KIARO HOLDINGS CORP.

(FORMERLY DC ACQUISITION CORP.)

Condensed Consolidated Interim Financial Statements

For the three and nine months ended October 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 October 31, 2021 and January 31, 2021
(Unaudited, expressed in Canadian Dollars)

	Notes	October 31, 2021	January 31, 2021
		$	$
ASSETS			
Current assets			
Cash and cash equivalents		5,283,069	1,304,829
Trade and other receivables		380,891	142,083
Prepaids and deposits		370,983	181,454
Inventory	7	2,928,390	1,744,244
Net investment in finance lease	9	191,314	156,915
		9,154,647	3,529,525
Non-current assets			
Lease deposits		207,969	99,305
Property and equipment	8	4,178,279	1,597,630
Right-of-use assets	9	10,307,208	3,617,822
Net investment in finance lease	9	60,402	212,447
Intangible assets and goodwill	11	6,347,414	608,588
		21,101,272	6,135,792
TOTAL ASSETS		**30,255,919**	**9,665,317**
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	12	3,966,771	1,325,421
Due to related parties	15	3,241	147,817
Current portion of lease liabilities	9	1,302,614	723,904
Current portion of purchase liability		-	103,230
Current portion of long-term liabilities	13	824,669	120,283
		6,097,295	2,420,655
Non-current liabilities			
Long-term portion of lease liabilities	9	7,521,696	1,587,046
Embedded derivative liabilities	13	198,929	208,386
Long-term liabilities	13	2,607,526	620,236
		10,328,151	2,415,668
TOTAL LIABILITIES		**16,425,446**	**4,836,323**
EQUITY ATTRIBUTABLE TO SHAREHOLDERS			
Share capital	14	35,161,739	26,386,873
Reserves	14	6,251,338	2,901,540
Accumulated deficit		(27,582,604)	(24,459,419)
TOTAL EQUITY		13,830,473	4,828,994
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**30,255,919**	**9,665,317**

Commitments and Contingencies (Note 18)
Subsequent Events (Note 20)

(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 Nine Months Ended October 31, 2021 and 2020
(Unaudited, expressed in Canadian Dollars)

	Notes	Three months ended October 31, 2021	Three months ended October 31, 2020	Nine months ended October 31, 2021	Nine months ended October 31, 2020
		$	$	$	$
Revenue					
Revenue	16	7,484,158	5,190,930	18,841,401	11,857,743
Cost of sales	7	5,289,492	3,627,139	13,413,160	8,342,421
Gross profit		2,194,666	1,563,791	5,428,241	3,515,322
Operating expenses					
Consulting and professional fees	14,15	278,811	206,918	669,703	745,789
Depreciation and amortization	8,9	667,019	487,505	1,618,374	1,256,043
General and administration expenses		441,518	213,418	1,046,473	591,530
Marketing, meals and entertainment		118,810	83,300	336,867	183,589
Salaries and employee benefits	15	1,588,335	1,030,594	3,886,552	2,595,232
Share-based compensation	14,15	164,786	299,123	624,015	939,427
		3,259,279	2,320,858	8,181,984	6,311,610
Other (expenses) income					
Change in fair value of derivative liabilities	13	955	(826)	713	(26,709)
Finance expense	9,13	(249,930)	(431,369)	(541,906)	(1,431,890)
Gain/(loss) on modification and extinguishment of debt	13	35,750	-	44,496	(93,344)
Inventory write-down	7	-	-	-	(19,188)
(Gain)/loss on modification and termination on leases	9	20,475	(10,209)	20,475	(65,419)
Other income		32,054	27,451	146,411	73,317
Realized foreign exchange gain/(loss)		(210)	-	(292)	38,413
Realized loss on sale of marketable securities	10	-	-	-	(2,105,548)
Transaction cost of qualifying transaction	4	-	(1,721,772)	-	(1,721,772)
Transaction cost of business combinations	5,6	(116,329)	-	(301,521)	-
Loss before income tax		(277,235)	(2,136,725)	(631,624)	(5,352,140)
Deferred income tax recovery		262,182	-	262,182	-
Net loss and comprehensive loss		**(1,079,666)**	**(2,893,792)**	**(3,123,185)**	**(8,148,428)**
Loss per share, basic and diluted		**(0.01)**	**(0.03)**	**(0.02)**	**(0.07)**

(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 Nine Months Ended October 31, 2021 and 2020
(Unaudited, expressed in Canadian Dollars)

