



KIARO HOLDINGS CORP.
(FORMERLY DC ACQUISITION CORP.)

Condensed Consolidated Interim Financial Statements
(Unaudited)

For the three and nine months ended October 31, 2020
and the three and ten months ended October 31, 2019
(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, the financial statements must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Kiaro Holdings Corp. (the "Company" or "Kiaro") have been prepared by management, reviewed by the Audit Committee and approved by the Board of Directors of the Company. The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

KIARO HOLDINGS CORP.
(formerly DC Acquisition Corp.)

Condensed Consolidated Interim Statements of Financial Position
As at October 31, 2020 and January 31, 2020
(Unaudited)

	Notes	October 31, 2020	January 31, 2020
ASSETS			
Current assets		\$	\$
Cash and cash equivalents		2,026,009	1,418,764
Trade and other receivables	5	121,034	162,460
Prepays and deposits	6	149,823	207,912
Inventory	7	1,569,052	841,829
Investment in marketable securities	8	-	2,986,518
Loan receivable	9	-	297,382
Net investment in finance lease	11	192,902	130,483
		4,058,820	6,045,348
Non-current assets			
Lease deposits	6	99,305	183,742
Property and equipment	10	1,895,660	1,749,072
Right-of-use assets	11	3,859,136	4,944,646
Net investment in finance lease	11	313,921	460,908
Intangible assets and goodwill	12	608,588	608,588
		6,776,610	7,946,956
TOTAL ASSETS		10,835,430	13,992,304
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		1,588,460	1,462,426
Due to related parties		-	18,861
Current portion of lease liabilities	11	691,015	683,979
Current portion of purchase liability		201,919	370,180
Current portion of long-term liabilities	13	33,064	694,055
		2,514,458	3,229,501
Non-current liabilities			
Long-term portion of lease liabilities	11	1,686,778	2,487,121
Long-term portion of purchase liability		-	103,230
Embedded derivative liabilities	13	208,002	1,285,000
Long-term liabilities	13	675,425	5,836,712
		2,570,205	9,712,063
TOTAL LIABILITIES		5,084,663	12,941,564
Equity attributable to shareholders			
Share capital	14	26,288,634	14,987,041
Reserves	14	2,732,943	1,186,081
Accumulated deficit		(23,270,810)	(15,122,382)
TOTAL EQUITY		5,750,767	1,050,740
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		10,835,430	13,992,304

Qualifying Transaction (Note 4)

Commitments and contingencies (Note 18)

(The accompanying notes are an integral part of these condensed consolidated interim financial statements)

On behalf of the board: "Herrick Lau" "Janet Hoffar"
Herrick Lau Janet Hoffar

KIARO HOLDINGS CORP.
(formerly DC Acquisition Corp.)

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the Three and Nine Months Ended October 31, 2020 and the Three and Ten Months Ended October 31, 2019
(Unaudited)

	Notes	Three months ended		Nine months ended	Ten months ended
		October 31, 2020	October 31, 2019	October 31, 2020	October 31, 2019
Revenue		\$	\$	\$	\$
Revenue		5,190,930	1,872,675	11,857,743	3,152,672
Cost of sales		3,627,139	1,403,839	8,342,421	2,303,068
Gross profit		1,563,791	468,836	3,515,322	849,604
Operating expenses					
Consulting		147,689	121,379	327,669	748,035
Depreciation and amortization	10,11	487,505	537,554	1,256,043	1,422,514
Inventory write-down	7	-	-	19,188	-
Maintenance		51,789	66,661	138,622	209,536
Marketing and brand development		78,587	124,531	177,203	550,659
Meals and entertainment		4,713	3,204	6,386	22,482
Office and administration		157,049	130,227	440,957	494,047
Professional fees		59,229	213,265	418,120	476,891
Salaries and employee benefits	15	1,030,594	885,804	2,595,232	2,688,605
Share-based compensation	15	299,123	555,557	939,427	623,846
Travel		4,580	21,459	11,951	116,274
		2,320,858	2,659,641	6,330,798	7,352,889
Other (expenses) income					
Change in fair value of marketable securities	8	-	(1,633,960)	-	(1,633,960)
Change in fair value of derivative liabilities	13	(826)	-	(26,709)	27,855
Finance income		27,451	35,695	73,317	70,973
Finance expense	11,13	(431,369)	(361,445)	(1,431,890)	(851,057)
Foreign exchange gain	8	-	-	38,413	-
Lease termination loss and loss on sublease	11	(10,209)	(15,963)	(65,419)	(33,073)
Loss on modification and extinguishment of debt	13	-	-	(93,344)	-
Realized loss on sale of marketable securities	8	-	-	(2,105,548)	-
Transaction cost of qualifying transaction	4	(1,721,772)	-	(1,721,772)	-
Unrealized foreign exchange gain		-	12,918	-	12,918
		(2,136,725)	(1,962,755)	(5,332,952)	(2,406,344)
Net loss and comprehensive loss		(2,893,792)	(4,153,560)	(8,148,428)	(8,909,629)
Loss per share, basic and diluted		(0.03)	(0.13)	(0.07)	(0.14)

(The accompanying notes are an integral part of these condensed consolidated interim financial statements)

KIARO HOLDINGS CORP.
(formerly DC Acquisition Corp.)

