFRS 16, "Leases" ("IFRS 16") replaces IAS 17, "Leases". This standard provides a single model for leases abolishing the current distinction between finance and operating leases, with most leases being recognized in the statement of financial position. Certain exemptions will apply for short-term leases and leases of low value assets. The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15, has been applied, or is applied at the same date as IFRS 16. The Company has performed a preliminary assessment of the potential impact of the adoption of IFRS 16 on its consolidated financial statements. The Company expects the adoption of IFRS 16 will have a significant impact as the Company will recognize new assets and liabilities for its operating leases of retail stores. In addition, the nature and timing of expenses related to those leases will change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of use assets and interest expense on lease liabilities. The Company has not yet determined which transition method it will apply or whether it will use the optional exemptions or practical expedients under the standard. The Company expects to disclose additional detailed information, including its transition method, any practical expedients elected and estimated quantitative financial effects, before the adoption of IFRS 16.

IFRIC 22, "Foreign Currency Transactions and Advance Consideration" ("IFRIC 22"). In December 2016, the IASB issued IFRIC 22, which addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) and on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company is in the process of evaluating the impact of adopting the interpretation of IFRIC 22 on its consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no material change in the foreign exchange and interest rate risk discussed in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our Annual Report on Form 10-K dated April 12, 2017 and filed on April 13, 2017.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of July 29, 2017. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (“Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of July 29, 2017, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There has been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the six-month period ended July 29, 2017, that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

We are, from time to time, subject to claims and suits arising in the ordinary course of business. Although the outcome of these and other claims cannot be predicted with certainty, management does not believe that the ultimate resolution of any matters in which we are currently involved will have a material adverse affect on our financial position or on our results of operations.

Item 1A. Risk Factors

There have been no material changes from the risk factors disclosed in our Annual Report on Form 10-K dated April 12, 2017 and filed on April 13, 2017, pursuant to Rule 424(b) under the Securities Act of 1933, as amended (the "Securities Act").

Item 2. Unregistered Sales of Equity Securities

Recent Sales of Unregistered Securities

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Exhibits:

10.1	Executive Employment Agreement between DAVIDsTEA Inc. and Howard Tafler, dated September 7, 2017.
31.1	Principal Executive Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to the Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Principal Financial Officer Certification Pursuant to Securities Exchange Act Rules 13a-14 and 15d-14 as Adopted Pursuant to the Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Principal Financial Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

EXHIBIT INDEX

Exhibit No.	Description
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32.1	Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Principal Financial Officer Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DAVIDsTEA INC.

		By:	/s/ Joel Silver
Date:	September 7, 2017	Name:	Joel Silver
		Title:	President and Chief Executive Officer

Exhibit 10.1

EXECUTIVE EMPLOYMENT AGREEMENT

B E T W E E N :

DAVIDsTEA INC., having a place of business at 5430 rue Ferrier, Mont-Royal (Québec) H4P 1M2, Canada;

(the "**Corporation**" or "**DTI**");

- and -

HOWARD TAFLER, residing at 93 Glenbrooke, Dollard Des Ormeaux] (Québec), H9A 2L7, Canada **;**

(the "**Executive**")

WHEREAS the Executive is employed by the Corporation as the interim Chief Financial Officer since August 14, 2017 prior to which he was employed by the Corporation as the Chief Accounting Officer;

WHEREAS the Corporation and the Executive now wish to formalize the agreement regarding the employment of the Executive as the interim Chief Financial Officer and as the Chief Financial Officer, as applicable, on the terms set forth in this Agreement;

AND WHEREAS the Executive wishes to be so employed by the Corporation;

NOW THEREFORE for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

For the purposes of this Agreement, the following definitions shall apply unless the context or subject matter is inconsistent therewith:

(a) "**Actively Employed**" means actively performing his duties continuously and without interruption. For greater certainty, the Executive shall be deemed to be not actively performing his duties continuously and without interruption during any period of leave for any reason whatsoever (except any period of leave for annual vacation), and any period following the Employment End Date during which the Executive may continue in his employ with the Corporation;

(b) "**Agreement**" means this executive employment agreement, as amended, supplemented or modified by express written agreement of the parties from time to time;

(c) "**Basic Payments**" means an amount equal to the aggregate of the Executive's (i) earned but unpaid Base Salary; (ii) unpaid business expense reimbursement; and (iii) an amount payable for accrued but unused vacation days;

(d) "**Board**" means the board of directors of DTI, as constituted from time to time;

(e) "**Business**" means the activities undertaken by the Corporation Group as they exist at the date hereof, as they will exist at the Termination Date and the activities that Corporation Group will be developing at the time of the Termination Date. Without limiting the generality of the foregoing, the Business of the Corporation Group as of the date hereof includes the sale and distribution of tea, including but not limited to, loose leaf teas, teas or tea-based beverages, and the sale and distribution of products related thereto;

