



KIARO HOLDINGS CORP.
(FORMERLY DC ACQUISITION CORP.)

Condensed Consolidated Interim Financial Statements

For the three and six months ended July 31, 2021 and 2020

(Unaudited, expressed in Canadian Dollars, unless otherwise stated)

KIARO HOLDINGS CORP.
(formerly DC Acquisition Corp.)

Condensed Consolidated Interim Statements of Financial Position
As at July 31, 2021 and January 31, 2021
(Unaudited, expressed in Canadian Dollars)

	Notes	July 31, 2021	January 31, 2021
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		2,215,861	1,304,829
Trade and other receivables		271,465	142,083
Prepays and deposits		227,671	181,454
Inventory	5	1,863,955	1,744,244
Net investment in finance lease	7	182,124	156,915
		4,761,076	3,529,525
Non-current assets			
Lease deposits		106,655	99,305
Property and equipment	6	1,572,534	1,597,630
Right-of-use assets	7	3,451,460	3,617,822
Net investment in finance lease	7	111,847	212,447
Intangible assets and goodwill	9	2,337,893	608,588
		7,580,389	6,135,792
TOTAL ASSETS		12,341,465	9,665,317
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	2,157,937	1,325,421
Due to related parties	13	118,939	147,817
Current portion of lease liabilities	7	844,054	723,904
Current portion of purchase liability		-	103,230
Current portion of long-term liabilities	11	704,477	120,283
		3,825,407	2,420,655
Non-current liabilities			
Long-term portion of lease liabilities	7	1,548,806	1,587,046
Embedded derivative liabilities	11	199,400	208,386
Long-term liabilities	11	51,743	620,236
		1,799,949	2,415,668
TOTAL LIABILITIES		5,625,356	4,836,323
EQUITY ATTRIBUTABLE TO SHAREHOLDERS			
Share capital	12	28,763,486	26,386,873
Reserves	12	4,455,561	2,901,540
Accumulated deficit		(26,502,938)	(24,459,419)
TOTAL EQUITY		6,716,109	4,828,994
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		12,341,465	9,665,317

Commitments and Contingencies (Note 16)
Subsequent Events (Note 18)

(The accompanying notes are an integral part of these unaudited 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 Six Months Ended July 31, 2021 and 2020
(Unaudited, expressed in Canadian Dollars)

	Notes	Three months ended		Six months ended	
		July 31, 2021	July 31, 2020	July 31, 2021	July 31, 2020
		\$	\$	\$	\$
Revenue					
Revenue	14	6,190,179	4,000,102	11,357,243	6,666,813
Cost of sales	5	4,514,265	2,763,856	8,123,668	4,715,282
Gross profit		1,675,914	1,236,246	3,233,575	1,951,531
Operating expenses					
Consulting and professional fees	12,13	170,613	301,285	390,892	538,871
Depreciation and amortization	6,7	417,065	474,623	951,355	768,538
General and administration expenses		318,292	189,010	604,955	378,112
Marketing, meals and entertainment		89,065	64,371	218,057	100,289
Salaries and employee benefits	13	1,196,526	817,943	2,298,217	1,564,638
Share-based compensation	12,13	273,244	244,222	459,229	640,304
		2,464,805	2,091,454	4,922,705	3,990,752
Other (expenses) income					
Change in fair value of derivative liabilities	11	(1)	(2,382)	(242)	(25,883)
Finance expense	7,11	(151,388)	(536,949)	(291,976)	(1,000,521)
Gain/(loss) on modification and extinguishment of debt	11	8,746	(93,344)	8,746	(93,344)
Inventory write-down	5	-	-	-	(19,188)
Lease termination loss and loss on sublease	7	-	(1,788)	-	(55,210)
Other income		53,210	45,866	114,357	45,866
Realized foreign exchange gain/(loss)	8	(82)	-	(82)	38,413
Realized loss on sale of marketable securities	8	-	-	-	(2,105,548)
Transaction cost of acquisition		(185,192)	-	(185,192)	-
		(274,707)	(588,597)	(354,389)	(3,215,415)
Net loss and comprehensive loss		(1,063,598)	(1,443,805)	(2,043,519)	(5,254,636)
Loss per share, basic and diluted		(0.01)	(0.02)	(0.01)	(0.05)

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

KIARO HOLDINGS CORP.
(formerly DC Acquisition Corp.)

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
For the Six Months Ended July 31, 2021 and 2020
(Unaudited, expressed in Canadian Dollars)

