KIARO HOLDINGS CORP.

(FORMERLY DC ACQUISITION CORP.)

Management's Discussion and Analysis

For the three and twelve months ended January 31, 2021

The following management's discussion and analysis ("**MD&A**") of financial condition and results of operations of Kiaro Holdings Corp. ("**Kiaro**" or the "**Company**") should be read in conjunction with the Company's audited consolidated financial statements for the year ended January 31, 2021, and the accompanying notes thereto (the "**Financial Statements**"), which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). This MD&A has been prepared as of May 3, 2021, pursuant to the disclosure requirements under National Instrument 51-102 - *Continuous Disclosure Obligations* of the Canadian Securities Administrators.

This MD&A contains forward-looking information within the meaning of Canadian securities laws, and the use of non-GAAP measures. Refer to "Cautionary Statement Regarding Forward-Looking Statements" included within this MD&A. This MD&A and the Company's annual audited consolidated financial statements have been filed in Canada on SEDAR at www.sedar.com. Additional information regarding the Company can also be found on the Company's website at www.kiaro.com.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This MD&A contains certain statements which may constitute "forward-looking information" and "forward-looking statements" within the meaning of Canadian securities law requirements (collectively, "**forward-looking statements**" or "**FLS**"). These forward-looking statements are made as of the date of this MD&A and the Company does not intend, and does not assume any obligation, to update these FLS, except as required under applicable securities legislation. FLS relate to future events or future performance and reflect Company management's expectations or beliefs regarding future events. In certain cases, FLS can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. In this document, certain forward-looking statements are identified by words including "may", "future", "expected", "intends" and "estimates". By their very nature FLS involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the FLS. The Company provides no assurance that FLS will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on FLS.

The Company's anticipated future operations are forward-looking in nature and, as a result, are subject to certain risks and uncertainties. Although the Company believes that the expectations reflected in these FLS are reasonable, undue reliance should not be placed on them as actual results may differ materially from the forward-looking statements. Such FLS are estimates reflecting the Company's best judgment based upon current information and involve a number of risks and uncertainties, and there can be no assurance that other factors will not affect the accuracy of such forward-looking statements.

CAUTIONARY STATEMENT REGARDING CERTAIN NON-GAAP PERFORMANCE MEASURES

This MD&A contains certain financial performance measures that are not recognized or defined under IFRS (termed "**Non-GAAP Measures**"). As a result, this data may not be comparable to data presented by other cannabis retail or wholesale companies. For an explanation of these measures to related comparable financial information presented in the consolidated financial statements prepared in accordance with IFRS, refer to the discussion below. The Company believes that these Non-GAAP Measures are useful indicators of operating performance and are specifically used by management to assess the financial and operational performance of the Company. These Non-GAAP measures include, but are not limited, to the following:

- Adjusted EBITDA is calculated as net loss excluding finance income (expense), income taxes, depreciation, amortization, share-based compensation, loss on modification and extinguishment of debt, foreign exchange, changes in fair value of financial instruments, lease termination loss and loss on sublease and non-cash impairment of equity investments, loss on sale of financial instruments, impairment of long-lived assets, goodwill, and other assets, and the transaction cost of certain transactions. Adjusted EBITDA is intended to provide a proxy for the Company's operating cash flow and is widely used by industry analysts to compare Kiaro to its competitors and derive expectations of future financial performance for Kiaro. Adjusted EBITDA increases comparability between comparative companies by eliminating variability resulting from differences in capital structures, management decisions related to resource allocation, and the impact of fair value adjustments on financial instruments, which may be volatile and fluctuate significantly from period to period.

Non-GAAP measures should be considered together with other data prepared in accordance with IFRS to enable investors to evaluate the Company's operating results, underlying performance and prospects in a manner similar to Kiaro's management. Accordingly, these non-GAAP measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

BUSINESS OVERVIEW

The Company (formerly DC Acquisition Corp. ("**DCA**") owns and operates seven retail cannabis locations throughout British Columbia and Saskatchewan, and subsequent to January 31, 2021, has added two additional locations in British Columbia, which are expected to become operational by the fall of 2021 and the summer of 2022 respectively. In addition to its retail operations, Kiaro, through its wholly owned subsidiary, National Cannabis Distribution Inc. ("**NCD**"), wholesales cannabis products to other licensed retailers in Saskatchewan.

On June 9, 2020, Kiaro Brands Inc. ("**KBI**") entered into an amalgamation agreement ("**Amalgamation Agreement**") with DCA, a TSX Venture Exchange ("**TSX-V**") listed capital pool company to complete a reverse takeover transaction (the "**Qualifying Transaction**"). On October 13, 2020, pursuant to the Amalgamation Agreement, DCA completed a three-cornered amalgamation with KBI, with the resulting corporation changing its name to Kiaro Holdings Corp.

The resulting financial statements are presented as a continuance of KBI (accounting acquirer), and comparative figures presented in the Financial Statements are those of KBI. The thirteen month period from January 1, 2019 to January 31, 2020 ("**FY 2020**"), is used as the basis for comparison for the twelve month period from February 1, 2020 to January 31, 2021 ("**FY 2021**"). The additional one month on a year to year comparative basis is the result of the change in KBI's prior fiscal year end from December 31 to January 31.

Kiaro is a publicly traded company with the head office located at 300 - 110 East Cordova Street, Vancouver, British Columbia, Canada V6A 1K9. The Company is traded on the TSX-V under the symbol "KO".

DESCRIPTION OF BUSINESS

Kiaro is an independent, omni-channel distributor and multi-provincial cannabis retailer. Through existing storefronts across British Columbia and Saskatchewan, a wholesale distribution division servicing Saskatchewan, and plans for national expansion, Kiaro is driven to introduce new and experienced consumers to a lifelong exploration of cannabis. With more than 40 years of collective retail-focused experience, Kiaro's leadership team has a proven track record of growing retail brands across North America and plans to open additional retail locations nationwide over the coming years.

OPERATIONAL HIGHLIGHTS IN THE 2021 FISCAL YEAR

Retail Operations

The Kiaro retail portfolio increased from four cannabis retail stores as at January 31, 2020, to seven open and operating cannabis retail stores as at the date of this MD&A. During the most recently completed fiscal year, Kiaro introduced over 1,200 new products to its customers and more than doubled the revenue in the accessories category. In FY 2021, Kiaro's average month over month revenue increase was approximately 11% (252% year over year revenue growth), and gross margins averaged 38% compared to 35% in the prior year.

British Columbia

Kiaro opened a new cannabis retail location in each of March 2020, July 2020 and September 2020, for a total of three new locations in the 2021 fiscal year. Kiaro's Port Moody location, its fifth location, is between Coquitlam and Burnaby, two municipalities that currently have no framework for regulated cannabis retail, allowing Kiaro to capture a wider consumer base than the population of Port Moody alone. The Company successfully completed the build out of its Port Moody location on time and under budget, despite opening during the COVID-19 pandemic, on March 20, 2020. Provincial legislative changes announced in March 2020 provided an opportunity for Kiaro to roll out its Reserve Online Pick up In Store ("**ROPIS**") online platform, which was introduced to all BC and Saskatchewan locations on March 23, 2020 and has contributed 15% of total sales volume. Kiaro's sixth retail store located in Vancouver opened on July 1, 2020, in the historic Commercial Drive neighborhood, and its seventh retail location opened in Nanaimo on September 8, 2020.

Saskatchewan

In March 2020, Kiaro improved its e-commerce platform for customers across Saskatchewan with live inventory visibility by store, and the option for either ROPIS or home delivery. The Company's e-commerce platform was built on the Shopify Plus platform and allows customers to choose same-day last mile delivery through the Company's third party logistics provider, Pineapple Express Delivery ("**Pineapple Express**"), or standard shipping through Purolator. Kiaro intends to continue its e-commerce offerings and improve its customer journey as more jurisdictions in which the Company operates permit private online cannabis sales, and the authorities increase enforcement efforts against unregulated online cannabis sales.

Ontario

In January 2020, the Alcohol and Gaming Commission of Ontario repealed the lottery process and began accepting applications for Retail Operator Licenses ("**ROL**"). Following this repeal, Kiaro applied for and was awarded a ROL on June 18, 2020. With this approval, Kiaro is currently evaluating opportunities to open a number of cannabis retail stores in Ontario and to continue to grow its retail network in Canada.

New Brunswick and Other Jurisdictions

In January 2020, Kiaro was one of eight companies invited to submit a bid by RFP to take over operations of Cannabis NB from the provincial government. On March 19, 2021, the Company was informed that the Cabinet elected not to proceed in signing an Agreement and the entire process was abandoned. Kiaro continues to monitor the legislation in other jurisdictions for opportunities to enter.

COVID-19

As COVID-19 has changed the retail shopping experience, Kiaro modified its business practices to ensure a safe environment for customers and employees. Kiaro modified its in-store experience and introduced a reserve online and pick up in store option for consumers. Kiaro also eliminated all unnecessary in-store touch points and is following British Columbia and Saskatchewan Health Authority and WorkSafe guidelines. Kiaro expects to continue to monitor direction given by applicable health authorities and adjust its retail experience accordingly. Although there have not been any significant impacts to the Company's operations to date, the Company cannot provide assurance that there will not be disruptions to its operations in the future. Refer to the "*Risk Factors*" section below for further discussion on the potential impacts of COVID-19.

Wholesale Operations

Saskatchewan's geographic size versus its population density presents certain challenges to the retail operations of the Company. In order to meet this challenge, the Company, through its wholesale subsidiary, NCD, is able to access and deliver product from a diverse range of sources and at competitive price points.

NCD continues to focus on expanding its distribution reach and market share in Saskatchewan by working with Licensed Producers ("**LPs**") to create a curated list of cannabis products specifically for the Saskatchewan market's serviced retailers and their consumers. NCD's approach in its data-driven methodologies guiding product selection and its high level of service resulting in zero customer attrition rates since its acquisition in March 2019. Additionally, this resulted in an increase in the number of serviced retailers in Saskatchewan by approximately 40% since February 2020. Currently, NCD services over 60% of the licensed retailers in Saskatchewan.

In an effort to meet consumer demand, NCD increased its cannabis 2.0 offerings by over 250%, added 32 new brands, and continues to assess other LPs' cannabis product offerings to introduce to the Saskatchewan market, and add value to its serviced retailers. In FY 2021, NCD's average month over month revenue increase was approximately 9% (181% year over year revenue growth), and gross margins averaged 8% compared to 6% in the prior year.

eCommerce

On March 20, 2020, British Columbia's Liquor and Cannabis Regulation Branch announced that licensed cannabis retailers in British Columbia would be allowed to offer non-medical cannabis product reservations to customers online. Kiaro's management built, tested, and rolled out ROPIS in the four days following such announcement. The average basket-size for ROPIS transactions is approximately 44% higher than traditional sales.