		Share Capital						
	Notes	Common Shares	Amount	Preferred Shares	Amount	Reserve	Deficit	Total Equity
		#	$	#	$	$	$	**$**
Balance on January 31, 2020		98,048,458	14,987,041	-	-	1,186,081	(15,122,382)	**1,050,740**
Shares cancelled in financing	14	(8,532,423)	(5,398,787)	-	-	-	-	**(5,398,787)**
Shares replaced in financing	14	8,532,423	4,889,591	-	-	509,196	-	**5,398,787**
Shares converted to debentures	13	(500,000)	(100,000)	-	-	-	-	**(100,000)**
Convertible debentures converted to preferred shares	14	-	-	10,000,000	922,415	98,239	-	**1,020,654**
Preferred shares converted to common shares	14	10,000,000	922,415	(10,000,000)	(922,415)	-	-	**-**
Convertible debentures converted to common shares	14	45,155,309	7,236,624	-	-	-	-	**7,236,624**
Shares issued as consideration for services	14	445,249	76,750	-	-	-	-	**76,750**
Shares issued as consideration	4	20,416,663	3,675,000	-	-	-	-	**3,675,000**
Options issued as part of qualifying transaction	14	-	-	-	-	70,302	-	**70,302**
Share-based compensation	14	-	-	-	-	869,125	-	**869,125**
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**	**-**	**-**	**2,732,943**	**(23,270,810)**	**5,750,767**
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	14	18,965,238	2,630,287	-	-	-	-	**2,630,287**
Shares issued as consideration, net of costs	5,14	6,296,296	818,518	-	-	-	-	**818,518**
Shares issued as consideration, net of costs	6,14	61,300,000	6,130,000	-	-	-	-	**6,130,000**
Shares issued as consideration for services	14	-	22,600	-	-	-	-	**22,600**
Shares issued as consideration for bonuses	13,14	1,333,333	133,333	-	-	-	-	**133,333**
Warrants issued in private placement	14	-	(959,872)	-	-	959,872	-	**-**
Warrants issued as consideration	6,14	-	-	-	-	387,047	-	**387,047**
Contingent shares as consideration	6,20	-	-	-	-	670,000	-	**670,000**
Warrants issued in private placement	14	-	-	-	-	245,778	-	**245,778**
Conversion component in private placement	14	-	-	-	-	463,086	-	**463,086**
Share-based compensation	14	-	-	-	-	624,015	-	**624,015**
Net loss and comprehensive loss for the period		-	-	-	-	-	(3,123,185)	**(3,123,185)**
Balance on October 31, 2021		**261,460,546**	**35,161,739**	**-**	**-**	**6,251,338**	**(27,582,604)**	**13,830,473**

(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 Nine Months Ended October 31, 2021 and 2020
(Unaudited, expressed in Canadian Dollars)

	Nine months ended October 31, 2021	Nine months ended October 31, 2020
	$	$
Cash provided by (used in):		
Operating activities:		
Net loss	**(3,123,185)**	**(8,148,428)**
Non-cash items:		
Depreciation and amortization	1,618,374	1,256,043
Share-based compensation	624,015	939,427
Shares issued for services	22,600	76,750
Shares issued for bouses	133,333	-
Inventory write-down	-	19,188
Foreign exchange (gain)/loss	292	(38,413)
Finance expense	541,906	1,326,095
Other income	(54,211)	(73,317)
Chance on fair value of embedded derivative	(713)	26,709
(Gain)/loss on modification and extinguishment of debt	(8,746)	93,344
(Gain)/loss on modification and termination on leases	(20,475)	-
Lease termination loss and loss on sub-lease	-	65,419
Realized loss on sale of marketable securities	-	2,105,548
Transaction cost of qualifying transaction	-	1,479,225
Deferred income tax recovery	(262,182)	-
Changes in non-cash working capital:		
Trade and other receivables	(201,391)	90,910
Prepaids and deposits	(93,379)	86,912
Inventory	(367,669)	(742,055)
Due to related parties	(144,575)	(23,264)
Accounts payable and accrued liabilities	1,945,743	205,389
	609,737	(1,254,518)
Investing activities:		
Property and equipment	(736,984)	(663,518)
Proceeds from sale of marketable securities	-	910,183
Lease deposits	(10,553)	-
Business combination	(487,158)	(313,021)
Acquisition of license	(695,000)	-
	(1,929,695)	(66,356)
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	158,261	193,815
Payments on lease obligations	(968,069)	(785,702)
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, net of transaction costs	3,518,318	1,000,000
Proceeds from issuance of promissory notes	-	225,000
Cash acquired from qualifying transaction	-	1,955,006
	5,298,198	1,928,119
Net change in cash and cash equivalents	3,978,240	607,245
Cash and cash equivalents, beginning	1,304,829	1,418,764
Cash and cash equivalents, ending	**5,283,069**	**2,026,009**

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

1) NATURE OF OPERATIONS

Kiaro Holdings Corp. (formerly DC Acquisition Corp. ("DCA"), the "Company" or "Kiaro") 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".

Kiaro 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, Kiaro 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 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 Kiaro outstanding. The shares of Kiaro 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 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 December 16, 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.