(f) "**Business Day**" means any day other than a Saturday, Sunday or any other day on which principal commercial banks are not open for business in Montreal, Quebec;

(g) "**Cause**" means:

i) fraud, misappropriation, embezzlement or destruction of property belonging to the Corporation Group or other similar behaviour by the Executive;

ii) violation by the Executive of applicable securities legislation or stock exchange rules;

iii) the Executive's inability to enter the territory of the USA for the purposes of discharging his duties as provided herein as a result of the Executive's behavior, fault and/or negligence;

iv) any neglect of duty or misconduct of the Executive in discharging any of the Executive's duties and responsibilities hereunder that is not cured within ten (10) days of written notification thereof to the Executive by the Corporation; it being understood that the Corporation shall only be required to transmit such written notice and provide the Executive with such cure period on one occasion;

v) any conduct of the Executive which is prejudicial to the business of the Corporation Group;

vi) any failure of, or refusal by the Executive to comply with the policies, rules and regulations of the Corporation Group, that is not cured by the Executive within ten (10) days of written notification thereof to the Executive by the Corporation; it being understood that the Corporation shall only be required to transmit such written notice and provide the Executive with such cure period on one occasion;

vii) any breach of any statutory or civil law duty of loyalty to the Corporation Group;

viii) conviction of a crime (other than traffic violations and minor misdemeanors);

ix) inability of the Executive to perform his duties due to a legal impediment such as an injunction, restraining order or other type of judicial judgment, decree or order entered against the Executive; or

x) any other act or omission of the Executive which would in law permit an employer to, without notice or payment in lieu of notice, terminate the employment of an employee;

(h) "**Corporation Group**" means DTI and its subsidiaries, including without limitation DT USA;

(i) "**Change of Control**" means an event whereby (i) any Person who is not currently a shareholder of 5% or more of the issued and outstanding common shares in the share capital of the Corporation, becomes the beneficial owner, directly or indirectly, of 50% or more of either the issued and outstanding common shares in the share capital of the Corporation or the combined voting power of the Corporation's then outstanding voting securities entitled to vote generally; or (ii) the Corporation undergoes a sale of all or substantially all of its assets in an arm's length transaction with an unrelated third party;

(j) "**Confidential Information**" means all information in whatever form (oral, written, machine readable or otherwise) pertaining to the Corporation Group, the Business, customers, prospective customers, suppliers, brokers, or distributors and which has independent economic value, actual or potential, from not being generally known to and not being readily ascertainable by proper means by other Persons. Some examples are any such information related to:

i) special needs and characteristics of customers, prospective customers and suppliers of the Corporation Group (such as data concerning actual or projected customer requirements, preferences, market needs or habits, standards, specifications and methods of operation) and information about key personnel;

ii) retail store expansion plans;

iii) computer programs and controls;

iv) existing and new or envisioned products, formulas, recipes, devices and production methods, processes and techniques;

v) scientific studies and analysis, research and development projects and clinical and other test data;

vi) sales, pricing, cost and other such financial data and projections;

vii) marketing, promotional and advertising studies, programs and strategies; and

viii) Intellectual Property Rights;

(k) "**Clients**" means any and all Persons, including clients (other than retail customers) and distributors, having purchased the Corporation Group's goods in connection with the Business at any time during the two (2) years preceding the Termination Date;

(l) "**DT USA**" means DAVIDs TEA (USA) Inc.;

(m) "**Employment End Date**" means, as the case may be, (i) the date on which the Corporation provides notice of termination of employment to the Executive; (ii) the date on which the Executive provides a notice of termination of employment to the Corporation; or (iii) the date of the Executive's death;

(n) "**HRCC**" means Human Resources and Compensation Committee of the Board;

(o) "**Incapacity**" means any medical condition whatsoever (including physical or mental illness) which leads to the Executive's absence from his job function for a continuous period of three (3) months without the Executive being able to resume functions on a full time basis at the expiration of such period and which, in light of the position held by the Executive, the parties agree would cause undue hardship to the Corporation; and unsuccessful attempts to return to work for periods of less than fifteen (15) days shall not interrupt the calculation of such three (3) month period;

(p) "**Intellectual Property Rights**" shall mean all registered and unregistered intellectual property rights including, without limiting the generality of the foregoing:

i) rights to any inventions, whether patentable or not patentable, patents, trademarks, trade names, copyright, designs, industrial designs, trade secrets, integrated circuit and topographies; and

ii) all domestic and foreign registrations, applications, divisionals, continuations, continuations-impact, reexaminations and renewals thereof;

(q) "**Person**" means an individual, partnership, unincorporated association, organization, syndicate, corporation, trustee, executor, administrator or other legal or personal representative;

(r) "**Supplier**" means any and all Persons having supplied the Corporation Group with goods or services in connection with the Business at any time during the two (2) years preceding the Termination Date;

(s) "**Termination Date**" means the Employment End Date or, if the Executive continues in the employ of the Corporation, at the request of the Board, after the Employment End Date, on a full-time or part-time basis, the Termination Date shall be the Executive's last day of employment;

(t) "**Territory**" means Canada and the United States;

(u) "**Works**" means all discoveries, inventions, improvements, innovations, processes, topographies, codes, software, know how, recipes, technology, formulas, drawings, specifications for products, materials and equipment, process development and ideas including all related documentation on whatever support it is, of which the Executive is solely or jointly, in whole or in part, an inventor, discoverer, author, creator, conceiver or originator.