In Saskatchewan, as permitted by the Saskatchewan Gaming and Liquor Authority ("**SLGA**"), Kiaro's two retail locations offer last mile delivery in addition to the ROPIS option. Last mile delivery permits customers to complete their purchase transaction online, and have the order shipped to their home within two hours through Pineapple Express.

OPERATIONAL HIGHLIGHTS FOR THE TWELVE MONTHS ENDED JANUARY 31, 2021

- The Company achieved positive adjusted EBITDA for the first time during the three months ended October 31, 2020;
- In July 2020, Kiaro was granted a Retail Operator License by the Ontario Regulator, AGCO;
- Kiaro opened a total of three new cannabis retail stores: one located in Port Moody on March 30, 2020, one located in Vancouver on July 1, 2020, and a third one located in Nanaimo on September 8, 2020;
- Expansion of product offering to include more edibles, cannabis extract products, and beverages;
- Roll out of reserve online and pick up in store feature;
- Launch of MyKiaro membership program;
- Addition of the gift card program; and
- Kiaro promoted the President of Operations, Eleanor Lynch, to the position of Chief Operating Officer.

FUTURE DEVELOPMENTS

Retail

The Company is actively evaluating multiple opportunities for retail expansion in both British Columbia and Ontario in the first half of 2021. In addition to the expansion of physical retail sites, Kiaro will continue to evolve its best in class experience by offering additional services to consumers. Enhanced ecommerce options, value added in store experiences, and the phase two launch of the MyKiaro membership program all aim to deliver on the promise of providing unforgettable cannabis experiences. Kiaro plans to maintain high gross margins by continuing to deliver on retail best practices with regard to product procurement. The Company's plans will continue to target category growth but will add additional focus to forecasting consumer trends present in a constantly evolving brand marketplace. Kiaro expects to accomplish this target by continuing to leverage their relationship with ERP supplier Microsoft Dynamics that allows the seamless evaluation of transactions via Power BI and Jet Reports.

Wholesale

In 2020, SLGA altered the provincial regulations to allow new proponents to apply for cannabis retail permits in Saskatchewan. NCD plans to expand its customer base of retailers as new permits are issued over the next twelve to eighteen months. NCD will continue to seek advantageous partnerships with LPs to expand its product offering.

NCD expects higher gross margins in the twelve month period February 1, 2021 to January 31, 2022 ("**FY 2022**") as a result of new vendor collaborations, evolving product mix, and an additional dedicated sales account representative.

KEY DEVELOPMENTS FOR THE TWELVE MONTHS ENDED JANUARY 31, 2021

On February 1, 2020, the Company entered into a convertible debenture agreement with a third party in the amount of $100,000. The convertible debenture bears interest at eight percent per annum and matures on February 1, 2022. The lender may, at any time, convert all or any 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.

In February 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 has been repaid, which included accrued interest of $4,571.

On March 13, 2020, the Company settled a promissory note with principal amount of $600,000, which bore interest of ten percent per annum, for total value of $613,644.

In March 2020, the Company liquidated all class 2 common shares it held in Tilray Inc. (“**Tilray**”) 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.

In March 2020, the Company provided a termination notice for the lease of a property located in the District of North Vancouver (the “**North Vancouver Lease**”). As at January 31, 2021, the North Vancouver Lease has been terminated.

On April 7, 2020, a promissory note with a face value of $100,000 and a compounding interest rate of 14%, was settled for $104,181, which includes accrued interest of $4,181.

In April 2020, the Company sublet a portion of a leased property located in Victoria, British Columbia, which resulted in a partial derecognition of the right-of-use asset and an increase in net investment in leases.

On April 29, 2020, the Company entered into an agreement with a third party for a Canada Emergency Business Account (“**CEBA**”) loan in the amount of $40,000, which was subsequently increased to $60,000 on December 24th, 2020. The loan bears interest at 0% until December 31, 2022, and 5% thereafter from January 1, 2023 until the loan is repaid in full. The loan is to be repaid by interest only payments beginning on January 1, 2023, and the balance by December 31, 2025.

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

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

On May 31, 2020, the Company settled the remaining portion of the promissory note units totaling $1,750,000 with three new convertible debentures totaling $1,750,000 to companies related to a director of the Company. The convertible debentures bear interest of 8% and mature on May 31, 2022. The lender may, on the date of maturity, convert all, but not less than all, of the principal, all accrued and unpaid interest less applicable withholding taxes, into common shares of the Company at a deemed issue price of $0.30 per common share. Subject to the Company going public, the holders have the option to convert all, but not less than all, of the principal, all accrued and unpaid interest less applicable withholding taxes, into common shares of the Company at a discounted go-public issue price equal to 80% of the issue price in connection with a go-public transaction. One of the debentures issued for $300,000 was settled with a loan receivable on July 31, 2020. On October 13, 2020, upon completion of the Qualifying Transaction, $750,000 plus accrued interest of the remaining $1,450,000 convertible debentures converted to common shares at a deemed price per common share of $0.144 and $700,000 of these debentures remain outstanding.

Between June and July 2020, and in accordance with the policies of the TSX Venture Exchange, DCA, pending completion of the Qualifying Transaction, advanced to KBI a loan of $225,000 on commercial terms, with interest at 4% and maturing one year from the date of issuance. Upon completion of the Qualifying Transaction, Kiaro acquired the loan receivable from DCA and is eliminated upon consolidation.

On October 2, 2020, in connection with the Qualifying Transaction, DCA filed its filing statement in respect of the Qualifying Transaction on its profile on SEDAR at www.sedar.com. Kiaro completed the Qualifying Transaction by way of reverse take-over of DCA pursuant to the Amalgamation Agreement on October 13, 2020 by way of a three-cornered amalgamation of Kiaro with 1251542 B.C. Ltd. ("**DCA Subco**"), a wholly owned subsidiary of DCA. Following completion of the Qualifying Transaction, the resulting issuer, now named Kiaro Holdings Corp. commenced trading on the TSX Venture Exchange under the symbol "KO".

On October 13, 2020 and concurrent with the Qualifying Transaction, $6,502,364 of principal and accrued interest on convertible debentures of the Company was converted into common shares of the Company in accordance with the conversion terms underlying such convertible debentures. As a result of this conversion, an additional 45,155,309 common shares of the Company were issued at a deemed issue price of $0.144 per share.

On October 28, 2020, the Company announced the promotion of its President of Operations, Eleanor Lynch, to the position of Chief Operating Officer, effective October 28, 2020. In this role, she is responsible for leading operations, customer experience and overall execution of the Company's plans. Ms. Lynch is a retail professional with over twenty years of retail experience, ten of which have been in senior leadership roles for various national brands.

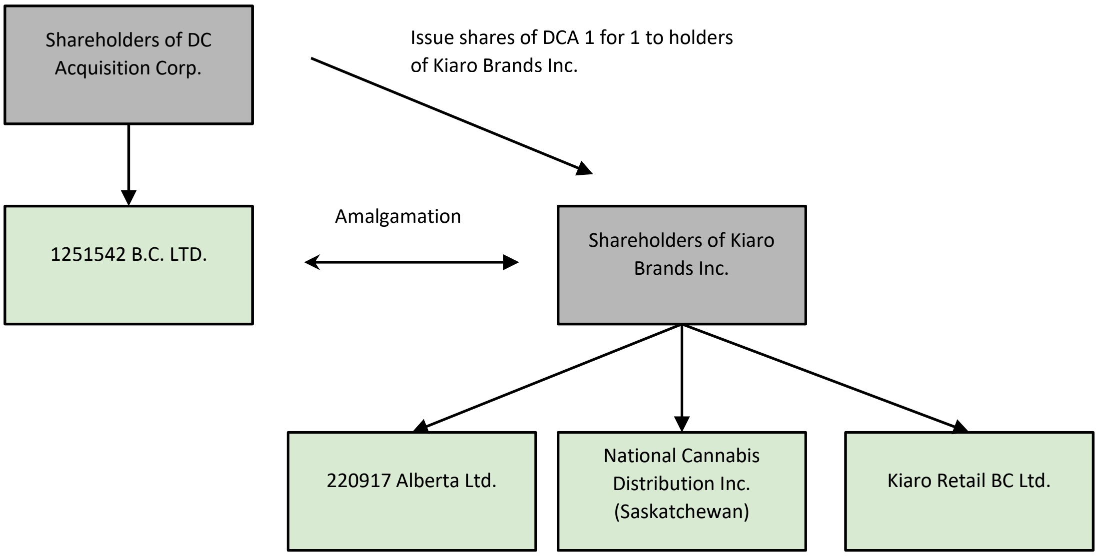
On December 10, 2020, the Company announced that NCD entered into a reseller agreement with Golden Coast Sales and Marketing Inc. ("**Golden Coast**") for the exclusive distribution rights to various cannabis 2.0 THC and CBD products in Saskatchewan that feature brands focused on vegan and gluten-free product lines. Product offerings include White Rabbit OG, True North Cannabis Corp., HYTN Beverages, and BC Legacy Extracts.

MATERIAL TRANSACTIONS AND DEVELOPMENTS

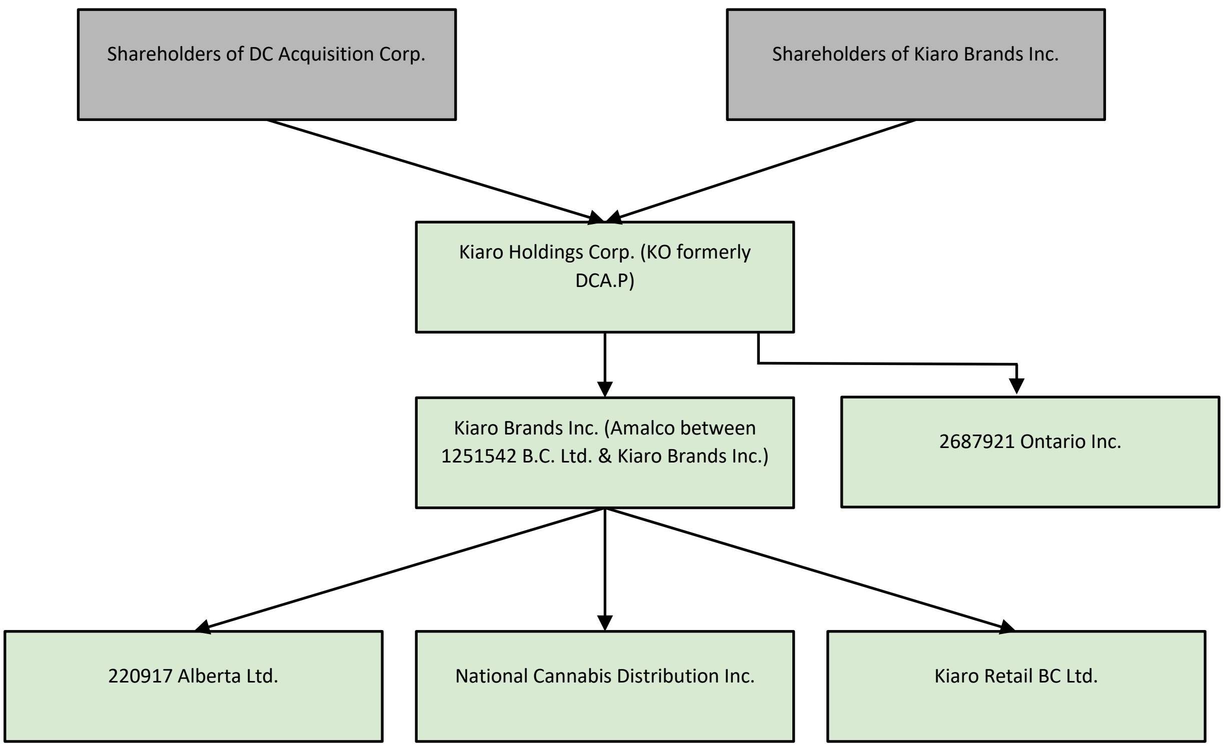
Kiaro Brands Inc. and DCA

DCA, KBI, and DCA Subco entered into the Amalgamation Agreement on June 9, 2020, which set out the principal terms and conditions of amalgamation ("**Qualifying Transaction**"). Pursuant to the Amalgamation Agreement, DCA Subco and KBI amalgamated and holders all of the issued and outstanding shares in the capital of Kiaro were issued an equal number of common shares in the capital of DCA (each, a "**DCA Share**") on October 13, 2020. 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 KBI for DCA Shares.