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity
For the Nine Months Ended October 31, 2020 and the Ten Months Ended October 31, 2019
(Unaudited)

	Share Capital				Long-Term Liability Reserve	Share-Based Payment Reserve	Deficit	Total Equity	
	Notes	Common	Preferred						
		Shares	Amount	Shares					Amount
	#	\$	#	\$	\$	\$	\$		
Balance on December 31, 2018		16,344,600	8,720,363	-	-	92,379	318,000	(2,619,132)	6,511,610
Elora shares issued for cash		3,402,110	83,495	-	-	(92,379)	-	-	(8,884)
Shares issued on conversion of loans		600,000	353,348	-	-	-	-	-	353,348
Bonus shares issued		5,000	5,000	-	-	-	-	-	5,000
Kiara shares issued for cash		68,000	68,000	-	-	-	(68,000)	-	-
Aura shares exchanged for Kiara		(17,017,600)	-	-	-	-	-	-	-
Elimination of Elora Shares		(3,402,110)	(83,495)	-	-	-	-	-	(83,495)
Amalgamation shares for Elora		3,402,110	28,889	-	-	-	-	-	28,889
Kiara shares issued for Aura (1:5 exchange)		85,088,000	-	-	-	-	-	-	-
Shares issued pursuant to purchase agreement		925,925	400,000	-	-	-	-	-	400,000
Shares issued pursuant to services rendered		100,000	12,654	-	-	-	-	-	12,654
Shares issued in financing		8,532,423	5,398,787	-	-	-	-	-	5,398,787
Share-based compensation		-	-	-	-	-	623,846	-	623,846
Net loss and comprehensive loss for the period		-	-	-	-	-	-	(8,909,629)	(8,909,629)
Balance on October 31, 2019		98,048,458	14,987,041	-	-	-	873,846	(11,528,761)	4,332,126
Balance on January 31, 2020		98,048,458	14,987,041	-	-	142,907	1,043,174	(15,122,382)	1,050,740
Reclass of warrants value on prior issuance		-	(509,196)	-	-	-	509,196	-	-
Shares converted to debentures	13	(500,000)	(100,000)	-	-	-	-	-	(100,000)
Equity component on convertible loan	13	-	-	-	-	98,239	-	-	98,239
Shares issued for services rendered		445,249	76,750	-	-	-	-	-	76,750
Convertible debentures converted to preferred shares	13	-	-	10,000,000	922,415	-	-	-	922,415
Preferred shares converted to common shares	13	10,000,000	922,415	(10,000,000)	(922,415)	-	-	-	-
Convertible debentures converted to common shares	13	45,155,309	7,236,624	-	-	-	-	-	7,236,624
Shares issued as consideration	4	20,416,663	3,675,000	-	-	-	-	-	3,675,000
Share-based compensation	14	-	-	-	-	-	939,427	-	939,427
Net loss and comprehensive loss for the period		-	-	-	-	-	-	(8,148,428)	(8,148,428)
Balance on October 31, 2020		173,565,679	26,288,634	-	-	241,146	2,491,797	(23,270,810)	5,750,767

(The accompanying notes are an integral part of these condensed consolidated interim financial statements)

KIARO HOLDINGS CORP.
(formerly DC Acquisition Corp.)

Condensed Consolidated Interim Statement of Cash Flows

For the Nine Months Ended October 31, 2020 and the Ten Months Ended October 31, 2019

(Unaudited)

	9 months ended October 31, 2020	10 months ended October 31, 2019
Cash provided by (used in):		
Operating activities:		
Net loss	\$ (8,148,428)	\$ (8,909,629)
Non-cash items:		
Depreciation and amortization	1,256,043	1,422,514
Share-based compensation	939,427	623,846
Shares issued for services	76,750	-
Inventory write-down	19,188	-
Foreign exchange gain	(38,413)	-
Finance expense	1,326,095	691,430
Finance income	(73,317)	(18,617)
Change on fair value of embedded derivative	26,709	(27,855)
Loss on modification and extinguishment of debt	93,344	-
Lease termination loss and loss on sub-lease	65,419	33,073
Realized loss on sale of marketable securities	2,105,548	1,633,960
Transaction cost of qualifying transaction	1,479,225	-
Unrealized foreign exchange gain	-	(12,918)
Changes in non-cash working capital:		
Trade and other receivables	90,910	(91,210)
Prepays and deposits	86,912	(468,892)
Inventory	(742,055)	(892,551)
Due to related parties	(23,264)	288,089
Accounts payable and accrued liabilities	205,389	695,472
	(1,254,518)	(5,033,288)
Investing activities:		
Property and equipment	(663,518)	(1,452,235)
Proceeds from sale of marketable securities	910,183	-
Loan receivable	-	(300,000)
Payments towards prior year business combination	(313,021)	(660,943)
Acquisition of lease properties	-	(825,000)
	(66,356)	(3,238,178)
Financing activities:		
Loan proceeds from CEBA	40,000	-
Loan received from related party	500,000	-
Repayments on loan from related party	(500,000)	-
Payments received on net investment in finance lease	193,815	56,478
Payments on lease obligations	(785,702)	(1,322,693)
Loan repayments	(700,000)	-
Proceeds from issuance of convertible debentures	1,000,000	4,076,400
Proceeds from issuance of promissory notes	225,000	750,000
Cash acquired from qualifying transaction	1,955,006	-
	1,928,119	3,560,185
Net change in cash and cash equivalents	607,245	(4,711,281)
Cash and cash equivalents, beginning	1,418,764	6,103,354
Cash and cash equivalents, ending	\$ 2,026,009	\$ 1,392,073

See Note 17 for supplemental cash flow

(The accompanying notes are an integral part of these condensed consolidated interim financial statements)

KIARO HOLDINGS CORP.
(formerly DC Acquisition Corp.)

Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended October 31, 2020 and the Ten Months Ended October 31, 2019

(Expressed in Canadian Dollars)

1) NATURE OF OPERATIONS

Kiario Holdings Corp. (formerly DC Acquisition Corp. ("DCA"), the "Company" or "Kiario") is a publicly traded company with the head office and principal address located at 300 - 110 East Cordova Street, Vancouver, British Columbia, Canada V6A 1K9. The Company is traded on the TSX Venture Exchange ("TSX-V") under the symbol "KO".

Kiario Brands Inc. ("KBI") was formed on September 9, 2019, through the amalgamation of Aura Cannabis Inc. ("Aura") and Elora Capital Ltd. ("Elora"), via an amalgamation agreement entered into on July 24, 2019. Aura was incorporated under the Business Corporation Act of British Columbia on December 11, 2017 and was formed to own and operate cannabis retail stores in various provinces of Canada. Elora was incorporated under the Business Corporation Act of British Columbia on March 13, 2018, and was formed for the primary purpose of identifying and evaluating assets or business with a view of completing a transaction. Following the amalgamation, both Aura and Elora were dissolved.

