

FORM 62-103F1
EARLY WARNING REPORT

Item 1 -- Security and Reporting Issuer

1.1 State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.

The report relates to common shares (“Common Shares”) in the capital of Kiaro Holdings Corporation (the “Issuer”) and common share purchase warrants of the Issuer.

The Issuer’s head office is located at:
300-110 East Cordova Street
Vancouver, BC V6A 1K9

1.2 State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.

N/A. The transaction that triggered the requirement to file this report was a private transaction.

Item 2 -- Identity of the Acquiror

2.1 State the name and address of the acquiror.

Aegis Brands Inc. (the “Acquiror”)
210 Shields Court
Markham, ON L3R 8V2

2.2 State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.

On September 24, 2021, the Issuer issued 61,300,000 Common Shares and 6,700,000 Common Share purchase warrants to the Acquiror in consideration for 100% of the common shares of 2734524 Ontario Inc. (dba Hemisphere Cannabis Co.) (the “Transaction”).

A copy of the press release issued by the Acquiror on September 27, 2021, is attached hereto as Schedule A.

2.3 State the names of any joint actors.

N/A

Item 3 -- Interest in Securities of the Reporting Issuer

3.1 State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file the report and the change in the acquiror's securityholding percentage in the class of securities.

On September 24, 2021, the Acquiror acquired (i) 61,300,000 Common Shares, which represents 23.45% of the Issuer's total outstanding Common Shares at the closing of the transaction ("at closing"), and (ii) 6,700,000 Common Share purchase warrants. If the warrants are exercised, the Acquiror will own an aggregate of 68,000,000 Common Shares, representing 25.36% of the Issuer's total outstanding Common Shares at closing. Prior to the Transaction, the Acquiror held 0% of the Issuer.

3.2 State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file the report.

See Item 3.1.

3.3 If the transaction involved a securities lending arrangement, state that fact.

N/A

3.4 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.

Prior to the Transaction, the Acquiror did not beneficially own or control any Common Shares. Immediately after the Transaction, the Acquiror owned 61,300,000 Common Shares, representing 23.45% of the Issuer's total outstanding common shares at closing.

In addition, the Acquiror acquired 6,700,000 Common Share purchase warrants. If the warrants were exercised, the Acquiror would own an aggregate of 68,000,000 Common Shares, representing 25.36% of the Issuer's total outstanding Common Shares at closing.

3.5 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities referred to in Item 3.4 over which

(a) the acquiror, either alone or together with any joint actors, has ownership and control,

See Item 3.4 above.

(b) the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor, and

N/A

(c) the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.

N/A

3.6 If the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of

which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the acquiror's securityholdings.

N/A

3.7 If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.

N/A.

3.8 If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.

N/A

Item 4 -- Consideration Paid

4.1 State the value, in Canadian dollars, of any consideration paid or received per security and in total.

The 61,300,000 Common Shares were acquired by Aegis as partial consideration for its sale of all of the issued and outstanding shares of 2734524 Ontario Inc. at a per Common Share price of \$0.1289 (the five-day volume weighted average price of the Common Shares on the TSX-V on July 12, 2021, the date of execution of the definitive agreement relating to the Transaction) for aggregate consideration (as at July 12, 2021) of \$7,900,863. The 6,700,000 Common Share purchase warrants were additional consideration paid to the Acquiror as part of the Transaction.

4.2 In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the acquiror.

See Item 4.2 above.

4.3 If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.

N/A

Item 5 -- Purpose of the Transaction

State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the acquiror and any joint actors may have which relate to or would result in any of the following:

- a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer;***
- b) a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries;***
- c) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;***
- d) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;***
- e) a material change in the present capitalization or dividend policy of the reporting issuer;***
- f) a material change in the reporting issuer's business or corporate structure;***
- g) a change in the reporting issuer's charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company;***
- h) a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;***
- i) the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;***
- j) a solicitation of proxies from securityholders;***
- k) an action similar to any of those enumerated above.***

The Acquiror acquired the Common Shares to hold for investment purposes.