	Share Capital							Total Equity
	Notes	Common	Preferred		Reserve	Deficit		
		Shares	Amount	Shares				
		#	\$	#	\$	\$	\$	
Balance on January 31, 2020		98,048,458	14,987,041	-	-	1,186,081	(15,122,382)	1,050,740
Shares cancelled in financing	12	(8,532,423)	(5,398,787)	-	-	-	-	(5,398,787)
Shares replaced in financing	12	8,532,423	4,889,591	-	-	509,196	-	5,398,787
Shares converted to debentures	11	(500,000)	(100,000)	-	-	-	-	(100,000)
Equity component on convertible loan	11	-	-	-	-	98,239	-	98,239
Convertible debentures converted to preferred shares	12	-	-	10,000,000	931,777	-	-	931,777
Shares issued as consideration for services	12	445,249	76,750	-	-	-	-	76,750
Share-based compensation	12	-	-	-	-	3,990,752	-	3,990,752
Net loss and comprehensive loss for the period		-	-	-	-	-	(5,254,636)	(5,254,636)
Balance on July 31, 2020		97,993,707	14,454,595	10,000,000	931,777	5,784,268	(20,377,018)	793,622
Balance on January 31, 2021		173,565,679	26,386,873	-	-	2,901,540	(24,459,419)	4,828,994
Shares issued in private placement, net of costs	12	18,965,238	2,630,287	-	-	-	-	2,630,287
Shares issued as consideration, net of costs	4,12	6,296,296	818,518	-	-	-	-	818,518
Shares issued as consideration for services	12	-	22,600	-	-	-	-	22,600
Warrants issued in private placement	12	-	(1,094,792)	-	-	1,094,792	-	-
Share-based compensation	12	-	-	-	-	459,229	-	459,229
Net loss and comprehensive loss for the period		-	-	-	-	-	(2,043,519)	(2,043,519)
Balance on July 31, 2021		198,827,213	28,763,486	-	-	4,455,561	(26,502,938)	6,716,109

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

KIARO HOLDINGS CORP.
(formerly DC Acquisition Corp.)

Condensed Consolidated Interim Statements of Cash Flows
For the Six Months Ended July 31, 2021 and 2020
(Unaudited, expressed in Canadian Dollars)

	Six months ended July 31, 2021	Six months ended July 31, 2020
	\$	\$
Cash provided by (used in):		
Operating activities:		
Net loss	(2,043,519)	(5,254,636)
Non-cash items:		
Depreciation and amortization	951,355	768,538
Share-based compensation	459,229	640,304
Shares issued for services	22,600	76,750
Inventory write-down	-	19,188
Foreign exchange (gain)/loss	82	(38,413)
Finance expense	291,976	908,453
Other income	(28,857)	(45,866)
Change on fair value of embedded derivative	242	25,883
(Gain)/Loss on modification and extinguishment of debt	(8,746)	93,344
Lease termination loss and loss on sub-lease	-	55,210
Realized loss on sale of marketable securities	-	2,105,548
Changes in non-cash working capital:		
Trade and other receivables	(129,382)	61,772
Prepays and deposits	(46,298)	137,293
Inventory	134,592	(544,842)
Due to related parties	(30,000)	-
Accounts payable and accrued liabilities	781,081	204,189
	354,355	(787,285)
Investing activities:		
Property and equipment	(321,245)	(496,054)
Proceeds from sale of marketable securities	-	910,183
Lease deposits	(7,350)	-
Business combination	(557,338)	(206,771)
Acquisition of license	(695,000)	-
	(1,580,933)	207,358
Financing activities:		
Due to related parties	-	(23,264)
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	104,248	124,217
Payments on lease obligations	(556,326)	(512,382)
Interest paid	(5,600)	-
Loan repayments	(35,000)	(700,000)
Issuance of common shares, net of transaction costs	2,630,288	-
Proceeds from issuance of convertible debentures	-	1,000,000
Proceeds from issuance of promissory notes	-	225,000
	2,137,610	153,571
Net change in cash and cash equivalents	911,032	(426,356)
Cash and cash equivalents, beginning	1,304,829	1,418,764
Cash and cash equivalents, ending	2,215,861	992,408

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

KIARO HOLDINGS CORP.
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Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended July 31, 2021 and 2020
(Unaudited, 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 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 businesses 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 DC Acquisition Corp. ("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 in a three-cornered amalgamation of KBI with 1251542 B.C. Ltd., a wholly owned subsidiary of DCA.

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 Condensed Consolidated Interim 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 MEASUREMENT

a) Statement of Compliance

These condensed consolidated interim financial statements of the Company have been prepared in accordance with IAS 34 *Interim Financial Reporting* and should be read in conjunction with the Company's last annual consolidated financial statements as at and for the year ended January 31, 2021 ('last annual financial statements'). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual financial statements.

These condensed consolidated interim financial statements were approved by the Board of Director on September 27, 2021.

b) Basis of 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.

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Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended July 31, 2021 and 2020
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2) BASIS OF PRESENTATION AND MEASUREMENT *(continued)*

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
	%
2687921 Ontario Inc.	100
Kiaro Australia Pty Ltd.	100
Kiaro Brands Inc.	100
Kiaro Digital Ltd. (formerly Kiaro Retail BC Ltd.)	100
Kiaro Retail Inc.	100
National Cannabis Distribution Inc.	100
Sculthorp SEO Inc.	100
2209917 Alberta Ltd.	100

d) Functional and Presentation Currency

The Canadian dollar is the presentation currency of the Company. The functional currencies of the Company and its subsidiaries are as follows:

Subsidiaries	Functional Currency
2687921 Ontario Inc.	Canadian dollar
Kiaro Australia Pty Ltd.	Australian dollar
Kiaro Brands Inc.	Canadian dollar
Kiaro Digital Ltd. (formerly Kiaro Retail BC Ltd.)	Canadian dollar
Kiaro Retail Inc.	Canadian dollar
National Cannabis Distribution Inc.	Canadian dollar
Sculthorp SEO Inc.	Canadian dollar
2209917 Alberta Ltd.	Canadian dollar

Transactions in currencies other than the functional currency are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities not denominated in the functional currency are translated at the period end rates of exchange. Foreign exchange gains and losses are recognized in the condensed consolidated interim statements of loss and comprehensive loss.