On June 9, 2020, KBI entered into an amalgamation agreement ("Amalgamation Agreement") with DCA, a TSXV-listed capital pool company to complete a reverse takeover transaction (the "Qualifying Transaction"). On October 13, 2020, Kiario completed the Qualifying Transaction by way of reverse take-over of DCA pursuant to the Amalgamation Agreement by way of a three-cornered amalgamation of KBI with 1251542 B.C. Ltd., a wholly owned subsidiary of DCA (Note 4).

Immediately prior to effecting the above share exchange, DCA completed a share consolidation of its shares on the basis of one post-consolidation DCA Shares for every 1.7142857143 pre-consolidation DCA Shares in order to establish a one for one exchange ratio of common shares of the Company for DCA Shares.

The transaction was completed on October 13, 2020, resulting in 173,565,679 common shares of Kiario outstanding. The shares of Kiario began trading on October 20, 2020, on the TSX-V. These unaudited condensed interim consolidated financial statements are presented for accounting purposes as a continuation of KBI, reflecting the acquisition of DCA on a reverse acquisition basis.

2) BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

The condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") following the guidance International Accounting Standards 34, "Interim Financial Reporting" ("IAS 34") as issued by the International Accounting Standards Board ("IASB"), and interpretations of the IFRS Interpretations Committee ("IFRIC").

These condensed consolidated interim financial statements were approved by the Board of Director on December 15, 2020.

b) Basis of Presentation and Measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information and include all adjustments considered necessary for fair presentation by the Company's management.

KIARO HOLDINGS CORP.
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Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended October 31, 2020 and the Ten Months Ended October 31, 2019
(Expressed in Canadian Dollars)

2) BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

b) Basis of Presentation and Measurement (continued)

The condensed consolidated interim Financial statements are presented in Canadian dollars and are prepared in accordance with the same accounting policies, critical estimates and methods described in KBI's annual audited consolidated financial statements for the thirteen months ended January 31, 2020 and the year ended December 31, 2018 (the "Annual Audited Consolidated Financial Statements"). Given that certain information and footnote disclosures, which are included in the annual audited financial statements, have been condensed or excluded in accordance with IAS 34, these financial statements should be read in conjunction with our annual audited consolidated financial statements for the year ended January 31, 2020, including the accompanying notes thereto.

The resulting condensed consolidated interim financial statements are presented as a continuance of KBI (accounting acquirer), and comparative figures presented in the condensed consolidated interim financial statements are those of KBI. The ten month period from January 1, 2019 to October 31, 2019, is used as the basis for comparison for the nine month period from February 1, 2020 to October 31, 2020. The additional one month on a year to year comparative basis is the result of a change in KBI's prior fiscal year end from December 31 to January 31.

c) Consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries on a consolidated basis after elimination of intercompany transactions and balances. These condensed consolidated interim financial statements include the operating results of acquired entities from the date control commences until the day control ceases.

The operating subsidiaries the Company has control over are as follows:

Subsidiaries	Ownership
	%
Kiaro Brands Inc.	100
Kiaro Retail BC Ltd.	100
National Cannabis Distribution Inc.	100
2209917 Alberta Ltd.	100

d) Functional and Presentation Currency

These condensed consolidated interim financial statements are presented in Canadian dollars unless otherwise noted. The presentation currency and functional currency of the Company and its subsidiaries is the Canadian Dollar.

3) NEW AND REVISED STANDARDS

The Company has adopted the following new or amended IFRS standards for the period ended October 31, 2020, which was effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively.

IAS 1 Presentation of Financial Statements

In October 2018, the International Accounting Standards Board (IASB) issued amendments to IAS 1 which were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in February 2019. The amendments clarify the definition of material and how it should be applied, as well as align the definition of material across IFRS standards and other publications.

KIARO HOLDINGS CORP.
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Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended October 31, 2020 and the Ten Months Ended October 31, 2019
(Expressed in Canadian Dollars)

3) NEW AND REVISED STANDARDS (continued)

The amended definition of material states:

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The adoption of this amendment does not have a material impact on the Company's condensed consolidated interim financial statements.

4) QUALIFYING TRANSACTION

The Qualifying Transaction has been recorded as an asset acquisition of the net assets of DCA. In connection with the Qualifying Transaction, DCA shareholders received one common share of Kiaro for each common share of DCA. As a result of the Qualifying Transaction Kiaro issued 20,416,663 common shares valued at \$0.105 per share, totaling \$3,675,000 of consideration. Upon completion of the Qualifying Transaction, existing shareholders of KBI and DCA own approximately 88.2% and 11.8% of the combined company respectively, on a basic shares outstanding basis.

The unaudited condensed interim consolidated statements of financial positions, condensed interim consolidated statements of loss and comprehensive income, condensed interim consolidated statements of changes in shareholder's equity, and condensed interim consolidated statements of cash flows reflect the following qualifying transaction adjustments:

	\$
Consideration of the DCA common shares (i)	3,675,000
Transaction costs paid	242,547
Total purchase price	3,917,547
Cash	1,955,006
GST receivable	5,592
Promissory note receivable (ii)	235,177
Total net assets acquired	2,195,775
Excess of purchase price over fair value of assets acquired (expensed)	1,721,772

- (i) The 20,416,663 DCA shares issued were valued at \$0.18 per share, totaling \$3,675,000 of consideration. All DCA warrants expired July 31, 2020 and the DCA options would expire 90 days from the termination of the DCA option holder in their previous capacity as director of DCA. New Kiaro options were issued to the DCA option holders within a new agreement to provide professional services from October 13, 2020 to August 2, 2023.
- (ii) Between June and July 2020 and in accordance with the policies of the TSX Venture Exchange, DCA advanced KBI a loan of \$225,000 on commercial terms, with interest rates at 4% and maturing one year from the date of issuance. Following the completion of the Qualifying Transaction, such intercompany balances are eliminated upon consolidation.

Under the acquisition accounting rules, KBI was determined to be the accounting acquiror of DCA. The Qualifying Transaction is assumed to constitute an asset acquisition as DCA did not meet the definition of a business. The assets acquired and liabilities assumed were recorded at their fair market values.