The following is the organizational structure of the 3-corner amalgamation:



The following is the Post-Amalgamation organizational structure:



Upon completion of the Qualifying Transaction, shareholders of KBI and shareholders of DCA became shareholders of the Company. Immediately prior to the completion of the Qualifying Transaction, approximately $6.5 million of principal and accrued and unpaid interest on convertible debentures of KBI were converted into common shares of KBI in accordance with the conversion terms underlying such convertible debentures. All securities entitling holders to acquire common shares of KBI outstanding at the time of the consummation of the Qualifying Transaction were exchanged for equivalent securities of the Company on a one for one basis, subject to adjustment in accordance with the certificates evidencing such securities. Replacement options of the Company were granted to KBI option holders are governed by the DCA option plan.

SELECTED FINANCIAL RESULTS

The following selected financial data was prepared in accordance with IFRS and should be read in conjunction with the Company's audited consolidated financial statements for the year ended January 31, 2021, and the accompanying notes thereto. All dollar amounts are in Canadian dollars.

	Three months ended January 31, 2021	Three months ended October 31, 2020	% Change	Year ended January 31, 2021	Thirteen months ended January 31, 2020	% Change
	$	$		$	$	
Revenue	5,214,123	5,190,930	0%	17,071,866	5,171,836	230%
Gross profit	1,598,886	1,563,791	2%	5,114,208	1,341,965	281%
Operating expenses	(2,512,319)	(2,320,858)	-8%	(8,843,117)	(9,727,247)	9%
Loss from operations	(913,433)	(757,067)	-21%	(3,728,909)	(8,385,282)	56%
Other expenses	(275,176)	(2,136,725)	87%	(5,608,128)	(4,117,968)	-36%
Net loss	(1,188,609)	(2,893,792)	59%	(9,337,037)	(12,503,250)	25%
Adjusted EBITDA [1]	(106,156)	29,561	-459%	(726,162)	(5,915,865)	88%

[1] This term is defined in the "Cautionary Statement Regarding Certain NON_GAAP Performance Measures" section of this MD&A. Refer to the "Adjusted EBITDA" section for reconciliation of the IFRS equivalent.

Operating expenses as a percentage of revenue increased from 45% during the three months ended October 31, 2020 ("**Q3 FY 2021**") to 48% during the three months ended January 31, 2021 ("**Q4 FY 2021**"), resulting primarily from an increase in amortization and depreciation of $123,238.

In Q4 FY 2021, other expenses decreased by 87% in comparison to Q3 FY 2021 due to the Qualifying Transaction costs of $312,848 and the difference in the value of shares issued compared to the fair value of assets acquired.

In Q4 FY 2021, adjusted EBITDA decreased by $135,717 compared to Q3 FY 2021 mainly due to year end accruals for performance bonuses of $147,000. The performance bonuses were issued in Q4, however, they related to annual performance metrics being achieved. The total salaries and wages as a percentage of revenue for Q4 FY 2021 was 22.0% vs 21.9% for the full year.

For more information relating to factors that have caused period to period variation, see "*Key Developments for the twelve months ended January 31, 2021*".

RESULTS OF OPERATIONS

The following table outlines the key financial results for the three months ended January 31, 2021 and 2020, and the year ended January 31,2021 and the thirteen months ended January 31, 2020:

	Three months ended January 31, 2021	Three months ended January 31, 2020	Year ended January 31, 2021	Thirteen months ended January 31, 2020
	$	$	$	$
Revenue	5,214,123	2,019,164	17,071,866	5,171,836
Cost of sales	(3,615,237)	(1,526,803)	(11,957,658)	(3,829,871)
Gross profit	1,598,886	492,361	5,114,208	1,341,965
Gross profit %	31%	24%	30%	26%
Operating expenses	(2,512,319)	(2,374,358)	(8,843,117)	(9,727,247)
Other expenses	(275,176)	(1,711,624)	(5,608,128)	(4,117,968)
Net loss and comprehensive loss	**(1,188,609)**	**(3,593,621)**	**(9,337,037)**	**(12,503,250)**
Loss per share, basic and diluted	**(0.01)**	**(0.07)**	**(0.08)**	**(0.25)**

Revenue

During the year ended January 31, 2021, the Company generated revenue of $17,071,866 compared to $5,171,836 for the thirteen months ended January 31, 2020. During the quarter ended January 31, 2021, the Company generated revenue of $5,214,123 compared to $2,019,164 in the same quarter of the prior year. The increase in revenue for the yearly and quarterly results were due to:

- New revenue from four additional retail locations in FY 2021;
- Same-store sales increase of 58% from FY 2020 to FY 2021, and 53% quarter over quarter increase; and

- Growth in the wholesale cannabis business of 181% from FY 2020 to FY 2021, and 269% quarter over quarter increase.

Cost of sales

During the year ended January 31, 2021, the Company incurred $11,957,658 in cost of sales compared to $3,829,871 for the thirteen months ended January 31, 2020. During the quarter ended January 31, 2021, cost of sales totaled to $3,615,237 compared to $1,526,803 for the same quarter of the prior year. The increase in cost of sales was in line with the Company's revenue growth in both the retail and wholesale recreational cannabis segments.

Gross profit percentages are presented as a blend of retail and wholesale business unit contribution. The increase in gross profit percentage from 26% to 30% annually and 24% to 31% quarterly were primarily due to a change in product mix towards higher profit margin products and a shift towards increased accessory offerings.

Operating expenses

The following table outlines the operating expenses for the three months ended January 31, 2021 and 2020, the year ended January 31, 2021 and the thirteen months ended January 31, 2020:

	Three months ended January 31, 2021	Three months ended January 31, 2020	Year ended January 31, 2021	Thirteen Months Ended January 31, 2020
	$	$	$	$
Consulting	130,712	141,212	458,381	889,247
Depreciation and amortization	610,743	565,822	1,866,786	1,988,336
Goodwill impairment	-	445,000	-	445,000
Inventory write-down	-	52,940	19,188	52,940
Maintenance	63,174	72,360	201,796	281,896
Marketing and brand development	57,673	27,137	234,876	577,796
Meals and entertainment	1,114	2,121	7,500	24,603
Office and administration	174,133	142,447	615,090	636,494
Professional fees	133,205	106,308	551,325	583,199
Salaries and employee benefits	1,144,517	632,791	3,739,749	3,321,396
Share-based compensation	196,534	174,328	1,135,961	798,174
Travel	514	11,892	12,465	128,166
Total operating expenses	**2,512,319**	**2,374,358**	**8,843,117**	**9,727,247**

For the quarter ended January 31, 2021, the total operating expenses as a percentage of revenue decreased to 48% from 118% in the same quarter of the prior year.

- Salaries and employee benefits increased $511,726 due to growth in headcount with new retail store openings, however, decreased as a percentage of revenue from 31% to 22%.
- General and Administrative expenses (which include all other expenses except depreciation and amortization, goodwill impairment, share-based compensation, and salaries and employee benefits) decreased as a percentage of revenue from 28% to 11%, including a significant decrease in consulting expenses of $430,866.
- Offsetting the increase in operating expenses was goodwill impairment of $nil for the quarter ended January 31, 2021 compared to $445,000 in the same quarter of the prior year due to the increase of the financial performance of the NCD business unit.

For the year ended January 31, 2021, total operating expenses decreased by $884,130 and as a percentage of revenue from 188% to 52% compared to prior year. The decrease was partially related to the additional month of operating expenses in the prior year, as well as the Company's efforts in achieving efficiencies in its operations and controlling overhead spending. The material variances were as follow:

- Salaries and employee benefits increased by $418,353 and decreased as a percentage of revenue from 64% to 22% due to growth in headcount with new retail store openings. Salaries and employee benefits at HQ decreased as a percentage of revenue from 46% to 10%.
- General and Administrative expenses decreased $1,073,720 and from 61% to 12% as a percentage of revenue.
- No goodwill impairment was recognized in the current year compared to the prior year.

- Increase in share-based compensation due to granting of new stock options for employees of the Company, as well as to directors, officers and other parties associated with the Qualifying Transaction.

Other expenses and income

The following table outlines the other expenses and income for the three months ended January 31, 2021, and 2020, the year ended January 31, 2021, and the thirteen months ended January 31, 2020:

	Three months ended January 31, 2021	Three months ended January 31, 2020	Year ended January 31, 2021	Thirteen Months Ended January 31, 2020
	$	$	$	$
Change in fair value of marketable securities	-	(759,095)	-	(2,393,055)
Change in fair value of derivative liabilities	(385)	(42,998)	(27,094)	(15,143)
Finance income	108,715	(22,852)	182,032	48,121
Finance expense	(166,152)	(454,459)	(1,598,042)	(1,305,516)
Foreign exchange gain	-	-	38,413	-
Impairment of long-lived assets	-	(297,878)	-	(297,878)
Lease termination loss and loss on sublease	(140,331)	(102,209)	(205,750)	(135,282)
Loss on disposal of assets	(625)	-	(625)	-
Loss on modification and extinguishment of debt	(6,097)	-	(99,441)	-
Realized loss on sale of marketable securities	-	-	(2,105,548)	-
Transaction cost of qualifying transaction	(70,301)	-	(1,792,073)	-
Unrealized foreign exchange gain	-	(32,133)	-	(19,215)
Total other (expenses) income	**(275,176)**	**(1,711,624)**	**(5,608,128)**	**(4,117,968)**

During the year ended January 31, 2021, the Company incurred other expenses of $5,608,128 compared to $4,117,968 during the thirteen months ended January 31, 2020. The Company's Qualifying Transaction resulted in recognizing costs of $1,792,073 and the disposal of marketable securities resulted in realized loss of $2,105,548. Both expenses were non-recurring.