Assets and liabilities of subsidiaries having a currency other than the Canadian dollar are translated at the rate of exchange at the reporting date. Revenues and expenses are translated at average rates for the periods, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. The resulting foreign currency translation adjustments are recognized in other comprehensive loss.

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3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies disclosed in the notes to the annual consolidated financial statements of the Company for the year ended January 31, 2021, have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

4) ACQUISITION OF SCULTHORP SEO INC.

Effective July 12, 2021, the Company acquired 100% ownership in Sculthorp SEO Inc. (“Cozy Cannabis” or “Cozy”), a private company based in Toronto, Ontario, operating a cannabis retail store in Toronto and three eCommerce business platforms in Canada, the US, and Australia.

At acquisition the purchase price of \$1,318,518 was paid by the Company as follows:

- \$500,000 paid by cash at closing; and
- \$818,518 paid by issuance of 6,296,296 common shares of the Company at \$0.130 per share.

Cash payment is subject to \$50,000 holdback for certain performance and transitional matters and customary adjustments.

The acquisition was accounted for in accordance with IFRS 3 Business Combinations as a business combination, with the assets and liabilities acquired estimated at their fair value at the acquisition date. The excess of consideration over the fair value of the net assets acquired has been recorded as an intangible asset.

Based on Management’s initial assessment of the fair value of the net assets acquired in the Cozy transaction, the Company estimated that the total identifiable net assets would be \$284,213, resulting in intangible assets on acquisition of \$1,034,305 (Note 9). The transaction costs for the acquisition recorded thus far was \$63,748 in the condensed consolidated interim statements of loss and comprehensive loss.

	\$
Consideration of the acquisition in shares	818,518
Consideration of the acquisition in cash	500,000
Cash	(35,255)
Inventory	(264,497)
Property and equipment	(4,361)
Prepaid	(3,463)
Right-of-use assets	(178,372)
Lease liability	178,372
Accrued liability	23,363
Total net assets acquired	(284,213)
Estimated excess of purchase price over fair value of assets acquired	1,034,305

The intangible assets of \$1,034,305 comprises the value of retail licenses, brand/intellectual property, and goodwill which will result from expected synergies arising from the acquisition. Goodwill is allocated to two cash generating units: retail and eCommerce. None of the goodwill recognized is expected to be deductible for income tax purposes. The amounts recognized as intangibles, and the purchase price allocation are estimates until the official business valuation of this acquisition is completed.

In connection with the acquisition, the Company acquired a lease of the retail location in Toronto. The Company has measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use asset was measured at an amount equal to the lease liability and will subsequently be amortized over the remaining lease period (Note 7).

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Notes to the Condensed Consolidated Interim Financial Statements
For the Three and Six Months Ended July 31, 2021 and 2020
(Unaudited, expressed in Canadian Dollars)

5) INVENTORY

As at July 31, 2021, the Company had inventory totaling \$1,863,955 (January 31, 2021 – \$1,744,244), which consists of finished products including recreational cannabis and accessories purchased from third parties for resale. During the three and six months ended July 31, 2021, \$4,514,265 and \$8,123,668, respectively, (July 31, 2020 – \$2,763,856 and \$4,715,282) of inventory was recognized as cost of sales. During the three and six months ended July 31, 2021, inventory was reduced by \$nil as result of a write-down to net realizable value (July 31, 2020 – \$nil and \$19,188).

6) PROPERTY AND EQUIPMENT

	Furniture and fixture	Computer equipment	Leasehold improvement	Software	Website	Total
Cost	\$	\$	\$	\$	\$	\$
Balance at January 31, 2021	111,523	271,073	2,401,142	105,733	69,718	2,959,189
Additions	4,361	22,483	298,761	-	-	325,605
Disposals	-	-	-	-	-	-
Balance at July 31, 2021	115,884	293,556	2,699,903	105,733	69,718	3,284,794
Accumulated depreciation	\$	\$	\$	\$	\$	\$
Balance at January 31, 2021	47,856	182,718	986,886	85,023	59,076	1,361,559
Disposals	-	-	-	-	-	-
Depreciation and amortization	11,153	42,675	279,846	10,452	6,575	350,701
Balance at July 31, 2021	59,009	225,393	1,266,732	95,475	65,651	1,712,260
Net book value	\$	\$	\$	\$	\$	\$
Balance at January 31, 2021	63,667	88,355	1,414,256	20,710	10,642	1,597,630
Balance at July 31, 2021	56,875	68,163	1,433,171	10,258	4,067	1,572,534

7) LEASES

Right-of-use assets

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

	\$
Cost	
Balance at January 31, 2021	3,617,822
Addition	249,507
Addition from acquisition	178,372
Amendments	6,413
Depreciation	(600,654)
Balance at July 31, 2021	3,451,460

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For the Three and Six Months Ended July 31, 2021 and 2020
(Unaudited, expressed in Canadian Dollars)

7) LEASES (continued)

Lease liabilities

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

	\$
Cost	
Balance at January 31, 2021	2,310,950
Additions	249,507
Addition from acquisition	178,372
Amendments	6,413
Payments net of interest	(352,382)
Balance at July 31, 2021	2,392,860
Current portion	844,054
Long-term portion	1,548,806

For the three and six months ended July 31, 2021, the Company recognized an interest expense on lease liabilities in the amount of \$100,010 and \$204,926 (July 31, 2020 – \$116,654 and \$230,130) in the condensed consolidated interim statements of loss and comprehensive loss.