KIARO HOLDINGS CORP.
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Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended October 31, 2020 and the Ten Months Ended October 31, 2019
(Expressed in Canadian Dollars)

5) TRADE AND OTHER RECEIVABLES

	October 31, 2020	January 31, 2020
	\$	\$
Trade receivables	76,794	29,992
GST receivable	16,920	54,610
Other receivables	27,320	77,858
	<u>121,034</u>	<u>162,460</u>

6) PREPAIDS AND DEPOSITS

	October 31, 2020	January 31, 2020
	\$	\$
Prepaid	145,824	195,350
Other deposits	3,999	12,562
	<u>149,823</u>	<u>207,912</u>
	\$	\$
Current prepaid expenses	149,823	207,912
Long-term lease deposits	99,305	183,742
	<u>249,128</u>	<u>391,654</u>

7) INVENTORY

As at October 31, 2020, the Company had inventory totaling \$1,569,052 (January 31, 2020 – \$841,829), which consists of finished products such as recreational cannabis and accessories purchased from third parties for resale. During the three and nine months ended October 31, 2020, \$3,627,139 and \$8,342,421, respectively, of inventory was recognized as cost of sales (three and ten months ended October 31, 2019 - \$1,403,839 and \$2,303,068, respectively). For the three and nine months ended October 31, 2020, inventory was reduced by \$nil and \$19,188, respectively, as a result of a write-down to net realizable value (October 31, 2019 - \$nil).

8) INVESTMENTS IN MARKETABLE SECURITIES

On September 13, 2019, the Company and High Park Holdings Ltd., a wholly owned subsidiary of Tilray Inc. ("Tilray"), entered into a Subscription Agreement, pursuant to which, High Park Holdings Ltd. purchased from the Company an aggregate of 8,532,243 units of the Company by issuance of 128,670 class 2 common shares of Tilray. As part of the transaction, the Company granted 1,706,484 warrants to High Park. In March 2020, the Company sold the Tilray investment for net proceeds of \$910,183, resulting in a realized and recognized loss of \$2,105,548 and a realized foreign exchange gain of \$38,413. Summary for the nine months ended October 31, 2020, is as follows:

	\$
Balance at January 31, 2020	2,986,518
Net proceeds received from sale of investment	(910,183)
Interest and bank charges on sale of investment	(9,200)
Realized loss on sale of investment	(2,105,548)
Realized foreign exchange gain	38,413
Balance at October 31, 2020	<u>-</u>

KIARO HOLDINGS CORP.
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Notes to the Condensed Consolidated Interim Financial Statements

For the Nine Months Ended October 31, 2020 and the Ten Months Ended October 31, 2019

(Expressed in Canadian Dollars)

9) LOAN RECEIVABLE

On June 19, 2019, the Company entered into a secured convertible debenture agreement with a third party, pursuant to which the Company lent \$300,000 to this party. The loan receivable had a maturity date of December 31, 2019, bore interest at 10% per annum, and was collateralized by 10,539,328 common shares in the capital of Pineapple Express Delivery Inc. ("Pineapple Express"), registered in the name of Mount Royal Investment Inc. ("MRI"), and 256,098 common shares in the capital of Namaste Technologies Inc. registered in the name of MRI. On July 31, 2020, the Company has settled the loan receivable for the amount of \$341,214, which included accrued interest of \$33,534. The Company settled the loan for \$35,000 to be received in cash, with the remaining loan balance being assigned to an entity controlled by the CEO of the Company, in exchange for the settlement of a convertible debenture issued to this entity controlled by the CEO of the Company with an equal principal balance of \$300,000 (Note 13(viii)). The Company recognized a loss on the settlement of this loan of \$5,344.

10) PROPERTY AND EQUIPMENT

	Furniture and fixture	Computer equipment	Leasehold improvement	Software	Website	Total
Cost	\$	\$	\$	\$	\$	\$
Balance at January 31, 2020	103,681	191,817	1,871,352	103,085	52,763	2,322,698
Additions	5,427	77,425	561,063	2,648	16,955	663,518
Balance at October 31, 2020	109,108	269,242	2,432,415	105,733	69,718	2,986,216
Accumulated depreciation	\$	\$	\$	\$	\$	\$
Balance at January 31, 2020	26,440	85,381	382,933	50,216	28,656	573,626
Depreciation and amortization	15,840	73,774	376,157	26,920	24,239	516,930
Balance at October 31, 2020	42,280	159,155	759,090	77,136	52,895	1,090,556
Net book value	\$	\$	\$	\$	\$	\$
Balance at January 31, 2020	77,241	106,436	1,488,419	52,869	24,107	1,749,072
Balance at October 31, 2020	66,828	110,087	1,673,325	28,597	16,823	1,895,660

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Notes to the Condensed Consolidated Interim Financial Statements
For the Nine Months Ended October 31, 2020 and the Ten Months Ended October 31, 2019
(Expressed in Canadian Dollars)

11) RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

The following table illustrates the right-of-use asset balances during the period relating to retail spaces, offices, and warehouses:

	\$
Cost	
Balance at January 31, 2020	4,944,646
Amendments	(304,554)
Derecognition from sublease	(41,843)
Amortization	(739,113)
Balance at October 31, 2020	3,859,136

Lease liabilities

The following table illustrates the lease liabilities balances during the period relating to retail spaces, offices, and warehouses:

	\$
Cost	
Balance at January 31, 2020	3,171,100
Payments net of interest	(482,489)
Amendments	(310,818)
Balance at October 31, 2020	2,377,793
Current portion	691,015
Long-term portion	1,686,778

During the three and nine months ended October 31, 2020, the Company recognized an interest expense on lease liabilities in the amount of \$109,288 and \$359,243 (three months and ten months ended October 31, 2019 - \$154,644 and \$518,297) in the condensed consolidated interim statements of loss and comprehensive loss.

The Company recognized cash outflow for leases of \$785,702 for the nine months ended October 31, 2020 (ten months ended October 31, 2019 - \$1,322,693) in the condensed consolidated interim statement of cash flows.

During the three and nine months ended October 31, 2020, an amount of \$10,209 and \$65,419 (three months and ten months ended October 31, 2019 - \$15,963 and \$33,073) was recognized for lease termination loss and loss on sub-lease for various lease agreements.

