

## **Kiaro hits 78% same-store sales increase and 118% Gross Profit increase year-over-year in Q1 Fiscal Year 2022 Results**

- *Retail revenue growth of 145% compared to Q1 Fiscal Year 2021 with 78% in same-store sales increases year over year*
- *Completion of the acquisition of its sixth location in British Columbia*
- *Completion of a \$3M financing, and a resulting increase in working capital and execution of acquisitions*
- *Signing a definitive agreement to acquire a licensed store in Ontario, and three eCommerce businesses including international revenues in the USA and Australia*

**Vancouver, British Columbia – June 28, 2021** – Kiaro Holdings Corp. (TSXV: KO) (“**Kiaro**” or the “**Company**”) is pleased to announce its first-quarter financial results for the three months ended April 30, 2021, and 2020. All amounts, unless specified otherwise, are expressed in Canadian dollars.

“With the majority of our retail stores being open for over a year, it is exciting to be able to report same-store sales results with an incredible 78% increase year-over-year,” said Janet Hoffer, Chief Financial Officer. “Same-store sales is a financial KPI retailers rely on, and our results are remarkably impressive. This is a testament to the strength of our operations and retail teams in surpassing forecasts and continuously improving our customer experience while ramping up new stores in a changing environment.”

Daniel Petrov, Chief Executive Officer of Kiaro states "As the industry continues to grow and evolve, revenues are expected to dramatically increase for retailers in the regulated market. Kiaro has proven that its approach to community, customer experience, and financial performance has been well demonstrated with another record-breaking quarter"

### **Summary of the First Quarter Financial Results**

For the three months ended April 30, 2021, Kiaro recorded revenues of \$5.17 million, comprised of \$3.82 million from the retail segment and \$1.35 million from the wholesale segment. Comparatively, in the three months ended April 30, 2020, the Company recorded total revenues of \$2.67 million, comprised of \$1.56 million from the retail segment and \$1.11 million from the wholesale segment. The 94% increase in revenue in comparison to the prior year is primarily due to the opening of two new retail locations, a full quarter's results from a third new location, same-store sales increases of 78%, and an increase in the total addressable market and market presence for the wholesale segment.

For the three months ended April 30, 2021, Kiaro recorded a gross profit of \$1.56 million, representing a 118% year-over-year increase when compared to the three months ended April 30, 2020, where gross profit was \$0.72 million.

Total operating expenses for the three months ended April 30, 2021, were \$2.46 million compared to \$1.90 million in the three months ended April 30, 2020. The increase in operating expenses was primarily the result of having two additional retail stores, and a full quarter's results from a third new retail store compared to the same quarter in the prior year. Salaries and employee benefits decreased as a percentage of revenue from 28% to 21% in the three months ended April 30, 2021.

Kiaro improved its adjusted EBITDA from negative \$0.49 million in the three months ended April 30, 2020, to \$0.18 million in the three months ended April 30, 2021. Strong revenue increases 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 April 30, 2021, the Company had positive working capital of \$2,626,453, an improvement since the last financial reporting period of January 31, 2021, of \$1,108,870, which helped improve the Company's short term liquidity by strengthening its current ratio to 2.18 from 1.45 last quarter.

### Select Financial Information

	Three months ended April 30, 2021	Three months ended April 30, 2020	\$ Change	% Change
	\$	\$	\$	%
Revenue	5,167,064	2,666,711	2,500,353	94%
Gross profit	1,557,611	715,285	842,326	118%
Operating expense	(2,457,900)	(1,899,298)	(558,602)	-29%
Loss from operations	(900,289)	(1,184,013)	283,724	24%
Other expenses <sup>1</sup>	(79,682)	(2,626,818)	2,547,136	97%
Net loss and comprehensive loss	(979,921)	(3,810,831)	2,830,910	74%
Adjusted EBITDA <sup>2</sup>	(179,964)	(494,016)	314,052	64%

Notes:

- (1) In the three months ended April 30, 2021, other expenses include accretion and interest expense on debt, and right of use depreciation.
- (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."

### First Quarter Highlights and Recent Developments:

- On March 11, 2021, the Company completed a bought deal private placement of 18,750,000 units of the Company at \$0.16 per unit, for aggregate gross proceeds of \$3,000,000. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.23 at any time before March 11, 2024. The warrants are subject to the right of the Company to accelerate the expiry date of the warrants when certain conditions are met.
- On March 15, 2021, the Company completed the acquisition of the assets of Grasshopper Cannabis Co. for \$695,000. The acquired assets are located in the City of Kelowna, British Columbia and the Company expects the store to be operational by this summer.
- On May 31, 2021, Kiaro announced that it had entered into a definitive agreement with Sculthorpe SEO Inc. ("**Sculthorpe**"), which currently operates both a highly desirable retail location in Toronto, and three eCommerce business platforms. The transaction provides an entry into the Ontario retail market; access to Canadian, American, and Australian consumers through Sculthorpe's digital assets; and adds to Kiaro's cash-generating assets while providing additional high-margin revenue streams.

### 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 Kiara to its competitors and derive expectations of future financial performance for Kiara. 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 months ended April 30, 2021, and April 30, 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 at [www.sedar.com](http://www.sedar.com) and the Investor Relations section of the Company's website at [www.kiara.com](http://www.kiara.com). Readers of this press release are encouraged to refer to the Financial Statements and the MD&A for complete details about Kiara's financial results for the period ended April 30, 2021.

### **Kiara Holdings Corp.**

Based in Vancouver, British Columbia, Kiara is an independent, omni-channel cannabis retailer and distributor. Through existing storefronts across British Columbia and Saskatchewan, a wholesale distribution division servicing Saskatchewan, and immediate plans for national expansion, Kiara is driven to introduce new and experienced consumers to a lifelong exploration of cannabis. With more than 40 years of collective retail-focused experience, Kiara'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 year.

### **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 Kiara, 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](http://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.***

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