For the three and six months ended July 31, 2021, the Company recognized cash outflow for leases of \$284,129 and \$556,326 (July 31, 2020 – \$269,354 and \$512,382) in the condensed consolidated interim statement of cash flows.

For the three and six months ended July 31, 2021, an amount of \$nil (July 31, 2020 – \$1,788 and \$55,210) was recognized for lease termination loss and loss on sub-lease for various lease agreements in the condensed consolidated interim statements of loss and comprehensive loss.

The Company used an incremental borrowing rate of 17.95% and 19.95% at the date of the initial application for leases entered in prior years. In the three and six months ended July 31, 2021, the Company used an incremental borrowing rate of 14% for the new leases acquired.

The lease liability is disclosed in Note 17 for financial liabilities with contractual maturities.

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, 2021	369,362
Additions	-
Amendments	-
Interest accretion	28,857
Lease receipts	(104,248)
Balance at July 31, 2021	293,971
Current portion	182,124
Long-term portion	111,847

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For the Three and Six Months Ended July 31, 2021 and 2020
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7) LEASES (continued)

Net investment in finance lease (continued)

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	217,209
1 - 2 years	116,426
2 - 3 years	-
> 3 years	-
Total undiscounted lease payments receivable	333,635
Less: Interest accretion	(39,664)
Net investment in lease at July 31, 2021	293,971

8) INVESTMENTS IN MARKETABLE SECURITIES

On September 13, 2019, the Company and High Park Holdings Ltd. ("High Park"), a wholly owned subsidiary of Tilray Inc. ("Tilray"), entered into a Subscription Agreement, pursuant to which, High Park 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. The Company had \$nil investment in marketable securities as at July 31, 2021.

9) INTANGIBLE ASSETS AND GOODWILL

	Goodwill	Intangible assets - License	Intangible assets - Acquisition	Total
	\$	\$	\$	\$
Balance at January 31, 2021	458,588	150,000	-	608,588
Addition	-	695,000	1,034,305	1,729,305
Impairment	-	-	-	-
Balance at July 31, 2021	458,588	845,000	1,034,305	2,337,893

The Company's wholesale segment National Cannabis Distribution Inc. ("NCD") was identified as a Cash Generating Unit ("NCD CGU") for impairment purposes. For the year ended January 31, 2021, an impairment test was performed on the NCD CGU. In assessing if an impairment loss was evident, the recoverable amount of the NCD CGU was determined to be equal to its value in use. In estimating the value in use, a five-year cash flow projection was prepared at a discounted rate of 15%. Key assumptions that were used in the cash flow projections include using a revenue growth rate of 10%, terminal value of 2% and gross margin of 9%. As at January 31, 2021, the carrying amount of the NCD CGU was determined to be lower than the recoverable amount, and no impairment was recorded.

On March 15, 2021, the Company acquired the right to lease a commercial retail location in Kelowna, BC. The Company paid \$695,000 for the acquisition and the full consideration was recognized as an intangible asset. The transaction costs for the acquisition recorded thus far was \$24,063 in the condensed consolidated interim statements of loss and comprehensive loss.

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9) INTANGIBLE ASSETS AND GOODWILL *(continued)*

On July 12, 2021, the Company acquired the right to lease a commercial retail location in Toronto, ON, as well as the intellectual property and domain names associated with the acquisition described in Note 4. The Company paid \$1,318,518 in cash and shares for the acquisition and the difference between the net assets and the consideration paid was recognized as an intangible asset. The amounts recognized as intangibles is an estimate until the official business valuation of this acquisition is completed.

10) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	July 31, 2021	January 31, 2021
	\$	\$
Accounts payable	1,705,172	911,563
Accrued liabilities	343,078	308,182
GST and HST Payable	1,150	-
PST Payable	108,537	105,676
	2,157,937	1,325,421

11) LONG-TERM LIABILITIES

	July 31, 2021	January 31, 2021
	\$	\$
Promissory notes	-	-
Convertible debenture (i-iii)	704,477	691,390
Canada Emergency Business Account Loan (iv)	51,743	49,129
	756,220	740,519
Current portion	704,477	120,283
Long-term portion	51,743	620,236

Promissory Notes

During the three and six months ended July 31, 2021 and 2020, the Company made \$nil interest payments on the promissory notes. As at July 31 and January 31, 2021, interest payable related to the promissory note of \$nil was included in the accounts payable and accrued liabilities. During the three and six months ended July 31, 2021, \$nil (July 31, 2020 – \$84,206 and \$155,472) was recorded as interest and accretion expense on the promissory notes and was included as finance expense in the condensed consolidated interim statement of loss and comprehensive loss.