The Company disposed of its investment in marketable securities in March 2020 and as a result, no change in the fair value of marketable securities was recorded in the year ended January 31, 2021, compared to the same period of the prior year. Finance income and expense changes were primarily the result of the Company's activity with leases, sub-leases, and interest accrued on convertible debentures and promissory notes. No impairment of long-lived assets was recorded for the year ended January 31, 2021, compared to $297,878 in the prior year.

ADJUSTED EBITDA

The following is the Company's adjusted EBITDA for the quarters in fiscal year 2021 and year end results for fiscal years 2021 and 2020:

	Quarterly				Year-to-date	
	January 31, 2021	**October 31, 2020**	**July 31, 2020**	**April 30, 2020**	**January 31, 2021**	**January 31, 2020[(1)]**
	$	$	$	$	$	$
Net loss and comprehensive loss	(1,188,609)	(2,893,792)	(1,443,805)	(3,810,831)	(9,337,037)	(12,503,250)
Depreciation and amortization	610,743	487,505	474,623	293,915	1,866,786	1,988,336
Finance income	(108,715)	(27,451)	(45,866)	-	(182,032)	(48,121)
Finance expense	166,152	431,369	536,949	463,572	1,598,042	1,305,516
EBITDA	(520,429)	(2,002,369)	(478,099)	(3,053,344)	(6,054,241)	(9,257,519)
Change in fair value of marketable securities	-	-	-	-	-	2,393,055
Change in fair value of derivative liabilities	385	826	2,382	23,501	27,094	15,143
Foreign exchange gain	-	-	-	(38,413)	(38,413)	-
Lease termination loss and loss on sublease	140,331	10,209	1,788	53,422	205,750	135,282
Loss on disposal of assets	625	-	-	-	625	-
Loss on modification and extinguishment of debt	6,097	-	93,344	-	99,441	-
Realized loss on sale of marketable securities	-	-	-	2,105,548	2,105,548	-
Share-based compensation	196,534	299,123	244,222	396,082	1,135,961	798,174
Transaction cost of qualifying transaction	70,301	1,721,772	-	-	1,792,073	-
Adjusted EBITDA [(2)]	**(106,156)**	**29,561**	**(136,363)**	**(513,204)**	**(726,162)**	**(5,915,865)**

(1) For the thirteen months ended January 31, 2020.

(2) Adjusted EBITDA is a non-GAAP financial measure and is not a recognized, defined, or standardized measure under IFRS. Refer to "Cautionary Statement Regarding Certain Non-GAAP Performance Measures" section of the MD&A.

STATEMENT OF FINANCIAL POSITION INFORMATION

The following table outlines the Company's assets, liabilities, and equity position as at January 31, 2021, and 2020:

	January 31, 2021	**January 31, 2020**
	$	$
Assets		
Cash and cash equivalents	1,304,829	1,418,764
Trade and other receivables	142,083	162,460
Prepaids and deposits	280,759	391,654
Inventory	1,744,244	841,829
Investment in marketable securities	-	2,986,518
Loan receivable	-	297,382
Net investment in finance lease	369,362	591,391
Property and equipment, including ROU assets	5,215,452	6,693,718
Intangible assets and goodwill	608,588	608,588
	9,665,317	**13,992,304**
Liabilities		
Accounts payable and accrued liabilities	1,473,238	1,481,287
Lease liabilities	2,310,950	3,171,100
Purchase liability	103,230	473,410
Long-term liabilities	740,519	6,530,767
Embedded derivative liabilities	208,386	1,285,000
	4,836,323	**12,941,564**
Equity	**4,828,994**	**1,050,740**

As at January 31, 2021, the Company had total assets of $9,665,317, a decrease of $4,326,987 from total assets of $13,992,304 as at January 31, 2020.

The decrease primarily comprises of a $2,986,518 reduction in marketable securities as a result of the sale of shares in Tilray, a $1,478,266 decrease in property and equipment, including ROU assets, and the repayment of the loan receivable. Inventory increased by $902,415 due to additional retail store openings and bringing inventory to appropriate levels to support expected retail sales during FY 2021.

Liabilities decreased by $8,105,241 in FY 2021 compared to FY 2020 mainly due to converting the vast majority of convertible debentures to common shares in connection with the Company going public in October 2020. The total principal and accrued interest of the debt converted to equity was $7,236,624. In addition, the purchase liability for the investment in NCD decreased as the Company made payments towards the obligation. The purchase liability was discharged in March 2021.

Equity increased by $3,778,254 primarily due to the conversion of long-term liabilities from convertible debentures to common shares and the issuance of new shares to the former shareholders of DCA in connection with the Company going public. This was offset partially with the net loss incurred during FY 2021.

SUMMARY OF QUARTERLY RESULTS

The following tables set out certain selected financial information for most recent eight fiscal quarters:

	Three months ended January 31, 2021	**Three months ended October 31, 2020**	**Three months ended July 31, 2020**	**Three months ended April 30, 2020**
	$	$	$	$
Revenue	5,214,123	5,190,930	4,000,102	2,666,711
Net loss and comprehensive loss	(1,188,609)	(2,893,792)	(1,443,805)	(3,810,831)
Net loss and comprehensive loss per share - Basic & Diluted	(0.01)	(0.03)	(0.01)	(0.04)

	Three months ended January 31, 2020	**Three months ended October 31, 2019**	**Three months ended July 31, 2019**	**Four months ended April 30, 2019**
Revenue	2,019,164	1,821,675	779,316	500,681
Net loss and comprehensive loss	(3,593,621)	(4,153,560)	(2,630,484)	(2,125,585)
Net loss and comprehensive loss per share - Basic & Diluted	(0.07)	(0.13)	(0.13)	(0.11)

Quarterly increases in revenue were due to opening of new retail locations including Port Moody in March 2020, Commercial Drive in July 2020, and Nanaimo in September 2020. The retail business unit contributed an increase in quarter over quarter revenue since their opening dates.

Over the eight quarters presented, the earnings per share saw a continuous improvement, with the exception of Q3 FY 2021, which were the result of increases in revenue as noted and efficiency gains and control over operating expenses. Q3 FY 2021 saw a decrease in earnings per share was directly related to the non-recurring costs associated with the Qualifying Transaction and subsequent go-public event.

SEGMENT INFORMATION

During the year ended January 31, 2021, the Company operated in two segments.

- **Wholesale Cannabis Business** - the Company owns and operates 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.
- **Retail Cannabis Stores** – The Company operates retail locations to sell and distribute cannabis and cannabis related products to individual consumers.

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

Year ended January 31, 2021	Wholesale cannabis business	Retail cannabis stores	Corporate	Eliminations and adjustments	Total
	$	$	$	$	$
Revenue	5,026,003	12,045,863	-	-	17,071,866
Intercompany revenue	1,542,629	-	-	(1,542,629)	-
Total revenue	6,568,632	12,045,863	-	(1,542,629)	17,071,866
Cost of sales	6,036,319	7,460,228	-	(1,538,889)	11,957,658
Gross profit (loss)	532,313	4,585,635	-	(3,740)	5,114,208
Net profit (loss)	197,603	647,647	(10,178,547)	(3,740)	(9,337,037)
Total assets	2,007,247	4,842,232	2,819,578	(3,740)	9,665,317
Total liabilities	704,460	1,525,046	2,606,817	-	4,836,323

Thirteen months ended January 31, 2020	Wholesale cannabis business	Retail cannabis stores	Corporate	Eliminations and adjustments	Total
	$	$	$	$	$
Revenue	1,745,223	3,426,613	-		5,171,836
Intercompany revenue	591,618	-	-	(591,618)	-
Total revenue	2,336,841	3,426,613	-	(591,618)	5,171,836
Cost of sales	2,192,014	2,229,475		(591,618)	3,829,871
Gross profit	144,827	1,197,138	-	-	1,341,965
Net loss	(631,403)	(2,232,994)	(9,638,853)	-	(12,503,250)
Total assets	2,050,214	5,637,785	6,304,305	-	13,992,304
Total liabilities	565,452	3,031,204	9,344,908	-	12,941,564

The wholesale cannabis segment was acquired in March 2019 and revenue contribution began in April 2019 and has seen significant growth since then. In September 2020, the SLGA changed provincial legislation to allow for new retail cannabis applications to be accepted. During FY 2021, the Company's wholesale customer base has increased by 40% due to greater awareness of NCD in Saskatchewan.

The retail cannabis segment has continued to grow year over year with the opening of three retail stores in FY 2021 and one retail store at the end of prior year. The new retail locations included Victoria in January 2020, Port Moody in March 2020, Vancouver in July 2020, and Nanaimo in September 2020. Additional marketing initiatives including ROPIS, MyKiaro membership program, gift card launch, an overhaul to the Company's website and social media platforms, and community initiatives with local charities have all contributed to the increase in same-store sales year over year.

In FY 2021, Corporate's net loss included a realized loss on the sale of marketable securities of $2,105,548 from the declining share price on Tilray shares as well as the Qualifying Transaction expense of $1,792,073. Significant reduction in liabilities were realized at the conversion of debt to equity in October 2020.

LIQUIDITY AND CAPITAL RESOURCES

As at January 31, 2021, the Company had a positive working capital of $1,108,870 (January 31, 2020 - $2,815,847), however subsequent to year end, the Company closed a bought deal financing of $3,000,000.

The Company is in the expansion phase by evaluating, opening, and acquiring cannabis retail locations throughout Canada. In FY 2021, the Company incurred a net loss of $9,337,251.

The Company expects cash resources to be sufficient to meet its short-term needs, including maintaining inventory to meet customers' needs. Management estimates that the current cash position should be sufficient for the Company to carry out the costs to maintain current operations through FY 2022 and excess working capital apply to growth strategy.

Cash Flow Information

	Year ended January 31, 2021	Thirteen months ended January 31, 2020
	$	$
Cash provided by (used in) operating activities	(1,414,780)	(6,031,151)
Cash provided by (used in) investing activities	1,803,698	(3,334,338)
Cash provided by (used in) financing activities	(502,853)	4,680,899
Net change in cash and cash equivalents	(113,935)	(4,684,590)
Cash and cash equivalents, beginning	**1,418,764**	**6,103,354**
Cash and cash equivalents, ending	**1,304,829**	**1,418,764**

Cash used in operating activities improved substantially from FY 2020 to FY 2021 due to the significant increase in revenues from both the retail and wholesale segments, as well as substantial improvements in control over working capital and operating expenses.