The company used a weighted average incremental borrowing rate of 17.95% at the date of the initial application.

The lease liability is disclosed in Note 19 table for financial liabilities with contractual maturities information.

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Notes to the Condensed Consolidated Interim Financial Statements
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11) RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(continued)*

Net investment in finance lease

The Company has entered into third party sublease agreements. The Company's net investment in finance lease is presented in the condensed consolidated interim statements of financial position as follows:

	\$
Cost	
Balance at January 31, 2020	591,391
Additions	82,756
Amendments	(55,626)
Interest accretion	71,890
Lease receipts	(183,588)
Balance at October 31, 2020	506,823
Current portion	192,902
Long-term portion	313,921

The following table sets out a maturity analysis of the lease payments receivable, showing the undiscounted lease payments to be received on an annual basis, reconciliation to the net investment in lease:

	\$
Less than 1 year	264,769
1 - 2 years	273,179
2 - 3 years	75,319
> 3 years	-
Total undiscounted lease payments receivable	613,267
Less: Interest accretion	(106,444)
Net investment in lease at October 31, 2020	506,823

12) INTANGIBLE ASSETS AND GOODWILL

	Goodwill	Intangible assets - license	Total
Balance at January 31 and October 31, 2020	458,588	150,000	608,588

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13) LONG-TERM LIABILITIES

	October 31, 2020	January 31, 2020
	\$	\$
Promissory notes (i-iii)	-	2,322,660
Convertible debenture (iv-vii)	668,489	4,208,107
Canada Emergency Business Account Loan (viii)	40,000	-
	<u>708,489</u>	<u>6,530,767</u>
Current portion	33,064	694,055
Long-term portion	675,425	5,836,712

- (i) During the period between October 17, 2019 and December 20, 2019, the Company entered into promissory note unit agreements (“Note Units”) with three companies related to directors of the Company totaling \$1,850,000. Each Note Unit consists of (i) one secured non-convertible note (“Notes”), bearing simple non-compounding interest at a rate of 14%, and is accrued and payable on the maturity date, and (ii) one share purchase warrant of the Company (totaling 3,052,500 warrants), exercisable at any time for a period of 2 years from the date of issuance and gives the holder the right to acquire one common share of the company at an exercise price of \$0.60 each. The Notes were to mature on the earlier of (i) 18 months following the date of issuance, and (ii) 5 days following the date on which the company sells or transfers the investment in Tilray shares (“Security”) to an arms-length third party, or otherwise disposed of the Security.

On April 7th, 2020, one of the promissory notes with a face value of \$100,000 was settled for \$104,181 including accrued interest.

On May 31, 2020, the Company settled the remaining portion of the Note Units with three new convertible debentures totaling \$1,750,000 (Note 13(viii)), which has been accounted for as an extinguishment of debt and resulted in a loss on settlement of \$92,418.

- (ii) On October 18, 2019, pursuant to a purchase and sale agreement to acquire the right to lease from a third party (Note 11), the Company issued an unsecured promissory note in the amount of \$600,000. The note had an interest rate of 10% per annum calculated from January 1, 2020 until April 1, 2020, at which time the note matured. The debt was settled on March 13, 2020, for \$613,644 including accrued interest.
- (iii) Between June and July 2020, and in accordance with the policies of the TSX Venture Exchange, DCA advanced to KBI a loan of \$225,000 on commercial terms, with interest at 4% and maturing one year from the date of issuance. Upon completion of the Qualifying Transaction, Kiara acquired the loan receivable from DCA and is eliminated upon consolidation.

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13) LONG-TERM LIABILITIES *(continued)*

Details of movements in the promissory note and unit balances are as follows:

	Promissory Note Units	Promissory Note	Total
	\$	\$	\$
Balance, January 31, 2020	1,722,660	600,000	2,322,660
New promissory notes issued (iii)	225,000	-	225,000
Accretion of promissory notes	36,685	-	36,685
Net loss on settlement of debt	98,514	-	98,514
Settlement of promissory notes (i-iii)	(1,982,859)	-	(1,982,859)
Repayment of promissory notes (i-ii)	(100,000)	(600,000)	(700,000)
Balance, October 31, 2020	-	-	-

During the three and nine months ended October 31, 2020, the Company made \$169,189 and \$187,014, respectively, of interest payments on the promissory notes. During the three and nine months ended October 31, 2020, the interest expense accrued is \$2,318 and \$124,904, respectively, on the promissory notes. As at October 31, 2020, interest payable related to the promissory note of \$nil (January 31, 2020 – \$68,128) was included in the accounts payable and accrued liabilities.

- (iv) During the period between May 19, 2019 and July 29, 2019, the Company closed three tranches of a non-brokered private placement of convertible debt for gross proceeds of \$4,250,000. In addition, on October 18, 2019, pursuant to a purchase and sale agreement to acquire the right to lease from a third party, the Company issued convertible debt in the amount of \$1,000,000. Each convertible debenture matures two years from the closing date and bears interest at the rate of 8% per annum. As part of a go public event, the lenders may convert all, but not less than all, of the principal, and all accrued and unpaid interest into common shares of the Company at a value being the lesser of \$0.432 per common share or the issue price of the Company's initial public offering, less a 20% discount, provided notice to convert is received two business days prior to the go public event. As the conversion price is variable, the conversion feature meets the definition of embedded derivative liability and was measured at fair value using level 3 inputs.

Immediately prior to the completion of the Qualifying Transaction, convertible debentures with a principal balance of \$4,215,000 and accrued interest of \$436,049 were converted, pursuant to their terms, into common shares. As at October 31, 2020, \$35,000 convertible debt remains maturing May 31, 2021.

- (v) On February 1, 2020, the Company entered into an agreement with a third party for a convertible debenture in the amount of \$100,000. The convertible debenture bears interest at 8% and matures on February 1, 2022. The lender may, at any time, convert all or portion of the principal into common shares of the Company at a value of \$0.432 per common share. The Company recognized a derivative liability of \$24,281 on inception of the convertible debentures using an effective interest rate of 20%. As at October 31, 2020, \$100,000 convertible debt remains maturing February 1, 2022.

