

Kiaro Announces Fiscal Year 2021 Second Quarter Financial Results with Revenues of \$4.0 Million, an increase of 50% Quarter over Quarter

Vancouver, British Columbia – October 22, 2020 – Kiaro Holdings Corp. (TSXV: KO) (“Kiaro” or the “Company”) is pleased to announce the financial results for the second quarter ended July 31, 2020. All amounts, unless specified otherwise, are expressed in Canadian dollars.

During the three months ended July 31, 2020 (“Q2 2021”), Kiaro:

- Recorded revenues of \$4.0 million, an increase of 413% from the prior year Q2 2020 and 50% from the prior period ending April 30, 2020 (“Q1 2021”), due to the opening of new retail locations and same store sales increases;
- Recorded negative adjusted EBITDA of \$136,363, compared to negative adjusted EBITDA of \$1,663,149 in the prior year Q2 2020 and a negative adjusted EBITDA of \$513,204 in the prior period ending Q1 2021.

Recent Development Highlights:

- Opened two new retail locations, Vancouver, British Columbia in July 2020 and Nanaimo, British Columbia in September 2020.

“In this quarter, Kiaro continues to demonstrate a strong positive growth quarter over quarter with a 50% revenue increase,” said Daniel Petrov, Chief Executive Officer of Kiaro. “This is our first public presentation of quarterly financials and we are proud of our team’s results. This demonstrates Kiaro’s ability to deliver on the goal of achieving positive EBITDA through tailoring our curated product selection for each community we serve.”

“This year we have opened three additional retail locations in Port Moody, Vancouver and Nanaimo, British Columbia,” said Eleanor Lynch, President of Operations of Kiaro. “We are extremely excited to now serve the Port Moody community as its first licensed cannabis location. This site is ideally situated in the heart of the busy St John corridor and serves as a gateway to neighboring Burnaby and Coquitlam, two currently underserved communities that we now provide access to regulated cannabis. Our other two locations are in neighborhoods centrally located for both the new and experienced cannabis consumers.”

Mr. Petrov stated “I want to thank the entire team for their dedication as this quarter was impactful and allows Kiaro to be well positioned to execute on our overall corporate strategy. We feel confident that we have built the most competitive team in retail, and it is exciting to work alongside such courageous and creative individuals”.

Fiscal Year 2021 Second Quarter Highlights and Recent Developments:

The Company:

- Closed a non-brokered private placement for gross proceeds of \$1.0 million on May 11, 2020;
- On July 1, 2020, the Company opened its sixth retail location at 1666 Graveley Street, in the Commercial Drive neighbourhood in Vancouver, British Columbia.
- On September 8, 2020, the Company opened its seventh retail location at 78 Wharf Street, Nanaimo, British Columbia.
- On October 13, 2020, the Company completed the reverse takeover of DC Acquisition Corp. (“DCA”) pursuant to the Merger Agreement on June 9, 2020 by way of a three-cornered amalgamation of Kiaro with 1251542 B.C. Ltd., a wholly owned subsidiary of DCA (the “Transaction”).

- Upon completion of the Transaction, convertible debenture holders with a principal and accrued interest balance of \$6.5 million were converted to common shares in accordance with the terms of such debentures.
- Upon completion of the Transaction, the Company received approximately \$2.0 million in cash, being the net assets acquired of DCA.

Following completion of the Transaction, the Company commenced trading on the TSX Venture Exchange (the “Exchange”) under the symbol “KO” on October 20, 2020.

Select Financial Information

	Three months ended July 31, 2020	Three months ended April 30, 2020	\$ Change	% Change
	\$	\$	\$	%
Revenue	4,000,102	2,666,711	1,333,391	50%
Gross profit	1,236,246	715,285	520,961	73%
Operating expense	2,091,454	1,918,486	172,968	9%
Loss from operations	(855,208)	(1,203,201)	347,993	-29%
Other expenses	(588,597)	(2,607,630)	2,019,033	-77%
Net loss and comprehensive loss	(1,443,805)	(3,810,831)	2,367,026	-62%