Cash provided by investing activities increased in the amount of $5,138,036 from FY 2020 to FY 2021 due to the Qualifying Transaction which provided cash inflow of $2,180,006, which included $225,000 from a promissory note, and proceeds from the sale of Tilray shares of $910,183. In addition, the Company gained efficiencies in building costs on the newly opened stores in the current year resulting in a decrease in capital expenditures and $1,200,000 of cash outflow on acquisition costs in prior year.

Cash provided by financing activities in the FY 2021 decreased from the prior year as substantially less debt was issued by the Company to fund its growth and operations, which was primarily the result of the increase in financial performance and cash provided by operating and investing activities.

Commitment and contractual obligations

In October 2020 and January 2021, the Company entered into insurance contracts with a term of 12 months. All payments were due within the next 12 months.

As at January 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 PST payable)	1,169,655	-	-	-	-	1,169,655
Due to related parties	147,817	-	-	-	-	147,817
Lease liability	1,071,515	1,071,956	613,765	167,146	15,000	2,939,382
Purchase Liability	106,250	-	-	-	-	106,250
Long-term liabilities	158,023	812,000	3,000	3,000	63,000	1,039,023
Total	2,653,260	1,883,956	616,765	170,146	78,000	5,402,127

As at January 31, 2021, the Company leased its corporate office and seven retail locations. The lease liability represented the Company's commitment to these leases until their expiration date. All retail leases that the Company holds are operational as at January 31, 2021.

The Company's long-term liabilities included the convertible debentures issued in the total principal amount of $835,000 and the CEBA loan of $60,000.

OFF-BALANCE SHEET TRANSACTIONS

The Company has not entered into any significant off-balance sheet arrangements or commitments.

RELATED PARTY TRANSACTIONS

As at January 31, 2021, the Company had the following transactions with related parties as defined in *IAS 24 – Related Party Disclosures*, except those pertaining to transactions with key management personnel in the ordinary course of their employment and/or directorship arrangements and transactions with the Company's shareholders in the form of various financing. 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.

On February 14, 2020, the Company entered an unsecured $500,000 short-term loan with the CEO of the Company. The loan accrued interest at a rate of prime plus one percent per annum and was repayable on demand. As of July 31, 2020, the loan had been fully repaid including accrued interest of $4,571.

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

On May 31, 2020, the Company settled promissory notes issued to companies related to a director of the Company in the amount of $1,750,000 by converting the notes to convertible debentures. One of the debentures issued for $300,000 was settled with a loan receivable on July 31, 2020.

On October 13, 2020, upon completion of the Qualifying Transaction, $750,000 plus accrued interest of the remaining $1,450,000 convertible debentures converted to common shares.

On October 18, 2020, the Company made interest payments of $169,189 on the promissory notes to a related party.

As at January 31, 2021, the Company has payables to related parties of $147,817 (January 31, 2020 – $18,861).

PROPOSED TRANSACTION

While the Company is currently evaluating a number of expansion options, it has not identified any specific transaction that it expects to pursue.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized during the period in which the estimate is revised if the revision affects only that period or during the period of the revision and further periods if the review affects both current and future periods.

The areas involving a higher degree of judgment of complexity or where assumptions and estimates are significant to the financial statements are as follows:

Business combinations

Judgement is used in determining whether an acquisition is a business combination or an asset acquisition. For a business combination, judgement is also made on identifying assets acquired. In determining the allocation of purchase price, the most significant estimates generally relate to the present value of future consideration and fair value of intangible assets. Management exercises judgment in estimating the discount rate to be used to determine the present value of future consideration. Identified intangible assets are fair valued using appropriate valuation techniques. Valuations are highly dependent on the inputs used and assumptions made by management regarding the future performance of these assets and any changes in the discount rate applied.

Useful lives of property and equipment and impairment

Depreciation of property and equipment is dependent upon estimates of useful lives and residual values which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Goodwill and intangible assets

Goodwill and indefinite life intangible assets are tested annually for impairment by comparing the carrying value of each cash-generating unit ("**CGU**") containing the assets to its recoverable amount. Goodwill is allocated to CGUs or groups of CGUs for impairment testing based on the level at which it is monitored by management, and not at a level higher than an operating segment. Goodwill is allocated to those CGUs or groups of CGUs expected to benefit from the business combination from which the goodwill arose, which requires the use of judgment. An impairment loss is recognized for the amount by which the CGU's carrying amount exceeds it recoverable amount. The recoverable amounts of the CGUs' assets have been determined based on a fair value less costs of disposal. There is a material degree of uncertainty with respect to the estimates of the recoverable amounts of the CGU, given the necessity of making key economic assumptions about the future. The key assumptions used in the calculation of the recoverable amount relate to future cash flows and growth projections, future weighted average cost of capital and the terminal growth rate. These key assumptions are based on historical data from internal sources as well as industry and market trends.

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques.

The carrying value of loans and borrowings for disclosure purposes is derived using the amortized cost method, by calculating the accretion expense at market-related interest rate less the actual interest expense. Where the carrying value does not approximate the fair value of financial assets and liabilities, valuation techniques such as the discounted cash flow model are used.

The fair value of conversion feature is dependent upon estimated probability and timing of conversion. In addition, estimated benefit the holder will get from conversion were also considered in determining the fair value of the conversion feature.

The inputs to the appropriate models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments also include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

Share-based compensation and warrants

The estimation of share-based compensation and warrants requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of share options granted and the time of exercise of those options. The model used by the Company is the Black-Scholes valuation model.

Income taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Inventory

Inventory is carried at the lower of cost and net realizable value. In estimating net realizable value, the Company considers the impact of obsolescence, price fluctuation and fluctuations in inventory levels.

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies in the Note 3 of the Company's audited consolidated financial statements for the year ended January 31, 2021, have been consistently applied to all periods presented in the Financial Statements.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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) Currency risk

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

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 January 31, 2021, the Company had $1,304,829 in cash and cash equivalents (January 31, 2020 - $1,418,764). The Company is obligated to pay financial liabilities with total carrying amounts and contractual cash flows amounting to $2,653,260 in the next 12 months (January 31, 2020 - $3,229,501).

Credit Risk

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

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.

				January 31, 2021
Fair value through profit or loss	Level 1	Level 2	Level 3	Total
	$	$	$	$
Embedded derivative liability	-	-	208,386	208,386
	-	-	208,386	208,386

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 0.14% (2020 – 1.47%).

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

SUMMARY OF OUTSTANDING SHARE DATA

The Company's authorized share capital consists of an unlimited number of common shares without a par value and an unlimited number of preferred shares without par value.

As at January 31, 2021 and the date of this MD&A, the Company had the following securities outstanding:

Securities	January 31, 2021	Date of report
Issued and outstanding common shares	173,565,679	192,315,679
Stock options	6,461,790	9,161,790
Warrants	7,538,846	17,199,679
Convertible debentures (1)	2,800,498	3,069,237

(1) Includes accrued and unpaid interest up to May 3, 2021, which would be convertible to common shares.

KEY DEVELOPMENTS SUBSEQUENT TO JANUARY 31, 2021

On March 11, 2021, the Company completed a bought deal private placement of 18,750,000 units of the Company at a price of $0.16 per unit, for aggregate gross proceeds of $3,000,000. Each unit consists of one common share of the Company and one half of one common share purchase warrant. Each warrant entitles the holder to purchase one common share at an exercise price of $0.23 at any time before March 11, 2024. The warrants are subject the right of the Company to accelerate the expiry date of the warrants when certain conditions are met.

In connection with the private placement, Canaccord Genuity Corp., in its role as underwriter, received a cash commission in the aggregate amount of $210,000, which is equal to 7.0% of the gross proceeds raised and 1,312,500 non-transferable broker warrants, which is equal to 7.0% of the number of units sold. Each broker warrant is exercisable into one unit of the Company consisting of one common share of the Company and one half of one warrant until March 11, 2024, subject to the acceleration right, at a price of $0.16 per broker warrant. Each broker warrant will be exercisable on the same terms as a normal warrant.

On March 15, 2021, the Company completed an Asset Purchase Agreement to acquire the assets of Grasshopper Cannabis Co. The acquired assets are located in the City of Kelowna and the Company expects to operate the assets as its eighth retail cannabis location. The agreed upon purchase price of the transaction was $695,000 and was allocated to the assets on a pro-rated basis. The Company expects to incur monthly lease payments of $4,200 until December 31, 2021 at which time the monthly payments will increase to $4,400 until December 31, 2028 when the lease expires. This location is estimated to be open in the fall of 2021.

RISK FACTORS

In addition to the other information included in this report, readers should consider carefully the following factors, which describe the risks, uncertainties and other factors that may materially and adversely affect our business, products, financial condition and operating results. There are many factors that affect our business and our results of operations, some of which are beyond our control. The following is a description of some of, but not all of, the important factors that may cause our actual results of operations in future periods to differ materially from those currently expected or discussed in the FLS set forth in this report relating to our financial results, operations and business prospects. Except as required by law, we undertake no obligation to update any such FLS to reflect events or circumstances after the date of this MD&A.

For the purposes of this section, "**Material Adverse Change**" means any change of circumstances or any event which has, or would reasonably be expected to have, a material adverse effect in respect of the Company, any one or more changes, events or occurrences, and "**material adverse effect**" means, in respect of the Company, any change (or any condition, event or development involving a prospective change) in the business, operations, affairs (including the employment status of key employees), assets, liabilities (including any contingent liabilities that may arise through outstanding, pending or threatened litigation or otherwise) capitalization, financial condition, licenses, permits, rights or privileges of Kiaro or any of its subsidiaries which in the judgment of the Company, acting reasonably in the circumstances, could reasonably be expected to materially and adversely affect the Company and its subsidiaries taken as a whole or the value of the securities of the Company.

These risks include, but are not limited to the following:

The Company may issue additional equity securities

The Company may issue equity securities to finance its activities. If the Company were to issue additional equity securities, the ownership interest of existing shareholders may be diluted and some or all of the Company's financial measures on a per share basis could be reduced. Moreover, as the Company's intention to issue additional equity securities becomes publicly known, the Company's common share price may be materially adversely affected.

Being a Public Company May Increase Price Volatility

The Company's status as a reporting issuer may increase price volatility due to various factors, including the ability to buy or sell Company's common shares, different market conditions in different capital markets and different trading volumes. In addition, low trading volume may increase the price volatility of the Company's common shares. The increased price volatility could adversely affect the results of operations or financial condition.

Company's officers and directors controls a large percentage of the Company's issued and outstanding common shares and such officers and directors may have the ability to control matters affecting the Company and its business

The Company's shareholders nominate and elect the board of directors, which generally have the ability to control the acquisition or disposition of the Company's assets, and the future issuance of the Company's common shares or other securities. Accordingly, for any matters with respect to which a majority vote of the Company's common shares may be required by law, Mr. Daniel Petrov may have the ability to control such matters. Because Mr. Petrov controls a substantial portion of the Company's shares, investors may find it difficult or impossible to replace the Company's directors if they disagree with the way the Company's business is being operated. Furthermore, the interests of Mr. Petrov and other shareholders are not necessarily aligned in all respects and there can be no assurance that Mr. Petrov will exercise his rights as the Company's largest shareholder in a manner consistent with the best interests of the Company's other shareholders.