(Unaudited, expressed in Canadian Dollars)

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
2734524 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
8651159 Canada Inc. (formerly 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
2734524 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
8651159 Canada Inc. (formerly 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. Any resulting foreign currency translation adjustments are recognized in other comprehensive loss.

(Unaudited, expressed in Canadian Dollars)

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) 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 $0.18 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 consolidated statements of financial position, consolidated statements of loss and comprehensive income, consolidated statements of changes in shareholder's equity, and consolidated statements of cash flows reflect the following qualifying transaction adjustments:

	$
Consideration of the DCA common shares (i)	3,675,000
Cash	(1,955,006)
GST receivable	(5,592)
Promissory note receivable (ii)	(235,177)
Total net assets acquired	(2,195,775)
Transaction costs paid	242,547
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, equivalent to the initial listing price of the Company on the go-public event, 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. In addition, new Kiaro options were issued valued at $0.17 per share, totalling 729,290 options 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.

(Unaudited, expressed in Canadian Dollars)

5) ACQUISITION OF 8651159 CANADA INC.

Effective July 12, 2021, the Company acquired 100% ownership in 8651159 Canada 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.

A cash payment was subject to $50,000 holdback for certain performance and transitionary matters and customary adjustments. As at October 31, 2021, the balance is still withheld.

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 assets and goodwill.

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 $1,098,338, resulting in goodwill on acquisition of $280,285 (Note 11). The transaction costs for the acquisition recorded thus far was $75,817 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
Working capital adjustment	60,105
Total consideration issued	1,378,623
Cash	(35,555)
Inventory	(264,944)
Property and equipment	(3,234)
Prepaid	(3,463)
Right-of-use assets	(178,124)
Intangible assets	(815,000)
Lease liability	178,124
Accrued liability	23,858
Total identifiable net assets at fair value	(1,098,338)
Goodwill	280,285

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 9).

6) ACQUISITION OF 2734524 ONTARIO INC.

Effective September 24, 2021, the Company acquired 100% ownership in 2734524 Ontario Inc. ("Hemisphere Cannabis" or "Hemisphere"), from Aegis Brand Inc. ("Aegis"), operating six cannabis retail stores in Ontario and three additional retail leases.

(Unaudited, expressed in Canadian Dollars)

6) ACQUISITION OF 2734524 ONTARIO INC. *(continued)*

At acquisition the purchase price of $7,278,081 was paid by the Company as follows:
- $6,130,000 paid by issuance of 61,300,000 common shares of the Company at $0.10 per share;
- 6,700,000 warrants where one warrant is exercised for one common share at an exercisable price of $0.16 per common share (Note 14);
- $91,034 promissory note (Note 13 (a));
- 6,700,000 common shares at $0.10 per share as contingency for a milestone event (Note 20); and
- $388,988 to be paid by cash for working capital adjustment (Note 20).

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 unallocated intangible assets and goodwill.

Based on Management's initial assessment of the fair value of the net assets acquired in the Hemisphere transaction, the Company estimated that the total identifiable net assets would be $3,023,528, resulting in intangible assets on acquisition of $4,643,541 (Note 11). The transaction costs for the acquisition recorded thus far was $225,704 in the condensed consolidated interim statements of loss and comprehensive loss.

	$
Consideration of the acquisition in shares	6,130,000
Consideration of the acquisition in warrants	387,047
Contingent consideration of milestone event in shares	670,000
Promissory note	91,034
Working capital adjustment	388,988
Total consideration issued	7,667,069
Cash and cash equivalents	(43,081)
Trade and other receivables	(29,617)
Prepaids and deposits	(28,514)
Inventory	(551,533)
Lease deposits	(67,636)
Property and equipment	(2,488,881)
Right-of-use assets	(6,466,503)
Lease liability	6,466,503
Accounts payable and accrued liabilities	185,734
Total identifiable net assets at fair value	(3,023,528)
Excess of purchase price over fair value of assets acquired	4,643,541

In connection with the acquisition, the Company acquired nine leases of the retail locations in Ontario. 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 9).

7) INVENTORY

As at October 31, 2021, the Company had inventory totaling $2,928,390 (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 nine months ended October 31, 2021, $5,289,492 and $13,413,160, respectively, (October 31, 2020 – $3,627,139 and $8,342,421) of inventory was recognized as cost of sales. During the three and nine months ended October 31, 2021, inventory was reduced by $nil as result of a write-down to net realizable value (October 31, 2020 – $nil and $19,188).