ARTICLE 2
POSITION AND START DATE

2.1 Start Date and Term

This Agreement shall become effective on August 14, 2017 (the **"Start Date"**) notwithstanding the date of its signature, and is hereby concluded for an indeterminate period of time. Except as otherwise agreed to in writing with the Chairman of the Board, in the event that the Executive fails to report to work on the Start Date, the Agreement shall be deemed null and void without any further notice, payment in lieu of notice or any indemnity whatsoever.

2.2 Title and Position

(a) The Corporation shall employ the Executive as its interim Chief Financial Officer ("CFO") until the earliest of (i) the Executive being appointed the CFO of the Corporation; or (ii) a new CFO being appointed by the Corporation. Should the Executive be appointed the CFO of the Corporation, this Agreement shall remain effective mutatis mutandis except otherwise provided herein.

(b) The Executive shall report to, and be subject to the control and direction of the President and Chief Executive Officer ("CEO") of the Corporation.

(c) The Executive's duties and responsibilities shall include, in addition to those inherent to the Executive's title and normally pertaining to such title, those compatible with the Executive's position and which the President and CEO may delegate to him from time to time.

2.3 Full and Faithful Service

(a) During his employment with the Corporation**,** and except as otherwise contemplated herein, the Executive undertakes to act with diligence, loyalty and honesty, to devote his full business time, attention and skills as a full-time employee of the Corporation, to faithfully serve the Corporation Group and to use his best efforts to promote the interest thereof, and he shall not, on his own behalf or on behalf of any other Person, whether directly or indirectly, alone, through or in connection with any Person, undertake the pursuit of, or engage in, any employment or business other than his employment under this Agreement, regardless of whether such activity is to gain profit or not.

(b) The Executive shall comply with all applicable rules and policies of the Corporation Group, which may be amended or replaced from time to time at the Corporation Group's sole discretion.

2.4 Place of Employment

(a) The Executive shall work from the Corporation's head office in Montreal, Quebec. Notwithstanding the foregoing, it is hereby agreed and understood that the Executive shall travel from time to time to such locations as may be necessary or desirable in connection with his duties hereunder**,** including to DT USA's principal business office currently located in Boston, Massachusetts.

2.5 Work Permit

(a) If a work permit is required for the Executive to enter the territory of the USA for the purposes of discharging his duties as provided herein, such permit shall be obtained by the Executive, with the Corporation's support and at the Corporation's cost. The Executive hereby represents that he has no reason to believe that he will be denied a work permit to enter the territory of the USA, if necessary.

ARTICLE 3
COMPENSATION AND BENEFITS

3.1 Base Salary

(a) The annual base salary of the Executive shall be as follows (the "**Base Salary**"):

(i) While acting as the interim CFO, CAD$246,255, payable in accordance with the Corporation's normal payroll practices, less applicable deductions

(ii) While acting as the CFO, CAD$265,000, payable in accordance with the Corporation's normal payroll practices, less applicable deductions;

3.2 Performance Bonus

(a) For each fiscal year of the Corporation, the Executive shall be eligible to receive an annual cash performance bonus with a target amount representing 30% of the Executive's Base Salary (the "**Target Bonus**") during each respective fiscal year. Subject to paragraph (b) below, the Target Bonus shall be payable to the Executive in the event that the HRCC determines, in its sole discretion, that the Executive has achieved performance objectives established by the HRCC in respect of the applicable fiscal year. The Executive's annual cash performance bonus may exceed the Target Bonus and be up to 60% of the Executive's Base Salary in the event that the HRCC determines, in its sole discretion, that the Executive has significantly exceeded the performance objectives determined by the HRCC for the applicable fiscal year.

(b) The Executive hereby agrees that the bonus referred to in Section 3.2 (a) shall be payable only if the Executive is Actively Employed as the CFO of the Corporation for the fiscal year to which the bonus relates, except as otherwise provided herein.

3.3 Long Term Incentive Plan

(a) The Executive shall be eligible to participate in the Corporation’s 2015 Omnibus Equity Incentive Plan as follows:

(i) an annual grant targeting 35% of the Base Salary during each respective fiscal year. The Executive’s annual long term incentive grant for each year, if any, is subject to annual approval by the HRCC.