From time to time the directors and executive officers of the Company may sell their common shares on the open market. These sales will be publicly disclosed in filings made with securities regulators. In the future, the directors and executive officers of the Company may sell a significant number of their common shares for a variety of reasons unrelated to the performance of the Company's business. The shareholders of the Company may perceive these sales as a reflection on management's view of the business and result in some shareholders selling their common shares. These sales could cause the market price of the Company common shares to drop.

Dependence on Key Management Personnel

The success of the Company is dependent upon the ability, expertise, judgment, discretion, and good faith of its senior management as well as certain consultants (the "**Key Personnel**"). The Company's future success depends on its continuing ability to attract, develop, motivate, and retain the Key Personnel. Qualified individuals for Key Personnel positions are in high demand, and the Company may incur significant costs to attract and retain them. The loss of the services of Key Personnel, or an inability to attract other suitably qualified persons when needed, could have a Material Adverse Effect on the Company's ability to execute on its business plan and strategy, and the Company may be unable to find adequate replacements on a timely basis, or at all. While employment and consulting agreements are customarily used as a primary method of retaining the services of Key Personnel, these agreements cannot assure the continued services of such individuals and consultants.

Conflicts of Interest

The Company may be subject to various potential conflicts of interest because of the fact that some of its officers, directors and consultants may be engaged in a range of business activities. The Company's executive officers, directors and consultants may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers, directors and consultants may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers, directors and consultants.

In addition, the Company may also become involved in other transactions which conflict with the interests of its directors, officers and consultants who may from time to time deal with persons, firms, institutions or corporations with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, in the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

Factors which may prevent the Company from the realization of growth targets

The Company will be in the expansion from early development stage. There is a risk that these additional resources will not be achieved on time, on budget, or at all, as they can be adversely affected by a variety of factors, including some that are discussed elsewhere in these "Risk Factors" and the following:

- Inability to acquire assets permitting the operation of additional retail locations on acceptable commercial terms;
- delays in obtaining, or conditions imposed by, regulatory approvals;
- non-performance by third party contractors;
- increases in materials or labour costs;
- breakdown, aging or failure of equipment or processes;
- contractor or operator errors;
- operational inefficiencies;
- labour disputes, disruptions or declines in productivity;
- inability to attract sufficient numbers of qualified workers;
- disruption in the supply chain; and
- major incidents and/or catastrophic events such as fires, explosions, storms, pandemic, or physical attacks.

Licenses and Permits

The operations of the Company will require licenses and permits from various governmental authorities. The Company currently has all permits and licenses that it believes are necessary to carry on its current business operation with the intention of obtaining additional licenses and permits for additional operations. The Company may require additional licenses or permits in the future to achieve its intended operations and there can be no assurance that the Company will be able to obtain all such additional licenses and permits. In addition, there can be no assurance that any existing license or permit will be renewed if and when required or that such existing licenses and permits will not be revoked.

The Company may be required to obtain or renew further government permits and licenses for its operations. Obtaining, amending, or renewing the necessary governmental permits and licenses can be a time-consuming process, potentially involving numerous regulatory agencies, and involving public hearings and costly undertakings on the Company's part. The duration and success of the Company's efforts to obtain, amend, and renew permits and licenses are contingent upon many variables not within its control, including the interpretation of and amendments to applicable requirements implemented by the relevant permitting or licensing authority. The Company may not be able to obtain, amend or renew permits or licenses that are necessary to its operations. Any unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed operations of the Company. To the extent necessary permits or licenses are not obtained, amended or renewed, or are subsequently suspended or revoked, the Company may be curtailed or prohibited from proceeding with its ongoing operations or planned development and commercialization activities. Such curtailment or prohibition may result in a Material Adverse Effect on the Company's business, financial condition, results of operations or prospects.

The Company will be dependent on suppliers and distributors being able to provide certain products. The type of supplier or distributor will vary amongst the provinces. In some provinces, independent suppliers are allowed to operate provided that they have the appropriate licenses, while in other provinces the governing body administers the entirety of the wholesale and distribution operations in the province. In those provinces that allow independent licensed suppliers to operate, the Company will rely on the suppliers' licenses, or ability to obtain additional licenses, which are subject to ongoing compliance and reporting requirements. Failure to comply with the requirements of these licenses or any failure to obtain or maintain such licenses could have a material adverse impact on the business, financial condition and operating results of the Company. There can be no guarantee that the provincial regulator will issue, extend or renew these licenses or, if issued, extended or renewed, that they will be issued, extended or renewed on terms that are favourable to the Company's suppliers and the Company. Should the provincial cannabis regulators not issue, extend or renew the licenses or should they issue or renew the licenses on terms that are less favourable to such supplier and the Company than anticipated, the business, financial condition and results of the operations of the Company could be materially adversely affected.

Changes in Laws, Regulations, and Guidelines

The *Cannabis Act* came into force on October 17, 2018 and was subsequently amended on October 17, 2019. However, uncertainty remains with respect to the implementation of the *Cannabis Act* and federal regulations thereunder, as well as the various provincial and territorial regimes governing the distribution and sale of cannabis for adult-use purposes. The implementation of the legislative framework pertaining to the Canadian cannabis market remains everchanging and uncertain. The impact of new laws, regulations, and guidelines on the business of the Company, including increased costs of compliance and other potential risks, cannot be predicted, and accordingly, the Company may experience adverse effects.

Compliance with Laws

The Company's and many of its suppliers' operations will be subject to various laws, regulations, and guidelines. The Company will endeavour to comply with all applicable laws, regulations, and guidelines. However, there is a risk that the Company's interpretation of laws, regulations, and guidelines, including, but not limited to the *Cannabis Act*, the regulations thereunder, applicable provincial licensing rules and regulations, and applicable stock exchange rules and regulations, may differ from those of others, and the Company's or its suppliers' operations may not be in compliance with such laws, regulations and guidelines. In addition, achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by governmental authorities and, where necessary, obtaining regulatory approvals. The impact of regulatory compliance regimes, any delays in obtaining, or failure to obtain regulatory approvals required by the Company may significantly delay or impact the development of the Company's business and operations and could have a Material Adverse Effect on the business, results of operations and financial condition of the Company. Any potential non-compliance could cause the business, financial condition and results of the operations of the

Company to be adversely affected. Further, any amendment to or replacement of the *Cannabis Act* or other applicable rules and regulations governing the activities of the Company and its suppliers may cause adverse effects to the Company's operations. The risks to the business of the Company or its suppliers associated with the decision to amend or replace the *Cannabis Act* and subsequent regulatory changes, could reduce the potential customers of the Company and could materially and adversely affect the business, financial condition and results of operations of the Company.

It is unclear how certain regulatory bodies will interpret commercial agreements with respect to licensed retail cannabis operations. The Company intends to enter into commercial agreements in compliance with all applicable law, however provincial regulators are continuing to provide guidance on how cannabis retailers should interpret certain provincial rules and regulations. In the event provincial regulators indicate that they shall interpret certain rules and regulations in a manner inconsistent with that of cannabis retailers, including, but not limited to the Company, this could result in the Company being unable to enter into certain commercial agreements or provide certain services which could have a Material Adverse Effect on the business, results of operations, and financial condition of the Company.

The Company will incur ongoing costs and obligations related to regulatory compliance. Failure to comply with applicable laws and regulations may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures or remedial actions. Parties may be liable for civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Amendments to current laws, regulations and permitting requirements, or more stringent application of existing laws or regulations, may have a material adverse impact on the Company or its suppliers, resulting in increased capital expenditures or production costs, reduced levels of cannabis production or abandonment or delays in the development of facilities which could have a Material Adverse Effect on the business, results of operations and financial condition of the Company.

The introduction of new tax laws, regulations or rules, or changes to, or differing interpretation of, or application of, existing tax laws, regulations or rules could result in an increase in the Company's taxes, or other governmental charges, duties or impositions. No assurance can be given that new tax laws, regulations or rules will not be enacted or that existing tax laws, regulations or rules will not be changed, interpreted or applied in a manner which could result in the Company's profits being subject to additional taxation or which could otherwise have a Material Adverse Effect on the Company.

Due to the nature of the Company's operations, various legal and tax matters may be outstanding from time to time. If the Company is unable to resolve any of these matters favourably, there may be a Material Adverse Effect on the Company. There are also risks to the business of the Company represented by court rulings or legislative changes.

Requirements of Being a Public Company May Strain the Company's Resources

As a reporting issuer, the Company, and its business activities, will be subject to the reporting requirements of applicable securities legislation of the jurisdiction in which it is a reporting issuer, the listing requirements of the exchange on which it would be listed and other applicable securities rules and regulations. Compliance with those rules and regulations will increase the Company's legal and financial costs as compared to the Company's current activities making some activities more difficult, time consuming or costly and increase demand on its systems and resources.

Risks Relating to its Suppliers

In addition, the risk factors that may impact the business, operations and financial condition of the Company and its suppliers noted above, the risk factors contemplated herein may directly impact the business, operations, and financial condition of the Company's suppliers and, accordingly, may have an indirect Material Adverse Effect on the Company.

Reliance on Supplier Facilities

The facilities of the Company's suppliers could be subject to adverse changes or developments, including but not limited to a breach of security, which could have a material and adverse effect on the Company's business, financial condition and prospects. Any breach of the security measures and other facility requirements, including any failure to comply with recommendations or requirements arising from inspections by governmental authorities, could also have an impact on the Company's suppliers' ability to continue operating under their licenses or the prospect of renewing their licenses, which may have an adverse effect on the Company.

Risks Inherent in Strategic Alliances

The Company may enter into strategic alliances with third parties that it believes will complement or augment its existing business. The Company's ability to complete strategic alliances is dependent upon, and may be limited by, the availability of suitable candidates and capital. In addition, strategic alliances could present unforeseen integration obstacles or costs, may not enhance the Company's business, and may involve risks that could adversely affect the Company, including significant amounts of management time that may be diverted from operations to pursue and complete such transactions or maintain such strategic alliances. Future strategic alliances could result in the incurrence of additional debt, costs and contingent liabilities, and there can be no assurance that future strategic alliances will achieve the expected benefits to the Company's business or that the Company will be able to consummate future strategic alliances on satisfactory terms, or at all.

Competition

The private retail cannabis industry is very competitive, with the most significant competition from other entities with multiple licenses in multiple jurisdictions, which may have greater resources or longer operating histories. The Company believes that its competition can be broadly grouped into four categories: (a) large vertically integrated competitors; (b) competitors with existing retail operations; (c) government retailers; and (d) the unregulated market.