In connection with the Transaction, the Acquiror is also entitled to receive a further 6,700,000 Common Shares on achievement of certain commercial milestones within the first year following the closing of the Transaction. If these additional Common Shares are issued, the Acquiror will own 68,000,000 Common Shares, representing 25.36% of the outstanding Common Shares at closing. If these additional Common Shares are issued and the Common Share purchase warrants are exercised, the Acquiror will own 74,700,000 Common Shares, representing 27.18% of the Issuer's outstanding Common Shares at closing.

In connection with the transaction, Steven Pelton, the Acquiror's President and Chief Executive Officer, has joined the Issuer's board of directors.

Item 6 -- Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer

Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.

N/A

Item 7 -- Change in material fact

If applicable, describe any change in a material fact set out in a previous report filed by the acquiror under the early warning requirements or Part 4 in respect of the reporting issuer's securities.

N/A

Item 8 -- Exemption

If the acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.

N/A

Item 9 -- Certification

The acquiror must certify that the information is true and complete in every respect. In the case of an agent, the certification is based on the agent's best knowledge, information and belief but the acquiror is still responsible for ensuring that the information filed by the agent is true and complete.

This report must be signed by each person on whose behalf the report is filed or his authorized representative.

It is an offence to submit information that, in a material respect and at the time and in the light of the circumstances in which it is submitted, is misleading or untrue.

Certificate

The certificate must state the following:

I, as the acquiror, certify, or I, as the agent filing the report on behalf of an acquiror, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

September 28, 2021

Signature

Melinda Lee, Chief Financial Officer
Aegis Brands Inc.

SCHEDULE A

Aegis Brands Inc. Closes Sale of Hemisphere to Kiaro, Holds 25 Per Cent of Kiaro's Common Shares

Toronto, Ontario – September 27, 2021 – Aegis Brands Inc. (TSX: AEG) ("Aegis") is pleased to announce the completed transaction (the "Transaction") with Kiaro Holdings Corp. (TSXV: KO) ("Kiaro"), a national cannabis retailer and wholesale distributor, acquiring all the issued and outstanding shares of Aegis' subsidiary, 2734524 Ontario Inc. (dba Hemisphere Cannabis Co. or "Hemisphere"), which comprises a portfolio of seven retail locations in Ontario and two more locations subject to potential future development.

In consideration for 100% of Hemisphere's common shares, Kiaro issued to Aegis 61,300,000 common shares of Kiaro (the "Kiaro Shares"), having an aggregate value of \$6.13 million based on the closing price of the Kiaro Shares on September 24, 2021, and 6,700,000 common share purchase warrants, with each warrant exercisable for one additional Kiaro Share at an exercise price of \$0.16, subject to customary adjustments. Aegis is also entitled to receive a further 6,700,000 Kiaro Shares on achievement of certain commercial milestones concerning the existing seven locations within the first year following the closing of the transaction.

AEGIS HOLDS 25 PER CENT OF KIARO'S COMMON SHARES

The 61,300,000 Kiaro Shares issued to Aegis at closing represent approximately 25% of the Kiaro Shares, and Aegis is now Kiaro's largest shareholder. Prior to the closing of the sale transaction, Aegis held no Kiaro Shares. Further, Aegis' CEO Steven Pelton has joined the Kiaro board of directors.

A copy of the early warning report with additional information in respect of the foregoing will be available on SEDAR at www.sedar.com and from Melinda Lee at investors@aegisbrands.ca.

THE FUTURE OF AEGIS

With the completed Hemisphere transaction and the sale of Second Cup in April, the next chapter of Aegis' transformation is underway. As North America starts to return to pre-pandemic activities, Aegis is eager to expand its presence in the food and beverage sector through acquisitions and partnerships with great brands across North America.