(Unaudited, expressed in Canadian Dollars)

8) 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	35,472	368,965	2,671,563	48,469	-	3,124,469
Balance at October 31, 2021	146,995	640,038	5,072,705	154,202	69,718	6,083,658
Accumulated depreciation	$	$	$	$	$	$
Balance at January 31, 2021	47,856	182,718	986,886	85,023	59,076	1,361,559
Depreciation and amortization	17,293	74,367	427,097	15,896	9,167	543,820
Balance at October 31, 2021	65,149	257,085	1,413,983	100,919	68,243	1,905,379
Net book value	$	$	$	$	$	$
Balance at January 31, 2021	63,667	88,355	1,414,256	20,710	10,642	1,597,630
Balance at October 31, 2021	81,846	382,953	3,658,722	53,283	1,475	4,178,279

9) 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
Additions	1,112,900
Additions from business combinations	6,644,627
Amendments	6,413
Depreciation	(1,074,554)
Balance at October 31, 2021	10,307,208

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
Addition	427,900
Additions from acquisitions	6,644,627
Amendments	6,413
Payments net of interest	(565,580)
Balance at October 31, 2021	8,824,310
Current portion	1,302,614
Long-term portion	7,521,696

For the three and nine months ended October 31, 2021, the Company recognized an interest expense on lease liabilities in the amount of $183,545 and $388,471 (October 31, 2020 – $109,288 and $359,243) in the condensed consolidated interim statements of loss and comprehensive loss.

(Unaudited, expressed in Canadian Dollars)

9) LEASES *(continued)*

Lease liabilities *(continued)*

For the three and nine months ended October 31, 2021, the Company recognized cash outflow for leases of $411,743 and $968,069 (October 31, 2020 – $273,320 and $785,702) in the condensed consolidated interim statement of cash flows.

For the three and nine months ended October 31, 2021, an amount of $20,475 (October 31, 2020 – ($10,209) and ($65,419)) was recognized as a gain/(loss) on lease modification and termination on leases 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 nine months ended October 31, 2021, the Company used an incremental borrowing rate of 14% for the new leases acquired.

The lease liability is disclosed in Note 19 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	40,615
Lease receipts	(158,261)
Balance at October 31, 2021	251,716
Current portion	191,314
Long-term portion	60,402

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	218,078
1 - 2 years	61,544
2 - 3 years	-
> 3 years	-
Total undiscounted lease payments receivable	279,622
Less: Interest accretion	(27,906)
Net investment in lease at October 31, 2021	251,716

(Unaudited, expressed in Canadian Dollars)

10) 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 October 31, 2021.

11) INTANGIBLE ASSETS AND GOODWILL

	October 31,	January 31,
	$	$
Goodwill	738,873	458,588
Intangible assets - License	170,000	150,000
Intangible assets - Brand & Intellectual Property	795,000	-
Intangible assets and goodwill - Hemisphere	4,643,541	-
	6,347,414	608,588

The Company's wholesale segment National Cannabis Distribution Inc. ("NCD") was identified as a Cash Generating Unit ("NCD CGU") for impairment purposes. 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. 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. As at October 31, 2021, NCD's goodwill is $458,588 and intangible assets for license is $150,000.

On July 12, 2021, the Company acquired the right to lease a commercial retail location in Toronto, Ontario, as well as the intellectual property and domain names associated with the acquisition described in Note 5. The Company paid $1,318,518 in cash and shares for the Cozy acquisition and the difference between the net assets and the consideration paid of $815,000 was recognized as intangible assets and $280,285 as goodwill. The valuation of the intangible assets and goodwill is in progress and expected date of completion is by January 31, 2022.

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.

On September 24, 2021, the Company acquired the right to lease nine commercial retail locations in Ontario with the acquisition described in Note 6. The Company issued shares, warrants, and a promissory note for the Hemisphere acquisition and the difference between the net assets and the consideration paid of $4,643,541 has been recognized as unallocated intangible assets and goodwill. The intangible assets identified will likely consist of licenses, brand/intellectual property, and trademarks. The valuation of the intangible assets and goodwill is in progress and expected date of completion is by January 31, 2022.

The intangible assets of $4,643,541 comprises the value of retail licenses and goodwill which will result from expected synergies arising from the acquisition. Goodwill is allocated to one cash generating unit of retail. None of the goodwill recognized is expected to be deductible for income tax purposes. The amounts recognized as intangible assets and the purchase price allocation are estimates until the official business valuation of this acquisition is completed.

(Unaudited, expressed in Canadian Dollars)

12) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	October 31, 2021	January 31, 2021
	$	$
Accounts payable	2,767,546	911,563
Accrued liabilities	1,095,635	308,182
PST Payable	103,590	105,676
	3,966,771	**1,325,421**

13) LONG-TERM LIABILITIES

	October 31, 2021	January 31, 2021
	$	$
Promissory notes (i)	92,311	-
Convertible debenture (ii-v)	3,286,760	691,390
Canada Emergency Business Account Loan (vi)	53,124	49,129
	3,432,195	740,519
Current portion	824,669	120,283
Long-term portion	2,607,526	620,236

Promissory Notes

(i) On September 24, 2021, the Company entered into an agreement with Aegis (Note 5) for a promissory note in the amount of $104,628.90 interest-free and is due no later than September 24, 2022. The promissory note shall not be convertible into the Company's securities at any time.