Leases

The Company may enter into lease agreements for locations in respect of which at the time of entering such agreement, it does not have the appropriate zoning, permit or licence to sell cannabis products. In the event the Company is unable to obtain the appropriate zoning, permit and/or licence to sell cannabis products at such locations in compliance with applicable law, such leases may become a liability of the Company without a corresponding revenue stream (subject to stores where the Company may sell cannabis accessories only, in compliance with applicable law). In the event that the Company is unable to obtain the appropriate zoning, permits and/or licences at numerous locations for which it has or will have a lease obligation, this could have a material adverse effect on the Company's business, financial conditions and operating results.

Limited Operating History

The Company has a limited history of operations and will be in the early stage of development as it attempts to create an infrastructure to capitalize on the opportunity for value creation in the cannabis industry. The Company will therefore be subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of sufficient revenues. The limited operating history may also make it difficult for investors to evaluate the Company's prospects for success. There is no assurance that the Company will be successful, and the likelihood of success must be considered in light of its early stage of operations.

The Company may not be able to achieve or maintain profitability and may incur losses in the future. In addition, the Company is expected to increase its capital investments as it implements initiatives to grow its business. If the Company's revenues do not increase to offset these expected increases, the Company may not generate positive cash flow. There is no assurance that future revenues will be sufficient to generate the funds required to continue operations without external funding.

Fraudulent or Illegal Activity by Employees, Contractors and Consultants

The Company may be exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (a) government regulations; (b) federal and provincial healthcare fraud and abuse laws and regulations; or (c) laws that require the true, complete, and accurate reporting of financial information or data. It may not always be possible for the Company to identify and deter such misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, such actions could have a significant impact on the Company's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of Company's operations, any of which could have a Material Adverse Effect on the Company's business, financial condition, results of operations or prospects.

Internal Controls

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards in order to help ensure the reliability of its financial reports, including those imposed on the Company under applicable law, in each case the Company cannot be certain that such measures will ensure that the Company maintains adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's consolidated financial statements and could result in a Material Adverse Effect.

General Economic Risks

The Company's operations could be affected by the economic context should interest rates, inflation or the unemployment level reach levels that influence consumer trends and spending and, consequently, impact the Company's sales and profitability.

Any investors should further consider, among other factors, the Company's prospects for success in light of the risks and uncertainties encountered by companies that, like the Company, are in their early stages. For example, unanticipated expenses and problems or technical difficulties may occur, which may result in material delays in the operation of the Company's business. The Company may not successfully address these risks and uncertainties or successfully implement its operating strategies. If the Company fails to do so, it could materially harm the Company's business to the point of having to cease operations and could impair the value of the Company's securities.

Uncertainty of Use of Proceeds

Although the Company has set out its intended use of proceeds, these intended uses are estimates only and subject to change. While management does not contemplate any material variation, management does retain broad discretion in the application of such proceeds. The failure by the Company to apply these funds effectively could have a material adverse effect on the Company's business, including the Company's ability to achieve its stated business objectives.

Failure to successfully integrate acquired businesses, its products and other assets into the Company, or if integrated, failure to further the Company's business strategy, may result in the Company's inability to realize any benefit from such acquisition

The Company expects to grow by acquiring assets and businesses. The consummation and integration of any acquired business, product or other assets into the Company may be complex and time consuming and, if such businesses and assets are not successfully integrated, the Company may not achieve the anticipated benefits, cost-savings or growth opportunities. Furthermore, these acquisitions and other arrangements, even if successfully integrated, may fail to further the Company's business strategy as anticipated, expose the Company to increased competition or other challenges with respect to the Company's products or geographic markets, and expose the Company to additional liabilities associated with an acquired business, technology or other asset or arrangement.

When the Company acquires cannabis businesses, it may obtain the rights to applications for licenses as well as licenses; however, the procurement of such applications for licenses and licenses generally will be subject to governmental and regulatory approval. There are no guarantees that the Company will successfully consummate such acquisitions, and even if the Company consummates such acquisitions, the procurement of applications for licenses may never result in the grant of a license by any state or local governmental or regulatory agency and the transfer of any rights to licenses may never be approved by the applicable state and/or local governmental or regulatory agency.

Credit and Liquidity Risk

The Company will be exposed to counterparty risks and liquidity risks including, but not limited to:

- through suppliers of the Company which may experience financial, operational or other difficulties, including insolvency, which could limit or suspend those suppliers' ability to perform their obligations under agreements with the Company;
- through financial institutions that may hold the Company's cash and cash equivalents;
- through companies that will have payables to the Company;
- through the Company's insurance providers; and
- through the Company's lenders, if any.

The Company will also be exposed to liquidity risks in meeting its operating expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of the Company to obtain loans and other credit facilities in the future and, if obtained, on terms favourable to the Company. If these risks materialize, the Company's operations could be adversely impacted, and the price of the Company's common shares could be adversely affected.

Liquidity and Additional Financing

There is no guarantee that the Company will be able to achieve its business objectives. The continued development of the Company may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of current business objectives or the Company going out of business. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company. If additional funds are raised through issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution. In addition, from time to time, the Company may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed wholly or partially with debt, which may temporarily increase the Company's debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company may require additional financing to fund its operations to the point where it is generating positive cash flows. Negative cash flow may restrict the Company's ability to pursue its business objectives.

Difficulty to Forecast

The Company will need to rely largely on its own market research to forecast industry statistics as detailed forecasts are not generally obtainable, if obtainable at all, from other sources at this early stage of the adult-use cannabis industry. Failure in the demand for the adult-use cannabis products as a result of competition, technological change, change in the regulatory or legal landscape or other factors could have a Material Adverse Effect on the business, results of operations and financial condition of the Company.

Cannabis Prices

The price of the Company's common shares and the Company's financial results may be significantly and adversely affected by a decline in the price of cannabis. There is currently no established market price for cannabis, and the price of cannabis is affected by numerous factors beyond the Company's control. Any price decline may have a Material Adverse Effect on the Company.

The profitability of the Company's may be directly related to the price of cannabis. The Company's operating income may be sensitive to changes in the price of cannabis and the overall condition of the cannabis industry, as its operating income will be derived in part from royalty payments or cannabis streams.

Reputational Risk

The Company believes that the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis stocked at retail locations of the Company. Consumer perception can be significantly influenced by scientific research or findings, regulatory proceedings, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the cannabis market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a Material Adverse Effect on the demand within the cannabis industry, which could affect the business, results of operations, financial condition and cash flows of the Company. The Company's dependence on consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a Material Adverse Effect on the Company, the business, results of operations, financial condition and cash flows of the Company. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or associating the consumption of cannabis with illness or other negative effects or events, could have such a Material Adverse Effect. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately or as directed.

In addition, the parties with which the Company does business may perceive that they are exposed to reputational risk as a result of the Company's cannabis business activities. For example, the Company could receive a notification from a banker advising it that they would no longer maintain banking relationships with those in the cannabis industry. The Company may in the future have difficulty establishing or maintaining bank accounts or other business relationships. Failure to establish or maintain business relationships could have a Material Adverse Effect on the Company.

Management of Growth

The Company may be subject to growth-related risks. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a Material Adverse Effect on the Company's business, financial condition, results of operations and growth prospects.

No assurance that the Company will turn a profit

There is no assurance as to whether the Company will be profitable or pay dividends. The Company has incurred and anticipates that it will continue to incur substantial expenses relating to the development and initial operations of its business. The payment and amount of any future dividends will depend upon, among other things, the Company's results of operations, cash flow, financial condition, and operating and capital requirements.

There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividends.

If the Company is unable to stock in-demand products or brands, it may not be able to keep pace with market developments

The cannabis industry is in its early stages and it is likely that the Company and its competitors will seek to introduce in-demand products and brands in the future to their stock. In attempting to keep pace with any new market developments, the Company will need to expend significant amounts of capital in order to successfully procure and generate revenues from, in-demand products and brands. The Company may also be required to obtain additional regulatory approvals from applicable authorities which may take significant time. The Company may not be successful in procuring in-demand products and brands, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which together with capital expenditures made in the court of such product development and regulatory approval processes, may have a material adverse effect on the Company's business, financial condition and results of operations.

Equity Price Risk

The Company may be exposed to equity price risk as a result of holding long-term investments in other companies. Just as investing in the Company is inherent with risks such as those set out in this MD&A, by investing in these other companies, the Company may be exposed to the risks associated with owning equity securities and those risks inherent in the investee companies.

Anti-Money Laundering Laws and Regulation Risks

The Company is subject to a variety of laws and regulations domestically and internationally that concern money laundering, financial recordkeeping and proceeds of crime, including the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, the *Criminal Code* (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities internationally.

In the event that any of the Company's proceeds, any dividends or distributions therefrom, or any profits or revenues accruing from operations were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada.

Unknown Defects and Impairments

A defect in any business arrangement may arise to defeat or impair the claim of the Company to such transaction, which may have a Material Adverse Effect on the Company. It is possible that material changes could occur that may adversely affect management's estimate of the recoverable amount for any agreement the Company may enter. Impairment estimates, based on applicable key assumptions and sensitivity analysis, will be based on management's best knowledge of the amounts, events or actions at such time, and the actual future outcomes may differ from any estimates that are provided by the Company. Any impairment charges on the Company's carrying value of business arrangements could have a Material Adverse Effect on the Company.

Litigation

The Company may from time to time be involved in various claims, legal proceedings and disputes arising in the ordinary course of business. If the Company is unable to resolve these disputes favourably, it may have a Material Adverse Effect on the Company. Even if the Company is involved in litigation and is successful, litigation can redirect significant Company resources. Litigation may also create a negative perception of the Company. Securities litigation could result in substantial costs and damages and divert the Company's management's attention and resources. Any decision resulting from any such litigation that is adverse to the Company could have a negative impact on the Company's financial position.

Hedging Risk

The Company may hedge or enter into forward sales of its forecasted right to purchase cannabis. Hedging involves certain inherent risks including:

- Credit risk – the risk that the creditworthiness of a counterparty may adversely affect its ability to perform its payment and other obligations under its agreement with the Company or adversely affect the financial and other terms the counterparty is able to offer the Company;
- Market liquidity risk – the risk that the Company has entered into a hedging position that cannot be closed out quickly, by either liquidating such hedging instrument or by establishing an offsetting position; and
- Unrealized fair value adjustment risk – the risk that, in respect of certain hedging products, an adverse change in market prices for cannabis will result in the Company incurring losses in respect of such hedging products as a result of the hedging products being out-of-the-money on their settlement dates.

There can be no assurance that a hedging program designed to reduce the risks associated with price fluctuations will be successful. Although hedging may protect the Company from adverse changes in price fluctuations, it may also prevent the Company from fully benefiting from positive changes.