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13) LONG-TERM LIABILITIES *(continued)*

(vi) On May 11, 2020, the Company closed a non-brokered private placement of 1,000 units of the Company ("Units") at a price per Unit of \$1,000 for aggregate gross proceeds of \$1,000,000. Each Unit was comprised of one (1) secured convertible debenture of the Company with a principal amount of \$1,000 (a "2020 Debenture"), and five thousand (5,000) common share purchase warrants of the Company ("Warrants"). Each \$1,000 Debenture was automatically converted into 10,000 preferred shares of the Company ("Preferred Shares") at a price per Preferred Share of \$0.10 immediately following the creation of the Preferred Shares at a meeting of the shareholders of the Company held on July 7, 2020 (the "Meeting"). Had the creation of the Preferred Shares not been approved at the Meeting, the 2020 Debentures would have commenced bearing interest at the simple rate of 10% per annum maturing on the two (2) year anniversary of the date of issuance thereof. The liability component was initially recognized at fair value, determined at net present value of future payments of interest and principal, discounted at the market rate for similar non-convertible liabilities at the time of issue (20%). The fair value of the liability component (\$672,869) was deducted from the face value of the instrument with the residual value (\$327,131) being allocated to the share conversion feature (\$228,892) and the warrant component (\$98,239) on a proportionate fair value basis. The residual value was calculated using the Black-Scholes model with a risk-free interest rate of 0.26%, a volatility of 100%, and an expected life of one year, and was initially recorded as shareholders' equity.

As of the date hereof, following the automatic conversion described above, no 2020 Debentures remain outstanding. Immediately prior to the completion of the Transaction (as defined and described below), each Preferred Share was further converted automatically into one (1) common share of the Company. Each Warrant was exercisable to acquire one (1) common share of the Company at a price per common share of \$0.13 following the earlier of: (A) the Company delivering written notice to the holder permitting such exercise; and (B) if the Company did not complete a go-public event by October 31, 2020, October 31, 2020. Warrants were only exercisable if the Company does not complete a go-public event prior to October 31, 2020, and would have been exercisable until the earlier of the three (3) year anniversary of the date of issuance thereof and the two (2) year anniversary of the go-public event, subject to acceleration. As the Company completed the Transaction prior to October 31, 2020, the Warrants were rendered null and void and are no longer issued and outstanding.

(vii) On May 31, 2020, the Company settled the remaining Note Units (Note 13(i)) with three new convertible debentures totaling \$1,750,000 to companies related to a director of the Company. The convertible debentures bear interest of 8% and matures on May 31, 2022. The lender may, on the date of maturity, convert all, but not less than all, of the principal, all accrued and unpaid interest less applicable withholding taxes, into common shares of the Company at a deemed issue price of \$0.30 per common share. Subject to the Company going public, the holders have the option to convert all, but not less than all, of the principal, all accrued and unpaid interest less applicable withholding taxes, into common shares of the Company at a discounted go-public issue price equal to 80% of the issue price in connection with a go-public transaction. One of the debentures issued for \$300,000 was settled with a loan receivable on July 31, 2020 (Note 9), including accrued interest of \$4,332. A gain of \$4,418 was recorded on the settlement of this debt. On October 13, 2020, upon completion of the Qualifying Transaction, \$750,000 plus \$22,196 of accrued interest of the remaining \$1,450,000 convertible debentures converted to common shares at a deemed price per common share of \$0.144 and \$700,000 of these debentures remain outstanding. As at October 31, 2020, \$700,000 convertible debt remains maturing May 31, 2022.

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13) LONG-TERM LIABILITIES *(continued)*

Details of movements in the convertible loan balances are as follows:

	Convertible debenture	Derivative liability	Total
	\$	\$	\$
Balance, January 31, 2020	4,208,107	1,285,000	5,493,107
Convertible debt issued (v-vii)	2,360,467	459,515	2,819,982
Convertible debt settled (vii)	(229,720)	(74,611)	(304,331)
Convertible debt converted to shares (iv,vi,vii)	(6,208,262)	(1,488,611)	(7,696,873)
Accretion of convertible debentures	537,897	-	537,897
Change in fair value of derivative liability	-	26,709	26,709
Balance, October 31, 2020	668,489	208,002	876,491

As at October 31, 2020, interest payable related to the convertible debentures of \$33,390 (January 31, 2020 – \$227,544) was accrued and included in the accounts payable and accrued liabilities.

Key assumptions that were used in the fair value of embedded derivative include the risk-free interest rate (0.29%). The change in fair value of embedded derivative liability of \$26,709 was recognized in the condensed consolidated interim statements of loss.

(viii) On April 29, 2020, the Company entered into an agreement with a third party for a Canada Emergency Business Account (“CEBA”) loan in the amount of \$40,000. The loan bears interest at 0% until December 31, 2022, and 5% thereafter from January 1, 2023 until the loan is repaid in full. The loan is to be repaid by interest only payments beginning on January 1, 2023, and the balance by December 31, 2025.

14) SHARE CAPITAL

Authorized

Unlimited number of common and preferred shares, without par value.

Issued and Outstanding

As at October 31, 2020, 173,565,679 common shares (January 31, 2020 – 98,048,458) were issued and outstanding.

Warrants

The Company recorded \$19,425 and \$174,451 in stock-based compensation for warrants during the three and nine months ended October 31, 2020 (three and ten months ended October 31, 2019 - \$391,193).

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14) SHARE CAPITAL (continued)

The following table summarizes the movement in warrants for the nine months ended October 31, 2020:

	Warrants Outstanding	Weighted Average Exercise Price
	#	\$
Balance at January 31, 2020	9,214,198	0.424
Granted	5,000,000	0.130
Cancelled	(5,882,638)	0.171
Balance at October 31, 2020	8,331,560	0.306

Details of warrants outstanding as at October 31, 2020 is as follows:

Expiry Date	Outstanding	Exercisable	Price
	#	#	\$
November 6, 2020 - July 22, 2029	3,572,576	1,068,058	0.200
September 13, 2021	1,706,484	-	0.586
October 17, 2021 - December 24, 2021	3,052,500	-	0.600
	8,331,560	1,068,058	

The weighted average remaining life for the warrants outstanding is 2.76 years.