(b) The Executive shall be eligible for his first grant under this Agreement in April 2018 provided as of such date he is employed as CFO by the Corporation.

3.4 Vacation

(a) The Executive shall be entitled to four (4) weeks of paid vacation per calendar year, to be taken at such times and intervals as shall be mutually agreed upon between the Executive and the President and CEO. The Executive shall not be entitled to carry forward any days of vacation in the calendar years subsequent to the calendar year during which the Executive becomes entitled to such vacation and any unused vacation at the end of the vacation reference year shall be forfeited.

3.5 Approved Business Expenses and Special Discretionary Travel and Expense Reimbursement

(a) The Corporation shall reimburse the Executive for all approved expenses incurred by the Executive in the performance of his duties under this Agreement, upon presentation of supporting receipts or vouchers.

3.6 Benefit Plans

(a) Upon the Start Date, the Executive shall continue to participate in the Corporation's group insurance benefits programs generally made available to the Corporation's full time employees, the whole in accordance with the terms and conditions set forth in the programs or plans that the Corporation may institute or amend from time to time.

(b) The Executive shall continue toparticipate in the Corporation's group RRSP, subject to legislative limits and, subject to the terms and conditions of the applicable plan; it being understood that the Corporation shall not match the Executive's contributions.

3.7 No Other Benefits.

(a) The Executive is not entitled to any other benefit or perquisite other than as specifically set out in this Agreement or as agreed to in writing with the Corporation.

ARTICLE 4
CONFIDENTIALITY

4.1 Confidentiality

(a) Any document or work composed, created, assembled or produced by the Executive or the Corporation Group and containing Confidential Information (including, without limitation, all notes, extracts, text or references from which any Confidential Information can be implicitly or otherwise revealed or understood) shall be deemed to be Confidential Information within the meaning of this Agreement and shall be treated as such.

(b) Confidential Information and all embodiments thereof (including any reproduction) shall remain the sole property of the Corporation Group and shall be returned to the Corporation immediately upon request to this effect or immediately after the Termination Date.

(c) The Executive hereby agrees not to use, divulge, diffuse, sell, transfer, give, publish, circulate or otherwise distribute to any Person or otherwise make public, any Confidential Information.

(d) Notwithstanding Section (c) above, the Executive shall have the right to use Confidential Information as required in the performance of his duties, provided that he shall at all times take necessary, useful and desirable measures to prevent the unauthorized use or disclosure of Confidential Information.

(e) Except when required in the performance of his duties, under no circumstances shall the Executive reproduce any Confidential Information without the prior written consent of the Board. All reproductions of Confidential Information shall be governed by this Agreement and shall be treated as Confidential Information hereunder.

(f) Anything to the contrary herein notwithstanding, disclosure of Confidential Information shall not be precluded if such disclosure is in response to a valid order of a governmental body or is otherwise required by law; provided however that the Executive shall, if reasonably possible, first have given notice thereof to the Corporation and shall have, as reasonably as possible, fully cooperated in the Corporation's attempt, if any, to obtain a "protective order" from the appropriate tribunal or governmental body.

ARTICLE 5
WORKS

5.1 Works

(a) In consideration of the Base Salary that the Executive receives from the Corporation, all Works (including all data and records pertaining thereto) that the Executive may invent, discover, author, originate, create or conceive, whether individually or with others, during his employment with the Corporation and all Intellectual Property Rights relating thereto shall be the sole and exclusive property of the Corporation.

(b) With respect to Works invented, discovered, authored, originated, created or conceived by him during his employment with the Corporation for any reason, the Executive shall perform the following:

i) promptly disclose and describe such Works in writing to the Corporation;

ii) assign (and the Executive does hereby assign) to the Corporation or such Person designated by the Corporation, without further compensation (but at the Corporation's expense), upon request and in the manner prescribed by the Corporation, all his rights, title and interest in and to said Works and Intellectual Property Rights related thereto throughout the world and waive (and the Executive does hereby waive) any and all other rights that are non assignable, including but not limited to moral rights in all Works or any non-economic rights;

iii) deliver promptly to the Corporation, upon request and in the form and manner prescribed by the Corporation (without charge to the Corporation but at the Corporation's expense), all written instruments and documentation relating to said Works and Intellectual Property Rights and do such acts as deemed necessary by the Corporation to obtain, maintain and to transfer all rights and title thereto to the Corporation; and

iv) give all assistance that may be required by the Corporation or the Person designated by the Corporation pursuant to subsection ii) to enable it to protect or exploit the Works and Intellectual Property Rights relating thereto in any country of the world.