The liability component was initially recognized at fair value, determined at net present value of future payment of principal of $91,034 at an effective interest rate of 14%. As at October 31, 2021, the promissory note remains outstanding.

For the three and nine months ended October 31, 2021, the Company recognized an interest expense on promissory notes in the amount of $1,277 (October 31, 2020 – $23,18 and $124,904) in the condensed consolidated interim statements of loss and comprehensive loss.

Convertible Debenture

(ii) 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. On May 31, 2021, the principal of $35,000 and accrued interest of $5,600 was paid in full. 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.

(iii) 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 October 31 and January 31, 2021, the principal balance of $100,000 convertible debt remains maturing January 31, 2022.

For the three and nine months ended October 31, 2021, and 2020, the Company recognized an interest expense on convertible debenture in the amount of $2,000 and $6,000, respectively, in the condensed consolidated interim statements of loss and comprehensive loss.

13) LONG-TERM LIABILITIES *(continued)*

Convertible Debenture *(continued)*

(iv) 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 October 31 and January 31, 2021, the principal balance of $700,000 of convertible debentures remain outstanding.

For the three and nine months ended October 31, 2021, the Company recognized an interest expense on convertible debenture in the amount of $14,000 and $42,000, respectively, (October 31, 2020 – $14,000 and $23,333) in the condensed consolidated interim statements of loss and comprehensive loss.

(v) On October 28, 2021, the Company completed a private placement of 3,759 convertible debenture units of the Company (the “Units”) at a price pf $1,000 per Unit, for gross proceeds of $3,759,000.

Each Unit consists of one 8% senior unsecured convertible debenture (each, a "Convertible Debenture") having a face value of $1,000, maturing October 28, 2024 (the "Maturity Date"), and convertible into common shares of the Company (each a "Common Share") at a conversion price of $0.13 per Common Share (the "Conversion Price"), subject to the terms of a convertible debenture indenture dated October 28, 2021 (the "Debenture Indenture"), between the Company and Odyssey Trust Company, as debenture trustee; and 3,846 Common Share purchase warrants of the Company (the "Warrants"). The Convertible Debentures are also subject to an accelerator option, whereby the Company shall have the right but not the obligation to convert some or all the then outstanding Convertible Debentures into Common Shares at the Conversion Price, if the 30-day volume weight average price of the Common Shares on the TSX Venture Exchange is greater than $0.26. Each Warrant entitles the holder thereof to purchase one Common Share at $0.16 per Common Share until October 28, 2024. The transaction costs of $232,882 were allocated on a proportionate basis to the debt and the residual component. The liability component was initially recognized at fair value, determined at net present value of future payments of interest and principal and net of transaction costs. The fair value of the liability component, net of transaction costs, ($2,555,073) was deducted from the face value of the instrument with the residual value, net of transaction costs and deferred income tax recovery at the rate of 27%, ($708,864) being allocated to the share conversion feature ($463,086) and the warrant component ($245,778) on a proportionate fair value basis. The effective interest rate on the convertible debenture is 12.72%. The warrants were calculated using the Black-Scholes model with a risk-free interest rate of 1.04%, a volatility of 108.22%, an expected life of three years and was initially recorded as shareholders’ equity.

The Company has granted the lead agents an option to purchase up to an additional 15% of the Units sold pursuant to the initial closing of the Convertible Debenture at the Issue Price, exercisable in whole or in part of any time up to 30 days after the date hereof.

In connection with the Convertible Debenture, the lead agents received a cash commission as a part of the transaction costs in the aggregate amount of $161,540 and 1,863,848 non-transferable broker warrants (the "Broker Warrants"). Each Broker Warrant is exercisable into one Common Share until October 28, 2024, at a price of $0.13 per Common Share. The Broker Warrants of $40,890, net of transaction costs on a proportionate basis, was calculated using the Black-Scholes model with a risk-free interest rate of 1.04%, a volatility of 108.22%, and an expected life of three years, and was initially recorded as shareholders’ equity.

(Unaudited, expressed in Canadian Dollars)

13) LONG-TERM LIABILITIES *(continued)*

***Convertible Debenture** (continued)*

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 (ii)	(36,332)	(8,744)	(45,076)
Convertible debt issued (v)	2,555,073	-	2,555,073
Accretion of convertible debentures	76,629	-	76,629
Change in fair value of derivative liability	-	(713)	(713)
Balance, October 31, 2021	3,286,760	198,929	3,485,689

As at October 31, 2021, interest payable related to the convertible debentures of $96,675 (January 31, 2021 – $50,090) was accrued and included in accounts payable and accrued liabilities. During the three and nine months ended October 31, 2021, $46,067 and $127,178 (October 31, 2020 – $277,805 and $898,780) 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 (1.00%). During the nine months ended October 31, 2021, the change in fair value of embedded derivative liability of $713 (October 31, 2020 – $26,709) was recognized in the condensed consolidated interim statements of loss and comprehensive loss.