Stock Options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time to time grant to directors, officers, employees and technical consultants to the Company options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of outstanding common shares.

For the three and nine months ended October 31, 2020, the Company recorded stock-based compensation of \$279,697 and \$764,976 (three and ten months ended October 31, 2019 – \$164,363 and \$232,653) for options vested.

The following table summarizes the movements in the Company's stock-options:

	Options Outstanding	Weighted Average Exercise Price
	#	\$
Balance at January 31, 2020	3,432,500	0.553
Granted	4,104,290	0.247
Cancelled	(3,787,500)	0.550
Replaced	3,837,500	0.213
Forfeited	(1,125,000)	0.267
Balance at October 31, 2020	6,461,790	0.203

In June 2020, in efforts to align all previously issued options with the proposed qualifying transaction with DCA (Note 1), the Company cancelled and replaced all options with new options with an exercise price between \$0.20 and \$0.30. As the result for the replacement of new options, the incremental change to share-based compensation was \$26,196.

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14) SHARE CAPITAL (continued)

Details of options outstanding as at October 31, 2020 is as follows:

Expiry Date	Weighted Average Remaining Life	Options Outstanding	Options Exercisable	Exercise Price
	#	#	#	\$
August 2, 2023	2.75	729,290	729,290	0.17
August 11, 2027 - July 31, 2030	9.03	5,307,500	1,815,833	0.20
September 25, 2029	8.91	425,000	141,667	0.30
	8.32	6,461,790	2,686,790	

15) RELATED PARTY TRANSACTIONS

Related parties include the Company's key management personnel, independent directors, and shareholders. Transactions with related parties were conducted in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and approved by the related parties.

The following table outlines key management personnel compensation for the three and nine months ended October 31, 2020:

	Three months ended		Nine months ended		Ten months ended	
	October 31, 2020	October 31, 2019	October 31, 2020	October 31, 2019		
	\$	\$	\$	\$	\$	\$
Salaries and benefits	153,829	158,817	299,285	505,103		
Consulting fee	-	6,774	135,000	34,274		
Share-based compensation	117,758	64,707	479,997	115,524		
Total key management compensation	271,587	230,298	914,282	654,901		

On February 14, 2020, the Company entered an unsecured \$500,000 short-term loan with the CEO of the Company. The loan bears interest of prime plus one percent per annum and is payable on demand. As of October 31, 2020, the loan had been fully repaid including accrued interest of \$4,571.

On May 31, 2020, Kiaro issued 416,666 common shares at a price of \$0.1440 per common share for services rendered to a Company owned by the CFO of the Company.

On May 31, 2020, the Company settled promissory notes issued to companies related to a director of the Company in the amount of \$1,750,000 by converting the notes to convertible debentures (Note 13 (vii)). One of the debentures issued for \$300,000 was settled with a loan receivable on July 31, 2020 (Note 9). On October 13, 2020, upon completion of the Qualifying Transaction, \$750,000 plus accrued interest of the remaining \$1,450,000 convertible debentures converted to common shares.

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16) SEGMENTED INFORMATION

Throughout the nine months ended October 31, 2020, the Company operated in two segments:

- (i) Wholesale Cannabis Business - the Company owns and operates wholesale cannabis business through its wholly owned subsidiary National Cannabis Distribution Inc in the Province of Saskatchewan.
- (ii) Retail Cannabis Stores – The Company operates retail locations to sell and distribute cannabis and cannabis related products.

Corporate is not an operating segment and contains the Company's corporate, strategic, and administrative activities. All of the Company's revenue is earned and assets are located in Canada.

Nine months ended October 31, 2020	Wholesale cannabis business	Retail cannabis stores	Corporate	Eliminations and adjustments	Total
	\$	\$		\$	\$
Revenue	3,822,755	8,034,988	-	-	11,857,743
Intercompany revenue	1,129,520	-	-	(1,129,520)	-
Total revenue	4,952,275	8,034,988	-	(1,129,520)	11,857,743
Cost of sales	4,475,152	4,984,427	-	(1,117,158)	8,342,421
Gross profit (loss)	477,122	3,050,561	-	(12,362)	3,515,322
Net profit (loss) for the period	237,968	357,853	(8,731,888)	(12,362)	(8,148,428)
Total assets	1,266,860	7,893,359	1,678,985	(3,774)	10,835,430
Total liabilities	729,350	641,951	3,713,362	-	5,084,663

Ten months ended October 31, 2019	Wholesale cannabis business	Retail cannabis stores	Corporate	Eliminations and adjustments	Total
	\$	\$		\$	\$
Revenue	907,805	2,244,867	-	-	3,152,672
Intercompany revenue	399,327	-	-	(399,327)	-
Total revenue	1,307,132	2,244,867	-	(399,327)	3,152,672
Cost of sales	1,169,623	1,528,757	-	(395,312)	2,303,068
Gross profit (loss)	137,509	716,110	-	(4,015)	849,604
Net profit (loss) for the period	(40,755)	(221,473)	(8,643,386)	(4,015)	(8,909,629)
Total assets	357,895	9,621,964	6,484,899	(4,015)	16,460,743
Total liabilities	554,010	1,082,349	10,491,319	-	12,127,678

17) SUPPLEMENTAL CASH FLOW INFORMATION

Additional supplementary cash flow information is as follows:

	9 months ended October 31, 2020	10 months ended October 31, 2019
	\$	\$
Interest paid	187,014	-
Non-cash settlement of loan receivable	341,214	-
Non-cash settlement of promissory note	235,177	-
Non-cash settlement of convertible debenture with loan receivable	300,000	-
Non-cash settlement of convertible debentures on common shares	5,208,262	-

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18) COMMITMENTS AND CONTINGENCIES

In October 2020, the Company entered into an insurance contract with a term of 12 months. As at October 31, 2020, the minimum annual payments were estimated to be as follows:

	\$
Less than 1 year	105,000
1 - 2 years	-
2 - 3 years	-
> 3 years	-
Total commitments and contingencies	105,000

In the normal course of business, the Company is party to litigation, the ultimate outcome of which cannot be reasonably estimated at this time. However, management's opinion is that the likelihood of any cash outflow as a result of these matters is remote, therefore, no amounts have been provided for in these condensed consolidated interim financial statements.

