

Kiaro Announces Positive Adjusted EBITDA and Fiscal Year 2021 Third Quarter Financial Results

- *Revenues of \$5.19 million, an increase of 30% compared to \$4.0 million in the second quarter*
- *Kiaro's first recorded quarter of positive Adjusted EBITDA¹*
- *Gross margin of 38.2% for retail operations, an improvement of 6% compared to Q3 Fiscal Year 2020*

Vancouver, British Columbia – December 16, 2020 – Kiaro Holdings Corp. (TSXV: KO) (“Kiaro” or the “Company”) today announced its third quarter financial results for the fiscal year 2021 ended October 31, 2020. All amounts, unless specified otherwise, are expressed in Canadian dollars.

“Following a successful previous quarter, seeing Q3 revenues increase by 30% sequentially and reporting positive Adjusted EBITDA, reinforces Kiaro’s approach to operations. Achieving adjusted EBITDA with 7 cannabis retail locations means that Kiaro has achieved a foundation suitable for increased scale,” stated Daniel Petrov, Chief Executive Officer of Kiaro.

“While COVID has brought about many challenges for Canadians, we have taken steps to ensure our staff and customers stay safe. I want to thank our team once again for ensuring this is their top priority,” continued Mr. Petrov.

Summary of Fiscal Year 2021 Third Quarter Financial Results

For the three months ended October 31, 2020, Kiaro recorded revenues of \$5.19 million, \$3.68 million from the retail segment and \$1.51 million from the wholesale segment. Comparatively, in the three months ended October 31, 2019, the Company recorded total revenues of \$1.87 million, \$0.78 million from the retail segment and \$1.09 million from the wholesale segment. The 177% increase in revenue in comparison to the prior year is primarily due to the opening of four new retail locations, same store sales increases, and forecasted increases from the wholesale cannabis business that was acquired in March 2019.

For the three months ended October 31, 2020, Kiaro recorded a gross profit of \$1.56 million, \$1.40 million from the retail segment and \$0.16 million from the wholesale segment. This represents a 234% year over year increase when compared to the three months ended October 31, 2019, where gross profit was \$0.47 million.

Total operating expenses for the three months ended October 31, 2020, were \$2.32 million compared to \$2.66 million in the three months ended October 31, 2019. The decrease in operating expenses, despite the addition of four retail stores, is a testament to the current management’s controls and efforts towards operational excellence.

For the three months ended October 31, 2020, Kiaro recorded adjusted EBITDA of positive \$29,561. Comparatively, in the three months ended July 31, 2020, the adjusted EBITDA was negative \$136,363. Strong revenue increases combined with fundamental management of operating expenses relative to revenue growth resulted in the improvements towards profitability.

As at October 31, 2020, the Company had positive working capital of \$1.54 million (July 31, 2020 – negative \$0.41 million). The increase in working capital is related to the Qualifying Transaction which resulted in an increase in cash and cash equivalents by approximately \$2 million, a decrease in convertible debentures in principal and accrued Interest by approximately \$6.5 million, and an increase in both retail and wholesale segment EBITDA contributions.

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”.

Select Financial Information

	Three months ended October 31, 2020	Three months ended July 31, 2020	\$ Change	% Change
	\$	\$	\$	%
Revenue	5,190,930	4,000,102	1,190,828	30%
Gross profit	1,563,791	1,236,246	327,545	26%
Operating expense	(2,320,858)	(2,091,454)	(229,404)	-11%
Loss from operations	(757,067)	(855,208)	98,141	11%
Other expenses ¹	(2,136,725)	(588,597)	(1,548,128)	-263%
Net loss and comprehensive loss	(2,893,792)	(1,443,805)	(1,449,987)	-100%
Adjusted EBITDA ²	29,561	(136,363)	165,924	121%

- (1) In the three months ended October 31, 2020, other expenses included one-time costs totaling \$1.72 million relating to the Qualifying Transaction. Of the \$1.72 million, \$0.24 million relates to transaction costs paid and \$1.48 million represents the consideration of the DCA common shares less the net assets acquired.
- (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”.

Fiscal Year 2021 Third Quarter Highlights and Recent Developments:

The Company:

- On September 8, 2020, the Company opened its seventh retail location in Nanaimo, British Columbia, Kiaro’s third store opened in B.C. since the province declared a state of emergency on March 18, 2020. The Company had 95 employees as of October 31, 2020.
- On October 13, 2020, the Company completed the reverse takeover of DC Acquisition Corp. (“DCA”) pursuant to an amalgamation agreement on June 9, 2020 by way of a three-cornered amalgamation of Kiaro Brands Inc. with 1251542 B.C. Ltd., a wholly owned subsidiary of DCA (the “Qualifying Transaction”). Upon completion of the Qualifying Transaction, convertible debenture holders with a principal and accrued interest balance of approximately \$6.5 million converted to common shares in accordance with the terms of such debentures. The Company received approximately \$2.0 million in cash, being the net assets acquired of DCA, and commenced trading on the TSX Venture Exchange (the “Exchange”) under the symbol “KO” on October 20, 2020.
- On October 28, 2020, Kiaro announced the promotion of its current President of Operations, Eleanor Lynch, to the position of Chief Operating Officer, effective October 28, 2020. In this role, she will be responsible for leading operations, customer experience and overall execution of the Company’s plans.

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.

- Adjusted EBITDA is calculated as net income (loss) excluding finance income (expense), accretion, income taxes, depreciation, amortization, share-based compensation, loss on debt modification and extinguishment of debt, foreign exchange, changes in fair value of financial instruments, lease termination loss and loss on sublease and non-cash impairment of equity investments, goodwill, and other assets. 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, 2020 and the three and ten months ended October 31, 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 October 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:

Jerry Lai

Investor Relations

investors@kiaro.com

1-888-623-2420