(c) The Executive agrees that all Works that he invents, discovers, authors, creates, conceives or originates, alone and with others, will be original and will not to his knowledge infringe or violate any Intellectual Property Rights or confidential information of any of his former employers or of any other third party and will not constitute a breach of any of the Executive's contractual or legal obligations towards his former employers or any other third party.

ARTICLE 6
OBLIGATION OF NON-COMPETITION

6.1 Obligation of non-competition

(a) The Executive shall not, during his employment and for a period of twelve (12) months following the Termination Date, on his own behalf or on behalf of any Person, whether directly or indirectly, in any capacity whatsoever, alone, through or in connection with any Person, carry on or be employed by, be engaged in, consult with or advise, permit his name to be used or employed by, own shares in the capital, lend money to or guarantee the debts of any business which is in competition with the Business in all or part of the Territory. Should the End of Employment results from a termination by the Corporation without cause, the period shall be reduced to three (3) months following the Termination Date.

(b) The Executive shall not be in default under Section 6.1 by virtue of holding, strictly for portfolio purposes and as a passive investor, not more than 3% (including securities held by any Person acting jointly or in concert with the Executive) of the issued and outstanding shares of a corporation in competition with the Business, the shares of which are listed on a recognized stock exchange.

ARTICLE 7
OBLIGATION OF NON-SOLICITATION OF CLIENTS, SUPPLIERSAND NON-INTERFERENCE

7.1 Obligation of non-solicitation of Clients, Suppliers and non-interference

(a) The Executive shall not, during his employment and for a period of two (2) years following the Termination Date, on his own behalf or on behalf of any Person, whether directly or indirectly, in any capacity whatsoever, alone, through or in connection with any Person, for any purpose which is in competition, in whole or in part, with the Business, solicit any Client, Supplier or tea broker, or procure or assist in the soliciting of any Client, Supplier or tea broker.

(b) The Executive shall not, during his employment and for a period of two (2) years following the Termination Date, on his own behalf or in behalf of any Person, whether directly or indirectly, in any capacity whatsoever, alone, through or in connection with any Person, for any purpose which is in competition, in all or in part, with the Business, accept or procure or assist in the acceptance of any business from any Client or supply or procure or assist the supply of any goods or services to any Client, in all or part of the Territory.

(c) The Executive shall not, during his employment and for a period of two (2) years following the Termination Date, on his own behalf or on behalf of any Person, whether directly or indirectly, in any capacity whatsoever, alone, through or in connection with any Person, interfere or attempt to interfere with the Business or persuade or attempt to persuade any Client or Supplier to discontinue or adversely alter such Person's relationship with the Corporation.

ARTICLE 8
OBLIGATION OF NON-SOLICITATION OF EMPLOYEES AND CONSULTANTS

8.1 Obligation on non-solicitation of employees and consultants

(a) The Executive shall not, during his employment and for a period of two (2) years following the Termination Date, on his own behalf or on behalf of any Person, whether directly or indirectly, in any capacity whatsoever, alone, through or in connection with any Person, employ, offer employment to or solicit the employment or service of or otherwise entice away from the employment or service of the Corporation Group, any individual who is employed by the Corporation Group or any Person whose consulting services are retained by the Corporation Group at the time of the termination of the Executive's employment or who was employed by the Corporation Group or whose services were retained by the Corporation Group in the twelve (12) month period preceding the termination of the Executive's employment, whether or not such Person would commit any breach of his or his contract of employment or services agreement by reason of leaving the service of the Corporation Group.

ARTICLE 9
ENFORCEMENT

9.1 Enforcement

(a) The Executive acknowledges that the restrictions contained in Article 4, Article 5, Article 6, Article 7 and Article 8 of this Agreement, in view of the nature of the Business in which the Corporation is engaged, are reasonable and necessary in order to protect the legitimate interests of the Corporation and that any violation thereof would result in irreparable injuries to the Corporation Group and that damages alone would be an inadequate remedy for any violation of the aforementioned Articles. The Executive further acknowledges that in the event of a violation of any of these restrictions, the Corporation shall be entitled to obtain from any Court of competent jurisdiction temporary, interlocutory and permanent injunctive relief which rights shall be cumulative and in addition to any other rights or remedies to which the Corporation may be entitled.

(b) It is expressly agreed by the parties hereto that the provisions of Article 4, Article 5, Article 6, Article 7 and Article 8 shall survive the termination of the Executive's employment.

ARTICLE 10
TERMINATION

10.1 Termination by the Corporation

(a) The Executive's employment as the interim CFO may be terminated by the Corporation at any time and for any reason whatsoever by written notice to the Executive, provided that unless the employment is terminated for cause, the Executive shall remain employed by the Corporation and return to his role as the Chief Accounting Officer upon the same terms and conditions in effect immediately prior to the effective date of this Agreement;

(b) The Executive's employment as the CFO may be terminated by the Corporation at any time by written notice to the Executive, subject only to the termination entitlements provided in this Agreement.