In May 2020, a lawsuit was filed against certain parties, including the Company, alleging that such parties were in breach of a lease agreement with the lessor. No estimate, at the date of the financial statements, could be made relating to any potential financial impact.

19) FAIR VALUE MEASUREMENT AND FINANCIAL INSTRUMENTS

The table below summarizes the carrying values of the Company's financial assets and financial liabilities:

	October 31 , 2020	January 31, 2020
Financial assets	\$	\$
FVTPL		
Investments in marketable securities	-	2,986,518
Amortized cost		
Cash and cash equivalents	2,026,009	1,418,764
Trade and other receivables (exclude GST receivable)	104,114	107,850
Loan receivable	-	297,382
Net investment in the lease	506,823	591,391
Total financial assets	2,636,946	5,401,905
Financial liabilities		
Financial liabilities at FVTPL		
Embedded derivative liability	208,002	1,285,000
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities (exclude PST payable)	1,483,637	1,438,865
Due to related parties	-	18,861
Purchase liabilities	201,919	473,410
Lease liabilities	2,377,793	3,171,100
Long-term liabilities	708,489	6,530,767
Total financial liabilities	4,979,840	12,918,003

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19) FAIR VALUE MEASUREMENT AND FINANCIAL INSTRUMENTS *(continued)*

Financial Risk Management Objectives and Policies

The Company manages its exposure to a number of different financial risks arising from its operations as well as its use of financial instruments including market risk, credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of the Company's financial targets while protecting its future financial security and flexibility. Financial risks are primarily managed and monitored through operating and financing activities. The financial risks are evaluated regularly with due consideration to changes in the key economic indicators and up-to-date market information.

A summary of the Company's risk exposures as they relate to financial instruments is reflected below:

Market Risk

a) Currency risk

The Company does not operate outside of Canada and does not transact in foreign currency; therefore, the Company is not exposed to any inherent Currency risk.

Liquidity Risk

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash bears interest at market rates. The Company's long-term liabilities with fixed rates of interest do not expose the Company to interest rate risk.

c) Price risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. The Company is currently not subject to price risk. In the prior year and until date of sale, the Company's investments in the marketable securities were susceptible to price risk arising from uncertainties about their future values. The fair value of these investments is based on quoted market prices which the shares of the investments can be exchanged for.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by continuously monitoring forecasts and actual cash flows and taking the necessary actions to maintain enough liquidity for operations and for growth objectives.

As at October 31, 2020, the Company had \$2,026,009 in cash and cash equivalents (January 31, 2020 - \$1,418,764). The Company is obligated to pay financial liabilities with total carrying amounts and contractual cash flows amounting to \$2,514,458 in the next 12 months (January 31, 2020 - \$3,229,501).

As at October 31, 2020, the Company's financial liabilities have contractual maturities as summarized below:

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19) FAIR VALUE MEASUREMENT AND FINANCIAL INSTRUMENTS *(continued)*

Liquidity Risk *(continued)*

	Due within Less than 1 year	1-2 years	2-3 years	3-4 years	> 4 years	Total
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities (excluding PST payable)	1,483,637	-	-	-	-	1,483,637
Due to related parties	-	-	-	-	-	-
Lease liability	691,015	792,232	662,890	206,214	25,442	2,377,793
Purchase Liability	201,919	-	-	-	-	201,919
Long-term liabilities	35,000	800,000	40,000	-	-	875,000
Total	2,411,571	1,592,232	702,890	206,214	25,442	4,938,349

As at January 31, 2020, the Company's financial liabilities have contractual maturities as summarized below:

	Due within Less than 1 year	1-2 years	2-3 years	3-4 years	> 4 years	Total
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities (excluding PST payable)	1,438,865	-	-	-	-	1,438,865
Due to related parties	18,861	-	-	-	-	18,861
Lease liability	683,979	781,753	908,122	624,239	173,007	3,171,100
Purchase Liability	370,180	103,230	-	-	-	473,410
Long-term liabilities	600,000	7,100,000	-	-	-	7,700,000
Total	3,111,885	7,984,983	908,122	624,239	173,007	12,802,236

Credit Risk

Credit risk arises from cash and cash equivalents held with banks, trade and other receivable (excluding GST receivable), and loan receivable. The Company does not have a significant concentration of credit risk with any customer and its maximum risk exposure is equal to the carrying value of the financial assets. The objective of managing credit risk is to prevent loss on financial assets. The Company minimizes credit risk as cash and cash equivalents are held by reputable financial institutions. The Company is not aware of any material collection issues. The Company applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. Trade receivables are written off when there is no reasonable expectation of recovery. The following table summarizes the Company's aging of trade and other receivables (excluding GST receivable) and expected credit losses as at October 31, 2020:

	Trade and other receivables (excluding GST receivables)	Expected credit losses
	\$	\$
0 - 30 days	104,114	-
31 - 61 days	-	-
61 - 90 days	-	-
> 90 days	0	-
Total	104,114	-

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19) FAIR VALUE MEASUREMENT AND FINANCIAL INSTRUMENTS *(continued)*

Fair Value Measurement

The Company classifies its financial instruments using a fair value hierarchy as a framework for disclosing fair value of financial instruments based on inputs used to value the Company's investments. The hierarchy of inputs and description of inputs is described as follows:

Level 1 – Quoted market prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3 – Unobservable inputs such as inputs for the asset or liability that are not based on observable market data.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

	October 31, 2020			
Fair value through profit or loss	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Embedded derivative liability	-	-	208,002	208,002
	-	-	208,002	208,002

For cash and cash equivalents, trade and other receivables (excluding GST receivable), loan receivable, accounts payable and accrued liabilities (excluding PST payable), and due to related parties, fair value approximates their carrying value at the period end due to their short-term maturities. For net investment in finance lease, purchase liability and long-term liabilities, fair value approximates their carrying value at the quarter end as the interest rates used to discount the host contracts approximate market rates.