

Kiario Revenue Up 55% In FY22 Q2 To A Record \$6.19 Million

- Revenue increased 70% in the six months ended July 31, 2021 compared to prior year
- Same store sales increased 41% in the six months ended July 31, 2021 compared to prior year
- Operating Expenses decreased from 34% to 29% of revenue in the three months ended Jul 31, 2021
- Closing of acquisition and new business segment created July 12, 2021

Vancouver, British Columbia – September 28, 2021 – Kiario Holdings Corp. (TSXV: KO) (“**Kiario**” or the “**Company**”) is pleased to announce its second-quarter financial results for the three and six months ended July 31, 2021 and 2020. With the closing of the acquisition of Sculthorp SEO Inc. on July 12, 2021, Kiario created a new segment in reporting this quarter, and now reports on Retail, Wholesale, and eCommerce operations, all of which were profitable during the quarter. All amounts, unless specified otherwise, are expressed in Canadian dollars.

“Our team continues to deliver fantastic financial results as proven by our record second quarter. Now that we have closed on the Acquisition of Hemisphere Cannabis and have 16 stores in operation we look forward to achieving our ~\$43 million annual revenue target” stated Daniel Petrov, Chief Executive Officer of Kiario.

Summary of the Second Quarter Financial Results

For the three months ended July 31, 2021, Kiario recorded revenues of \$6.19 million, comprised of \$3.72 million from the retail segment, \$2.32 million from the wholesale segment, and \$0.14 million from the new eCommerce segment, which was reported from only 2 weeks of operations during the quarter. Comparatively, in the three months ended July 31, 2020, the Company recorded total revenues of \$4.0 million, comprising \$2.79 million from the retail segment and \$1.21 million from the wholesale segment. The 55% increase in revenue in comparison to the prior year is primarily due to retail same-store sales increases of 21%, and a 92% sales increase at Kiario’s wholesale subsidiary, National Cannabis Distribution Inc.

For the three months ended July 31, 2021, Kiario recorded gross profit of \$1.68 million, representing a 35% year-over-year increase when compared to the three months ended July 31, 2020, where gross profit was \$1.24 million. The consolidated gross margin decreased due to the higher contribution of revenues from the wholesale segment. As retail and eCommerce segment contributions increase from the newly acquired assets, the blended gross margin is expected to increase as well.

Total operating expenses for the three months ended July 31, 2021, were \$2.46 million compared to \$2.09 million in the three months ended July 31, 2020. Although the dollar amount increased, the impact to operating expenses not including depreciation and amortization and share-based compensation decreased from 34% to 29% as a percentage of revenue. Salaries and employee benefits remained between 19% and 20% as a percentage of revenue in the three months ended July 31, 2021.

Kiario improved its adjusted EBITDA from negative \$0.14 million in the three months ended July 31, 2020, to negative \$0.10 million in the three months ended July 31, 2021. Revenue increases continue to play a contributing factor on EBITDA until the Company reaches break even scale. This combined with fundamental management of operating expenses relative to revenue growth resulted in improvements

towards profitability. Adjusted EBITDA is a non-GAAP financial measure and is not a recognized, defined, or standardized measure under IFRS. Refer to “Cautionary Note Regarding Non-GAAP Measures” below.

As at July 31, 2021, the Company had positive working capital of \$2,286,928, an improvement since the last fiscal year end of January 31, 2021, of \$1,611,405. \$35,000 in principal debt was repaid during the quarter.

Select Financial Information

	Three months ended July 31, 2021	Three months ended July 31, 2020	\$ Change	% Change
	\$	\$	\$	%
Revenue	6,190,179	4,000,102	2,190,077	55%
Gross profit	1,675,914	1,236,856	439,058	35%
Operating expense	(2,464,805)	(2,091,454)	(373,351)	18%
Loss from operations	(788,891)	(855,208)	66,317	-8%
Other expenses ¹	(274,707)	(588,597)	313,890	-53%
Net loss and comprehensive loss	(1,063,598)	(1,443,805)	380,207	-26%
Adjusted EBITDA ²	(98,582)	(136,363)	37,781	28%

Notes:

- (1) In the three months ended July 31, 2021, other expenses include accretion and interest expense on debt, and right of use depreciation, and acquisition costs.
- (2) Adjusted EBITDA is a non-GAAP financial measure and is not a recognized, defined, or standardized measure under IFRS. Refer to “Cautionary Note Regarding Non-GAAP Measures.”

Second Quarter Highlights and Recent Developments:

- On March 16, 2021, Kiaro announced the completion of the Grasshopper Cannabis acquisition in Kelowna, British Columbia. The construction for this store has been completed, all municipal approvals received, and while the Company waits for the final provincial approval, the store management and staff have been volunteering at local community events. The store is slated to open in Q3 of this fiscal year.
- On July 12, 2021, Kiaro announced the completion of the acquisition of Sculthorp SEO Inc, which included one licensed and operational brick and mortar location in Toronto, Ontario, and three eCommerce business platforms in Canada, the US, and Australia. The two week inclusion of the eCommerce assets contributed \$141,011 in revenue and 16.2% net profit. The full quarter revenues will be reflected in the Company’s third quarter results.
- On September 9, 2021, the Company held its Annual General and Special Meeting of Shareholders and the Company’s shareholders approved Aegis Brands Inc. (“Aegis”) as a new Control Person of the Company in connection with the Hemisphere retail location transaction.