10.2 Termination by the Corporation for Cause

(a) The Corporation may immediately terminate the employment of the Executive at any time for Cause by written notice to the Executive.

(b) If the Corporation terminates the employment of the Executive for Cause under this Section 10.2, the Corporation Group shall not be obligated to make any further payments under this Agreement, except for the Basic Payments.

10.3 Termination upon the Executive's Death or Incapacity

(a) The Executive's employment as the interim CFO or the CFO shall immediately terminate upon the Executive's death or Incapacity, without notice or payment in lieu of notice or any indemnity whatsoever, except:

(i) the Basic Payments, payable (less applicable statutory deductions) within fifteen (15) Business Days following the Termination Date; and

(ii) payment of any awarded but unpaid performance bonus for the year preceding the year during which the termination of the Executive's employment occurs, payable within fifteen (15) Business Days following the Termination Date, however, in no event before the usual payout date of such bonus, less applicable statutory deductions;

in each case payable to the Executive or, in the case of death, to his estate.

10.4 Termination by the Corporation Without Cause

(a) Should the Executive's employment as the CFO be terminated at any time by the Corporation without Cause, the Corporation shall provide the Executive with the following, subject to the Executive's execution of any and all documents requested by the Corporation to evidence the Executive's resignation as contemplated in Section 10.6(a), as well as a release and discharge agreement in favor of the Corporation, in a form satisfactory to the Corporation (the "**Release**") no later than five (5) Business Days following the Termination Date and provided the Executive continues to fulfill his post-employment legal and contractual obligations:

i) payment of the Basic Payments, payable (less applicable statutory deductions) within fifteen (15) Business Days following the Termination Date;

ii) payment of any awarded but unpaid performance bonus for the year preceding the year during which the termination of the Executive's employment occurs, payable within fifteen (15) Business Days following the Termination Date, however, in no event before the usual payout date of such bonus, less applicable statutory deductions;

iii) subject to the conditions set out in Section 3.2 (a), payment of an amount equal to a prorated portion of the performance bonus (if any) which becomes payable for the year during which the termination of the Executive’s employment occurs up to the Employment End Date, determined by HRCC taking into account the final year end results for the applicable fiscal year and payable (if any) on a pro-rata basis taking into account the number of days worked by the Executive in the applicable fiscal year up to the Employment End Date, and payable on the usual payout date of such bonus, less applicable statutory deductions;

iv) subject to section (b) below, payment of an indemnity in lieu of notice equal to twelve (12) months of the Executive's Base Salary, less applicable statutory deductions, to be paid in regular installments in accordance with the Corporation's normal payroll practices commencing on the first payroll date following the last to occur of the Termination Date and the execution of the Release, and ending three (3) months thereafter (the " **Severance Pay Period**");

10.5 Resignation by the Employee

(a) The Executive shall provide the Corporation with thirty (30) days' advance written notice of the termination of his employment as the interim CFO or the CFO hereunder ("**Resignation Notice Period**") and, subject to the following, the Executive's employment shall terminate on the date specified in the notice. The Corporation may waive the Resignation Notice Period, in whole or in part, upon paying to the Executive those amounts that he would have received had he remained Actively Employed through the Resignation Notice Period and the Corporation shall have no further obligations hereunder in the event of such resignation of the Executive, except the following:

i) payment of the Basic Payments, payable (less applicable statutory deductions) within fifteen (15) Business Days following the Termination Date;

ii) payment of any awarded but unpaid performance bonus for the year preceding the year during which the termination of the Executive's employment occurs, payable within fifteen (15) Business Days following the Termination Date, however, in no event before the usual payout date of such bonus, less applicable statutory deductions;

During the Resignation Notice Period, the Corporation may assign to the Executive any duties of a transitional nature which it deems appropriate.

(b) Notwithstanding anything to the contrary herein, in the event of a Change of Control while acting as the CFO, the Executive shall be eligible to receive the termination entitlements as set forth in Section 10.4 (except in respect of Section 10.4(a)(iv) as modified below), if the Executive remains in the full-time employ of the Corporation for a period of six (6) months following the Change of Control and resigns within a period of fifteen (15) days thereafter.

In the event of the Executive's resignation in accordance with this section 10.5(b), Section 10.4(a)(iv) shall be replaced with the following:

> "any stock options, RSUs, stock units or other long term incentive grants which are granted to the Executive prior to the Employment End Date, and which are unvested as of the Employment End Date, shall be deemed vested on the Termination Date, notwithstanding anything to the contrary in any applicable plan or award agreement."