"The completed transaction of Hemisphere means that Aegis can remain focused on acquisition and growth in the food and beverage space. We will partner with incredible brands and management teams to innovate, reposition and expand in this industry," said Steven Pelton, President and CEO of Aegis Brands Inc. "We know that the team at Kiaro will use their cannabis industry expertise to successfully grow the business in a highly competitive market."

Consumers are enthusiastically returning to food service locations following a period of household savings and fewer food service options from which to choose. This return of consumers to food service locations has the potential to create a profitable environment for the operators in the space and highlights Aegis' opportunity to consolidate great restaurant companies and the entrepreneurs behind them.

Additionally, the sale of Hemisphere to Kiaro enables Aegis to increase its focus on the growth of its Bridgehead Coffee brand and execute its wholesale, e-commerce, and new Coffeehouse strategies. The sale transaction also enables Aegis to retain an investment in retail cannabis, and is a positive step toward optimizing value in its cannabis business.

"The closing of the transaction is a significant moment for Kiaro. Kiaro's past operational successes combined with our objective of exponential revenue and EBITDA growth demonstrate our performance advantage within the Cannabis Industry," stated Daniel Petrov, Chief Executive Officer of Kiaro. "We would like to thank Aegis for its partnership and are eager to see its transformation within the food and beverage space."

Aegis Brands Inc.

Aegis Brands Inc. currently owns and operates Bridgehead Coffee. The company's vision is to build a portfolio of amazing brands that can grow and flourish with access to our resources and expertise. The company is committed to letting each brand operate independently while providing shared expertise to help them thrive. For more information, please visit aegisbrands.ca.

Aegis' head office is located at 210 Shields Court, Markham, Ontario, L3R 8V2.

Kiario Holdings Corp.

Based in Vancouver, British Columbia, Kiario is an independent, omni-channel cannabis retailer and distributor. Through existing storefronts across British Columbia, Saskatchewan, Ontario and with the completion of the recent acquisition of Hemisphere Cannabis from Aegis Brands, Kiario has 16 stores in operation and another two expected by Q1 of 2022. This is in addition to a wholesale distribution division servicing Saskatchewan; ecommerce sites in Canada, the US and Australia; and plans for continued national expansion. Kiario is driven to introduce new and experienced consumers to a lifelong exploration of cannabis. With more than 70 years of collective retail and wholesale focused experience, Kiario's leadership team has a proven track record of growing brands across North America and plans to open multiple retail locations nationwide over the coming years.

Kiario's head office is located at 300-110 East Cordova Street, Vancouver, British Columbia, V6A 1K9.

Kronos Capital Partners acted as financial advisor to Aegis Brands Inc with respect to the transaction. Haywood Securities acted as financial advisor to Kiario Holdings Corp. with respect to the transaction. MLT Aikens LLP as legal advisor to Kiario Holding Corp. and Goodmans LLP acted as legal advisor to Aegis Brands Inc.

Forward-Looking Information

This news release contains forward-looking statements with respect to Aegis and Kiario and their subsidiaries, including statements regarding the nature of Aegis' growth strategy, Aegis' execution on its potential growth plans, the achievement of certain commercial milestones, potential future growth of Kiario's revenue and profitability, Kiario's expectations regarding the achievement of exponential revenue and EBITDA growth, the return of consumers to food service locations and the profitable food service environment.

These statements are based on current expectations, are provided in reliance on certain assumptions that it believes are reasonable at this time, and are subject to known and unknown risks, uncertainties and other factors (including risks related to Aegis' growth strategy; risks related to the COVID-19 pandemic; risks relating to the ability of Kiario to successfully integrate Hemisphere and risks related to realizing the expected synergies and revenue and EBITA growth; and other risks inherent in the industry in which Aegis and Kiario operate) which may cause the actual results, performance or achievements of Aegis and Kiario and their subsidiaries to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Aegis is under no obligation to update any forward-looking statements contained herein should material facts change due to new information, future events or otherwise.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

For further information:

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