Adjusted EBITDA

	Three months ended July 31, 2020	Three months ended April 30, 2020	Three months ended July 31, 2019
	\$	\$	\$
Net loss and comprehensive loss	(1,443,805)	(3,810,831)	(2,630,484)
Depreciation and amortization	474,623	293,915	597,849
Finance income	(45,866)	-	(18,617)
Finance expense	536,949	463,572	374,767
EBITDA	(478,099)	(3,053,344)	(1,676,485)
Share-based compensation	244,222	396,082	24,081
Change in fair value of derivative liabilities	2,382	23,501	(27,855)
Lease termination loss and loss on sublease	1,788	53,422	17,110
Loss on modification and extinguishment of debt	93,344	-	-

Foreign exchange gain	-	(38,413)	-
Realized loss on sale of marketable securities	-	2,105,548	-
Adjusted EBITDA¹	(136,363)	(513,204)	(1,663,149)
Less: lease payments ²	(269,354)	(243,028)	(418,015)
Adjusted EBITDA less lease payments	(405,717)	(756,232)	(2,081,164)

- (1) 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".
- (2) Under IFRS 16, leases that were previously classified as operating leases are now on-balance sheet. Instead of recognizing rent expenses, the company now recognizes amortization and interest expense related to these operating and non-operating leases.

Summary of Fiscal Year 2021 Second Quarter Financial Results

The Company's financial results for fiscal year 2021 second quarter ended July 31, 2020, are prepared in accordance with International Financial Reporting Standards ("IFRS") following the guidance International Accounting Standards 34, 'Interim Financial Reporting' ("IAS 34") as issued by International Accounting Standards Board, and interpretations of the IFRS Interpretations Committee ("IFRIC").

For the three months ended July 31, 2020, Kiaro recorded revenues of \$4.0 million, comprised of \$2.8 million and \$1.2 million in the retail and wholesale segments, respectively. Comparatively, in the three months ended July 31, 2019, the Company recorded revenues of \$0.8 million. The increase in revenue in comparison to the prior year is due to the opening of new retail locations, same store sales increases, and entry into the wholesale cannabis business as a result of the NCD acquisition in March 2019.

For the three months ended July 31, 2020, Kiaro recorded gross profit of \$1.2 million, comprised of \$1.0 million and \$0.2 million in the retail and wholesale segments, respectively. Comparatively, in the three months ended July 31, 2019, gross profit was \$0.2 million.

Total operating expenses for the three months ended July 31, 2020, were \$2.1 million compared to \$2.5 million in the three months ended July 31, 2019. The decrease in operating expenses during Q2 2021 is a continuation of the Company continuing its efforts in efficiencies in its operations and controlling overhead spending.

For the three months ended July 31, 2020, Kiaro recorded adjusted EBITDA of negative \$136,363. Comparatively, in the three months ended July 31, 2019, the adjusted EBITDA was negative \$1,663,149. Strong revenue increases combined with stabilized and decreasing operating expenses resulted in the improvements towards profitability.

As at July 31, 2020, the Company had negative working capital of \$413,538 (January 31, 2020 – positive 2,815,847). The decrease in working capital related primarily to the sale of an investment in marketable securities which resulted in a realized loss of \$2,105,548 from a declining share price.

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 similar manner 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. Accordingly, 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.

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, 2020 and 2019 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 at www.sedar.com and on the Investor Relations section of the Company's website at www.kiaro.com. Readers of this press release are encouraged to refer to the Financial Statements and the MD&A for complete details about Kiaro's financial results for the period ended July 31, 2020.

Kiaro Holdings Corp.

Based in Vancouver, British Columbia, Kiaro is an independent, omni-channel cannabis retailer and distributor. Through existing storefronts across British Columbia and Saskatchewan, a wholesale distribution division servicing Saskatchewan, and plans for national expansion, Kiaro is driven to introduce new and experienced consumers to a lifelong exploration of cannabis. With more than 40 years of collective retail-focused experience, Kiaro's leadership team has a proven track record of growing retail brands across North America and plans to open multiple retail locations nationwide 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 Kiaro Filing Statement 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.

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

For more information, visit: www.kiaro.com

Investor Related Inquiries:

Daniel Petrov

Chief Executive Officer

investors@kiaro.com

1-888-623-2420