Canada Emergency Business Account ("CEBA") Loan

(vi) 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 nine months ended October 31, 2021, $1,345 and $2,614 (October 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.

14) SHARE CAPITAL

Authorized

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

Shares Issued and Outstanding

As at October 31, 2021, 261,460,546 common shares (January 31, 2020 – 173,565,679) were issued and outstanding.

During the nine months ended October 31, 2021:

On March 11, 2021, the Company issued 18,750,000 common shares at a price of $0.16 per common share in a bought deal private placement with gross proceeds of $3,000,000, excluding transaction costs of $234,794.

14) SHARE CAPITAL *(continued)*

Shares Issued and Outstanding *(continued)*

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

On July 12, 2021, the Company issued 6,296,296 common shares at the market price of $0.13 per common share, which represents the share consideration for the acquisition of 8651159 Canada Inc. of $818,518 (Note 5).

On September 24, 2021, the Company issued 61,300,000 common shares at the market price of $0.10 per common share, which represents the share consideration for the acquisition of 2734524 Ontario Inc. of $818,518 (Note 6).

On September 24, 2021, the Company issued 1,333,333 common shares at the market price of $0.10 per common share for bonuses to the Company's Officers (Note 15).

During the nine months ended October 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.

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.

On August 1, 2020, the Company converted 10,000,000 preferred shares to 10,000,000 common shares at a deemed price of $0.092 per common share.

On October 13, 2020, the Company issued 45,155,309 common shares for the conversion of convertible debt of $5,208,261, embedded derivative liability of $1,488,612, and accrued interest of $539,751.

On October 13, 2020, the Company issued 20,416,663 common shares at a deemed price of $0.180 per common share as consideration for the Qualifying Transaction for proceeds of $3,675,000 (Note 4).

Warrants

During the three and nine months ended October 31, 2021, the Company recorded $(4,631) and $17,664, respectively, in stock-based compensation for warrants (October 31, 2020 – $nil and $65,219).

(Unaudited, expressed in Canadian Dollars)

14) SHARE CAPITAL *(continued)*

***Warrants** (continued)*

During the nine months ended October 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 $959,872, net of transaction costs.

On September 24, 2021, the Company issued 6,700,000 warrants related to the common shares issued in the acquisition of Hemisphere at an exercise price of $0.16.

On October 28, 2021, the Company issued 14,457,114 warrants related to the common shares issued in the private placement of convertible debentures (Note 11 (v)) at an exercise price of $0.16. In addition, the Company issued 1,863,848 broker warrants exercisable at $0.13 to the brokers of this private placement. Each broker warrant consists of one common share exercisable at $0.13. The total value of the warrants issued was $358,918.

During the nine months ended October 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 (a) 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 nine months ended October 31, 2021:

	Warrants Outstanding	Weighted Average Exercise Price
	#	$
Balance at January 31, 2021	7,538,846	0.317
Granted	33,708,462	0.174
Cancelled	(3,318,985)	0.569
Balance at October 31, 2021	37,928,323	0.196

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

Expiry Date	Warrants Outstanding	Warrants Exercisable	Exercise Price
	#	#	$
April 9, 2022 - April 1, 2029	2,404,861	2,352,777	0.20
December 20 - 24, 2021	1,815,000	1,815,000	0.60
March 11, 2024	1,312,500	1,312,500	0.16
March 11, 2024	9,375,000	9,375,000	0.23
September 24, 2024	6,700,000	6,700,000	0.16
October 28, 2024	14,457,114	15,389,038	0.16
October 28, 2024	1,863,848	1,863,848	0.13
	37,928,323	38,808,163	

The weighted average remaining life for the warrants outstanding is 2.77 years.

(Unaudited, expressed in Canadian Dollars)

14) SHARE CAPITAL *(continued)*

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 nine months ended October 31, 2021, the Company recorded stock-based compensation of $169,416 and $606,351, respectively, (October 31, 2020 – $244,222 and $575,085) for options vested.

During the nine months ended October 31, 2021:

The Company granted 4,775,000 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 nine months ended October 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.

In June 2020, in efforts to align all previously issued options with the proposed qualifying transaction with DCA (Note 4), 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.

On October 13, 2020, the Company granted 729,290 options to DCA consultants at an exercise price of $0.17 per options for a period of 2.75 years. The options are fully vested at grant date and expires upon end of consulting agreement on August 2, 2023.