Cybersecurity Risks

The information systems of the Company and any third-party service providers and vendors are vulnerable to an increasing threat of continually evolving cybersecurity risks. These risks may take the form of malware, computer viruses, cyber threats, extortion, employee error, malfeasance, system errors or other types of risks, and may occur from inside or outside of the respective organizations. Cybersecurity risk is increasingly difficult to identify and quantify and cannot be fully mitigated because of the rapid evolving nature of the threats, targets and consequences. Additionally, unauthorized parties may attempt to gain access to these systems through fraud or other means of deceiving third-party service providers, employees or vendors. The operations of the Company depend, in part, on how well networks, equipment, IT systems and software are protected against damage from a number of threats. These operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. However, if the Company is unable or delayed in maintaining, upgrading or replacing IT systems and software, the risk of a cybersecurity incident could materially increase. Any of these and other events could result in information system failures, delays and/or increases in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact the reputation and results of operations of the Company.

Dividend Policy

The declaration, timing, amount and payment of dividends are at the discretion of the Company's board of directors and will depend upon the Company's future earnings, cash flows, acquisition capital requirements and financial condition, and other relevant factors. There can be no assurance that the Company will declare a dividend on a quarterly, annual or other basis.

Operating Risks

Cannabis operations generally involve a high degree of risk. The Company's suppliers will be subject to all of the hazards and risks normally encountered in the cannabis industry. Should any of these risks or hazards affect its suppliers generally, it could result in the delay of product supplied or increase the price of product generally. The occurrence of either of the above mentioned risks or hazards could have a Material Adverse Effect on the ability of the Company to carry out its business and the price of the Company's securities.

Customer Acquisitions

The Company's success depends, in part, on the Company's ability to attract and retain customers. There are many factors which could impact the Company's ability to attract and retain customers, including but not limited to the successful implementation of marketing plans and the continued growth in the aggregate number of customers. The failure to acquire and retain customers would have a Material Adverse Effect on the Company's business, operating results and financial condition.

Constraints on Marketing Products

The development of the Company's businesses and operating results may be hindered by applicable restrictions on marketing. The Canadian federal regulatory regime requires plain packaging of products, and has further prohibitions with respect to marketing, including prohibitions on testimonials, lifestyle branding and packaging that is appealing to youth.

The regulatory environment in Canada and abroad limits the Company's ability to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for its products, the Company's sales and operating results could be adversely affected, which could have a materially adverse effect on the Company's business, financial condition and operating results.

Risks Inherent in an Agricultural Business

The business of certain of the Company's suppliers involves the growing of cannabis. Cannabis is an agricultural product. As such, the business is subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. In the case of outdoor cultivation, weather conditions, which can vary substantially from year to year, have a significant impact on the size and quality of the harvest of the crops processed and sold by the Company's suppliers. Significant fluctuations in the total harvest will impact the Company's ability to operate. High degrees of quality variance can also affect the ability of the Company to obtain and retain customers. There can be no assurance that natural elements will not have a Material Adverse Effect on the production of products by the Company's supplier, which may have a Material Adverse Effect on the Company.

Wholesale Price Volatility

The cannabis industry is a margin-based business in which gross profits depend on the excess of sales prices over costs. Consequently, profitability is sensitive to fluctuations in wholesale and retail prices caused by changes in supply (which itself depends on other factors such as weather, fuel, equipment and labour costs, shipping costs, economic situation and demand), taxes, government programs and policies for the cannabis industry (including price controls and wholesale price restrictions that may be imposed by provincial agencies responsible for the sale of cannabis), and other market conditions, all of which are factors beyond the control of the Company.

Product Recalls

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If any of the products produced by the Company's suppliers are recalled due to an alleged product defect or for any other reason, the Company may be required to incur unexpected expenses relating to the recall, such as finding a suitable alternative to the recalled product, and potentially any legal proceedings that might arise in connection with the recall. In addition, a product recall may require significant management attention. There can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. Additionally, if one of the products produced by the Company's suppliers were subject to recall, the image of that product, the supplier and the Company's reputation as a carrier of that product could be harmed. A recall for any of the foregoing reasons could lead to decreased demand and could have a Material Adverse Effect on the results of operations and financial condition of the Company. Additionally, product recalls may lead to increased scrutiny of the operations by regulatory agencies, requiring further management attention and potential legal fees and other expenses, which may also have an adverse effect on the Company.

Product Liability

As a seller of products designed to be ingested by humans, the Company will face an inherent risk of exposure to product liability claims, regulatory action and litigation if the products it sells are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis products involve the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of cannabis products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including that the products they sell caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances.

A product liability claim or regulatory action against the Company could result in increased costs to the Company, could adversely affect the Company's reputation with its clients and consumers generally, and could have a Material Adverse Effect on our results of operations and financial condition of the Company. There can be no assurances that the Company or the Company's suppliers will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of products.

Environmental and Employee Health and Safety Regulations

The Company's operations may be subject to environmental and safety laws and regulations concerning, among other things, emissions and discharges to water, air and land, the handling and disposal of hazardous and non-hazardous materials and wastes, and employee health and safety. Accordingly, the Company will incur ongoing costs and obligations related to compliance with environmental and employee health and safety matters. Failure to comply with environmental and safety laws and regulations may result in costs for corrective measures, penalties or in restrictions on certain of the Company's operations. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations or give rise to material liabilities, which could have a Material Adverse Effect on the business, results of operations and financial condition of the Company.

Reliance on Key Inputs

Certain of the Company's businesses are dependent on a number of key inputs and their related costs including supplies and stock related to their retail operations. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the financial condition and operating results of these suppliers. Any inability to secure required supplies, stock, and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of these suppliers, in which circumstance there could be a materially adverse effect on the financial results of the Company.

Intellectual Property

The ownership and protection of trademarks, patents, trade secrets and intellectual property rights brought in from the acquisition of Kiaro are significant aspects of the Company's future success. Unauthorized parties may attempt to replicate or otherwise obtain and use the Company's products and technology. Policing the unauthorized use of the Company's current or future trademarks, patents, trade secrets or intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. In addition, in any infringement proceeding, some or all of the trademarks, patents or other intellectual property rights or other proprietary know-how, or arrangements or agreements seeking to protect the same may be found invalid, unenforceable, anti-competitive or not infringed. An adverse result in any litigation or defense proceedings could put one or more of the trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly and could put existing intellectual property applications at risk of not being issued. Any or all of these events could materially and adversely affect the business, financial condition and results of operations of the Company.

In addition, other parties may claim that the Company's products infringe on their proprietary and perhaps patent protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, result in injunctions, temporary restraining orders and/or require the payment of damages. As well, the Company may need to obtain licences from third parties who allege that the Company has infringed on their lawful rights. However, such licences may not be available on terms acceptable to the Company or at all. In addition, the Company may not be able to obtain or utilize on terms that are favorable to it, or at all, licences or other rights with respect to intellectual property that it does not own.

Transportation Risks

The Company's suppliers will depend on fast and efficient courier services. Any prolonged disruption of this courier service could have an adverse effect on the financial condition and results of operations of the Company and/or the suppliers. Due to the nature of the business of the Company, security of product during transport is of the utmost concern. A breach of security during transport or delivery could have a material and adverse effect on the business, financial condition and prospects of the Company. Any breach of the security measures during transport or delivery, including any failure to comply with recommendations or requirements of Health Canada or other regulatory agencies, could also have an impact on the Company's and/or its suppliers' ability to continue operating.

Forward-Looking Information May Prove Inaccurate

Shareholders are cautioned not to place undue reliance on forward-looking information. By its nature, forward-looking information involves numerous assumptions, known and unknown risk and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Readers should carefully consider the risk factors set out in this MD&A and consider all other information contained herein before making a decision with respect to the Amalgamation Agreement. If any of the risks described above materialize, the business, financial condition or results of operations of the Parties could be materially and adversely affected. Additional risks and uncertainties not currently known to or currently seen as immaterial by management of Company may also materially and adversely affect the business, financial condition or results of operations of the Parties.

Challenging Global Financial Conditions

Global financial conditions, particularly in light of the recent COVID-19 pandemic, have been characterized by increased volatility, with numerous financial institutions having either gone into bankruptcy or having to be rescued by government authorities. Global financial conditions could suddenly and rapidly destabilize in response to future events, as government authorities may have limited resources to respond to future crises. Global capital markets have continued to display increased volatility in response to global events. Future crises may be precipitated by any number of causes, including natural disasters, geopolitical instability, changes to energy prices or sovereign defaults. Any sudden or rapid destabilization of global economic conditions could negatively impact the ability of the Company, or the ability of the operators of the companies in which the Company will hold interests, to obtain equity or debt financing or make other suitable arrangements to finance their projects. If increased levels of volatility continue or in the event of a rapid destabilization of global economic conditions, it may result in a Material Adverse Effect on the Company and the price of the Company's securities could be adversely affected.

Global Pandemic

As a result of the global outbreak of COVID-19 and its declaration by the World Health Organization to be a "pandemic", certain actions are being taken by governments and businesses around the world to control the outbreak, including restrictions on public activities, travel and commercial operations. As such, the Company's ability to operate its business and its sales revenue, results of operations, cashflow and liquidity may be adversely impacted.

The COVID-19 pandemic, the measures attempting to contain and mitigate the effects of the virus, including travel bans and restrictions, quarantines, shelter-in-place orders, shutdowns and restrictions on trade, and the resulting changes in customer and consumer behaviours have disrupted and will continue to disrupt the Company's normal operations and impact employees, suppliers, partners, and customers. The degree to which COVID-19 will affect the Company's results and operations will depend on future developments that are highly uncertain and cannot currently be predicted, including, but not limited to, the duration, extent and severity of the COVID-19 pandemic, actions taken to contain the COVID-19 pandemic, the impact of the COVID-19 pandemic and related restrictions on economic activity and domestic and international trade, and the extent of the impact of these and other factors on the Company's employees, partners, suppliers, and customers.

The COVID-19 pandemic and related restrictions could limit customers' ability to continue to operate, lead to disruption in the Company's supply chain, disrupt or delay the ability of employees to work because they become sick or are required to care for those who become sick, cause delays or disruptions in services provided by key suppliers, increase vulnerability of the Company and its partners and service providers to security breaches, denial of service attacks or other hacking or phishing attacks, or cause other unpredictable events. COVID-19 has also caused heightened uncertainty in the global economy. If economic growth slows further or if a recession develops or continues to develop, consumers may not have the financial means to make purchases from the Company and may delay or reduce discretionary purchases, negatively impacting the Company's operations.

Since the impact of COVID-19 is ongoing, the effect of the COVID-19 pandemic and the related impact on the global economy may not be fully reflected in the Company's results of operations until future periods. Further, volatility in the capital markets has been heightened during recent months and such volatility may continue, which may cause declines in the price of the Company's common shares, increasing the risk that securities class action litigation could be instituted against the Company.

OTHER INFORMATION

Additional information on the Company is available on SEDAR at www.sedar.com.