(c) The Executive may resign for "Good Reason" in the following scenarios:

(i) *Changed Duties or Status*. The assignment to the Executive of any duties materially inconsistent with his status as the Interim CFO or the CFO of the Corporation or a material diminution in the nature or status of his responsibilities as the interim CFO or CFO. For greater certainty, the re-appointment of the Executive as the Chief Accounting Officer pursuant to

Section 10.1(a) does not constitute Changed Duties or Status nor qualify as Good Reason for resignation;

(ii) *Reduced Compensation*. A material reduction by the Corporation in the Executive's base compensation or target bonus;

(iii) *Benefits and Perquisites*. The failure by the Corporation to continue to provide the Executive with benefits and perquisites substantially similar to those provided for in this Agreement or the taking by the Corporation of any action that would directly or indirectly materially reduce any such benefits or deprive the Executive of any material perquisite enjoyed by his, other than in the event that such modifications are also applied to other executives of the Corporation Group; or

(iv) *Relocation*. The Corporation's requiring the Executive to be based in a location which is more than 100km from the Corporation's current executive head office in Town of Mount-Royal, province of Québec, provided that the Executive has not consented to such relocation.

In the event the Executive terminates his employment for Good Reason, the Executive shall receive the termination entitlements as set forth in Section 10.4.

10.6 Effect of Termination or Resignation

(a) Upon termination of his employment for any reason whatsoever (including for greater certainty, the Executive's resignation) , the Executive shall thereupon be deemed to have immediately resigned from any position the Executive may have as an officer, director or employee of the Corporation together with any other office, position or directorship which the Executive may hold in the Corporation Group with the exception of his role as the Chief Accounting Officer as applicable pursuant to Section 10.1(a) of this Agreement. In such event, the Executive shall, at the request of the Corporation, forthwith execute any and all documents appropriate to evidence such resignations. The Executive shall not be entitled to any payments in respect of such resignations in addition to those provided for herein.

(b) The Executive hereby undertakes to cooperate with the Corporation Group following the termination of his employment in all matters related to the conclusion of ongoing works or projects and to facilitate an orderly transfer of his responsibilities, functions and duties hereunder as may be required by the Corporation Group.

10.7 Release

(a) The parties agree that the provisions of Section 10.4 are fair and reasonable and that the amounts payable by the Corporation to the Executive pursuant to Section 10.4 are reasonable estimates of the damages which will be suffered by the Executive in the event of the termination of his employment in the circumstances and shall not be construed as a penalty. The Executive acknowledges and agrees that the payments pursuant to Section 10.4 shall be in full satisfaction of all terms of termination of his employment.

10.8 Return of Property

(a) Upon the termination of his employment with the Corporation, the Executive shall promptly deliver or cause to be delivered to the Corporation all books, documents (including all copies), money, securities or other property of the Corporation Group which are in the possession, charge, control or custody of the Executive.

10.9 No Further Entitlement upon Termination

(a) If the employment of the Executive is terminated, the Executive's employment with the Corporation shall cease and neither the Corporation nor any of its subsidiaries shall be obligated to make any payments to the Executive, other than as expressly provided for in this Article 10. The Executive recognizes and accepts that the Corporation Group shall not, in any case, be responsible for any additional amount, payment in lieu of notice, severance pay or other damages arising from the termination of his employment, except for those specifically provided for herein.

ARTICLE 11
REPRESENTATIONS AND WARRANTIES

11.1 Representations and Warranties

(a) The Executive hereby represents and warrants to the Corporation that he is not currently employed by a corporation other than the Corporation, and that he is not subject to any confidentiality, non-competition agreement or any other similar type of restriction that may affect his ability to devote full time and attention to his work at the Corporation. The Executive further represents and warrants that he has not used and will not use or disclose any trade secret or other proprietary right of any previous employer or any other party.

(b) The Executive shall defend, indemnify and hold the Corporation and its subsidiaries harmless from any liability, expense or claim (including solicitors' fees incurred in respect thereof) by any Person in any way arising out of, relating to, or in connection with any incorrectness or breach of the representations and warranties in this Section 11.1.

ARTICLE 12
GENERAL CONTRACT PROVISIONS

12.1 Privacy

(a) The Executive acknowledges and agrees that the Corporation has the right to collect, use and disclose his personal information for purposes relating to his employment with the Corporation, including:

i) ensuring that he is paid for his services to the Corporation and its subsidiaries;

ii) administering any benefits to which he is or may become entitled to, including bonuses, medical, dental, disability and life insurance benefits, pension, group RRSP and/or stock options. This shall include the disclosure of his personal information to any insurance company and/or broker or to any entity that manages or administers the Corporation’s benefits on behalf of the Corporation; and

iii) compliance with any regulatory reporting and withholding requirements relating to his employment.

12.2 Governing Law and Jurisdiction

(a) This Agreement shall be governed by and interpreted and construed in accordance with the laws of the Province of Quebec and the laws of Canada applicable therein. Any legal action or proceeding with respect with this Agreement shall be brought exclusively in the courts of the Province of Quebec sitting in the district of Montréal and, by execution and delivery of this Agreement, the Executive and the Corporation irrevocably consent to the jurisdiction of those courts.