During the period between October 17 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.

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11) LONG-TERM LIABILITIES *(continued)*

Promissory Notes *(continued)*

As at July 31, 2020, the Note Units were unsecured and the holders of the Note Units had agreed to not call for repayment for twelve months from January 31, 2020. 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 inception of the Note Units, the fair value of the debt component of \$1,707,094 was measured at the net present value of future cash flow using a discount rate of similar debt with no warrant attached. The residual value of \$142,907 was recorded in reserves as an equity component. The debt component was subsequently measured at amortized cost using an effective interest rate of 20%.

On May 31, 2020, the Company settled the remaining portion of the Note Units (Note 11(iii)) with three new convertible debentures totaling \$1,750,000 (Note 11(iii)), which has been accounted for as an extinguishment of debt and resulted in a loss on settlement of \$93,344.

Convertible Debenture

- (i) During the year ended January 31, 2020, the Company issued convertible debentures for gross proceeds of \$5,250,000. Immediately prior to the completion of the Qualifying Transaction, the principal balance of \$5,215,000, derivative liability of \$1,301,782, and accrued interest of \$517,655 were converted into common shares, pursuant to their terms. As at July 31, 2021, the principal of \$35,000 and accrued interest of \$5,600 was paid in full on May 31, 2021. A gain of \$8,746 was recorded on the extinguishment of the remaining balance. As at January 31, 2021, the remaining principal balance was \$35,000.
- (ii) On February 1, 2020, the Company entered into an unsecured convertible debenture agreement with a third party 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 22%. As at July 31 and January 31, 2021, \$100,000 convertible debt remains maturing January 31, 2022.
- (iii) During the year ended January 31, 2021, the Company settled three unsecured 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 Company recognized a derivative liability of \$435,234 on inception of the convertible debentures using an effective interest rate of 22%. On October 13, 2020, upon completion of the Qualifying Transaction, one of these convertible debentures with a principal balance of \$750,000, derivative liability of \$186,830 and accrued interest of \$22,097 were converted to common shares at a deemed price per common share of \$0.144. In addition, one of the debentures issued for \$300,000 was settled with a loan receivable on July 31, 2020, including accrued interest of \$4,332. A gain of \$4,418 was recorded on the settlement of this debt. As at July 31 and January 31, 2021, \$700,000 of convertible debentures remain outstanding.

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

	Convertible debenture	Derivative liability	Total
	\$	\$	\$
Balance, January 31, 2021	691,390	208,386	899,776
Convertible debt settled (i)	(36,332)	(8,744)	(45,076)
Accretion of convertible debentures	49,419	-	49,419
Change in fair value of derivative liability	-	(291,976)	(291,976)
Balance, July 31, 2021	704,477	(92,334)	612,143

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11) LONG-TERM LIABILITIES *(continued)*

Convertible Debenture *(continued)*

As at July 31, 2021, interest payable related to the convertible debentures of \$77,333 (January 31, 2021 – \$50,090) was accrued and included in accounts payable and accrued liabilities. During the three and six months ended July 31, 2021, \$41,189 and \$81,111 (July 31, 2020 – \$253,416 and \$385,760) was recorded as interest and accretion expense on the convertible debentures and was included as finance expense in the condensed consolidated interim statement of loss and comprehensive loss.

Key assumptions that were used in the fair value of embedded derivative include the risk-free interest rate (0.38%). During the six months ended July 31, 2021, the change in fair value of embedded derivative liability of \$242 (July 31, 2020 – \$25,883) was recognized in the condensed consolidated interim statements of loss and comprehensive loss.

Canada Emergency Business Account (“CEBA”) Loan

- (iv) On April 29, 2020, the Company entered into an unsecured agreement with a third party for a CEBA loan in the amount of \$40,000, which was subsequently increased to \$60,000 on December 24, 2020. The intention of the loan was to assist businesses with losses incurred during the COVID-19 pandemic. The loan is interest free until December 31, 2022, and 5% interest 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. The effective interest used is 10%. During the three and six months ended July 31, 2021, \$1,345 and \$2,614 (July 31, 2020 – \$nil and \$808) was recorded as interest expense on the CEBA loan and was included as finance expense in the condensed consolidated interim statement of loss and comprehensive loss.

12) SHARE CAPITAL

Authorized

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

Shares Issued and Outstanding

As at July 31, 2021, 198,827,213 common shares (January 31, 2020 – 173,565,679) were issued and outstanding.

During the six months ended July 31, 2021:

On March 11, 2021, the Company issued 18,750,000 common shares at a price of \$0.160 per common share in a bought deal private placement with gross proceeds of \$3,000,000, excluding transaction costs of \$369,713.

On May 28, 2021, the Company issued 215,238 common shares at a price of \$0.105 per common share for services rendered to a third party vendor at a value of \$22,600. The value of the shares issued is based off the value of the services.

On July 12, 2021, the Company issued 6,296,296 common shares at a price of \$0.130 per common share, which represents the share consideration for the acquisition of Sculthorp SEO Inc. of \$818,518 (Note 4).