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	5,525,000	0.200
Cancelled	(575,000)	0.200
Forfeited	(295,858)	0.200
Balance at October 31, 2021	11,115,932	0.202

(Unaudited, expressed in Canadian Dollars)

14) SHARE CAPITAL *(continued)*

Stock Options *(continued)*

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

Expiry Date	Weighted Average Remaining Life	Options Outstanding	Options Exercisable	Exercise Price
	#	#	#	$
August 2, 2023	1.75	583,432	583,432	0.17
February 23, 2024 - October 12, 2031	8.26	10,107,500	5,828,333	0.20
September 25, 2029	7.91	425,000	283,333	0.30
	7.90	11,115,932	6,695,098	

Fair Value Assumptions for Warrants and Options

The following inputs were used in the Black-Scholes model:

	For nine month ended October 31, 2021	For nine month ended October 31, 2020
Expected lives in years	3 - 10	2.75 - 10
Volatility	108% - 140%	100% - 204%
Risk-free interest rate range	0.29% - 1.53%	0.55%
Share price range	$0.085 - 0.190	$0.090 - 0.180
Exercise price range	$0.13 - $0.23	$0.20
Dividend yield	$nil	$nil

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.

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

	Three months ended		Nine months ended	
	October 31, 2021	October 31, 2020	October 31, 2021	October 31, 2020
	$	$	$	$
Salaries and benefits	238,750	102,956	514,583	148,352
Consulting fee	-	-	-	120,000
Share-based compensation	49,161	117,758	232,300	603,588
Total key management compensation	287,911	220,714	746,883	871,940

During the nine months ended October 31, 2021, the Company issued 800,000 options at an exercise price of $0.20 per option to the Company’s Officers which will vest over a period of 1 year.

On September 24, 2021, the Company issued 1,333,333 common shares at a price of $0.10 per common share to the Company's Officers.

As at October 31, 2021, the Company has payables to related parties of $3,241 (January 31, 2020 – $147,817).

(Unaudited, expressed in Canadian Dollars)

15) RELATED PARTY TRANSACTIONS *(continued)*

As at October 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 $79,333 (January 31, 2021 – $51,163) (Note 13).

16) REVENUE

Major components of revenue are as follows:

	Three Months Ended		Nine Months Ended	
	October 31, 2021	**October 31, 2020**	**October 31, 2021**	**October 31, 2020**
	$	$	$	$
Recreational Cannabis	6,840,009	5,082,618	17,796,895	11,601,197
Accessories and Other	644,149	108,312	1,044,506	256,546
	7,484,158	5,190,930	18,841,401	11,857,743

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

17) SEGMENTED INFORMATION

Throughout the nine months ended October 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 Kiaro Digital Ltd. and Kiaro 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.

Nine months ended October 31, 2021	**Retail cannabis stores**	**Wholesale cannabis business**	**Ecommerce**	**Corporate**	**Eliminations and adjustments**	**Total**
	$	$	$	$	$	$
Revenue	12,162,584	5,948,560	730,257	-	-	18,841,401
Intercompany revenue	-	1,475,365	-	-	(1,475,365)	-
Total revenue	12,162,584	7,423,925	730,257	-	(1,475,365)	18,841,401
Cost of sales	7,586,875	6,759,753	545,133	-	(1,478,601)	13,413,160
Gross profit	4,575,709	664,172	185,124	-	3,236	5,428,241
Net earnings/(loss)	559,244	272,451	71,223	(4,029,339)	3,236	(3,123,185)
Total assets	15,796,720	2,180,264	222,195	12,056,740	-	30,255,919
Total liabilities	9,876,080	1,960,532	151,390	4,437,444	-	16,425,446

(Unaudited, expressed in Canadian Dollars)

17) SEGMENTED INFORMATION *(continued)*

Nine months ended October 31, 2020	Retail cannabis stores	Wholesale cannabis business	Ecommerce	Corporate	Eliminations and adjustments	Total
	$	$	$	$	$	$
Revenue	8,034,988	3,822,755	-	-		11,857,743
Intercompany revenue	-	1,129,520	-	-	(1,129,520)	-
Total revenue	8,034,988	4,952,275		-	(1,129,520)	11,857,743
Cost of sales	4,984,427	4,475,152	-	-	(1,117,158)	8,342,421
Gross profit (loss)	3,050,561	477,123	-	-	(12,362)	3,515,322
Net profit (loss)	357,853	237,968	-	(8,731,887)	(12,362)	(8,148,428)
Total assets	7,893,359	1,266,860	-	1,675,211	-	10,835,430
Total liabilities	641,951	729,350	-	3,713,362	-	5,084,663

Three months ended October 31, 2021	Retail cannabis stores	Wholesale cannabis business	Ecommerce	Corporate	Eliminations and adjustments	Total
	$	$	$	$	$	$
Revenue	4,614,740	2,280,172	589,246	-	-	7,484,158
Intercompany revenue	-	470,216	-	-	(470,216)	-
Total revenue	4,614,740	2,750,388	589,246	-	(470,216)	7,484,158
Cost of sales	2,883,544	2,433,502	443,588	-	(471,142)	5,289,492
Gross profit (loss)	1,731,196	316,886	145,658	-	926	2,194,666
Net profit (loss)	170,633	183,238	48,403	(1,482,866)	926	(1,079,666)
Total assets	15,796,720	2,180,264	222,195	12,056,740	-	30,255,919
Total liabilities	9,876,080	1,960,532	151,390	4,437,444	-	16,425,446