- On September 24, 2021, the Company completed its acquisition of Hemisphere from Aegis in an all stock transaction, which creates a control person of approximately 25% of the combined entity.

The total purchase price of \$6.13 million was settled by the issuance of 61,300,000 in common shares of the Company at the market close price of \$0.10 per share, issuance of 6,700,000 common share purchase warrants exercisable at \$0.16 with an expiry date of 36 months from the closing date, and an additional issuance of 6,700,000 shares upon the achievement of certain commercial milestones during the first year following closing. No revenues and expenses from operations are reflected on the current quarterly financial results, and the 5 weeks' and full 3 months' impacts will be reported on Q3 and Q4 respectively.

Cautionary Note Regarding Non-GAAP Measures

This news release refers to certain financial performance measures that are not defined by and do not have a standardized meaning under IFRS (termed "**Non-GAAP measures**"). These Non-GAAP measures are defined in the MD&A. Non-GAAP measures are used by management to assess the financial and operational performance of the Company. The Company believes that these Non-GAAP measures, in addition to conventional measures prepared in accordance with IFRS, enable investors to evaluate the Company's operating results, underlying performance, and prospects in a manner similar to the Company's management. As there are no standardized methods of calculating these Non-GAAP measures, the Company's approaches may differ from those used by others, and accordingly, the use of these measures may not be directly comparable. These Non-GAAP measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

- Adjusted EBITDA is calculated as net loss excluding finance income (expense), income taxes, depreciation, amortization, share-based compensation, loss on modification and extinguishment of debt, foreign exchange, changes in fair value of financial instruments, inventory write-down, lease termination loss, and loss on sublease and non-cash impairment of equity investments, loss on sale of financial instruments, impairment of long-lived assets, goodwill, and other assets, and the transaction cost of certain transactions. Adjusted EBITDA is intended to provide a proxy for the Company's operating cash flow and is widely used by industry analysts to compare Kiario to its competitors and derive expectations of future financial performance for Kiario. Adjusted EBITDA increases comparability between comparative companies by eliminating variability resulting from differences in capital structures, management decisions related to resource allocation, and the impact of fair value adjustments on financial instruments, which may be volatile and fluctuate significantly from period to period.

Consolidated Financial Statements and MD&A

The results discussed herein are a summary and are qualified in their entirety by reference to the Company's unaudited interim condensed consolidated financial statements and accompanying notes (the "**Financial Statements**") for the three and six months ended July 31, 2021 and 2020, and related MD&A (the "**MD&A**") of financial condition and results of operations, copies of which are available under the Company's profile on SEDAR and the Company's Investor Relations website at investors.kiario.com.

Kiario Holdings Corp.

Based in Vancouver, British Columbia, Kiario is an independent, omni-channel cannabis retailer and distributor. Through existing storefronts across British Columbia, Saskatchewan, and Ontario, and with the completion of the recent acquisition of Hemisphere Cannabis from Aegis Brands, Kiario has 16 stores

in operation and another two expected in early 2022. This is in addition to its wholesale distribution division servicing Saskatchewan, and eCommerce sites in Canada, the US and Australia. Kiaro is driven to introduce new and experienced consumers to a lifelong exploration of cannabis. With more than 70 years of collective retail and wholesale focused experience, Kiaro's leadership team has a proven track record of executing on acquisitions and financings, and moreover growing brands across North America. The Company plans to continue its growth trajectory through its consumer-centric retail, eCommerce, and wholesale distribution segments over the coming years.

Forward-Looking Information

This news release contains statements that may constitute "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information may include, among others, statements regarding the future plans, costs, objectives or performance of Kiaro, or the assumptions underlying any of the foregoing. In this news release, words such as "may", "would", "could", "will", "likely", "believe", "expect", "anticipate", "intend", "plan", "estimate" and similar words and the negative form thereof are used to identify forward-looking statements. In this news release, forward-looking statements relate, among other things, to: proposed retail expansion plans and management's ability to execute on same, overall growth of the Canadian cannabis market and retail opportunities, the award of new operating permits and licenses in various jurisdictions, and the timing and amount of any dispositions of the Company's common shares. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether, or the times at or by which, such future performance will be achieved. No assurance can be given that any events anticipated by the forward-looking information will transpire or occur. Forward-looking information is based on information available at the time and/or management's good-faith belief with respect to future events and are subject to known or unknown risks, uncertainties, assumptions and other unpredictable factors, many of which are beyond Kiaro's control. These risks, uncertainties and assumptions include, but are not limited to, those described in filing statement of the Company dated September 29, 2020, a copy of which is available on SEDAR at www.sedar.com, and could cause actual events or results to differ materially from those projected in any forward-looking statements. Furthermore, any forward looking information with respect to future expansion plans is subject to the qualification that management of Kiaro may decide, and the assumptions that any construction or conversion would not be cost prohibitive, required permits will be obtained and the labour, materials and equipment necessary to complete such construction or conversion will be available. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this news release. Kiaro does not intend, nor undertake any obligation, to update or revise any forward-looking information contained in this news release to reflect subsequent information, events or circumstances or otherwise, except if required by applicable laws.

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