During the six months ended July 31, 2020:

On February 1, 2020, the Company cancelled 8,532,423 common shares at a price of \$0.633 per common share and issued 8,532,432 common shares at a deemed price of \$0.573 to High Park, a wholly owned subsidiary of Tilary Inc.

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12) SHARE CAPITAL *(continued)*

Shares Issued and Outstanding *(continued)*

On February 25, 2020, the Company issued 8,532 common shares at a price of \$0.586 per common share for services rendered to a third party vendor at a value of \$5,000. The value of the shares issued is based off the value of the services.

On February 29, 2020, the Company issued 20,051 common shares at a price of \$0.586 per common share for services rendered to a third party vendor at a value of \$11,750. The value of the shares issued is based off the value of the services.

On May 11, 2020, the Company closed a non-brokered private placement of preferred shares in the gross amount of \$1,000,000. The preferred shares are non-redeemable, non-retractable, have voting rights and have first entitlement to any dividends and in the event of liquidation.

On May 31, 2020, the Company issued 416,666 common shares at a price of \$0.144 per common share services rendered to a company related to a director at a value of \$60,000. The value of the shares issued is based off the value of the services.

On July 7, 2020, Kiaro issued 10,000,000 preferred shares for the conversion of convertible debentures issued

Warrants

During the three and six months ended July 31, 2021, the Company recorded \$11,376 and \$22,294, respectively, in stock-based compensation for warrants (July 31, 2020 – \$nil and \$65,219).

During the six months ended July 31, 2021:

On March 11, 2021, the Company issued 9,375,000 warrants related to the common shares issued in the bought deal private placement at an exercise price of \$0.23. In addition, the Company issued 1,312,500 broker warrants exercisable at \$0.16 to the brokers of this private placement. Each broker warrant consists of one common share and a one half warrant, equal to 656,250 warrants exercisable at \$0.23. The total value of the warrants issued was \$1,094,792.

During the six months ended July 31, 2020:

On May 11, 2020, the Company issued 5,000,000 warrants as a part of a non-brokered private placement with gross proceeds of \$1,000,000. Each Unit was comprised of 1 secured convertible debenture of the Company with a principal amount of a 2020 Debenture and 5,000 common share purchase warrants of the Company Warrants. Each warrant will be exercisable for a period of (i) 3 years from May 11, 2020, or (ii) 2 years following the Qualifying Transaction at a price of \$0.13. The warrants can be accelerated after the Qualifying Transaction and the VWAP of the public security is greater than \$0.26 for a period of at least five consecutive days.

The following table summarizes the movement in warrants for the six months ended July 31, 2021:

	Warrants Outstanding	Weighted Average Exercise Price
	#	\$
Balance at January 31, 2021	7,538,846	0.317
Granted	11,343,750	0.222
Cancelled	(60,417)	0.200
Balance at July 31, 2021	18,822,179	0.313

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12) SHARE CAPITAL *(continued)*

Warrants *(continued)*

Details of warrants outstanding as at July 31, 2021, is as follows:

Expiry Date	Warrants	Warrants	Exercise Price
	Outstanding	Exercisable	
	#	#	\$
September 13, 2021	1,706,484	1,706,484	0.59
June 30, 2021 - July 22, 2029	2,719,445	2,546,527	0.20
October 17, 2021 - December 24, 2021	3,052,500	3,052,500	0.60
March 11, 2024	1,312,500	1,312,500	0.16
March 11, 2024	10,031,250	10,031,250	0.23
	18,822,179	18,649,261	

The weighted average remaining life for the warrants outstanding is 2.40 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.

During the three and six months ended July 31, 2021, the Company recorded stock-based compensation of \$261,868 and \$436,935, respectively, (July 31, 2020 – \$244,222 and \$575,085) for options vested.

During the six months ended July 31, 2021:

The Company granted 3,850,000 options to the Company's advisory board member and employees at an exercise price of \$0.20 per options for a period of 10 years with immediate to three years vesting periods.

The Company granted 750,000 options to the Company's consultant at an exercise price of \$0.20 per options for a period of 3 years with immediate vesting.

During the six months ended July 31, 2020:

The Company granted 1,875,000 options to the Company's employees at an exercise price of \$0.20 per options for a period of 10 years with various vesting periods.

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

	Options Outstanding	Weighted Average Exercise Price
	#	\$
Balance at January 31, 2021	6,461,790	0.203
Granted	4,600,000	0.200
Cancelled	(75,000)	0.200
Forfeited	(125,000)	0.200
Balance at July 31, 2021	10,861,790	0.202

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12) SHARE CAPITAL *(continued)*

Stock Options *(continued)*

Details of options outstanding as at July 31, 2021, are as follows:

Expiry Date	Weighted Average Remaining Life	Options Outstanding	Options Exercisable	Exercise Price
	#	#	#	\$
August 2, 2023	1.61	729,290	729,290	0.17
February 23, 2024 - July 14, 2031	8.40	9,707,500	4,097,083	0.20
September 25, 2029	8.16	425,000	212,500	0.30
	7.94	10,861,790	5,038,873	

Fair Value Assumptions for Warrants and Options

	For six month ended July 31, 2021	For six month ended July 31, 2020
Expected lives in years	3 - 10	N/A
Volatility	116% - 140%	N/A
Risk-free interest rate range	0.31% - 1.53%	N/A
Share price range	\$0.105 - 0.190	N/A
Exercise price range	\$0.16 - \$0.23	N/A
Dividend yield	\$nil	N/A

13) 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.