Three months ended October 31, 2020	Retail cannabis stores	Wholesale cannabis business	Ecommerce	Corporate	Eliminations and adjustments	Total
	$	$	$	$	$	$
Revenue	3,684,625	1,506,305	-	-	-	5,190,930
Intercompany revenue	-	486,949	-	-	(486,949)	-
Total revenue	3,684,625	1,993,254	-	-	(486,949)	5,190,930
Cost of sales	2,277,752	1,832,562	-	-	(483,175)	3,627,139
Gross profit (loss)	1,406,873	160,692	-	-	(3,774)	1,563,791
Net profit (loss)	337,900	99,789	-	(3,327,707)	(3,774)	(2,893,792)
Total assets	7,893,359	1,266,860	-	1,675,211	-	10,835,430
Total liabilities	641,951	729,350	-	3,713,362	-	5,084,663

(Unaudited, expressed in Canadian Dollars)

18) COMMITMENTS AND CONTINGENCIES

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

	$
Less than 1 year	213,886
1 - 2 years	-
2 - 3 years	-
> 3 years	-
Total commitments and contingencies	213,886

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.

19) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

	October 31, 2021	**January 31, 2021**
Financial assets	$	$
Amortized cost		
Cash and cash equivalents	5,283,069	1,304,829
Trade and other receivables (exclude sales taxes receivable)	356,210	139,632
Net investment in finance lease	251,716	369,362
Total financial assets	5,890,995	1,813,823
Financial liabilities		
Financial liabilities at FVTPL		
Embedded derivative liability	198,929	208,386
Financial liabilities at amortized cost		
Accounts payable and accrued liabilities (excludes sales taxes payable)	3,863,181	1,219,745
Due to related parties	3,241	147,817
Purchase liabilities	-	103,230
Lease liabilities	8,824,310	2,310,950
Long-term liabilities	3,432,195	740,519
Total financial liabilities	16,321,856	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.

(Unaudited, expressed in Canadian Dollars)

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

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 at July 11, 2021, with the acquisition of 8651159 Canada Inc., the Company began to operate outside of Canada with foreign currency bank accounts and transacted in foreign currencies. The Company's exposure to currency risk as at October 31, 2021, represented approximately 2.6% of total 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.

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, 2021, the Company had $5,283,069 in cash and cash equivalents (January 31, 2021 – $1,304,829). The Company is obligated to pay financial liabilities with total carrying amounts to $6,097,295 (January 31, 2021 – $2,420,655) in the next 12 months.

As at October 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)	3,863,181	-	-	-	-	3,863,181
Due to related parties	3,241	-	-	-	-	3,241
Lease liabilities	2,371,106	2,209,616	1,632,146	1,443,460	6,286,220	13,942,548
Long-term liabilities	1,120,450	303,720	4,161,289	3,000	61,500	5,649,960
Total	7,357,978	2,513,336	5,793,435	1,446,460	6,347,720	23,458,930

(Unaudited, expressed in Canadian Dollars)

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

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 October 31, 2021:

	0 - 30 days	31 - 61 days	61 - 90 days	> 90 days
	$	$		
Trade and other receivables				
(exclude sales taxes receivable)	356,210	-	-	-
Expected credit losses	-	-	-	-
Total	356,210	-	-	-

COVID-19 Risk

Beginning March 2020, the outbreak of the novel strain of coronavirus ("COVID-19"), has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to business globally resulting in a significant economic slowdown.

The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its subsidiaries in future periods.

To date, the Company has not seen significant impacts on operations as a result of the COVID-19 pandemic and has adapted by implementing new safety protocols. The Company is closely monitoring the impact of the pandemic on all aspects of the business.

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.

(Unaudited, expressed in Canadian Dollars)

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

Fair Value Measurement *(continued)*

				October 31, 2021
Fair value through profit or loss	Level 1	Level 2	Level 3	Total
	$	$	$	$
Embedded derivative liability	-	-	198,929	198,929
	-	-	198,929	198,929

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 1.00% (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.

20) SUBSEQUENT EVENTS

On November 12, 2021, the Company issued 6,700,000 common shares at a price of $0.08 per common share to Aegis as per the acquisition agreement (Note 6).

On November 28, 2021, 30 days after the closing of the Convertible Debentures (Note 13), the option for an additional 15% of Units sold was not exercised by the lead agents.

On December 8, 2021, the Company received the letter of acceptance for the working capital calculation in connection with the acquisition of Hemisphere and settled with Aegis $388,988 in cash (Note 6).