

Kiaro Announces Third Quarter 2021 Financial Results Posting \$7.5M in Revenues Following the Execution of Its Diversified Acquisition Strategy

THIRD QUARTER OPERATIONAL HIGHLIGHTS

- Revenues surpassing total prior year revenue as of Q3 this fiscal year:
 - 51% Increase in retail revenue year-to-date (“YTD”)
 - 24% Increase in retail same-store sales YTD
 - 38% retail margins retained during Q3 and YTD
- Diversification of revenue streams across three primary channels: Retail, Wholesale, eCommerce, including international exposure in the US and Australia
 - 7 operational retail stores and over 60 employees onboarded through the acquisition of Hemisphere Cannabis which closed September 24, 2021
 - Over 75% of all licensed retailers in Saskatchewan now serviced by Kiaro’s wholesale business National Cannabis Distribution
- Financing of \$3.7M closed October 28, 2021, by convertible debenture improves cash position

Vancouver, British Columbia – December 17, 2021 – Kiaro Holdings Corp. (TSXV: KO) (“**Kiaro**” or the “**Company**”) is pleased to announce its third-quarter financial results for the three and nine months ended October 31, 2021 and 2020. With the closing of the acquisition of Hemisphere Cannabis on September 24, 2021, and the previously announced closing of Cozy Cannabis on July 12, 2021, Kiaro has solidified its presence in Ontario, including prominent Toronto and Ottawa centers. The additional municipal licensed locations set to open Q4 of this fiscal year would bring the total number of operating stores to 17 stores across three provinces.

“Our team has delivered significant value to shareholders with the acquisition and skillful integration of Hemisphere into the Kiaro family. In addition, our investors have supported a successful raise of \$3.7M to support the company’s efforts to actualize the value from our 2021 acquisitions. On top of this success, teams across Wholesale, Retail and eCommerce delivered outstanding financial results.” stated Daniel Petrov, Chief Executive Officer of Kiaro.

Summary of the Third Quarter Financial Results

During Q3 FY 2022 (three months ended October 31, 2021), the Company generated revenue of \$7,484,158 compared to \$5,190,930 in Q3 FY 2021, representing an increase of 44% for the three month period and 59% for the nine month period. Revenue growth was driven by:

- Increase in retail segment sales by 51% for the nine months ended;
- Increase in same-store sales by 24% for the nine months ended;
- Increase in wholesale revenue by 50% for the nine months ended.

Gross profit percentages are presented as a blend of retail, wholesale, and eCommerce business unit contributions. Retail margins were unchanged at 38%. The blended gross margins of 29% were primarily due to revenue contributions from the eCommerce and wholesale segments. As additional retail locations operationalize and ramp up, gross margins are expected to increase.

For the nine months ended October 31, 2021, the total operating expenses as a percentage of revenue decreased from 53% to 43% compared to the prior year as efficiencies were gained by utilizing existing overheads and fixed costs to support the growth in sales.

As at October 31, 2021, the Company had a positive working capital of \$4,622,338 (January 31, 2021 - \$1,611,405) and had a current ratio of 1.50 as compared to 1.46 on January 31, 2021 as calculated per National Instrument NI31-103F1.

Select Financial Information

	Three months ended Oct 31, 2021	Three months ended Oct 31, 2020	\$ Change	% Change
	\$	\$	\$	%
Revenue	7,484,158	5,190,930	2,293,228	44%
Gross profit	2,194,666	1,563,791	630,875	40%
Operating expense	(3,259,279)	(2,320,858)	(938,421)	40%
Loss from operations	(1,064,613)	(757,067)	(307,546)	41%
Other expenses ¹	(277,235)	(2,136,725)	1,859,490	(87%)
Net loss and comprehensive loss (net of DIT ²)	(1,079,666)	(2,893,792)	1,814,126	(63%)
Loss per share, basic and diluted	(0.01)	(0.03)	0.02	

Notes:

- (1) In the three months ended October 31, 2021, other expenses include accretion and interest expense on debt, and right of use depreciation, and acquisition costs.
- (2) Deferred Income Tax Recovery

Third Quarter Highlights and Recent Developments:

Retail Brick and Mortar Operations

Kiaro's retail portfolio increased from 8 cannabis retail stores as of July 31, 2021, to 14 open and operating cannabis retail stores as of October 31, 2021. As of the date of this report, Kiaro has opened one additional retail store in Orleans, a suburb of Ottawa, ON, and two additional municipally licensed locations set to open Q4 of this fiscal year. As a result, this would bring the total count of operating stores to 17 stores across three provinces.

In Q3 FY 2022 compared to Q3 FY 2021, Kiaro increased total retail revenue 44%, with a 29.3% gross margin this quarter. In addition to expanding physical retail locations, Kiaro continues to evolve its key retail programs such as MyKiaro and Ask Kiaro Anything, ensuring a best-in-class experience for both consumers and employees.

On September 24, 2021, Kiaro acquired 2734524 Ontario Inc. On October 31, 2021, six retail locations were operational, and the seventh store opened on November 10, 2021, under the Hemisphere brand. An

eighth location is in development from this acquisition and is slated to open in Q4 this fiscal year under the Kiaro brand.

Wholesale Operations

NCD services over 75% of licensed retailers in the province of Saskatchewan, which represents a 25% increase from the prior quarter of this fiscal year.

The Saskatchewan Retail Cannabis market has doubled due to the Saskatchewan Liquor and Gaming Authority (“**SLGA**”) removing the cap on the number of cannabis retail stores permitted to operate effectively in September 2020. With consistent accretive growth in market size not slowing down, the Company continues to build its foundation to support both existing and new customers and promote the representation of licensed producers to improve retailer access to the best products for their customers.

eCommerce

In Q3 FY2022, Kiaro’s eCommerce assets Vaped.ca, Vaped.com, and Vaporizersdirect.com.au (“**Vaped**”) contributed \$589,246 in revenue and 25% gross profit. With these recently acquired assets, Kiaro is well-positioned to take advantage of future U.S. and Australia advances towards federal legalization.

Kiaro aims to expand last-mile delivery in British Columbia and Ontario, enhance delivery in Saskatchewan, and continue the expansion of eCommerce revenues through both the Kiaro.com and Vaped platforms. These initiatives will ensure that customers can access the brands they want, when and where they want them.

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 Kiaro to its competitors and derive expectations of future financial performance for Kiaro. 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 nine months ended October 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.kiaro.com.

Kiaro Holdings Corp.

Based in Vancouver, British Columbia, Kiaro 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, Kiaro has 15 stores with another two expected in the fourth quarter of this fiscal year. 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: the use of proceeds of the Offering, overall growth of the Canadian cannabis market and retail opportunities, the award of new operating permits and licenses in various jurisdictions, the future trading price of the Common Shares, and the timing and amount of any dispositions of the 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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