Compensation for key management personnel, including the Company's Officers and Board of Directors, is shown in the following table:

	Three months ended		Six months ended	
	July 31, 2021	July 31, 2020	July 31, 2021	July 31, 2020
	\$	\$	\$	\$
Salaries and benefits	147,500	102,956	275,833	148,352
Consulting fee	-	75,000	-	120,000
Share-based compensation	84,024	327,234	183,138	485,829
Total key management compensation	231,524	505,190	458,971	754,181

During the six months ended July 31, 2021, the Company issued 800,000 options at an exercise price of \$0.20 per option to directors of the Company which will vest over a period of 1 year.

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 January 31, 2021, the loan included accrued interest of \$4,571 and had been fully repaid.

As at July 31, 2021, the Company has payables to related parties of \$118,939 (January 31, 2020 – \$147,817).

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13) RELATED PARTY TRANSACTIONS *(continued)*

As at July 31, 2021, the company has a convertible debenture with a balance of \$700,000 maturing May 31, 2022, owing to a company controlled by the CEO, with interest owing on the convertible debenture of \$65,333 (Note 11).

14) REVENUE

Major components of revenue are as follows:

	Three Months Ended		Six Months Ended	
	July 31, 2021	July 31, 2020	July 31, 2021	July 31, 2020
	\$	\$	\$	\$
Recreational Cannabis	5,919,341	3,893,272	10,956,886	6,518,579
Accessories and Other	270,838	106,830	400,357	148,234
	6,190,179	4,000,102	11,357,243	6,666,813

The Company does not have any significant exposure to any individual customer as at July 31 and January 31, 2021.

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15) SEGMENTED INFORMATION

Throughout the six months ended July 31, 2021, and 2020, the Company operated in three reportable segments. These segments targeted different customers and are managed separately because they require different personnel, sales, and marketing strategies.

The following describes the operations of each reportable segment:

- (i) Retail Cannabis Stores – The Company operates retail locations to sell and distribute cannabis and cannabis related products to individual consumers.
- (ii) Wholesale Cannabis Business - The Company owns and operates a wholesale cannabis business through its wholly owned subsidiary NCD in the Province of Saskatchewan. NCD purchases finished goods from licensed producers and sells to retail cannabis operators in the province.
- (iii) eCommerce – The Company owns and operates three eCommerce businesses that sell consumption accessories through its wholly owned subsidiaries Sculthorp SEO Inc. and Kiara Australia Pty Ltd.

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

Six months ended July 31, 2021	Retail cannabis stores	Wholesale cannabis business	Ecommerce	Corporate	Eliminations and adjustments	Total
	\$	\$	\$	\$	\$	\$
Revenue	7,547,844	3,668,388	141,011	-	-	11,357,243
Intercompany revenue	-	1,005,149	-	-	(1,005,149)	-
Total revenue	7,547,844	4,673,537	141,011	-	(1,005,149)	11,357,243
Cost of sales	4,703,331	4,326,251	101,545	-	(1,007,459)	8,123,668
Gross profit (loss)	2,844,513	347,286	39,466	-	2,310	3,233,575
Net profit (loss)	388,611	89,213	22,820	(2,546,473)	2,310	(2,043,519)
Total assets	5,478,656	1,192,833	80,086	5,589,890	-	12,341,465
Total liabilities	2,417,266	1,157,264	57,348	1,993,478	-	5,625,356

Six months ended July 31, 2020	Retail cannabis stores	Wholesale cannabis business	Ecommerce	Corporate	Eliminations and adjustments	Total
	\$	\$	\$	\$	\$	\$
Revenue	4,350,363	2,316,450	-	-	-	6,666,813
Intercompany revenue	-	642,571	-	-	(642,571)	-
Total revenue	4,350,363	2,959,021	-	-	(642,571)	6,666,813
Cost of sales	2,706,675	2,642,590	-	-	(633,983)	4,715,282
Gross profit (loss)	1,643,688	316,431	-	-	(8,588)	1,951,531
Net profit (loss)	19,953	138,179	-	(5,404,180)	(8,588)	(5,254,636)
Total assets	5,966,648	952,523	-	3,026,026	-	9,945,197
Total liabilities	1,870,777	745,861	-	9,885,385	-	12,502,023

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15) SEGMENTED INFORMATION *(continued)*

Three months ended July 31, 2021	Retail cannabis stores	Wholesale cannabis business	Ecommerce	Corporate	Eliminations and adjustments	Total
	\$	\$	\$	\$	\$	\$
Revenue	3,723,764	2,325,404	141,011	-	-	6,190,179
Intercompany revenue	-	492,932	-	-	(492,932)	-
Total revenue	3,723,764	2,818,336	141,011	-	(492,932)	6,190,179
Cost of sales	2,311,181	2,599,535	101,545	-	(497,996)	4,514,265
Gross profit (loss)	1,412,583	218,801	39,466	-	5,064	1,675,914
Net profit (loss)	244,323	74,547	22,820	(1,410,352)	5,064	(1,063,598)
Total assets	5,478,656	1,192,833	80,086	5,589,890	-	12,341,465
Total liabilities	2,417,266	1,157,264	57,348	1,993,478	-	5,625,356