12.3 Entire Agreement

(a) This Agreement, together with the Corporation's 2015 Omnibus Equity Incentive Plan and the related award agreements and the other agreements to which the aforementioned agreements refer, constitute the entire agreement between the parties with respect to the matter herein and supersede all prior agreements relating to the subject matter hereof. The execution of this Agreement has not been induced by, nor do any of the parties rely upon or regard as material, any representations, promises, agreements or statements whatsoever not incorporated herein and made a part hereof.

(b) This Agreement shall not be amended, altered or qualified except by a memorandum in writing signed by the parties. The Executive hereby agrees that the definition of "Territory" shall include any other jurisdiction within which the Corporation Group conducts business or has specific plans to conduct business at or prior to the Termination Date and the Executive shall agree, as necessary, to amend in writing the definition of Territory in order to reflect such geographical areas.

12.4 Severability

(a) Wherever possible, each provision of this Agreement and each related document shall be interpreted in such manner as to be effective and valid under applicable law, but if any word, phrase, clause, sentence, article or paragraph contained in this Agreement is deemed unenforceable by any court of competent jurisdiction, such word, phrase, clause, sentence, article or paragraph shall be severed from this Agreement and the remaining words, phrases, clauses, sentences, articles and paragraphs of this Agreement shall remain in full force and effect.

12.5 Notice

(a) Any notice required to be given hereunder shall be deemed to have been properly given if delivered personally, by a nationally recognized courier service, or sent by prepaid registered mail or sent via facsimile transmissions as follows:

To the Executive: 93 Glenbrooke,
Dollard Des Ormeaux] (Québec)
H9A 2L7

To the Corporation:

Attention: Joel Silver
President and CEO
5430 Ferrier
Mount Royal, Québec
H4P 1M2

(b) If delivered personally or by courier service, the notice shall be deemed to have been received on the date of delivery; if sent by registered mail, the notice shall be deemed to have been received on the fourth day of uninterrupted postal service following the date of mailing; or if sent by facsimile, the notice shall be deemed to have been received on the date of transmission, unless, in any such case, such day is not a Business Day, in which case the notice shall be deemed to have been received on the next following Business Day. Either party may change its address for notice at any time, by giving notice to the other party pursuant to this Section 12.5.

12.6 Successors

(a) This Agreement may not be assigned by the Executive. This Agreement and the rights and obligations hereunder may, without the further express consent of the Executive, be assigned by the Corporation to any entity which succeeds to all or substantially all of the business, assets or property of the Corporation.

12.7 Currency & Taxes

(a) The Executive acknowledges and agrees that all payments, perquisites or benefits under this Agreement shall be payable in Canadian dollars and shall be subject to withholding of such amounts, if any, relating to tax or other payroll deductions as the Corporation may reasonably determine that it should withhold pursuant to any applicable law or regulation. Nothing in this Agreement shall be construed to obligate the Corporation to compensate the Executive for adverse tax consequences associated with his compensation.

12.8 Counterparts

(a) This Agreement, may be executed in counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

12.9 Language

(a) The parties have expressly requested that this Agreement and any related documents be drafted in the English language. *Les parties ont expressément requis que cette entente et tout document reliés soient rédigés en anglais seulement.*

IN WITNESS WHEREOF the parties have duly executed this Agreement.

[Signature page to follow]

SIGNED BY:

(s) Howard Tafler	September 7, 2017
Howard Tafler	Date

DAVIDsTEA Inc.

By: (s) Joel Silver	September 7, 2017
Joel Silver President and CEO	Date

Exhibit 31.1

**CERTIFICATION PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13a-14 and 15d-14
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Joel Silver, President and Chief Executive Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the fiscal quarter ended July 29, 2017 of DAVIDsTEA Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 7, 2017

/s/ Joel Silver
Joel Silver
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECURITIES EXCHANGE ACT RULES 13a-14 and 15d-14
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Howard Tafler, Interim Chief Financial Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the fiscal quarter ended July 29, 2017 of DAVIDsTEA Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 7, 2017

/s/ Howard Tafler
Howard Tafler
Interim Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of DAVIDsTEA Inc. (the "Company") on Form 10-Q for the period ended July 29, 2017, as filed with the Securities and Exchange Commission (the "Report"), I, Joel Silver, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 7, 2017

/s/ Joel Silver
Joel Silver
President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of DAVIDsTEA Inc. (the “Company”) on Form 10-Q for the period ended July 29, 2017, as filed with the Securities and Exchange Commission (the “Report”), I, Howard Tafler, Interim Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that based on my knowledge:

1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: September 7, 2017

/s/ Howard Tafler
Howard Tafler
Interim Chief Financial Officer