Three months ended July 31, 2020	Retail cannabis stores	Wholesale cannabis business	Ecommerce	Corporate	Eliminations and adjustments	Total
	\$	\$	\$	\$	\$	\$
Revenue	2,787,198	1,212,904	-	-	-	4,000,102
Intercompany revenue	-	409,921	-	-	(409,921)	-
Total revenue	2,787,198	1,622,825	-	-	(409,921)	4,000,102
Cost of sales	1,736,732	1,432,065	-	-	(404,941)	2,763,856
Gross profit (loss)	1,050,466	190,760	-	-	(4,980)	1,236,246
Net profit (loss)	196,145	121,120	-	(1,756,090)	(4,980)	(1,443,805)
Total assets	5,966,648	952,523	-	3,026,026	-	9,945,197
Total liabilities	1,870,777	745,861	-	9,885,385	-	12,502,023

16) COMMITMENTS AND CONTINGENCIES

In October 2020, January 2021, and July 2021, the Company entered into insurance contracts with a term of less than 12 months. As at July 31, 2021, the minimum remaining payments were estimated to be as follows:

	\$
Less than 1 year	72,287
1 - 2 years	-
2 - 3 years	-
> 3 years	-
Total commitments and contingencies	72,287

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 the 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.

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17) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

	July 31, 2021	January 31, 2021
Financial assets	\$	\$
Amortized cost		
Cash and cash equivalents	2,215,861	1,304,829
Trade and other receivables (exclude sales taxes receivable)	271,465	139,632
Net investment in finance lease	293,971	369,362
Total financial assets	2,781,297	1,813,823
Financial liabilities		
Financial liabilities at FVTPL		
Embedded derivative liability	199,400	208,386
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities (excludes sales taxes payable)	2,048,250	1,219,745
Due to related parties	118,939	147,817
Purchase liabilities	-	103,230
Lease liabilities	2,392,860	2,310,950
Long-term liabilities	756,220	740,519
Total financial liabilities	5,515,669	4,730,647

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

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. As a result of the acquisition of Sculthorp SEO Inc., the Company began to operate outside of Canada with foreign currency bank accounts and to transact in foreign currencies. The Company's exposure to currency risk as at July 31, 2021 represented approximately 1% of sales. The Company was not exposed to currency risk as at January 31, 2021.

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.

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17) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(continued)*

Market Risk *(continued)*

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 July 31, 2021, the Company had \$2,215,861 in cash and cash equivalents (January 31, 2021 – \$1,304,829). The Company is obligated to pay financial liabilities with total carrying amounts to \$3,816,844 in the next 12 months.

As at July 31, 2021, 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 sale taxes payable)	1,970,917	-	-	-	-	1,970,917
Due to related parties	118,939	-	-	-	-	118,939
Lease liability	1,058,612	1,060,811	557,844	215,299	193,600	3,086,166
Long-term liabilities	812,000	3,000	3,000	3,000	61,500	882,500
Total	3,960,468	1,063,811	560,844	218,299	255,100	6,058,522

Credit Risk

Credit risk arises from cash and cash equivalents held with banks, and trade and other receivable (excluding sales taxes 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 sales taxes receivable) and expected credit losses as at July 31, 2021:

	0 - 30 days	31 - 61 days	61 - 90 days	> 90 days
	\$	\$		
Trade and other receivables (exclude sales taxes receivable)	271,465	-	-	-
Expected credit losses	-	-	-	-
Total	271,465	-	-	-

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17) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT *(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.

	July 31, 2021			
Fair value through profit or loss	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Embedded derivative liability	-	-	199,400	199,400
	-	-	199,400	199,400

The Company estimates the fair value of embedded derivative liability at each reporting date using discounted cash flow model. The significant unobservable input used in the model was the interest rate of 0.38% (January 31, 2021 – 0.14%).

For cash and cash equivalents, trade and other receivables (excluding sales taxes receivable), accounts payable and accrued liabilities (excluding sales taxes 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 fiscal year end as the interest rates used to discount the host contracts approximate market rates.

18) SUBSEQUENT EVENTS

On September 9, 2021, the Company held its Annual General and Special Meeting of Shareholders and voted to approve the creation of a new control person from Aegis Brands Inc., the issuance of bonus shares, and election of six board members.

On September 24, 2021, the Company completed the acquisition of 2734524 Ontario Inc. (dba Hemisphere Cannabis Co) from Aegis Brands Inc. The total purchase price of \$6.13 million was settled by the issuance of 61,300,000 in common shares of the Company at a price of \$0.10 per share, issuance of 6,700,000 common share purchase warrants exercisable at \$0.16 with an expiry date of 36 months from the closing date, and an additional issuance of 6,700,000 shares upon the achievement of certain commercial milestones during the first year following closing.